



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of July 28, 2026

TO: Mayor and Members of the City Council

VIA: Patrick Tang, Interim City Manager

SUBMITTED BY: Patrick Tang, Interim City Manager
Edwin Gato, Finance Director
Christie Crawl, City Attorney

SUBJECT: November 2026 Election for a voter-approved revenue measure

RECOMMENDED ACTION:

Adopt an Urgency Ordinance calling for an Election for a voter-approved one cent Transaction and Use (Sales) Tax and requesting the Contra Costa County Board of Supervisors to direct the Contra Costa County Election Department to conduct the election and to direct the City Attorney to prepare an impartial analysis and to authorize preparation of arguments for the ballot measure.

ANALYSIS:

The City of Hercules on-going revenues are barely adequate to sustain our current levels of service, which remain reduced from the staffing and service levels prior to the Great Recession, when nearly 40% of staff had to be let go. While we have seen some improvement in revenues overall, Hercules still receives a low share of the property taxes, and our retail tax base is not robust enough to fund anything more than basic service levels. Even with City employee wage and benefit concessions remaining in place, costs continue to increase, thereby continuing the need to look toward ways to generate revenue through economic development and to reduce expenditures by becoming more efficient and effective. However, these efforts will not result in sufficient increases in revenues to avoid a projected budget shortfall beginning in fiscal year 2028-29.

Earlier this year, the City Council began to explore the possibility of asking residents to support a one cent increase to current sales tax rates. Part of these efforts included an independent community survey. This survey showed residents think the City is moving in the right direction and want to continue this positive momentum with locally-controlled funding to maintain essential services, including:

- Maintaining the City's financial stability and enhancing fiscal accountability
- Maintaining the local Hercules Police Department,
- Maintaining the number of police officers patrolling neighborhood streets
- Improving 9-1-1 response times
- Expanding neighborhood crime prevention programs
- Attracting business to Hercules
- Preventing cuts to street maintenance

Our residents have continued to give the City feedback that too many streets in Hercules are old and deteriorating, contributing to hazardous driving conditions. Nearly 25% of the City's neighborhood streets (representing over 35 miles) are rated as "poor" or "failed." As always, the City's priority is to make it safer to drive and walk in the city by repairing potholes and cracked sidewalks.

In order to place the measure on the ballot for a November 2026 general election, the City Council must take action to call for the election and approve the ballot questions and other actions by August 7. City staff is seeking City Council adoption of an urgency ordinance calling the election, requesting Contra Costa County to conduct the election and directing the City Attorney to prepare the Impartial Analysis for the measure. As drafted, these proposed ballot questions meet the seventy-five (75) word limit provided for under the State Elections Code and the City Attorney has reviewed the language for compliance. It is requested that the City Council review and approve the recommended ballot questions.

FISCAL IMPACT:

A November 2026 election for a voter-approved one cent Sales Tax may cost up to \$80,000 and this amount is available in the FY 2026/27 annual budget. The City's General Fund would see an estimated increase of revenues of nearly \$4 million if voters were to approve the measure.

ATTACHMENTS:

1. Urgency Ordinance regarding Transaction and Use (Sales) Tax including Ordinance
2. Ordinance adding the 2026 Transactions and Use Tax Ordinance to Title 8 of the Hercules Municipal Code