

Q4 2016



Big Bear Lake Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Big Bear Lake In Brief

Big Bear Lake's receipts from October through December were 7.0% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were up 3.8%.

Steady consumer interest in eating out and the beginnings of solid seasonal travel improved receipts from quick-service and casual dining restaurants, accounting for 24% of the adjusted gains.

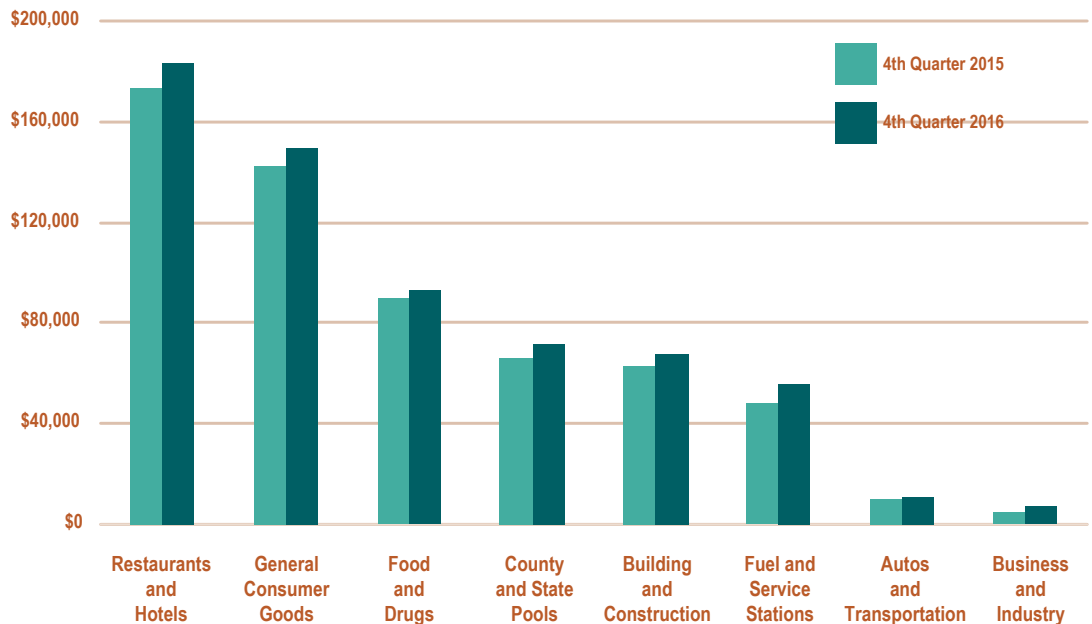
Strong holiday returns from multiple general consumer goods categories including women's and family apparel outlets and specialty retailers were further supported by increased sales of sporting goods during the first winter quarter.

Building-construction and food-drug merchants also experienced positive growth, while service stations were slightly exaggerated by reporting anomalies in both the current and year-ago period.

These increases in local point of sale revenue and a rise in capital and online purchases shipped into the region, boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

Net of aberrations, taxable sales for all of San Bernardino County grew 1.4% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

572 Social Kitchen & Lounge	Dominos Pizza
7 Eleven	Geiger Supply
Arco AM PM	Interiors
Big 5	Kmart
Big Bear Lake Brewing Company	McDonalds
Big Bear Lake Convention Center	Moonridge Fuel
Blauer Ski Rentals	Nicks Auto Center
Butchers Block & Building Materials	Peppercorn Grille
CVS Pharmacy	Shell
DIY Home Center	Shirt Shanty
Dollar Tree	Snow Summit
	Stater Bros
	Vons
	Walgreens

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,411,518	\$1,482,471
County Pool	162,244	182,355
State Pool	1,605	885
Gross Receipts	\$1,575,368	\$1,665,711
Less Triple Flip*	\$(393,842)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

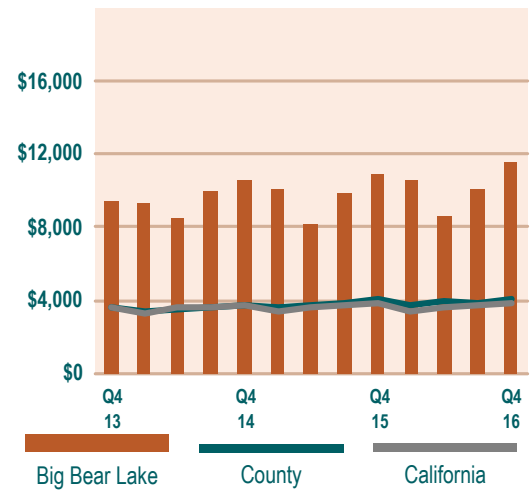
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

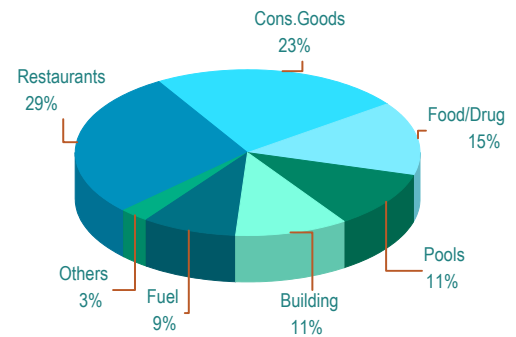
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

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
	Q4 '16	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	0.6%	0.7%
Casual Dining	98,177	4.2%	4.5%	2.6%
Convenience Stores/Liquor	12,107	3.1%	7.1%	5.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.6%	-0.6%
Drug Stores	— CONFIDENTIAL —	—	14.2%	10.2%
Family Apparel	14,117	18.8%	5.2%	4.7%
Fine Dining	— CONFIDENTIAL —	—	26.5%	12.2%
Grocery Stores	— CONFIDENTIAL —	—	9.2%	3.9%
Home Furnishings	16,637	-0.8%	11.5%	0.2%
Leisure/Entertainment	12,487	31.8%	-0.3%	9.6%
Quick-Service Restaurants	62,283	5.1%	8.3%	5.6%
Service Stations	53,765	18.4%	1.7%	-1.0%
Specialty Stores	12,712	16.4%	3.6%	3.7%
Sporting Goods/Bike Stores	32,978	16.3%	7.3%	0.6%
Women's Apparel	7,952	10.3%	6.9%	-0.4%
Total All Accounts	568,222	6.9%	1.9%	2.4%
County & State Pool Allocation	71,490	7.9%	2.8%	6.9%
Gross Receipts	639,712	7.0%	2.0%	3.0%