



STAFF REPORT TO THE FINANCE COMMISSION

DATE: Regular Meeting of May 20, 2026

TO: Members of the Finance Commission

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: FY 2025-26 Measure B and N quarterly report on revenues collected as of April 30, 2026, which represent 83% of the total projected amount.

RECOMMENDED ACTION

Receive the attached quarterly report for Fiscal Year 2025-26 concerning Measure B and Measure N. This report details the revenues collected as of April 30, 2026, which represent 83% of the total projected amount.

BACKGROUND

Measure B – Additional ½ cents Sales and Use Tax Revenues

On November 3, 2015, voters approved Measure B, which allows the City to continue its local 0.5 percent sales tax indefinitely. This tax was originally established by voters in June 2012 under Measure O. With the passage of Measure B, the total sales tax rate for the City remains at 9.25 percent, which consists of a 6 percent state-mandated tax, a 2.75 percent county tax, and the City's 0.5 percent tax. Additionally, Measure B was designated as a general sales tax, meaning the revenue generated can be utilized for various government purposes.

Measure N – Utility Users Tax Rate (UUT) Revenues

On November 8, 2022, voters approved Measure N, a significant decision that enables the City to maintain its Utility Users Tax (UUT) at a rate of 8% indefinitely. This tax is applicable to various utility services and is intended to generate crucial revenue for the City's general fund. The UUT represents approximately 20% of the total General Fund revenue. These funds are essential for supporting a diverse array of government services and initiatives, thereby ensuring the community's needs are addressed and contributing to the overall welfare of the City.

DISCUSSION

The Finance Commission has requested quarterly updates on the revenue collections for Measures B and N.

As of April 30, 2026, the City has collected about \$1.5 million in revenue from Measure B. This figure reflects an 8% decrease in comparison to the same quarter in the previous year. Currently, it represents approximately 78% of the projected annual estimate and is also 5% below the anticipated forecast. According to the 2026 budget estimates and economic forecasts, the expected decline in California sales tax revenue—spanning local jurisdictions such as Hercules—is primarily driven by lower-than-anticipated consumer demand, reduced business investment, and easing inflationary pressures on taxable goods. This context provides insight into the ongoing economic trends affecting our fiscal projections.

The City has generated \$3.6 million from Measure N, which constitutes 85% of the total estimated revenues accumulated thus far, exceeding the initial estimate by 2%. Based on projections for California utilities and municipal financial trends for 2026, an increase in Utility Users Tax (UUT) revenue for Hercules is anticipated. This expected rise is primarily driven by increases in rates for electricity, gas, and sewer services, as well as the implementation of a new state-mandated fixed charge.

The combined revenue from Measures B and N accounts for 83% of the projected revenue for this fiscal quarter. This outcome indicates that the combined collections are on track relative to the original annual estimates.

FISCAL IMPACT OF RECOMMENDATION

Accepting this report will not have any financial implications. Nonetheless, the proposed utilization of the revenue generated by these measures is consistent with the established provisions outlined in the measures.

ATTACHMENT

Attachment 1 – Measure B and N Year-to-date Quarterly Revenue Report through 4/30/2026