

City Manager Weekly Update

TO: Mayor and City Council Members
City Commissioners

FROM: Benjamin Siegel, City Manager

DATE: October 14, 2021

SUBJECT: **Weekly Update**

Second Quarter Sales Tax Revenue: The City's sales tax consultant (HdL, Inc.) has provided the results of its analysis of merchant sales activity for April through June 2021 (second calendar quarter). The City's adjusted sales tax revenue generated by second quarter sales was 42.3% higher than the second quarter of 2020. Much of that increase was due to the City's rapid recovery from the economic impacts of the COVID-19 pandemic. However, even when compared to the pre-pandemic second quarter of 2019, the second quarter of 2021 reflected a sizable 26.3% increase in sales. This compared to a countywide increase of only 12.1% when compared to the second quarter of pre-pandemic 2019. A significant contributor to San Juan Capistrano's increase in sales tax revenue was new car sales within the city, which in the second quarter of 2021 were 61% higher than the corresponding quarter of pre-pandemic 2019. Also, whereas most cities in the county were still experiencing lower second quarter restaurant sales in 2021 when compared with pre-pandemic levels, San Juan Capistrano's restaurants were already showing a full recovery to the pre-pandemic levels of the second quarter of 2019. The attached report summarizes second 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 second quarter.

H2O for HOAs Event: The City of San Juan Capistrano is partnering with several South Orange County public agencies to host an educational water efficiency workshop for homeowners' associations on Tuesday, October 19, from 8:00 a.m. to 12:00 p.m. at the Lake Forest Community Center (100 Civic Center Drive, Lake Forest). Presentations will be provided on watershed protection, water efficiency programs, wildfire risk reduction as well as other aspects of HOA water management. For additional information and available virtual participation instructions, please see the attached flyer or contact the City's Water Conservation Division at sjconserve@sanjuancapistrano.org or (949) 487-4304.

Metrolink Nighttime and Weekend Railroad Maintenance: Metrolink crews will be performing periodic nighttime and weekend track maintenance work on the Orange County line between Laguna Niguel/Mission Viejo and San Clemente through Thursday, October 21 at 5:00 a.m. For details and hours of maintenance please see the attached schedule. According to Metrolink, potential impacts during the work could include noise from equipment back up alarms, noise and vibrations from construction machinery, and increased lighting. For questions and additional information, please contact Metrolink representative Laurene Lopez at (213) 452-0433 or communityrelations@scrta.net.

Smoke Alarm Maintenance: Did you know that working smoke alarms in the home reduce the risk of death or serious injury in a reported fire by more than half? However, 41% of home fire fatalities occur in homes with no smoke alarms or smoke alarms that failed to operate. The Orange County Fire Authority “Sounds of Safety” campaign is intended to educate the community about the sounds smoke alarms make, what those sounds mean, and how to respond to them. Gaining a better understanding of the reasons smoke alarms may sound and knowing how to effectively address them ensures that smoke alarms remain in working order. A single “chirp” every 30 to 60 seconds means the battery is low and must be changed; if the “chirp” continues after the battery has been replaced, this means it is time to replace the entire smoke alarm unit. And, of course, if you hear a long “beep,” activate your home evacuation plan and exit to safety. For additional information on smoke alarm maintenance, please visit the OCFA [website](#).

Goin Native Free Workshop: This Saturday, October 16, at 10:00 a.m., Goin Native will host a free workshop at Reata Park (28632 Ortega Hwy) on learning the basics of where and how to plant bulbs. Following the presentation there will be an opportunity to exchange bulbs from your home gardens with other participants. There is no cost to attend the presentation, though specialty bulbs will be available for purchase. For additional information on Goin Native programs, please visit the organization’s [website](#).

Wall of Recognition Nomination Period Open: The City Council created the Wall of Recognition to honor individuals whose service to the community has made the City of San Juan Capistrano a more productive and enjoyable place to live, work and visit. This year’s nomination period is currently open and will close at 4:30 p.m., Friday, October 22. Once the City Council makes its selection, an unveiling ceremony of the new additions will take place at the San Juan Capistrano Community Center, where the Wall of Recognition is located. Please see the [website](#) for nomination guidelines and submittal instructions. For questions and to submit a nomination, please contact Matisse Reischl at (949) 443-6315 or mreischl@sanjuancapistrano.org.

American Red Cross Blood Drive Series: In partnership with the American Red Cross, the City is hosting a monthly blood drive through the end of the year. Appointments will be available on October 19, November 9 and December 14 from 9:30 a.m. to 3:30 p.m., at the San Juan Capistrano Community Center located at 25925 Camino Del Avion. Sign up for an appointment at the American Red Cross [website](#) using sponsor code *CityofSJC*. For questions, please contact Lindsey Stigall at (949) 443-6380.

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

October 19, 2021

- Agreements Related to the City’s Water and Sewer Utility Transfer to SMWD
- Ordinance Implementing State-mandated Organic Waste Recycling Regulations
- Resolution of Intention for Sale of City-owned Calle Arroyo Property

SAN JUAN CAPISTRANO

SALES TAX UPDATE

2Q 2021 (APRIL - JUNE)



SAN JUAN CAPISTRANO

TOTAL: \$ 2,917,664

42.3%
2Q2021



37.6%
COUNTY

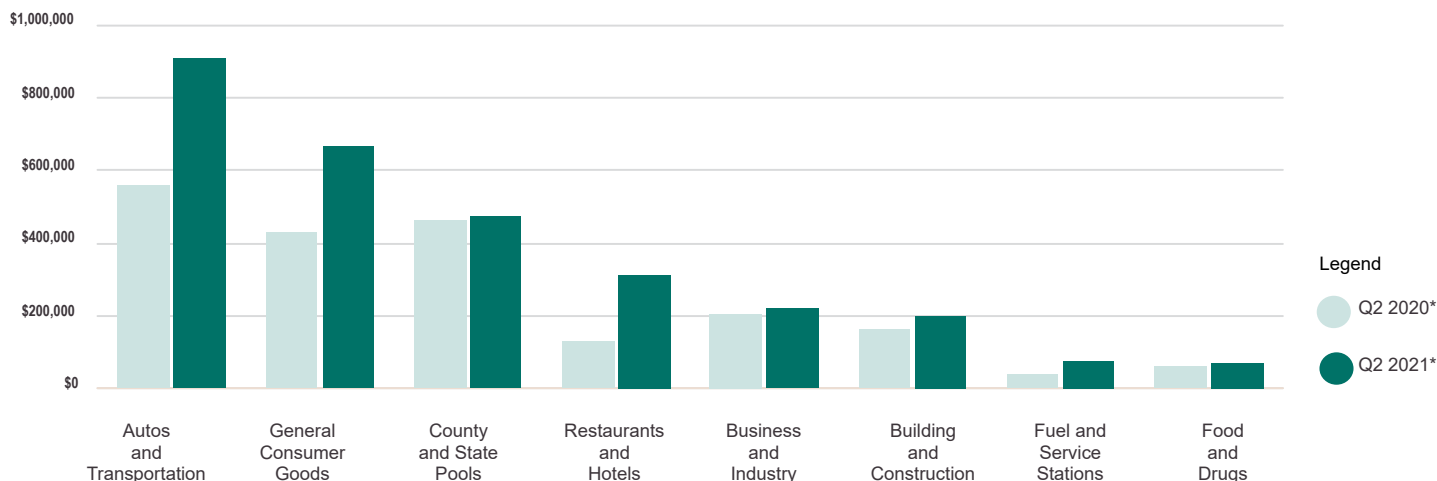


37.3%
STATE



**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 April through June were 33.2% above the second sales period in 2020. Excluding reporting aberrations, actual sales were up 42.3% compared to the pandemic low in the previous year. The City's sales tax revenue is also now \$608,000, or 26.3%, higher than where it was two years prior, in the second quarter of 2019, before the Covid-19 crisis began.

New car sales have surged since 2Q19, with proceeds increasing \$269,000, or 61%, as consumers with money to spend appear to be in a near-buying frenzy even as supply chain challenges have limited available inventory and resulted in record high pricing.

Allocations from the Orange Pool have also increased \$178,000 or 60%, on the Wayfair/AB147 legislative change that has allowed for the taxation of additional

internet sales since its implementation in 2019.

A recent new store addition in San Juan Capistrano coupled with a resilient pandemic recovery has also helped to lift the general consumer goods category to more than \$91,000, or 16%, higher than 2Q19.

Net of aberrations, taxable sales for all of Orange County grew 37.6% over last year and 12.1% higher than 2Q19; the Southern California region was up 40.3% versus last year and 15.6% higher than 2Q19.



TOP 25 PRODUCERS

- | | |
|-----------------------------------|---------------------------|
| Armstrong Garden Centers | Paradise Automotive Group |
| Capistrano Ford | Plant Depot |
| Capistrano Valley Toyota | Ross |
| Capistrano VW/Mazda | SCP Distributors |
| Coastline Chrysler Dodge Jeep Ram | Shell |
| Costco | Siteone Landscape Supply |
| DM Color Express | Target |
| Ferguson Enterprises | Trevors at the Tracks |
| Frank James Bandera | |
| HD Supply | |
| Hirsch Pipe & Supply Co | |
| Main Street Materials | |
| Marshalls | |
| Nissan of San Juan Capistrano | |
| Ocean Honda | |
| Pacific Sales | |
| Pacific Sales w/Best Buy | |



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring April through June, was 37% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The 2nd quarter of 2020 was the most adversely impacted sales tax period related to the Covid-19 pandemic and Shelter-In-Place directive issued by Governor Newsom. The 2Q21 comparison quarter of 2Q20 was the lowest since 2Q14 due to indoor dining restrictions at most restaurants; non-essential brick and mortar store closures; and employee remote/work from home options which significantly reduced commuting traffic and fuel sales. Therefore, similar to the 1st quarter 2020 comparison, dramatic percentage gains for 2Q21 were anticipated and materialized.

Up to this point through California's recovery, we've seen some regions experience stronger gains than others. However, with the latest data and the depths of declines in the comparison period, statewide most regions saw very similar growth.

Within the results, prolonged gains by the auto-transportation and building-construction industries generated higher receipts. Although the explosion of sales by new and used car dealers has come as welcome relief, the latest news of inventories being stretched thin due to the micro processing chip issues earlier in the year may result in a headwind into 2022. Conversely for the building-construction group, as housing prices in many markets increased over the last year, sustained available homeowner and investor equity is in place for the foreseeable future. Receipts from general consumer goods marked a steady and expected come back, led by family apparel, jewelry and home furnishing stores. When combined with solid greater economic trends, this is a welcome

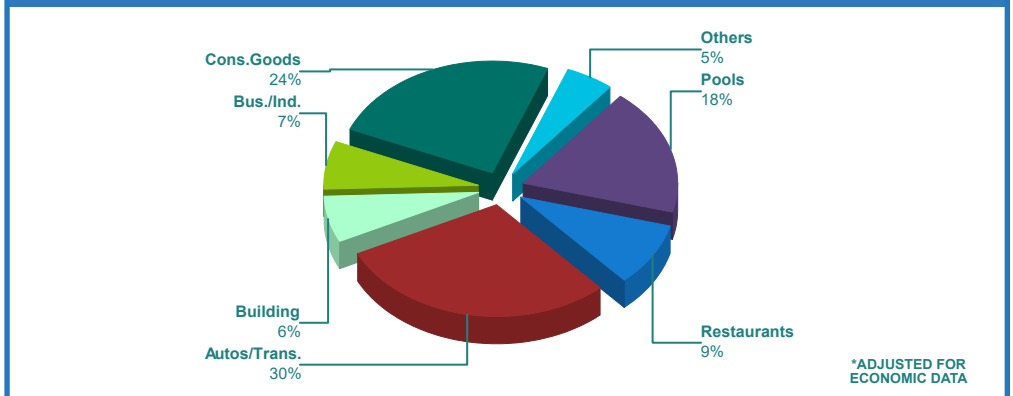
sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

As consumers flock back into retail locations and with AB 147 fully implemented, growth from the county use tax pools - largely enhanced by out-of-state online sales activity - returned to more traditional gains of 9%. These results also included the reallocation of tax dollars previously distributed through the countywide pools to specific local jurisdictions that operate in-state fulfillment centers. Thus, the business and industry category, where fulfillment centers, medical-biotech vendors and garden-agricultural supplies are shown, jumped 26%.

In June, many restaurants reopened indoor dining. Given consumer desires to eat out and beautiful spring weather, all categories experienced a strong, much-needed rebound. However, labor shortages and a rise in menu prices continue to be a concern.

Looking ahead, sustained sales tax growth is still anticipated through the end of the 2021 calendar year. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experiences, the return of commuters with more costly fuel, and labor shortages having upward pressure on prices may begin to consume more disposable income and tighten growth by the start of 2022.

REVENUE BY BUSINESS GROUP
San Juan Capistrano This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Juan Capistrano Business Type	Q2 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	711.4	73.5% ↑	51.3% ↑	55.9% ↑
Casual Dining	179.6	167.9% ↑	134.3% ↑	130.3% ↑
Garden/Agricultural Supplies	111.8	7.1% ↑	14.3% ↑	10.1% ↑
Service Stations	75.0	86.9% ↑	82.1% ↑	73.9% ↑
Quick-Service Restaurants	74.3	75.9% ↑	26.4% ↑	28.8% ↑
Building Materials	65.9	3.7% ↑	19.4% ↑	21.7% ↑
Electronics/Appliance Stores	64.4	61.7% ↑	89.9% ↑	52.8% ↑
Contractors	60.6	54.9% ↑	17.1% ↑	23.6% ↑
Auto Lease	58.1	-2.1% ↓	2.6% ↑	3.3% ↑
Plumbing/Electrical Supplies	54.8	26.5% ↑	31.5% ↑	37.5% ↑

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars

METROLINK

COMMUNITY NOTICE

[Visit metrolinktrains.com/community](https://www.metrolinktrains.com/community)

WHAT: Night and Weekend Metrolink Railroad Improvement Work

WHERE: Along Metrolink's Orange County Line in the cities of Laguna Niguel between Crown Valley Parkway and Paseo de Colinas, San Juan Capistrano between Ortega Highway and San Juan Creek Trail and San Clemente between Calle Ariana and Trestles Beach Trail

WHEN: Friday, October 1 at 10 p.m. until Thursday, October 21 at 5 a.m.

MORE INFORMATION:

Metrolink crews will be performing extensive upgrades to the railroad tracks along Metrolink's Orange County Line from Laguna Niguel/Mission Viejo to San Clemente. These activities will give our riders a smooth ride that is comfortable, safe and dependable.

Night and weekend work begins Friday, October 1 and ends Thursday, October 21. Work will take place in the following schedule:

Weeknight Schedule:

- **Laguna Niguel/Mission Viejo, San Juan Capistrano, San Clemente** - Tuesday, October 5 to Thursday, October 7 and Monday, October 18 to Thursday, October 21 from 6 p.m. to 5 a.m.
- **Laguna Niguel** - Monday, October 11 to Thursday, October 14 from 6 p.m. to 5 a.m.

Weekend Schedule:

- **San Juan Capistrano** - Friday, October 1 to Monday, October 4 from 10 p.m. to 5 a.m.
- **San Clemente/San Juan Capistrano** - Friday, October 15 to Monday, October 18 from 10 p.m. to 5 a.m.

Any trains that operate through the area will do so according to the Quiet Zone standards as required by federal law. Residents may hear trains operating during this time. A train will blow its horn if a person or vehicle is on or near the tracks. Horns will be blown in non-Quiet Zone areas

During this work, we anticipate the following impacts:

- Noise from equipment backup alarms and heavy machinery
- Noise, vibrations and dust from construction machinery and activities
- Lights from light towers and/or on-track equipment

Please note all construction dates and times are subject to change without notice. There may be additional clean-up and preparation work before and after the project is completed.

Metrolink's highest priority is safety. We apologize for any inconvenience this work may cause.