

# Q2 2007



## Big Bear Lake Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2007)

### Big Bear Lake In Brief

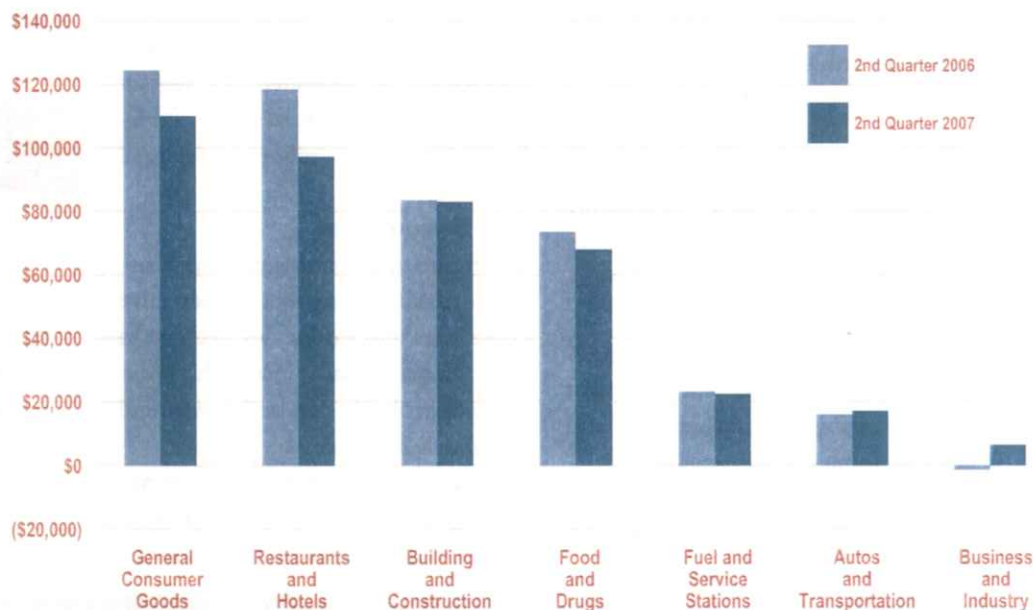
Receipts for Big Bear Lake's second quarter sales were 7.5% lower than the same quarter one year ago.

The city experienced a decline in sales from restaurants with liquor, home furnishings and the Building & Construction sector. Double-up payments that inflated year-ago returns exaggerated the drop in restaurants with beer/wine and Food & Drugs.

A onetime accounting adjustment that negatively impacted last year's allocation inflated results from the Business & Industry group.

Gross receipts for all of San Bernardino County declined 2.8% over the comparable time period while the Southern California area, as a whole, was down 0.1%.

### SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	K Mart
7 Eleven	Mandoline
Big Bear Chevron	McDonalds
Big Bear Service Station	Moonridge Fuel
Budget Car Sales	Old Country Inn
Butchers Block & Bldg Materials	Radio Shack
Carls Jr	Riffenburgh Lumber
CVS Pharmacy	Rite Aid
Dollar Tree	Robertsons Ready Mix
El Jacalito	Rustic Mountain Log Homes
Geiger Supply	Stater Bros
Haus & Home Furnishings	USA Station
	Vons

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$437,695	\$404,127
County Pool	48,225	45,407
State Pool	599	384
<b>Gross Receipts</b>	<b>\$486,518</b>	<b>\$449,919</b>
Less Triple Flip*	\$(121,630)	\$(112,480)

\*Reimbursed from county compensation fund

NOTES

**SALES TAX, HOUSING AND THE GLOOMY ECONOMY**

The combination of declining home sales and prices, foreclosures and tightening credit have created new challenges for local officials in forecasting the impact on sales tax revenues.

Generally, the side effects are expected to be less than the real estate downturn of the 1990s which was accompanied by a national recession, high unemployment and escalating inflation.

Despite layoffs in real estate and home construction, unemployment in California remains relatively low. The weak U.S. dollar has resulted in growing export activity and tourism, and business investment in new technology continues. The impact on sales tax should be more regional and industry specific than in previous down cycles.

**Regional**

Areas that have enjoyed the highest growth rates in recent years are most likely to exhibit the smallest gains and possibly some revenue declines.

At the peak of the housing boom in 2005, over 10% of the country's disposable income came from home equity loans. The reversal in home values should reduce spending in the Sacramento and Central Valleys, Inland Empire, and some portions of San Diego and the Central Coast.

The San Francisco Bay area and Silicon Valley are benefiting from a strong rebound in the technology sectors and rising tourism, and are expected to out-perform the rest of the state. The experience of other communities will be largely determined by the makeup of their specific tax bases.

**Sales Tax by Characteristic**

Communities that derive a high percentage of their sales tax revenues from building materials or home improvement merchandise could be impacted more than others as demand and prices drop through 2008. Although auto sales are more brand and dealer specific, this group as a whole,

is expected to continue a downward pattern through spring.

Statewide, sales of general consumer goods including apparel and soft goods are expected to grow 4%, although big ticket items such as furniture and appliances may exhibit regional declines. Department stores and discounters in lower income areas may also be flat or slightly down.

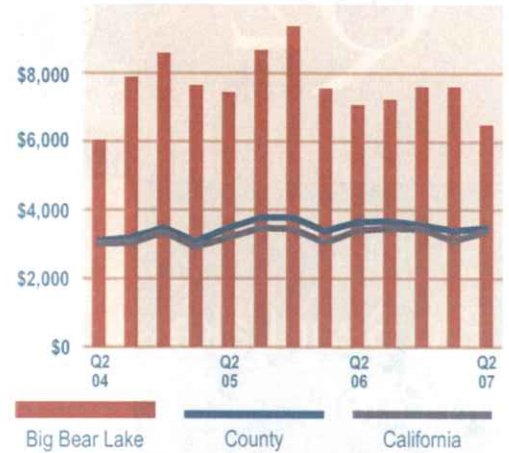
Tax generation from restaurants, service stations, and grocers should continue to show moderate growth. Barring an international crisis, business investment in equipment and technology is expected to remain solid, although potential water and labor shortages may reduce agricultural spending.

**The Bottom Line**

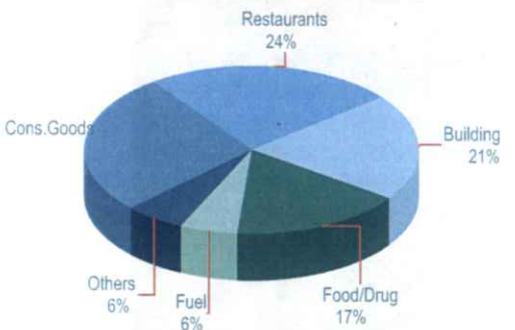
The more media coverage of the housing correction, the more conservative consumers and businesses become in their spending plans. How this plays out will probably not be known until the March 2008 sales tax receipts.

At this point in time however, economists predict slow or modest sales growth but not significant decreases.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Big Bear Lake This Quarter



**BIG BEAR LAKE TOP 15 BUSINESS TYPES**

Business Type	Big Bear Lake		County	HdL State
	Q2 '07	Change	Change	Change
Lumber/Building Materials	— CONFIDENTIAL —		-15.1%	-7.0%
Discount Dept Stores	— CONFIDENTIAL —		-1.6%	1.0%
Grocery Stores Liquor	37,452	4.3%	-4.6%	-5.4%
Restaurants No Alcohol	36,204	-4.3%	11.2%	5.8%
Restaurants Liquor	27,482	-29.0%	3.4%	13.4%
Restaurants Beer And Wine	26,414	-25.0%	8.9%	2.1%
Service Stations	21,002	-2.6%	-2.6%	4.2%
Specialty Stores	18,079	-2.9%	1.6%	1.2%
Grocery Stores Beer/Wine	14,431	-0.9%	5.7%	1.2%
Drug Stores	13,807	-31.6%	-9.9%	-11.2%
Home Furnishings	12,942	-32.3%	7.2%	-3.3%
Contractors	12,047	334.8%	-10.8%	0.6%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		-1.5%	8.3%
Variety Stores	5,935	22.6%	8.8%	10.2%
Used Automotive Dealers	— CONFIDENTIAL —		-7.4%	-4.3%
<b>Total All Accounts</b>	<b>\$404,127</b>	<b>-7.7%</b>	<b>-2.9%</b>	<b>0.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>45,792</b>	<b>-6.2%</b>		
<b>Gross Receipts</b>	<b>\$449,919</b>	<b>-7.5%</b>		