

# City Manager Weekly Update

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

**FROM:** Benjamin Siegel, City Manager

**DATE:** November 7, 2019

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

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**City Network Connectivity Outage:** City Hall and the Community Center experienced a network connectivity outage throughout most of the day today. The outage impacted both email and phone service, and the City's online water bill payment portal was also unavailable. Due to this challenge, a grace period will be honored for those customers with payments due during the outage. Currently, e-mail, internet service, phone lines and the online payment portal have been restored to full functionality. We apologize for any inconvenience the outage may have caused and greatly appreciate your patience as we worked to resolve the issue.

**Veterans Day City Hall Closure:** City Hall and the Community Center will be closed on Monday, November 11, in observance of Veterans Day. Both facilities will re-open on Tuesday, November 12, for regular business hours.

**Veterans Day Celebration:** Join the San Juan Capistrano Veterans of Foreign Wars Post 3801 on Monday, November 11, as they honor all those who have served our nation. The celebration begins at 11:30 a.m. at Veterans Park, located on the corner of Yorba Street and Camino Capistrano, and will include music, food and a great tribute to our veterans.

**Public Works Director:** Beginning next week, Public Works & Utilities Director Steve May will be gradually transitioning into a well-deserved retirement after a very distinguished career in public service. While we will miss him as the City's full-time Public Works & Utilities Director, I'm pleased to report that he has agreed to stay on with the City as a part-time Project Manager. In this role, Steve will continue to provide valuable assistance related to the anticipated transfer of the City's utility systems to the Santa Margarita Water District, along with lending his expertise on other special projects. On November 5, the City Council approved replacing the Public Works & Utilities Director position with a Public Works Director position, and Tom Toman has been appointed to fill the new position. Mr. Toman has been serving as the City's Assistant Public Works Director for over three years and has managed several high-profile and complex projects and programs. Prior to San Juan Capistrano, Mr. Toman served as the Deputy Director of Public Works for the City of Laguna Beach. Mr. Toman has a Master's degree in Public Administration from Cal State Fullerton and is an adjunct professor at Fullerton

Community College. I am confident that these changes will position the organization to effectively navigate the utility transfer, scheduled to occur in Spring 2020.

**E-waste & Shredding Event:** The City of San Juan Capistrano is partnering with Goodwill of Orange County and Southern California Shredding Inc. for an e-waste and shredding event on Saturday, November 16, from 8:00 a.m. – 11:00 a.m. This event will be held in the City Hall parking lot located at 32400 Paseo Adelanto. Dispose of electronic waste such as old cell phones, computers, printers, microwaves, and other small appliances free of charge. This event will also provide an opportunity to have sensitive records securely destroyed for free. Please see the attached flyer for a complete of event details. Questions regarding the e-waste and shredding event can be directed to City Hall at (949) 234-4400, or via e-mail to [environment@sanjuancapistrano.org](mailto:environment@sanjuancapistrano.org).

**Quarterly Sales Tax Information:** The City's sales tax consultant (HdL, Inc.) has provided the results of its analysis of merchant sales activity for April through June 2019 (second calendar quarter). The City's adjusted sales tax revenue generated by second quarter sales was approximately 1% less than that for the same quarter in 2018. This reflects a slight weakening in the market for new cars offset by higher general consumer sales in San Juan Capistrano that beat the trend reported for all of Orange County. 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 second 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.

**Toothbrush Talk:** Dr. Kelly Kaban, DDS, of Kaban Dental Group, will be at the San Juan Capistrano Community Center, located at 25925 Camino Del Avion, on Thursday, November 14 at 11:00 a.m. for a free presentation on dental health. For additional information and to register, please contact the Community Services Department at (949) 493-5911.

**Letters to Santa Volunteers Needed:** The Community Services Department is looking for adults to assist with the annual "Letters to Santa" program. Santa is busy this time of year and could use a little help! Volunteers are asked to read letters and holiday wish lists sent in from children in the community, then respond with a handwritten letter from Santa. Why not put a smile on the face of a child this holiday season? Materials are provided and letters can be written from the comfort of home. For additional program information, please contact the Community Center at (949) 493-5911.

CM Weekly Update

Page 3 of 3

November 7, 2019

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

**December 3, 2019**

- City Council Reorganization/Selection of Mayor and Mayor Pro Tem
- First Quarter Financial Report
- Approval of Plans for Northwest Open Space Community Park Project
- Ordinance Regulating Accessory Dwelling Units



Celebrating  
**America Recycles Day**



## **FREE E-WASTE AND SHREDDING EVENT**

**Saturday, November 16, 2019**

**8:00 am to 11:00 am**

*Located at:*

*City Hall Parking Lot  
32400 Paseo Adelanto*

**THE EVENT IS ON A FIRST COME, FIRST SERVE BASIS.  
ONCE THE TRUCKS ARE FULL, THE EVENT WILL CLOSE.**

### **Goodwill E-Waste Collection**



Goodwill will collect old TV sets, computers, printers and other electronic items (known as E-waste). Bring your E-waste to this event and you'll be providing job training and green jobs to people with disabilities and other barriers while helping to save the planet.

### **Document Shredding**

Southern California Shredding will provide document shredding services. There is a limit of four standard size file boxes per car. No binders, wet documents, hanging file folders, cardboard, plastic bags or plastic media and no magazines or newspapers.



# Q2 2019



# San Juan Capistrano Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

## San Juan Capistrano In Brief

San Juan Capistrano's receipts from April through June were 8.2% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were down 1.1%.

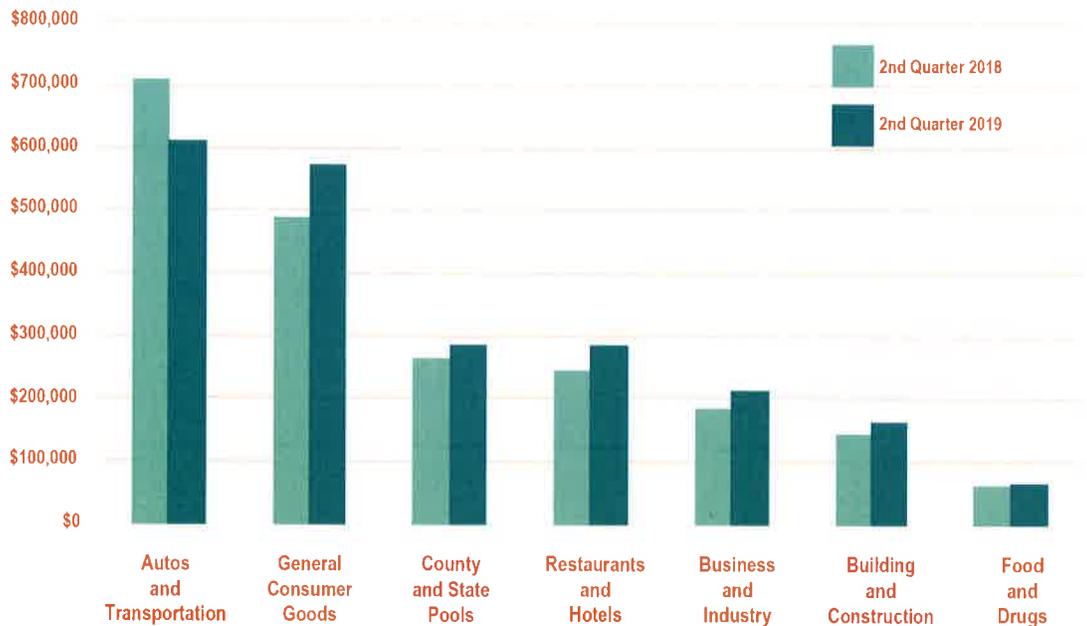
Returns by new auto dealers struggled to match last year's activity and was largely responsible for the overall decline.

Soft summer sales by contractor suppliers and restaurants, including casual dining establishments, further negatively impacted receipts.

In contrast, solid growth by multiple general consumer retailers and a larger allocation from the county-wide use tax pool, due to more purchases made online and goods shipped into the county by out-of-state merchants, helped partially offset the drop.

Net of aberrations, taxable receipts for all of Orange County grew 4.0% over the comparable time period; the Southern California region was up 2.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Nissan of San Juan Capistrano
Capistrano Ford	Ocean Honda
Capistrano Toyota	Pacific Sales
Capistrano VW/Mazda	Pacific Sales w/Best Buy
Costco	Paradise Automotive Group
Courtesy Chrysler Dodge Jeep Ram	Plant Depot
DM Color Express	Ralphs
El Campeon Taqueria & Tortilleria	Rite Aid
Ferguson Enterprises	Ross
HD Supply	SCP Distributors
Hirsch Pipe & Supply	Shell
Main Street Materials	Trevors at the Tracks
Marshalls	

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$7,369,502	\$8,069,807
County Pool	995,719	1,128,441
State Pool	4,131	3,998
<b>Gross Receipts</b>	<b>\$8,369,352</b>	<b>\$9,202,246</b>

## California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

## Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

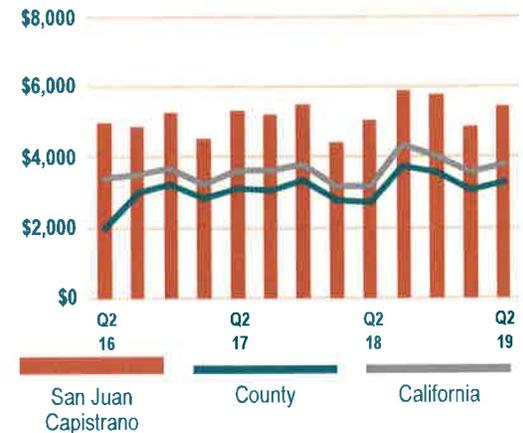
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

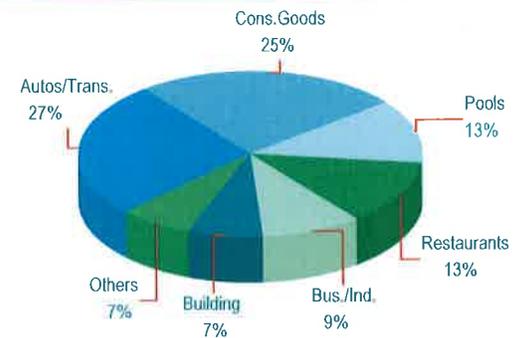
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP San Juan Capistrano This Quarter



## SAN JUAN CAPISTRANO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	San Juan Capistrano Q2 '19*	Change	County Change	HdL State Change
Auto Lease	52.2	-55.7%	-48.5%	-48.7%
Building Materials	70.8	59.9%	26.8%	34.1%
Casual Dining	163.8	12.0%	25.1%	24.5%
Discount Dept Stores	— CONFIDENTIAL —	—	22.9%	26.3%
Electronics/Appliance Stores	52.7	-2.0%	10.1%	7.0%
Family Apparel	— CONFIDENTIAL —	—	35.2%	45.3%
Garden/Agricultural Supplies	100.4	4.5%	5.2%	22.0%
Home Furnishings	41.8	144.6%	16.9%	15.8%
Leisure/Entertainment	38.9	87.2%	11.5%	16.5%
New Motor Vehicle Dealers	442.7	-9.9%	22.8%	5.4%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	28.5%	28.9%
Quick-Service Restaurants	56.5	9.6%	15.8%	15.9%
Service Stations	— CONFIDENTIAL —	—	61.7%	51.4%
Specialty Stores	41.7	-0.4%	-2.3%	-8.5%
Used Automotive Dealers	— CONFIDENTIAL —	—	132.2%	90.2%
<b>Total All Accounts</b>	<b>2,005.6</b>	<b>8.1%</b>	<b>21.5%</b>	<b>20.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>288.1</b>	<b>9.1%</b>	<b>22.1%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>2,293.7</b>	<b>8.2%</b>	<b>21.6%</b>	<b>20.4%</b>