

City Manager Weekly Update

TO: Mayor and City Council Members
City Commissioners

FROM: Benjamin Siegel, City Manager

DATE: August 4, 2022

SUBJECT: **Weekly Update**

First Quarter Sales Tax Revenue: The City's sales tax consultant (HdL, Inc.) has provided the results of its analysis of merchant sales activity for January through March 2022 (first calendar quarter). The City's adjusted sales tax revenue generated by first quarter sales was 15.7% higher than the first quarter of 2021. Major contributors to this increase were new car sales, brick and mortar retail, gasoline sales and restaurants. Restaurant sales were 48.1% higher than the same quarter a year prior, exceeding the 39.6% increase in restaurant sales for the county as a whole. The attached report summarizes first quarter sales tax data by major business category, along with commentary on the economic trends indicated by the sales activity. The HdL report also identifies the Top 25 businesses that generated the greatest amount of sales activity in the first quarter.

Gymnasium Improvements: This week, all lighting throughout the Community Center gymnasium was replaced with enhanced, energy-efficient LED lighting. These new lights will provide a brighter and improved recreational space for the many community groups and sports teams who utilize the facility. To rent the gymnasium for your next event or activity, please contact the Community Services Department at (949) 493-5911 to complete an application.



San Juan Summer Nites Concert – August 17: Join us from 6:00 p.m. to 8:00 p.m. on Wednesday, August 17, for the continuation of the *San Juan Summer Nites* concert series at Historic Town Center Park (31525 El Camino Real). The evening's festivities will include live music provided by County Western singer Brent Payne, business expo vendors, free activities for kids, food trucks and more.

City Council Candidate Nomination Period: The filing period to run for City Council (Districts 2, 3 and 4) in the November 8 General Municipal Election opened Monday, July 18, and ends Friday, August 12. Candidates must be registered voters and reside in either District 2, 3 or 4 in San Juan Capistrano. The Nomination Period will be extended to August 17 if an incumbent fails to file nomination papers by the August 12 deadline. A district map is available on the City's [website](#). Nomination papers must be signed by no less and 20 and no more than 30 registered voters residing in the district in which the candidate resides. There is no cost for filing nomination papers. All forms required for nomination and election to municipal office are furnished by and filed with the City Clerk. Appointments to obtain the candidate's packet and review information with the City Clerk are required. For additional information or to schedule an appointment, please contact the Office of the City Clerk at (949) 443-6309.

Warm Weather Helps Mosquitoes Emerge: Given the elevated summer temperatures, Orange County Vector Control experts stress the need for residents to take an active role in mosquito control by checking their property for any standing water. Even a bottle cap full of water can breed mosquitoes. Any standing water should be emptied, containers should be sealed tightly to prevent mosquito entry, unnecessary containers should be removed from yards, and green, unmaintained pools should be cleaned or treated. Please visit the OC Vector Control [website](#) for additional information.

UPCOMING CITY COUNCIL AGENDA ITEMS (*Tentative and Subject to Change*)

August 16

- Housing Element Update
- Appointment to Parks, Equestrian, Community Services Commission
- 20th Year Anniversary of Rancho Mission Viejo Rodeo Recognition
- San Juan Capistrano Rotary Club Recognition

SAN JUAN CAPISTRANO

SALES TAX UPDATE

1Q 2022 (JANUARY - MARCH)



SAN JUAN CAPISTRANO

TOTAL: \$ 2,783,180

15.7%
1Q2022



20.1%
COUNTY

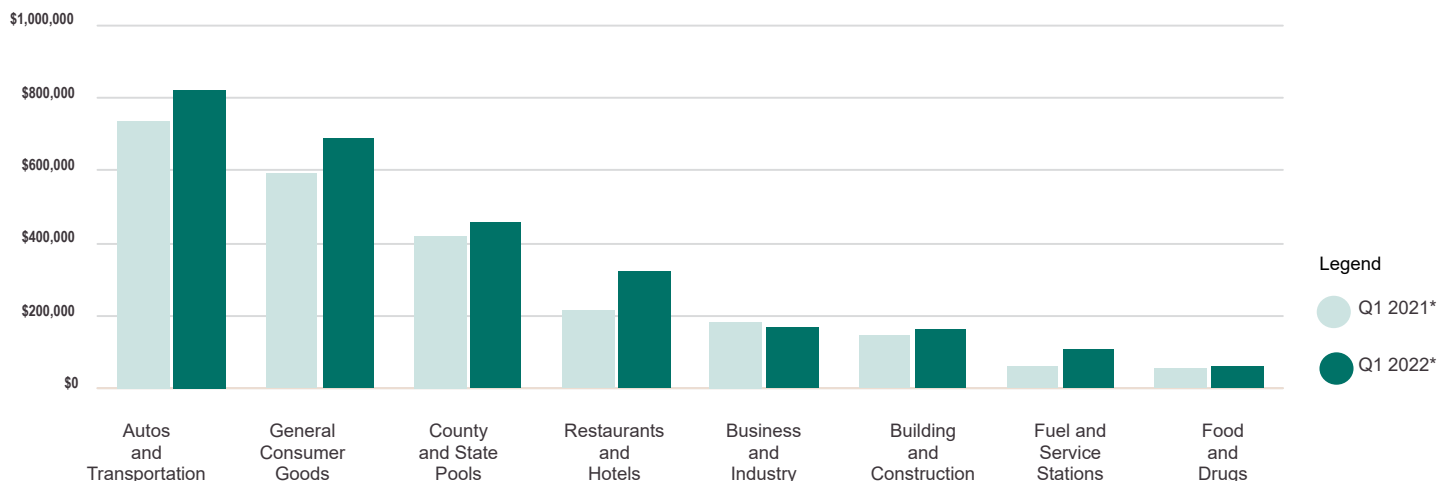


17.1%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



SAN JUAN CAPISTRANO HIGHLIGHTS

San Juan Capistrano's receipts from January through March were 15.7% above the first sales period in 2021.

Strong demand and limited inventory for vehicles causing elevated pricing for buyers contributed to another stellar jump from new auto dealers. Restaurants and hotels experienced another sensational sales period, especially during the normal winter period, as patrons appear unfazed by more expensive menus and populated eateries.

With the global cost of crude oil resulting in higher gas prices locally and more commuters on the road, revenue from service stations jumped 80%, much more than the state and countywide trends. Sales of fuel and improved activity from specialty stores lifted general consumer goods.

The current stable housing market supported by favorable interest rates and increased equity helped boost receipts at building suppliers.

Increased allocations from the countywide use tax pool further contributed to the overall positive outcome. Greater investments in industrial equipment purchases helping the pool grow coupled with the improved local results stated above has the City's portion 10% higher than a year ago.

Net of aberrations, taxable sales for all of Orange County grew 20.1% over the comparable time period; the Southern California region was up 19.2%.



TOP 25 PRODUCERS

7 Eleven	Plant Depot
Audi & Bentley Leasing	Ross
Capistrano Ford	SCP Distributors
Capistrano Mazda	Shell
Capistrano Valley Toyota	Siteone Landscape Supply
Coastline Chrysler	Target
Dodge Jeep Ram	Trevors at the Tracks
Costco	Vons
Ferguson Enterprises	
HD Supply	
Hirsch Pipe & Supply Co	
Main Street Materials	
Marshalls	
Nissan of San Juan Capistrano	
Ocean Honda	
Pacific Sales	
Pacific Sales w/Best Buy	
Paradise Automotive Group	



STATEWIDE RESULTS

California’s local one-cent sales and use tax for sales occurring January through March was 17% higher than the same quarter one year ago, after adjusting for accounting anomalies and onetime payments from previous quarters. By all accounts, the California retail economy continues roaring along. Even with instability in the stock market, the crisis in Ukraine pushing up the global price of crude oil and the U.S. Federal Reserve Board beginning to tackle inflation with a series of rate increases, consumer spending continued at a strong pace.

The invasion of Ukraine by Russian military forces on February 24 had an immediate upward impact on the global price of crude oil due to fears of supply shortages. Subsequently this has caused a dramatic jump to California consumer gas and diesel prices at a time when many in the workforce were commuting back into offices, also contributing to an overall increase in consumption. As expected, fuel and service station receipts increased 47% over last year and show no signs of pulling back with summer travel right around the corner.

Sales of new and used vehicles continue to be robust causing the autos and transportation sector to jump 15% for the period. Inventory shortages by some dealers may have caused buyers to experience a Fear Of Missing Out (FOMO) and pay elevated prices while interest rates remained lower. Automotive brands that have committed to full electric or hybrid models are attractive with consumers, especially given the sudden rise in fuel prices.

Post-holiday retail sales of general consumer goods remained solid, improving 10%. Prior supply chain concerns have dissipated, port operations are returning to normal and headwinds from inflation and higher cost goods haven’t yet slowed consumer demand. The stellar returns

were largely driven by discount department stores, especially those selling gas.

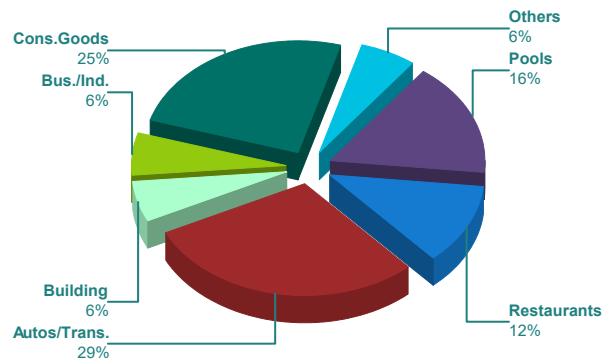
These results mark the fourth full quarter in a row that restaurant and hotel receipts have increased. While higher menu prices have contributed, steady demand by patrons to dine out is also propelling the gains. Furthermore, theme parks and entertainment venues throughout the state are busy. With the summer tourism and travel season approaching, the industry is positioned to maintain post-pandemic growth and remain positive through 2022.

Use taxes generated by online sales and purchases from out-of-state vendors allocated via the county pools, heartily surpassed expectations, gaining 13% over

the comparison period. Shoppers bought a range of merchandise and spending by businesses on capital equipment remained sensational.

The first quarter sales period contributed to an already strong 2021-22 fiscal year for most municipalities statewide. However, continued inflationary pressure, soaring interest rates and record gas prices may soften growth going into 2022-23.

REVENUE BY BUSINESS GROUP
San Juan Capistrano This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Juan Capistrano Business Type	Q1 '22*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	635.3	14.3% ↑	17.7% ↑	18.7% ↑
Casual Dining	186.1	45.0% ↑	46.7% ↑	55.7% ↑
Service Stations	106.0	80.1% ↑	53.2% ↑	43.3% ↑
Building Materials	73.0	16.3% ↑	8.5% ↑	7.8% ↑
Quick-Service Restaurants	70.8	24.1% ↑	9.8% ↑	7.8% ↑
Garden/Agricultural Supplies	65.0	-30.5% ↓	8.2% ↑	2.6% ↑
Electronics/Appliance Stores	63.0	0.8% ↑	14.3% ↑	12.5% ↑
Specialty Stores	58.1	18.6% ↑	17.4% ↑	10.9% ↑
Auto Lease	54.2	-8.6% ↓	-10.5% ↓	-7.5% ↓
Auto Repair Shops	45.6	31.7% ↑	21.5% ↑	22.0% ↑

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars