



*City of Arts & Innovation*

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# City Council Memorandum

*City of Arts & Innovation*

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**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JANUARY 27, 2026**

**FROM: CITY MANAGER'S OFFICE** **WARDS: ALL**

**SUBJECT: JUNE 2, 2026, STATEWIDE DIRECT PRIMARY ELECTION – OVERVIEW OF LOCAL REVENUE MEASURE OPTIONS AND BALLOT DEADLINES**

**ISSUE:**

Provide information about the June 2, 2026, election timeline and legal requirements, and present City Council with a menu of potential local revenue measures for possible placement on the ballot.

**RECOMMENDATION:**

That the City Council:

1. Receive and file this report;
2. Provide direction on which option(s) staff should further evaluate, if any; and
3. If Council wishes to proceed with one or more measures, direct staff to return at a future meeting with a detailed report, fiscal impact analysis, stakeholder/outreach plan, and (if applicable) proposed ballot language and the required resolutions/ordinances for Council consideration.

**BACKGROUND:**

This item is presented as an opportunity for City Council to discuss and consider putting one or more revenue measures on the June 2, 2026, Statewide Direct Primary Election, the next regularly scheduled election date that may be used to present a City measure for voter consideration. Under California law, local governments may submit proposed tax measures to the voters only at regularly scheduled general elections for members of the governing body (such as City Council elections) per Article XIIIC, Section 2(b) of the California Constitution, unless a fiscal emergency is declared.

For Riverside this means absent a fiscal emergency, local tax measures may only be considered in even numbered years such as 2026 or 2028. As a best practice, City Council should consider potential revenue measures at each two-year election interval given the limited opportunities to place local tax measures on the ballot. Accordingly, staff is providing this information now so that City Council may consider options early in the election cycle, provide policy direction, and allow sufficient time for additional fiscal analysis and community engagement before any future action item is brought forward. This report also supports long-term fiscal sustainability planning by identifying tools that could address projected service and infrastructure needs. If Council chooses not to pursue a revenue measure in this cycle, the next opportunity to place a City measure on the ballot would generally not occur until 2028.

## **DISCUSSION:**

### **A. June 2026 Election Context and Ballot Deadlines**

To place a City measure on the June 2, 2026, ballot, the City must adopt a resolution calling the election and requesting consolidation with the statewide election. Under Elections Code section 10403, the City must file the consolidation resolution with the Board of Supervisors (and provide a copy to the elections official) at least 88 days prior to the election date.

For the June 2, 2026, election, the 88-day deadline falls on Friday, March 6, 2026. To meet this statutory deadline and allow time for drafting, review, and public discussion, if directed to proceed with a ballot measure, City staff would anticipate returning to City Council well in advance of early March 2026 for potential action by City Council.

### **B. Potential Ballot Revenue Measure Option One: Retail Transactions and Use Tax (Sales Tax)**

#### Overview of Sales and Use Tax

Sales and use tax is a general revenue source for California cities, including the City of Riverside. In California, the statewide base sales and use tax rate is 7.25%, consisting of a 6.00% state portion and a 1.00% “Bradley-Burns” local portion shared between cities and counties, and a 0.25% County Tax as provided in the Sales and Use Tax Law (Part 1, commencing with Section 6001, of Division 2 of the California Revenue and Taxation Code).

Local jurisdictions may also impose voter-approved retail transactions and use taxes that are added on top of the statewide base rate, in accordance with the Transactions and Use Tax Law (Part 1.6, commencing with Section 7251, of Division 2 of the California Revenue and Taxation Code).

#### Legal Framework: General Tax vs. Special Tax

These voter-approved retail transactions and use taxes must conform to the requirements of Part 1.6, including that the tax rate be imposed in one-eighth percent increments and that the ordinance incorporate provisions identical to those of the state Sales and Use Tax Law to the extent not inconsistent with Part 1.6.

Under the California Constitution and implementing statutes, a transaction and use tax that is imposed for general government purposes is a general tax requiring approval by a majority of voters, while a transaction and use tax dedicated to specific purposes is a special tax requiring approval by two-thirds of the voters.

#### Riverside's Current Sales Tax Rate and Measure Z

The City of Riverside's current total sales and use tax rate is 8.75%, which includes the statewide base rate of 7.25%, a voter-approved 1% Measure Z transaction and use tax enacted in November 2016, and a 0.50% countywide district tax that supports various special district purposes within Riverside County.

Measure Z revenues have provided critical ongoing funding for public safety staffing, infrastructure and facility maintenance, technology investments, and overall fiscal sustainability for the City.

Under Riverside Municipal Code Chapter 3.08 (Transactions and Use Tax), adopted by Ordinance No. 7354, the City's local transaction and use is imposed in accordance with the Transactions and Use Tax Law (Part 1.6, commencing with Section 7251, of Division 2 of the Revenue and Taxation Code) and incorporates provisions identical to those of the State's Sales and Use Tax Law to the extent required by Part 1.6. The California Department of Tax and Fee Administration (CDTFA) administer the City's transactions and use tax, including registration, collection, reporting, and enforcement, and remits revenues to the City monthly after deducting its administrative costs as authorized by state law. Sales and use tax in California operate under a uniform statutory framework designed to ensure that both local jurisdictions and the State receive their proportionate share of tax revenues while minimizing the administrative burden on taxpayers.

#### Administration and Mechanics of Sales and Use Tax

The state sales tax is imposed on retailers for the privilege of selling tangible personal property at retail in this state, and complementary use tax is imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer, as provided in the Sales and Use Tax Law (Part 1, commencing with Section 6001, of Division 2 of the Revenue and Taxation Code). The City's transactions (sales) tax applies to retailers for the privilege of selling tangible personal property at retail in the City of Riverside, and the City's use tax applies to the storage, use, or other consumption in the City of tangible personal property purchased from any retailer for storage, use, or other consumption in the City, all in accordance with the Transactions and Use Tax Law (Part 1.6, commencing with Section 7251, of Division 2 of the Revenue and Taxation Code).

Retailers engaged in business in the City collect the applicable sales and use tax at the time of sale, when required by law, and remit those amounts to CDTFA, which administers reporting, auditing, and distribution of revenues. The use tax component ensures tax equity by applying to goods purchased outside of Riverside but brought into the City for storage, use, or consumption, thereby discouraging the avoidance of local tax obligations by purchasing goods in other jurisdictions.

Once collected, CDTFA allocates sales and use tax revenues according to statutory allocation formulas, including distribution of the 1.00% Bradley-Burns local portion to the jurisdiction where the sale is deemed to occur and distribution of district transaction and use tax revenues, such as Riverside's Measure Z, based on where the goods are delivered or used in accordance with CDTFA's district tax regulations (e.g., Regulations 1822 and 1823). CDTFA deducts a statutorily authorized administrative fee before remitting the net revenues to the City monthly. This centralized administration by CDTFA promotes uniformity across jurisdictions, reduces complexity for businesses operating in multiple locations, and supports timely and accurate distribution of revenues to local agencies.

#### Regional Rate Comparison

Riverside's current combined sales and use tax rate of 8.75% is consistent with many other Southern California jurisdictions and remains within the overall transactions and use tax rate limitations applicable in Riverside County. Neighboring cities such as Anaheim and Ontario also levy an 8.75% combined rate, while larger metropolitan jurisdictions, including Los Angeles (9.75%) and Long Beach (10.50%), have higher combined rates due to multiple voter-approved district taxes supporting transportation, homelessness, public safety, and infrastructure programs. Under state law, the combined total rate of all transactions and use taxes imposed in any county is generally limited to 2.00 percent, unless a higher combined rate is specifically authorized by statute.

Riverside's current combined district (transactions and use) tax rate is below this statutory ceiling, and staff will confirm available capacity under the applicable Transactions and Use Tax Law provisions prior to placing any additional measure on the ballot.

The comparison of larger cities in California demonstrates that Riverside's rate is competitive within the Southern California market and remains below the statutory 2.00% district tax ceiling for Riverside County.

City	Combined Sales/Use Tax Rate
<b>Irvine</b>	7.75%
<b>Huntington Beach</b>	7.75%
<b>Fresno</b>	8.35%
<b>Anaheim</b>	8.75%
<b>Riverside</b>	8.75%
<b>San Bernardino</b>	8.75%
<b>Ontario</b>	8.75%
<b>Bakersfield</b>	9.0%
<b>Santa Ana</b>	9.25%
<b>Palm Springs</b>	9.25%
<b>San Jose</b>	9.375%
<b>Los Angeles</b>	9.75%
<b>Pasadena</b>	10.25%
<b>Pomona</b>	10.25%
<b>Glendale</b>	10.50%
<b>Long Beach</b>	10.50%

Given continuing and growing needs of the Fire Department required to safeguard life and property, as well as citywide needs such as street maintenance, park safety, homelessness response, and community services, staff have notionally identified an opportunity for the City Council to consider submitting to the voters a new 0.25% retail transactions and use tax for the June 2026 ballot. If approved by the voters, a new 0.25% sales tax would increase the City's combined sales and use tax rate from 8.75% to 9.00%, maintaining the City's rate within the range of peer jurisdictions while providing revenue for city priorities as identified by the City Council. From a practical perspective, a 0.25% sales tax on a \$100 purchase would add 25 cents to the purchase cost while collectively providing approximately \$21 million annually for public safety and other priorities once fully implemented.

If the City Council wishes to proceed, several procedural steps are required under state law and CDTFA procedures. First, staff must confirm that imposition of an additional 0.25% transactions and use tax would not cause the combined district tax rate in Riverside County to exceed the 2.00% cap or any higher limit expressly authorized by the statute for the County. Second, the City Attorney and City Manager would prepare an ordinance and associated resolution calling an election to submit the proposed retail and transactions and use tax to the voters, with the ordinance drafted to impose the tax in accordance with the Transactions and Use Tax Law (Part 1.6, commencing with Section 7251) and to incorporate provisions identical to those of the state Sales and Use Tax Law to the extent required by Part 1.6 and CDTFA. A proposed spending plan identifying the general purposes for which the general tax revenue may be used would accompany the ordinance and resolution for City Council consideration, consistent with the legal requirements for a general tax. Upon Council approval, the measure would be placed on the June 2026 ballot and would require a simple majority voter approval as a general tax. The corresponding ordinance would need to be

adopted by the City Council with two thirds vote prior to the election. Following voter approval, the City would submit the adopted ordinance, certified election results, and all required implementation documents to CDTFA within the timelines established by CDTFA for new district taxes so that the 0.25% transactions and use tax can be programmed, administered, and collected on the effective date specified by law.

### **C. Potential Ballot Revenue Measure Option Two: Extend Measure Z Retail Transactions and Use Tax (Sales Tax)**

#### Measure Z

The City's Measure Z, approved by Riverside voters in 2016, is a one percent general retail transactions and use tax imposed in accordance with the Transactions and Use Tax Law (Part 1.6, commencing with Section 7251, of Division 2 of the Revenue and Taxation Code) and Riverside Municipal Code Chapter 3.08. Measure Z has been instrumental in restoring fiscal stability following the Great Recession and has supported police and fire staffing, street and facility repairs, and investment in information technology infrastructure and other general governmental services.

Measure Z Transaction and Use Tax Revenue (Actual and Projected):

Fiscal Year	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Revenue	\$84,015	\$81,892	\$81,326	\$83,296	\$83,455	\$86,552

In Thousands

#### Current Dedication and Service Impact

By City Council policy, approximately 80% of Measure Z revenue is dedicated to public safety, supporting the Police and Fire Departments, park and facility safety, and combating homelessness, which includes paying the salaries for 140.3 police and fire personnel. Measure Z revenue is essential to maintaining the current level of public safety in Riverside.

#### Measure Z Expiration and Fiscal Impact of Non-Renewal

The Measure Z sales tax expires in 2036. If this sales tax measure is not renewed, the City of Riverside will suffer an approximately \$103 million drop in revenue in 2036, an amount representing approximately 19% of the combined City General Fund/Measure Z budget. Not renewing Measure Z would trigger a fiscal crisis without having some other revenue source emerging to fill the resulting funding gap.

Renewal of the Measure Z sales tax at this time provides the predictable revenue continuity needed to plan for the future and address public safety needs extending beyond 2036. Such long-range planning is essential for capital projects such as new fire stations or police stations, which typically are financed through low interest, tax-exempt 30-year municipal bonds. Note that renewal of Measure Z does not authorize issuance of debt but provides a stable revenue stream that can support long-term capital financing strategies.

### **D. Potential Ballot Revenue Measure Option Three: Increase Transient Occupancy Tax (TOT)**

The City of Riverside levies a TOT on the daily use of hotel rooms pursuant to Chapter 5.32 of the Riverside Municipal Code. Guests occupying rooms for fewer than 30 consecutive days are considered "transients" and are subject to this tax, which hotel operators are required to collect and remit to the City. The TOT rate has been adjusted periodically by ordinance. Original adoption of Chapter 5.32 establishing the TOT was in 1966. Effective July 1, 2012, the rate increased from

11% to 12% and on July 1, 2014, the rate increased from 12% to 13%. The City's Current TOT rate is 13%, which has remained unchanged since 2014.

Revenue from TOT is a significant General Fund source supporting City Services. Today, Riverside has 26 hotels totaling 2,175 rooms. These hotels generated approximately \$8.6 million in TOT revenue in FY 2022-23, \$8.7 million in FY 2023-24, and \$8.9 million in FY 2024-25. Revenues are relatively stable, though they can fluctuate. Looking ahead, Riverside is poised for significant expansion in hotel capacity. Seven new hotels are in the development pipeline, which will add approximately 1,000 more hotel rooms. This expansion will bring the City's total hotel inventory to more than 3,100 rooms. Based on current occupancy and room rate assumptions, these new hotels alone could add \$6.8 million in TOT revenue annually once fully operational.

TOT is a tax approved by voters, but many cities also assess additional hotel fees as part of a Tourism Business Improvement District (TBID), a financing mechanism enabled by California's Property and Business Improvement District Law of 1994 (Streets and Highways Code §36600). It allows lodging businesses to self-assess a fee on occupied room nights. Unlike the TOT, which is a general municipal tax requiring voter approval, TBID is a self-assessment on occupied room nights imposed by lodging businesses and must be spent for the direct benefit of those businesses. Common uses of TBID funds include tourism marketing and promotion, attracting meetings conventions, sporting events, and enhancing tourism related infrastructure and amenities.

In California over 100 cities have adopted TBIDs including San Diego, Ontario, Los Angeles, and Anaheim. Anaheim, home to Disneyland and a major convention center, levies a 15% TOT plus a 2% TBID Fee. Los Angeles set its TOT rate at 14% with an additional 1.5% TBID fee. San Diego charges between 11.15% and 13.75%, with an additional 2% TBID fee supporting convention and tourism activities. Closer to Riverside, Ontario's rate is 11.75% with a 2% TBID fee, while Palm Springs ranges from 11.5% to 13.5% with a 1% TBID fee. Riverside has no TBID fee in place, meaning no dedicated funding stream for tourism marketing, convention center attraction, or visitor services.

City	TOT Rate	TBID Rate	TOT + TBID
Riverside	13%	0%	13.00%
Ontario	11.75%	2%	13.75%
Palm Springs	11.5% Standard hotels 13.5% Group Meeting hotels	1%	12.5% 14.5%
San Diego	11.75% Tax Zone 1 12.75% Tax Zone 2 13.75% Tax Zone 3	2%	13.75% 14.75% 15.75%
Los Angeles	14%	1.5%	15.50%
Anaheim	15%	2%	17.00%

#### TOT Increase Option and Revenue Analysis

Increasing the TOT to 14% and establishing a TBID fee would provide the City with a dedicated and sustainable revenue stream to maintain and enhance public services impacted by tourism and visitor activity, support infrastructure improvements, public safety, quality of life programs, and fund tourism marketing and event development to grow Riverside's visitor economy.

Staff analysis indicates that each 1% increase in the City's TOT rate is projected to generate approximately \$640,000 annually based on current occupancy and average daily rate levels. With 1,000 additional hotel rooms coming online, this incremental revenue would yield an estimated additional \$6.8 million annually, for a cumulative potential revenue impact of \$15.7M annually. TOT revenue expansion either through an increase in hotel room nights and/or an increase in the TOT rate is essential to fund expansion of the Riverside Convention Center. Plans are underway to expand the Convention Center from 50,000 square feet to 150,000 square feet at a cost of approximately \$200 million, or approximately \$13 million annually in debt service if financed with 30-year municipal bonds. Expansion of the Convention Center is predicted to increase the number of occupied hotel nights annually from 19,000 to 39,000, generating the TOT revenue necessary to pay the annual bond payments associated with the Convention Center expansion.

#### Policy Rationale: Visitor-Funded Services

TOT is one of the few revenue sources where costs are borne by visitors, not residents. A visitor attending a conference at the Riverside Convention Center, for instance, pays a TOT charge that directly supports public safety, street maintenance, and other services that make the event possible. A one-percent increase represents a modest change for the guests (roughly \$2.00 more on a \$200.00 hotel bill) but collectively produces millions of dollars that can offset the growing cost of City services.

#### Implementation and Approval Requirements

Should Council wish to pursue a TOT increase to 14%, placement on the ballot requires adoption of a resolution calling the election and submitting the measure language by the statutory deadline of March 6, 2026. TOT increases require simple majority voter approval if placed in the General Fund, or a two-thirds approval if structured as a special tax.

Pursuit of TBID does not require voter approval and instead requires approval of lodging operators via petition and subsequent Council adoption by ordinance following a public hearing.

With hotel development on the horizon and major cultural and sports attractions strengthening Riverside's profile, placing a TOT increase on the June 2026 ballot and/or paired with TBID formation, positions the City to maximize the economic benefits of its growing hospitality sector.

#### **E. Potential Ballot Revenue Measure Option Four: Extend and Adjust Measure Z Retail Transaction and Use Tax**

A final option to consider would extend the City's existing one percent (1.00%) Measure Z retail transactions and use tax, currently set to expire in 2036, while modestly increasing the rate by 0.25% to a combined 1.25% local transactions and use tax. The new rate would preserve Measure Z's critical public safety and infrastructure funding streams, ensure predictable fiscal stability beyond 2036, and generate additional revenues to address inflation-driven costs, aging infrastructure, and community service demands.

Under this proposal, the Measure Z retail transactions and use tax would continue to be imposed as a general tax under the Transactions and Use Tax Law (Part 1.6, commencing with Section 7251 of Division 2 of the California Revenue and Taxation Code) and Riverside Municipal Code Chapter 3.08, requiring approval by a majority of voters.

## Revenue and Fiscal Impact

At the current 8.75% combined sales and use tax rate, Measure Z generates between \$80 million and \$86 million annually. Increasing the rate by 0.25% (to a total of 9.00%) would yield approximately \$21 million in additional annual revenue once fully implemented. Collectively, the continuation and adjustment of Measure Z would secure roughly **\$103 million annually** for Riverside's General Fund beginning upon the effective date of an extension.

Proceeds would continue to support core priorities, including public safety staffing, homelessness response, street maintenance, and community amenities—while the 0.25% increment would provide new funding for facility modernization, emergency equipment replacement, and long-term capital improvements.

## Duration and Renewal Mechanism

- The renewed and adjusted Measure Z would extend the sunset date beyond 2036 either indefinitely or an additional finite period such as 30 years (to 2066), ensuring revenue continuity for long-term financial planning and infrastructure investment.
- The ordinance could include a future review provision directing the City Council to evaluate the tax rate and allocations every 10 years to ensure alignment with community priorities.

## Administrative and Legal Framework

The California Department of Tax and Fee Administration (CDTFA) would continue to administer the tax. Collections, reporting, and enforcement would remain consistent with existing Measure Z operations under state law. CDTFA would deduct its authorized administrative fees before remitting revenues monthly to the City.

As a general tax, this option would require adoption by a two-thirds vote of the City Council to place it on the ballot and approval by a majority of Riverside voters at a regular municipal or statewide election (e.g., June 2026).

## Policy Considerations

- Maintains and strengthens Riverside's fiscal stability by preventing the loss of roughly \$100 million annually after 2036.
- Provides approximately \$21 million in new annual funding without exceeding the countywide 2.00% district tax ceiling.
- Enables long-term investment in public safety infrastructure, disaster preparedness, and quality-of-life initiatives.
- Keeps Riverside's overall sales and use tax rate (9.00%) competitive within the Southern California region, below that of Los Angeles (9.75%) and Long Beach (10.50%).

## **Conclusion: Council Menu of Policy Choices:**

This report presents City Council with a range of potential revenue tools to address service and infrastructure needs. Council may choose to proceed with none, one, or multiple options. Any selected measures will be brought back to Council for comprehensive analysis, detailed fiscal projections, ballot language development, community engagement planning, and full deliberation before formal action. City Staff presents the following menu of possible directions:

<b>Summary of Options</b>		
Sales Tax Measure	Option 1	Direct staff to return with a detailed new 0.25% sales tax option, including rate scenarios, revenue estimates, and draft ballot language.
Sales Tax Measure	Option 2	Direct staff to return with a detailed Measure Z extension option, including renewal timeline, revenue estimates, and draft ballot language.
Tourism Revenue	Option 3	Direct staff to return with a detailed TOT increase option, including rate scenarios, revenue estimates, and draft ballot language. Consider concurrent exploration of TBID formation with lodging industry stakeholders.
Combined Sales Tax Measure	Option 4	Direct staff to return with a combined sales tax measure and extension option, including rate scenarios, revenue estimates, benefit analysis and draft ballot language.
Ballot Measure	Option 5	Receive and file; take no further action at this time.

## **FISCAL IMPACT:**

There is no fiscal impact associated with this report. If Council directs staff to return with one or more revenue proposals, staff will provide detailed fiscal projections and implementation cost estimates (including ballot analysis, community outreach, election administration, and professional services) at that time.

Prepared by: Mike Futrell, City Manager

Certified as to

availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer

Approved by: Mike Futrell, City Manager

Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachment: Presentation