

# City Manager Weekly Update

**TO:** Mayor and City Council Members  
City Commissioners

**FROM:** Benjamin Siegel, City Manager

**DATE:** January 13, 2022

**SUBJECT:** **Weekly Update**

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**City Hall Closure:** City Hall and the Community Center will be closed Monday, January 17 in observance of the Martin Luther King Jr. holiday. Both facilities will reopen Tuesday, January 18 for regular business hours.

**Third Quarter Sales Tax Revenue:** The City's sales tax consultant (HdL, Inc.) has provided the results of its analysis of merchant sales activity for July through September 2021 (third calendar quarter). The City's adjusted sales tax revenue generated by third quarter sales was 18.3% higher than the third quarter of 2020. This is generally consistent with the experience of Orange County as a whole. Much of that increase was due to the City's rapid recovery from the economic impacts of the COVID-19 pandemic. Major contributors to this increase were new and used car sales, brick and mortar retail, gasoline sales and restaurants. The attached report summarizes third 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 third quarter.

**City Council Redistricting Process:** Every ten years, following the decennial U.S. Census, voting district boundaries are redrawn to account for any changes in population. Redistricting helps ensure that communities have equal access to political representation. As part of this effort, the City of San Juan Capistrano will be holding community workshops for residents to contribute to the process. The first workshop will be held at 6:00 p.m. on Thursday, January 20 at the San Juan Capistrano Community Center (25925 Camino Del Avion). Residents will also have the opportunity to participate virtually. Please see the City's [website](#) for the full schedule of upcoming community workshops and public meetings, as well as Zoom meeting links to participate in the workshops virtually.

**General Plan Update:** The City is in the final review stages of updating its Housing Element, which is required by the State every eight years, as well as updating its Safety Element and developing a new Environmental Justice Element. All residents will be receiving a mailed notice which identifies dates of upcoming Planning Commission (January 19) and City Council (February 1) public hearings for consideration of the draft documents. The proposed drafts of the Housing, Safety and Environmental Justice Elements are available for review on the City's [website](#), as well as the January 19 Planning Commission [meeting agenda](#). For additional information and instructions on

how to participate at the upcoming Commission and Council meetings, please contact Laura Stokes, at (949) 443-6313 or [lstokes@sanjuancapistrano.org](mailto:lstokes@sanjuancapistrano.org).

**Earthquake Preparedness:** Each year, January is recognized by the California Governor's Office of Emergency Services (CalOES) as *Resolve to Be Ready Month* which encourages residents to evaluate earthquake preparedness measures in place in our homes and businesses. This year, CalOES encourages the community to download the MyShake App to receive earthquake warning alerts. Disasters can occur at any time, with little warning; however, technology is available that can help mitigate damage to infrastructure and save lives. Receiving notifications through the MyShake App could provide valuable time to get to safety in an emergency. The MyShake App is available to download for free at the Apple and Google Play stores.

**American Red Cross Blood Drive:** The American Red Cross continues to report a significant blood inventory shortage, further exacerbated by the recent surge of the COVID-19 pandemic. To support the efforts of the American Red Cross, the City will host a blood drive on January 20 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*)**

### **January 18, 2022**

- Appointments to Citizens' Bond Oversight Ad-hod Committee
- Initiation of Surplus Land Act Noticing Process for City-owned La Novia Avenue Parcel to Allow for Consideration of Future Use of the Site

# SAN JUAN CAPISTRANO

## SALES TAX UPDATE

### 3Q 2021 (JULY - SEPTEMBER)



**SAN JUAN CAPISTRANO**

TOTAL: \$ 2,891,746

18.3%  
3Q2021



18.8%  
COUNTY

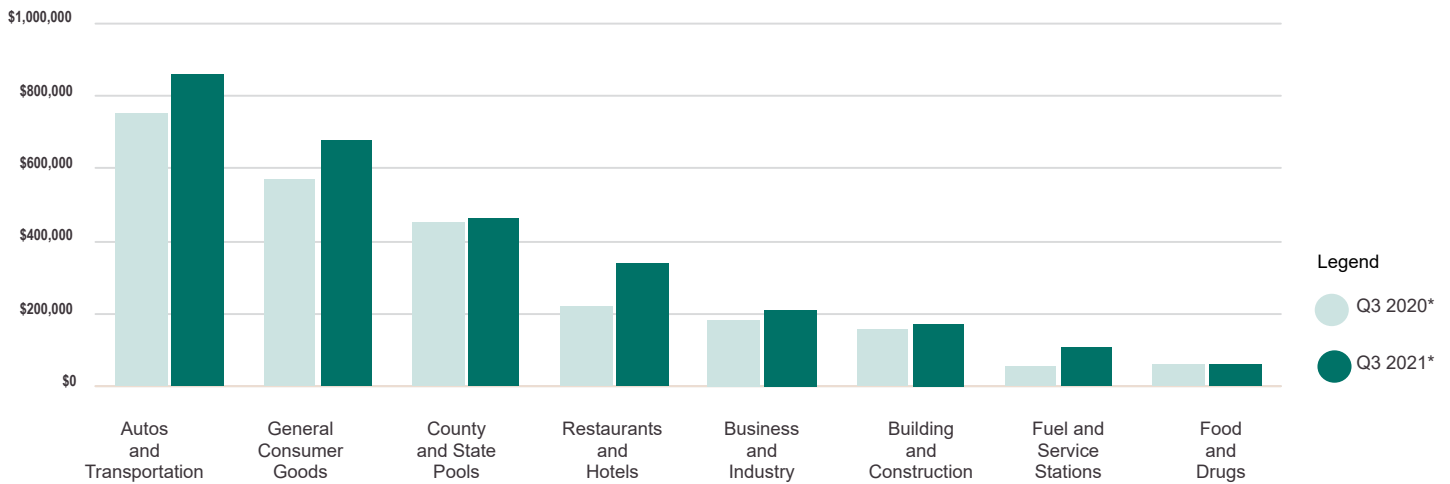


18.2%  
STATE



*\*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 July through September were 22.3% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 18.3%.

This strong percentage gain signifies the continued rebound from the pandemic impacts of a year ago.

High demand and low inventory for new and used cars continue to boost sales tax generated, while multiple brick and mortar general consumer merchants experienced a strong rebound with home furnishings and family apparel retailers showing solid gains.

Minimal mask requirements and continued pent up demand to dine out have receipts from casual and quick service restaurants surpassing any amounts previously reported. Increased

number of commuters causing a lack of supply had upward pressure on gas prices resulting in dramatic growth from service stations. With a solid housing market and still rather low interest rate environment, receipts from building-construction suppliers rose during the summer period.

While allocations from the countywide use tax pools grew 3%, the consecutive pace is starting to flatten. Sales by online vendors make up a considerable portion of the overall activity, and purchases compared to the shutdown period are leaving only moderate inflation to drive the price of taxable goods, thereby driving sales tax generated.

Net of aberrations, taxable sales for all of Orange County grew 18.8% over the comparable time period; the Southern California region was up 19.8%.



### TOP 25 PRODUCERS

- 7 Eleven
- Capistrano Ford
- Capistrano Valley Toyota
- Capistrano VW/Mazda
- Chick Fil A
- Coastline Chrysler
- Dodge Jeep Ram
- Costco
- DM Color Express
- HD Supply
- Hirsch Pipe & Supply Co
- Marshalls
- Nissan of San Juan Capistrano
- Ocean Honda
- Pacific Sales
- Pacific Sales w/Best Buy
- Paradise Automotive Group
- Plant Depot
- Pool & Electrical Products
- Ross
- SCP Distributors
- Shell
- Siteone Landscape Supply
- Target
- Trevors at the Tracks
- Vons



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor’s Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

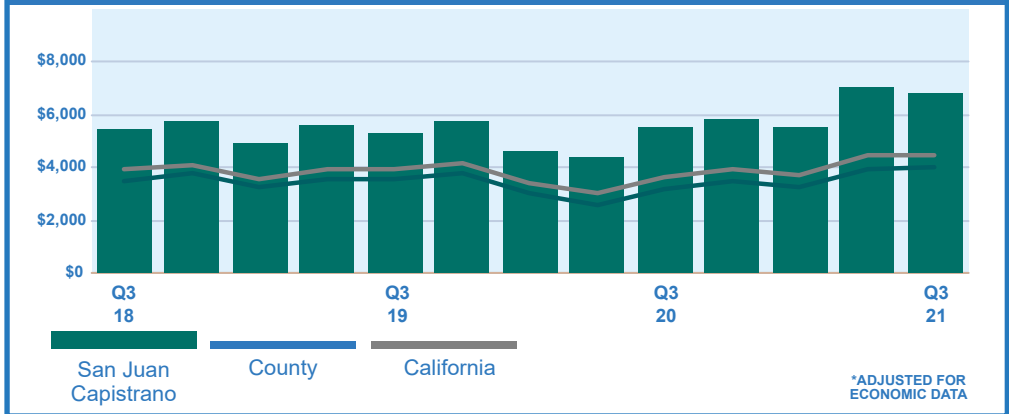
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer’s disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA\*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Juan Capistrano Business Type	Q3 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	655.5	16.8% ↑	19.0% ↑	18.7% ↑
Casual Dining	191.6	45.6% ↑	65.2% ↑	69.0% ↑
Service Stations	107.4	99.0% ↑	62.8% ↑	53.3% ↑
Garden/Agricultural Supplies	99.6	2.0% ↑	0.1% ↑	1.0% ↑
Quick-Service Restaurants	76.4	68.1% ↑	16.4% ↑	14.4% ↑
Building Materials	72.4	9.4% ↑	8.8% ↑	5.3% ↑
Electronics/Appliance Stores	61.6	2.2% ↑	24.5% ↑	19.7% ↑
Auto Lease	58.0	-5.6% ↓	-4.1% ↓	-1.9% ↓
Family Apparel	50.8	14.8% ↑	45.8% ↑	39.2% ↑
Specialty Stores	50.8	-0.2% ↓	22.0% ↑	21.2% ↑

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars