

City Manager Weekly Update

TO: Mayor and City Council Members
City Commissioners

FROM: Benjamin Siegel, City Manager

DATE: May 14, 2020

SUBJECT: Weekly Update

Planning Application & Building Permit Submittal Appointments: Beginning this month, the Building and Planning public counters will re-open to accept building permit and plan check submittals in-person, by appointment only. Over the past several weeks, these services have only been provided via the internet. An online portal will soon be available for applicants to schedule thirty-minute appointments with staff. To protect the health and safety of both the public and City employees, plexiglass barriers will be installed at the public counters and social distancing floor markers will be placed in the One-Stop-Shop. All City employees that interact with the public will wear masks or face coverings, and members of the public must also wear a mask or face covering at City Hall. Masks will be available if needed. Members of the public with COVID-19 symptoms or elevated temperatures should not seek services in person. If you're not sure if this applies to you, check your symptoms on the Centers for Disease Control [website](#). All other City services continue to be available through the City's website, by e-mail or phone. The community will be notified once all safety enhancements are in place and the online appointment portal is available for use. We appreciate your patience and understanding as we develop procedures to continue providing the highest level of service possible during this unique time.

Information and Resources Regarding Novel Coronavirus (COVID-19): The City of San Juan Capistrano continues to be actively engaged in the response to the COVID-19 crisis and is taking the necessary actions in order to protect the health and safety of the community, while also providing services with the least amount of modification possible. Please continue to visit the City's dedicated COVID-19 webpage for updated information including instructions to access all available resources and programs for residents and businesses.

<http://sanjuancapistrano.org/COVID-19>

COVID-19 Testing Availability: Health care experts are continuing to make testing a priority and expanding opportunities for residents throughout the region. State officials and the COVID-19 Testing Task Force have joined together with OptumServe in a partnership to expand COVID-19 testing services. On Wednesday, May 13, four sites began taking appointments for testing services in Orange County. The sites are located in the cities of Buena Park, Orange, Santa Ana and San Juan Capistrano. These locations

are designated for asymptomatic healthcare workers, first responders, and social service employees who do not have access to testing through their employer or healthcare provider. If you do not fall into one of these categories and desire testing, please contact your medical provider or visit the County's [website](#) for additional testing locations and eligibility criteria.

Fourth Quarter Sales Tax Revenue: The City's sales tax consultant (HdL, Inc.) has provided the results of its analysis of merchant sales activity for October through December 2019 (fourth calendar quarter). The City's adjusted sales tax revenue generated by fourth quarter sales was 2.6% higher than the same quarter in 2018. This quarter was not affected by the COVID-19 global pandemic, which first impacted the sales activity of the City in the first quarter of 2020. The attached report outlines 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 fourth quarter. As explained in the HdL report, the cash receipts information in the report for this quarter has been distorted by the impacts of the State's transition to a new software system. These distortions do not affect the adjusted sales information in the attached report, nor the amount that will be distributed to the City once the system anomalies are resolved by the State.

City Council Meeting Schedule: The May 19, 2020, regular business meetings of the City Council and Successor Agency have been cancelled. The City Council will still hold its May 19 closed session meeting.

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

June 2, 2020*

- Approval of Entitlements for Ganahl Lumber Project at Lower Rosan Property
- Resolution Calling the 2020 General Municipal Election (Districts 1 & 5)
- Award of Construction Contract for Paseo Adelanto Parking Lot Expansion
- Public Hearing for Landscape Maintenance Districts
- State-Mandated Traffic Analysis Thresholds for Environmental Review

June 16, 2020*

- Adoption of City's Fiscal Year 2020-21 Budget
- Purchase and Sale Agreement with Ganahl Lumber for Lower Rosan Property
- Public Hearing for Residential and Commercial Waste and Recycling Rates
- Award of Construction Contract for Meredith Canyon Street Rehabilitation Project

** The City Council Chambers is currently closed to the public. The June 2 and 16 Council meetings are expected to be conducted telephonically and broadcast live on the City's website. If conditions change and the Council Chambers can be opened safely to the public, we will notify the community via the Weekly Update.*

Q4 2019



San Juan Capistrano Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

San Juan Capistrano In Brief

San Juan Capistrano's receipts from October through December were 0.2% below the fourth sales period in 2018. However, payment anomalies in both the current and year ago periods temporarily skewed the results. Excluding reporting aberrations, actual sales were up 2.6%.

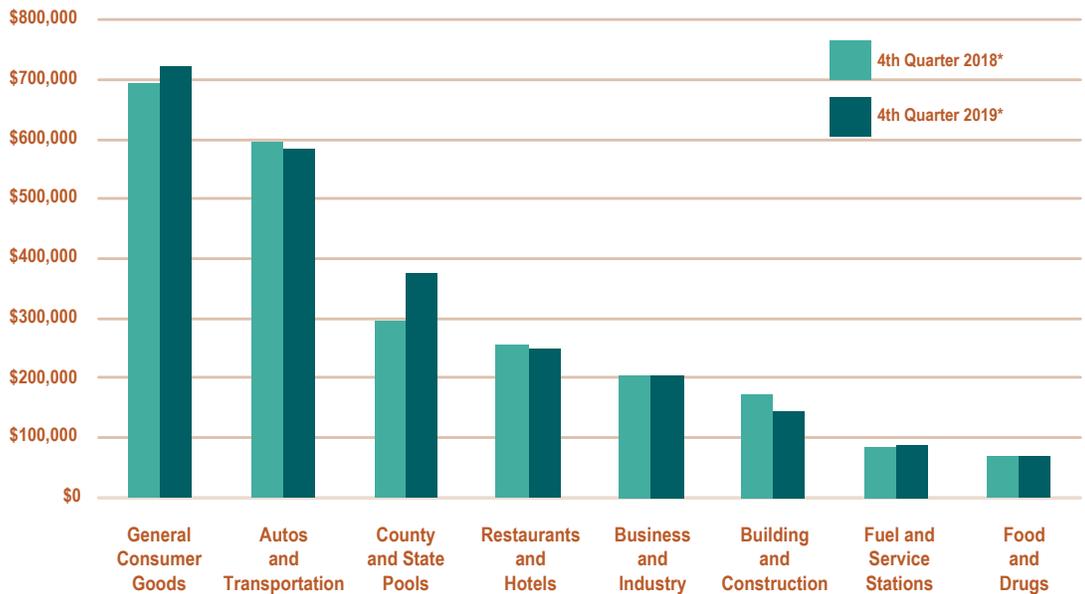
Solid holiday shopping results from general consumer retailers were largely responsible for the overall adjusted gains. Increased gas prices and activity lifted returns from service stations.

These local point of sale improvements combined with increased taxes collected for online purchases of items shipped into the region compared to last year, boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

A slight dip from new auto dealers and casual dining restaurants partially offset the growth.

Net of aberrations, taxable sales for all of Orange County grew 5.3% over the comparable time period; the Southern California region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Honda Lease Trust
Armstrong Garden Centers	Marshalls
Capistrano Ford	Nissan of San Juan Capistrano
Capistrano Toyota	Ocean Honda
Capistrano VW/Mazda	Pacific Sales
Costco	Pacific Sales w/Best Buy
Courtesy Chrysler Dodge Jeep Ram	Paradise Automotive Group
DM Color Express	Plant Depot
El Adobe De Capistrano	Rite Aid
Ferguson Enterprises	Ross
HD Supply	Shell
Hirsch Pipe & Supply	Trevors at the Tracks
	Vons

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$4,276,605	\$4,008,827
County Pool	581,419	684,811
State Pool	2,130	1,786
Gross Receipts	\$4,860,154	\$4,695,424

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters. Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

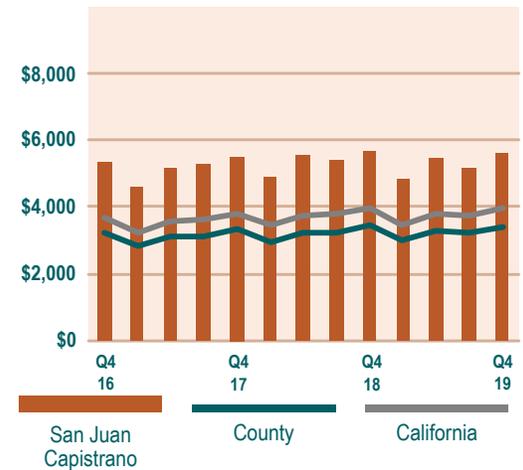
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

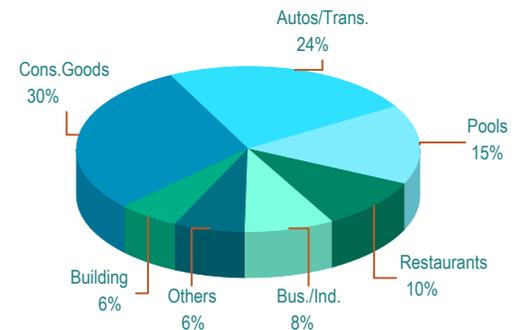
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP San Juan Capistrano This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

SAN JUAN CAPISTRANO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	San Juan Capistrano Q4 '19*	Change	County Change	HdL State Change
Auto Lease	67.0	1.0%	5.6%	3.2%
Auto Repair Shops	37.5	13.3%	3.8%	-1.0%
Building Materials	57.0	-27.6%	-6.0%	1.4%
Casual Dining	147.7	-4.1%	2.4%	3.8%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	3.6%
Electronics/Appliance Stores	44.4	-5.8%	-2.6%	-6.6%
Family Apparel	58.0	1.6%	1.8%	1.3%
Garden/Agricultural Supplies	90.4	-7.0%	-7.3%	-0.4%
Grocery Stores	41.9	2.6%	3.0%	1.3%
New Motor Vehicle Dealers	412.1	-3.2%	-2.2%	-3.4%
Plumbing/Electrical Supplies	44.0	2.1%	-1.4%	-0.7%
Quick-Service Restaurants	51.0	1.1%	2.7%	1.9%
Service Stations	87.6	4.0%	0.8%	0.2%
Specialty Stores	42.3	-0.7%	-6.0%	-3.8%
Used Automotive Dealers	— CONFIDENTIAL —	—	4.5%	4.6%
Total All Accounts	2,059.6	-0.8%	0.0%	0.2%
County & State Pool Allocation	374.7	26.1%	30.3%	26.7%
Gross Receipts	2,434.3	2.6%	5.3%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.