

Q1 2016



City of Martinez Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Martinez In Brief

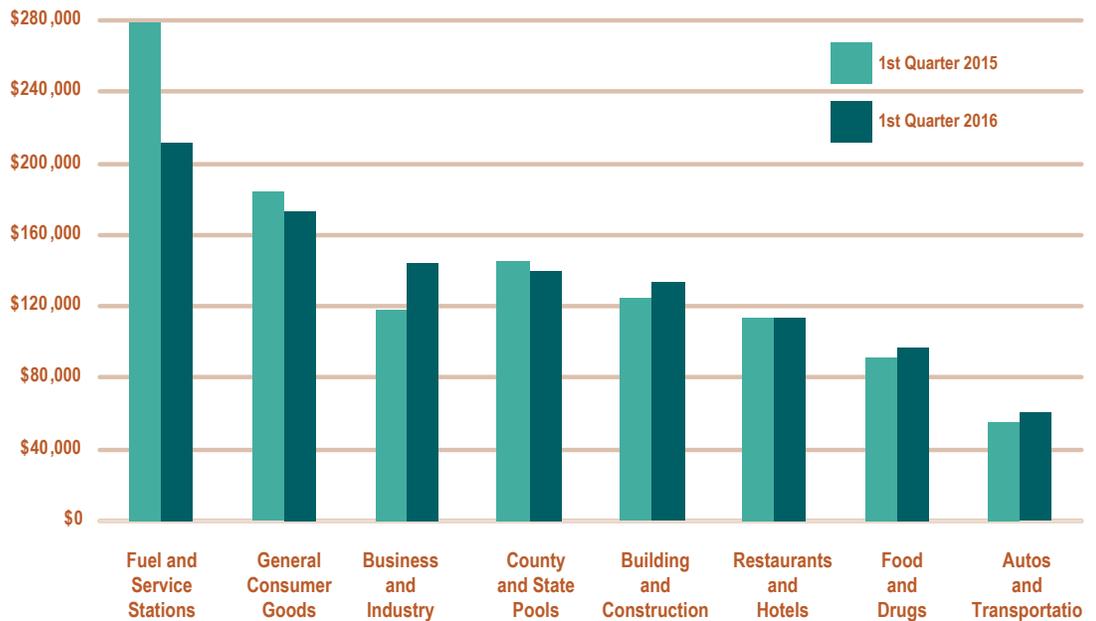
Gross receipts from January through March sales were 3.2% less than the same quarter one year ago, but accounting events that inflated last year's postings from both general consumer goods and fuel and service stations plus an adjustment that cut this quarter's allocation from the county use tax pool skewed the data. Actual sales were 3.0% higher net of these and other anomalies.

Sales were up from the automotive group and the building-construction sector, although gains from the latter were overstated by an adjustment to a contractor supply account. A recovery garnered by the City's on-going point of sale audit program spiked light industrial printer returns. Receipt of taxes due from a prior period inflated results from the food and drug group.

Payment anomalies depressed comparisons for casual dining and some categories within the business and industry group, but understated the impact of lower fuel prices on service station returns.

Adjusted for onetime reporting events, taxable sales for all of Contra Costa County grew 2.6% over the same period; the Bay Area as a whole was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply	McDonalds
Ace Hardware	Newell Auto Group
Bay Area Diablo Petroleum	Nob Hill Foods
Canyon Sports	Petco
Chevron (2)	Putzmeister
Colonial Energy	Rite Aid
Cresco Equipment Rentals	S & S Tool & Supply
CVS	Safeway
Eco Services	Siemens Medical Solutions
Home Depot	Valero Corner Store
Les Schwab Tire Center	Walmart
Lucky Supermarket	Z Wireless

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$4,549,615	\$4,443,432
County Pool	726,472	729,561
State Pool	3,172	3,610
Gross Receipts†	\$5,279,259	\$5,176,604
Cty/Cnty Share	(131,981)	(129,415)
Net Receipts	\$5,147,278	\$5,047,189
Less Triple Flip*	\$(1,286,820)	\$(999,957)

†Includes tax sharing amounts due to others

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

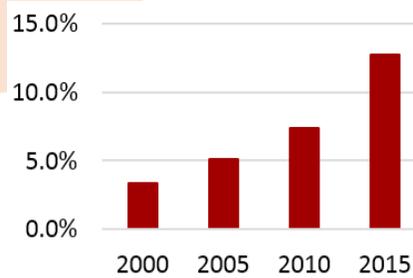
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

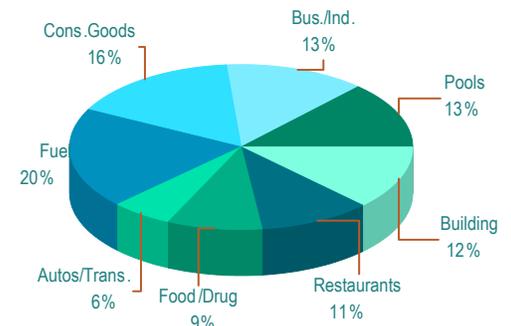
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Martinez This Quarter**



MARTINEZ TOP 15 BUSINESS TYPES

Business Type	Martinez		County	HdL State
	Q1 '16	Change	Change	Change
Casual Dining	49,601	-7.0%	2.4%	5.7%
Contractors	18,012	34.2%	18.5%	3.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.6%	-0.3%
Drug Stores	— CONFIDENTIAL —	—	-0.2%	0.0%
Drugs/Chemicals	— CONFIDENTIAL —	—	24.4%	-6.8%
Grocery Stores Liquor	— CONFIDENTIAL —	—	5.2%	1.6%
Hardware Stores	— CONFIDENTIAL —	—	0.4%	2.8%
Light Industrial/Printers	28,204	79.3%	-5.6%	-1.7%
Lumber/Building Materials	99,568	3.0%	4.9%	4.5%
Medical/Biotech	26,656	-8.8%	-9.3%	7.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-20.9%	-44.2%
Quick-Service Restaurants	54,339	4.4%	7.3%	6.4%
Repair Shop/Equip. Rentals	16,674	15.0%	-11.3%	16.9%
Service Stations	67,280	-15.3%	-10.0%	-9.3%
Used Automotive Dealers	— CONFIDENTIAL —	—	24.9%	9.2%
Total All Accounts	934,645	-3.1%	1.7%	1.8%
County & State Pool Allocation	139,573	-3.8%	1.0%	14.1%
Gross Receipts	1,074,218	-3.2%	1.6%	3.2%
City/County Share	(26,855)	3.2%		
Net Receipts	1,047,362	-3.2%		