

Q2 2014



Yuba City Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Yuba City In Brief

Receipts for Yuba City's April through June sales were 1.8% higher than the same quarter one year ago.

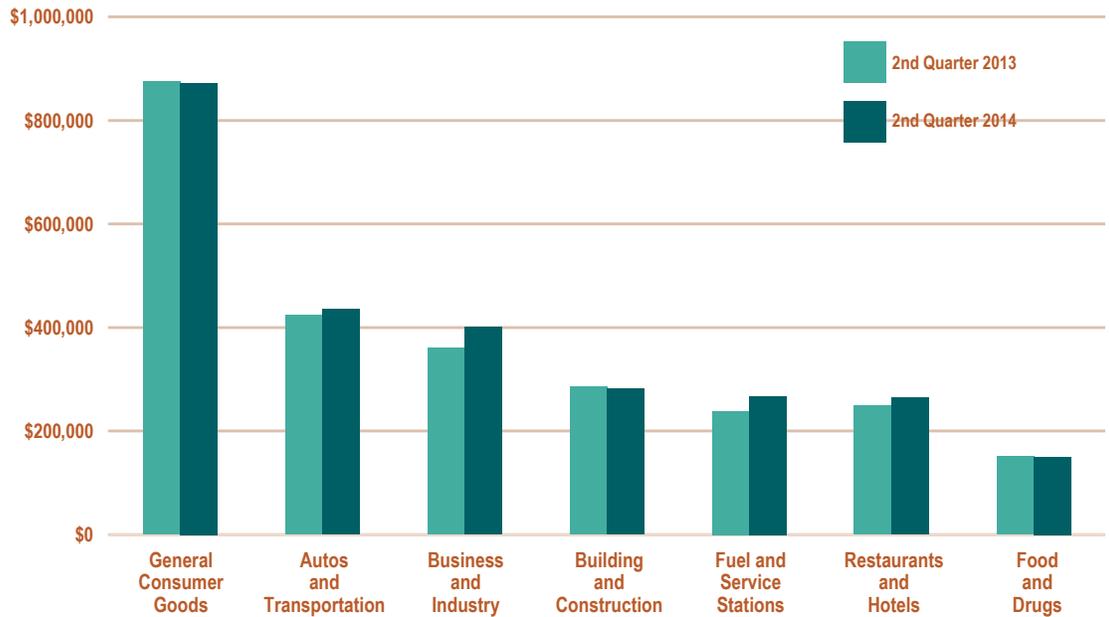
While the business and industry group overall was up, individual segments had mixed results with declines from warehouse-farm-construction equipment and strong gains from heavy industrial and business services.

A new service station opening and higher fuel prices boosted fuel and service station revenues. New business additions helped drive the autos group increase while brisk net sales lifted restaurants.

The gains were partially offset by general consumer goods and building and construction which experienced mixed results with a slight net loss in receipts. A smaller allocation from the countywide use tax pool was also a factor.

Adjusted for aberrations, taxable sales for all of Sutter County increased 1.4% over the comparable time period, while the Sacramento region as a whole was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Target
Bianchi Ag Services	Tractor Supply
Dawson Oil	United Agri Products
Dow Lewis Motors	Valley Truck & Tractor
Holt of California	Walgreen
Home Depot	Walmart
Kohls	Wheeler Chevrolet
Larry Geweke Ford	Cadillac Mazda
Lowe's	Wilbur Ellis
Quik Stop	Winco Foods
Ross	Yuba City Cogen
Sams Club	Yuba City Toyota
Sears	Scion
Sunrise Modern	
Classic Motors	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,584,481	\$2,672,745
County Pool	276,879	239,741
State Pool	1,781	1,979
Gross Receipts	\$2,863,141	\$2,914,465
Less Triple Flip*	\$(715,785)	\$(728,616)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

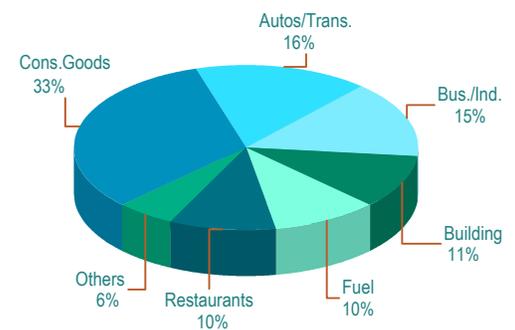
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Yuba City This Quarter



YUBA CITY TOP 15 BUSINESS TYPES

Business Type	Yuba City		County	HdL State
	Q2 '14*	Change	Change	Change
Casual Dining	81.1	0.3%	0.6%	3.1%
Department Stores	— CONFIDENTIAL —		1.1%	1.1%
Discount Dept Stores	423.8	-0.7%	-0.7%	2.9%
Electronics/Appliance Stores	56.3	7.7%	7.7%	-0.9%
Family Apparel	64.4	0.2%	0.2%	9.7%
Garden/Agricultural Supplies	118.9	-2.5%	0.3%	5.4%
Grocery Stores Liquor	78.5	-3.0%	-0.4%	5.7%
Heavy Industrial	52.1	86.1%	47.4%	8.7%
Lumber/Building Materials	213.3	11.7%	11.5%	8.9%
New Motor Vehicle Dealers	261.3	-2.1%	-1.6%	7.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —		16.9%	-0.7%
Quick-Service Restaurants	155.4	14.8%	15.1%	6.7%
Service Stations	210.8	9.6%	-6.6%	6.7%
Specialty Stores	63.8	-0.7%	-6.1%	8.0%
Warehse/Farm/Const. Equip.	106.2	-11.6%	5.6%	13.9%
Total All Accounts	\$2,672.7	3.4%	2.6%	2.8%
County & State Pool Allocation	\$241.7	-13.3%	-13.9%	12.7%
Gross Receipts	\$2,914.5	1.8%	1.0%	3.9%