City of Hesperia
STAFF REPORT

DATE: July 21, 2026

TO: Mayor and City Council Members

FROM: Rachel Molina, City Manager

BY: Casey Brooksher, Assistant City Manager
Pam Lee, City Attorney

SUBJECT: Ballot Measure for Transactions and Use Tax Ordinance

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RECOMMENDED ACTION

Discuss and determine whether to place a measure on the November 3, 2026 ballot to provide voters the option of enacting a secure, locally controlled general fund revenue source. The measure for consideration would establish a local City sales tax of 1.0% and provide an estimated $15,000,000 annually to maintain essential City services for residents and businesses, including paving and maintaining streets, fixing potholes, installing storm drains and related flood control infrastructure, repairing or replacing aging City infrastructure, keeping streets and public facilities safe, clean, and well-maintained, crime prevention, and 911 emergency response.

If approved, take the following actions:

1. Adopt Resolution 2026-32 to approve the following:
    a. Call for the placement of a General Tax Measure on the ballot for the consolidated General Municipal Election to be held on November 3, 2026, for submission to the qualified voters the "City of Hesperia Public Safety/City Services Measure," which enacts the "City of Hesperia Transactions and Use Tax Ordinance" that establishes a general-purpose one percent (1%) retail transactions and use tax measure, subject to majority voter approval; and
    b. Provide and set the rules for the filing of arguments for and against the measure and rebuttal arguments; and
    c. Direct the City Attorney to prepare the impartial analysis of the ballot measure; and
    d. Provide for other election matters as required by law.
2. Conduct first reading of Ordinance No. 2026-01 to be submitted to the City's voters entitled, "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, IMPOSING A ONE PERCENT (1%) TRANSACTIONS AND USE TAX FOR GENERAL GOVERNMENTAL USE TO BE ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION," reading by title only and waiving further reading; and
3. Authorize the City Manager to execute all the necessary documents on behalf of the City.

BACKGROUND

Increasingly, the State of California has shifted responsibility for many programs and services back to local cities without the local funds necessary to comply with those new mandates or provide services for local residents. Like many other California cities, Hesperia requires additional funding to address our community's priorities at the levels the public has expressed.

The City Council annually outlines its fiscal policy in the adoption of the City's budget. The City of Hesperia maintains the practice of matching each revenue type to a similar expenditure type. The City accomplishes this through utilizing individual program types within funds. The two basic revenue types are ongoing and one-time. City policy and practice is to have a 'structurally' balanced budget, not using one-time revenue (i.e., bond proceeds, etc.) to pay for ongoing expenditures.

In addition to managing expenditures responsibly, the City consistently pursued opportunities to strengthen General Fund revenues to promote long-term fiscal sustainability and maintain the level of municipal services the community desires. While a sales tax initiative is being considered, it is one component of a broader fiscal strategy.

During the early 2000s, the City negotiated with the County of San Bernardino for a property tax enhancement along the freeway corridor. This enhancement raised the City's share from 1.59% to 7%, while reducing the County's share, with no impact on the property owner. This enhancement increased the City revenues without increasing the property taxes paid by owners.

Then in 2018, the City negotiated an additional citywide property tax share of 1.5%, bringing the citywide total, exclusive of the freeway corridor, to 3%, with the County of San Bernardino annexation of the former Hesperia Fire Protection District; this will go into effect after the final pension obligations of the former Hesperia Fire Protection District have been realized.

In 2021, the City completed a fiscal impact analysis that identified an annual General Fund impact of up to $144 per new residential unit. In response, the City implemented the following community facility districts:

- CFD 2021-10 – Residential Projects
    - $840.35 Per Door (Developments of Four or More Units)
- CFD 2022-01 – Industrial Projects
    - $0.15 per Building Square Foot
- CFD 2023-01 – Silverwood
    - $400 per Single Family Residential (SFR) Unit & $200 from BOLD Bond Savings for per SFR

During the September 19, 2023, City Council meeting, the City Council received information on options available to increase General Fund revenue, including potentially implementing a Transactions and Use Tax (sales tax). During this discussion, it was determined to review the citywide fee schedule to ensure all costs were reasonably captured. The citywide fee schedule was completed and adopted in December 2023 and is subsequently reviewed by the City Council annually to reflect inflationary increases.

During the August 12, 2025, City Council meeting, staff presented the City Council with updated information regarding General Fund revenue options to increase general fund revenue, including adoption of a Transactions and Use Tax for enhanced services such as roadway and drainage improvement, as well as increasing law enforcement services. At this meeting, the City Council directed staff to initiate a formal community engagement process regarding a potential Transactions and Use Tax.

On December, 16, 2025, the City Council approved an agreement with TeamCivX to conduct an opinion poll and provide outreach consulting services associated with a potential sales tax initiative/Transactions and Use Tax. During the March 17, 2026 City Council meeting, the City's consultant presented polling results on community sentiment regarding a potential sales tax initiative/Transaction and Use Tax, showing majority support for such a measure.

General Fund Overview: General Fund revenue is for normal operations and services provided by the City that are not specifically accounted for in other funds. The general fund's major revenue sources are Sales and Use Tax, Vehicle License Fees (VLF), Franchise Fees, and General and Administrative Recovery. Combined, these four revenues represent a very stable revenue base for the general fund, as they accounted for 65.9% of the 2023-24 Actual and 69.2% of the 2026-27 Budget. From the FY 2023-24 Actual to the 2026-27 Budget, the four major revenue sources have grown by approximately $5.0 million, or 14.5%.

General Fund Forecast: Despite the growth in the City's revenues indicated above, these gains are being offset by rising operational costs for services, materials, and labor, as well as increased inflation. This trend affects the City's ability to provide essential services to the community. Consequently, operational costs will "crowd out" capital investments and other strategic opportunities. To ensure future financial stability, City expenditures should align with ongoing revenues as much as possible. Should the City remain in status quo, it will become more difficult to protect the City's valued quality-of-life programs and maintain vital services, including repairing or replacing aging City infrastructure, keeping streets and public facilities safe, clean, and well-maintained, and prioritizing public safety. To address higher costs, the City Council will be required to prioritize the mandatory services needed to operate the City and may have to drastically reduce, eliminate, or choose among essential functions and services.

ISSUES/ANALYSIS

Community Engagement: In connection with efforts to gauge the options available to the City to increase revenue, the City engaged a consultant to conduct an extensive, objective, and statistically reliable survey of Hesperia residents to understand their priorities, preferences, and satisfaction related to city services and facilities; measuring community interest in additional funding for city services and facilities, and gathering data on a variety of quality-of-life, issue, and policy-related matters. Those findings were presented to the City Council on March 17, 2026. In short, the consultant found, through sample polling of registered voters, a majority favored implementing a Transactions and Use Tax to increase City revenue and fund City services.

Sales Tax and Transactions and Use Tax Overview: The California Department of Tax and Fee Administration (CDTFA) collects sales and use tax from local retailers selling tangible personal property or from users of tangible personal property purchased from retailers outside the State of California. The base statewide sales tax is 7.25%. California cities currently receive 1.0% of the total sales tax rate within their jurisdiction, which is known as the Bradley Burns Uniform Local Sales and Use Tax. State law authorizes city and county residents to adopt local Transactions and Use Taxes ("TUT") in addition to the Bradley Burns tax.

The current sales tax is 7.75% in the City of Hesperia. Of the total sales tax collected, the City receives 1.0% (Bradley Burns tax), 6.00% goes to the State, and the remaining 0.75% goes to San Bernardino County (0.50% for Measure I and 0.25% for local transportation funding). The

City may adopt a TUT to provide a general fund revenue source that remains wholly within the City. By adopting a TUT of 1.0%, the total sales tax within the City would rise to 8.75%.

Comparison of Local Sales Tax Rates: Of the 25 cities in San Bernardino County, 12 have adopted a TUT. The table below shows a breakdown of the cities and their associated tax rate:

Cities	**Tax Rate**
Montclair	9.00%
Apple Valley, Barstow, Chino, Colton, Fontana, Ontario, Redlands, San Bernardino, Victorville, Yucaipa, Yucca Valley	8.75%
Adelanto, Big Bear Lake, Chino Hills, Grand Terrace, Hesperia, Highland, Loma Linda, Needles, Rancho Cucamonga, Rialto, Twentynine Palms, Upland	7.75%

Transactions and Use Tax: TUTs can be added to the base sales tax if approved by local voters. Per Proposition 13, a General Tax TUT may be used towards any general fund expenditure and requires approval by a simple majority or 50% + 1 of the City's voters. Per Proposition 13, a Special Tax TUT must be allocated to a designated use and requires approval by two-thirds or 66.7% of the City's voters.

According to the City's sales tax consultant, HdL Companies, a one-cent (1.0%) TUT would add approximately $15,000,000 in general fund revenues each year to support Hesperia and its services. The TUT excludes groceries, medical and dental services, real estate, rent, utilities, education, personal services, and labor. Furthermore, these new revenues are locally controlled to benefit Hesperia residents. They cannot be taken by the State or the County.

The resulting benefit of a TUT to the residents and businesses of Hesperia would be maintaining essential City services, while investing in important infrastructure projects that would otherwise be deferred due to the lack of funding, such as paving and maintaining streets, fixing potholes, installing storm drains and related flood control infrastructure, repairing or replacing aging City infrastructure, keeping streets and public facilities safe, clean, and well-maintained, crime prevention, and 911 emergency response.

NEXT STEPS

To provide Hesperia voters the option of approving a 1.0% sales tax increase to fund essential City services, the Hesperia City Council would need to adopt Resolution No. 2026-32 that calls for the placement of a General Tax Measure on the ballot for the consolidated General Municipal Election to be held on November 3, 2026. The resolution also introduces Ordinance No. 2026-01, enacting the 1.0% TUT, subject to voter approval at the election. Furthermore, the resolution directs the City Attorney to prepare an impartial analysis of the measure and authorizes the City Council to prepare an argument in favor of the measure and, if required, a rebuttal to an argument filed against it.

A two-thirds vote of all members of the City Council (four of the five council members) will be required to adopt Resolution No. 2026-32 and introduce Ordinance No. 2026-01 to submit the proposed sales tax ordinance to the voters. It requires a majority (50% + 1) of votes cast to approve the measure.

Approval of the resolution does not constitute the City Council's endorsement of the proposed sales tax. Rather, it authorizes the measure to be placed before the voters for their consideration and ultimate decision.

The Hesperia City Council requests the following question be submitted to the voters of the City of Hesperia at the General Municipal Election to be held on November 3, 2026:

"City of Hesperia Public Safety/City Services Measure To provide funding for Hesperia city services, such as paving and maintaining streets; fixing potholes; keeping streets and public facilities safe, clean, and well-maintained; installing stormdrains/flood control; repairing or replacing aging infrastructure; crime prevention; and 911 emergency response; shall City of Hesperia's ordinance establishing a one cent (1%) sales tax be adopted, providing approximately 15 million dollars annually for city services until ended by voters, with independent audits, citizen oversight, and all money locally controlled?"	YES NO

CITY GOAL SUPPORTED BY THIS ITEM

Public Safety – Ensure public safety resources adequately protect our community.

Financial Health – Maintain a balanced budget and adequate reserves.

Capital Improvement – Continually evaluate capital improvement priorities.

FISCAL IMPACT

Subject to approval by Hesperia voters on the November 3, 2026 General Municipal Election, a local transactions and use tax (sales tax) would take effect on or around April 2027. Based on estimates provided by the City's sales tax consultant, a 1.0% local sales tax would generate approximately $15,000,000 annually in additional general fund revenues.

Under Revenue and Taxation Code 7272, the California Department of Tax and Fee Administration (CDTFA) will assess the City charges to administer the new local sales tax, with a statutory maximum not to exceed $175,000.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. 2026-32
2. Ordinance No. 2026-01