



CITY *of* CALABASAS

**CITY COUNCIL
AGENDA REPORT**

MEETING: February 5, 2026

TO: Honorable Mayor and Councilmembers

FROM: Kindon Meik, City Manager
Pam K. Lee, City Attorney

SUBJECT: Calabasas Public Safety/City Services Measure

RECOMMENDATION

Discuss and consider whether to (1) declare a fiscal emergency and to (2) call for a special stand-alone, all-mail ballot election for May 5, 2026 to submit to the voters a proposed measure that would increase the City's transactions and use (sales) tax by 1.00% and provide an estimated \$5,300,000 annually to support the City's financial stability and maintain City services for residents and businesses, including wildfire preparedness and response, 911 sheriff response, addressing property crimes and burglaries, providing safe and clean public spaces, repairing roads, and protecting open space.

If approved take the following actions:

1. Adopt Resolution No. 2026-1994 unanimously declaring a Fiscal Emergency for the purposes of Article XIII C, Section 2(b) of the California Constitution (Unanimous vote required); and
2. Adopt Resolution No. 2026-1995, to approve the following:
 - a. Calling and giving notice of a Special Municipal Election to be held on May 5, 2026; and
 - b. Submitting to the qualified voters the "City of Calabasas Public Safety/City Services Measure," which enacts the "City of Calabasas Transactions and Use Tax Ordinance," a proposed Ordinance imposing a one cent (1¢) Transactions and Use Tax for general government purposes, subject to majority voter approval; and
 - c. Providing for the Special Election to be conducted as an all-mail ballot election pursuant to Elections Code Section 4000 et. seq. and in

accordance with the Vote-by-Mail procedures in the Elections Code Section 3000 et seq.; and

- d. Directing the City Clerk to take all actions necessary to conduct the election; and
 - e. Requesting that the Board of Supervisors of the County of Los Angeles authorize the Registrar-Recorder/County Clerk to provide specific election administration services relating to the conduct of a special municipal election; and
 - f. Setting priorities for filing written arguments and rebuttals regarding the ballot measure; and
 - g. Directing the City Attorney to prepare the impartial analysis of the ballot measure; and
 - h. Provide for other election matters as required by law.
3. Conduct first reading of Ordinance No. 2026-422 to be submitted to City's voters entitled, "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CALABASAS, CALIFORNIA, IMPOSING A ONE PERCENT 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 reading of the full text and further reading; and
 4. Authorize the Mayor, on behalf of the City Council, to prepare and file a written argument in favor of the proposed measure and designate the Mayor to select signers for said argument; and
 5. Authorize the City Manager to execute all the necessary documents on behalf of the City.

BACKGROUND

The City of Calabasas has historically benefited from a balanced General Fund budget. The City's General Fund is the operating fund for the majority of the City's services and activities as summarized below:

- Public safety (police/sheriff services)
- Emergency management and wildfire preparedness
- Senior and youth programs
- Community events
- Parks and recreational facilities
- Streets, sidewalks, and public facilities
- Environmental programs
- Planning and building safety
- Code enforcement
- Media and communications
- General government administration

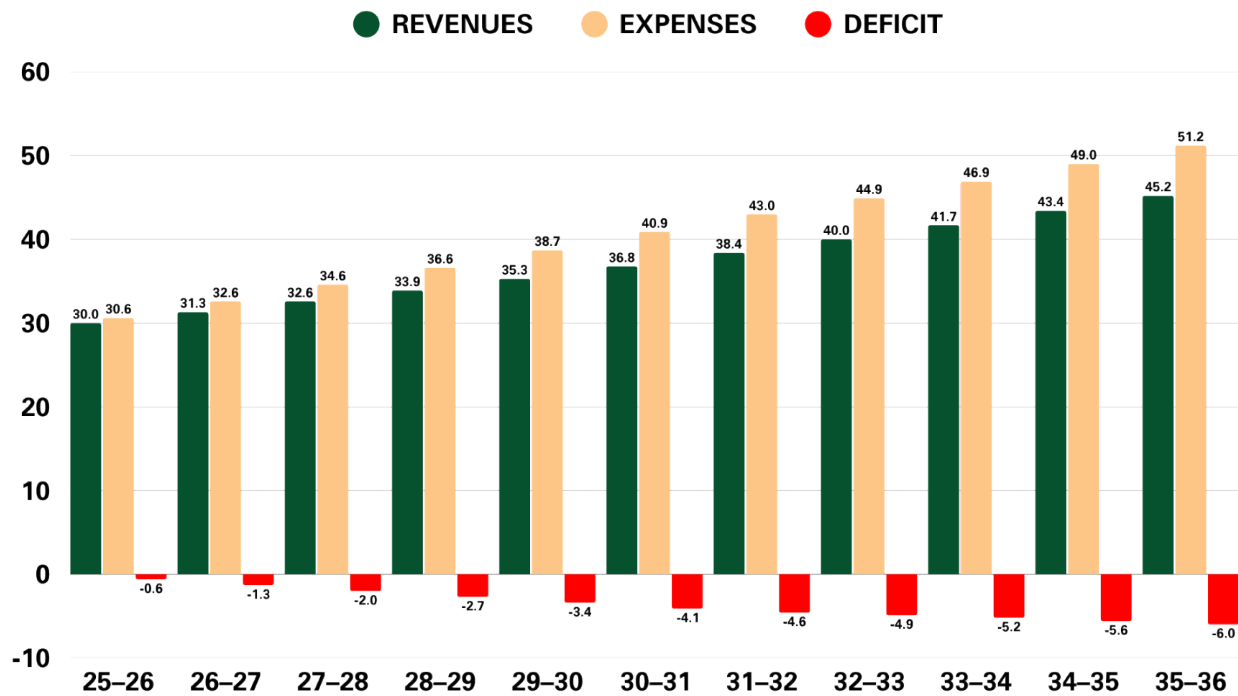
General Fund revenues are derived from several sources including sales tax, property tax, utility user tax, building permits, transient occupancy tax (hotel tax), and property taxes in lieu of vehicle license fees.

Over the years, the City Council has taken a financially conservative approach to the City's finances and recently underscored their actions by identifying "Fiscal Resiliency" as one of six long-term strategic priorities. The financial prudence of the City Council was evident in FY 2021-2022 and FY 2022-2023 when the City benefitted from an unprecedented spike in sales tax revenue. With the additional funds, the City Council increased the sheriff's contract for added patrols, augmented emergency preparedness activities, and improved City recreational facilities. Furthermore, the City Council demonstrated a forward-thinking mentality by setting aside monies for future city infrastructure projects, investing in a Section 115 trust account to address employee pension liabilities, and establishing a 50% General Fund Reserve Policy.

The surplus years noted above were, however, short lived and at the mid-year budget report in March 2023 the City's Chief Financial Officer noted a downward trend in sales tax revenues prompting the City Council to request additional information on a potential hotel bed tax and a sales tax initiative in order to maintain essential services and the existing quality of life programs offered by the City. Both the hotel bed tax and the sales tax add-on were preliminarily discussed at the March 27, 2024 City Council meeting.

With the preparation of the FY 2024-2025 budget, financial models showed General Fund expenses steadily outpacing revenues. Driven by a slowdown in sales tax receipts, inflation, and increasing service delivery costs, the initial draft of the FY 2025-2026 General Fund budget projected an alarming deficit of more than \$2,000,000. To offset the deficit, the City implemented a cost allocation plan, enacted a hiring freeze, reduced contractual expenses, canceled community events, and delayed necessary capital improvement projects. Notwithstanding these efforts, the City's final FY 2025-26 General Fund budget was adopted with a deficit of \$598,000.

Furthermore, financial forecasts indicate that the City is facing a structural deficit. A structural deficit is not a temporary shortfall caused by an economic downturn or other external factors. Instead, a structural deficit is a persistent incongruence between income and spending. The graph below summarizes the 10-year General Fund forecast and highlights the growing disparity between revenues and expenses. Both noteworthy and unsustainable is the steady increase in the deficit year after year (see Attachment A). Without corrective action and an infusion of new revenues, the City will eventually be forced to reduce services and programs provided to the community.



During deficit years, the City Council can authorize the use of General Fund reserves to cover operating expenses, however, the effect of ongoing budget shortfalls will be problematic. In simple terms, the future structural budget imbalance is projected to deplete the \$19.6 million currently in the City’s reserves within five to six years, making the City increasingly vulnerable to emergencies and other unanticipated factors, and threatening its ability to provide critical city services and community programs.

Compounding the shortfall in the City’s operating budget is a growing list of capital improvement projects and other initiatives necessary to maintain and improve public safety, City parks and recreational facilities, the civic center and library, streets and sidewalks, landscaped medians, and IT infrastructure. These unfunded projects add up to approximately \$23.6 million and will become more expensive over time (see Attachment B).

Simply stated, inflation and rising operational costs for services and needed capital maintenance are outpacing revenue streams. This trend, if not addressed proactively, will deplete financial resources and undermine the City’s ability to provide essential services to the community. Consequently, basic operational costs will "crowd out" strategic community initiatives and needed capital investments and the City will not be able to properly fund the maintenance and repair of public facilities.

Recognizing the need to stabilize City’s financial future, the City Council held a special study session on September 10, 2025. During the study session, the City Council considered several revenue generating options including a sales tax measure (transactions and use tax), hotel bed tax increase (transient occupancy

tax), the implementation of a business license, a parcel tax, and an increase to the current utility user tax. Ultimately, a sales tax initiative proved to be the only revenue source that would generate sufficient funds to adequately address the projected structural deficit without placing the full burden of those new revenues on Calabasas residents.

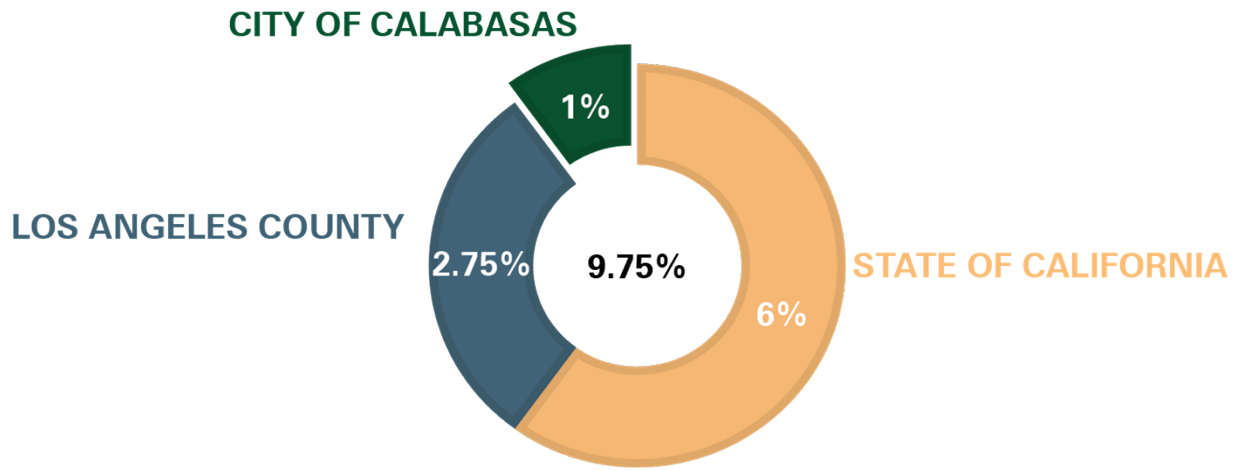
To that end, the City Council scheduled a follow-up study session on October 6, 2025 to explore the following: a council-initiated sales tax that would be placed on the November 2026 ballot; a council-initiated sales tax measure in conjunction with the declaration of a fiscal emergency to appear on the June 2026 primary ballot; and a voter-initiated sales tax measure that would either be consolidated with the primary or general election or be placed on a ballot on a special election. At the conclusion of the study session, the City Council directed staff to accelerate community outreach and to contract with a research firm to conduct a statistically valid survey to determine voter sentiment.

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. 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.

DISCUSSION

Sales Tax Overview: The California Department of Tax and Fee Administration (CDTFA) collects the sales and use tax from local retailers selling tangible personal property or from the users of tangible personal property purchased from retailers outside of the State of California. The base statewide sales tax is 7.25%. California cities currently receive 1% of the total sales tax rate within its 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, in addition to the Bradley Burns tax, up to a state-defined cap on the sales tax rate. In Los Angeles County, for most cities including Calabasas, the total sales tax rate is currently capped at 10.75%.

The current sales total tax rate in Calabasas is 9.75%. Of that 9.75%, the City of Calabasas receives 1%. The remaining 8.75% is split between Los Angeles County and the State of California. The City of Calabasas therefore has the opportunity to claim up to a 1% add-on tax for local use and investment should residents vote to increase the sales tax.



Transactions and Use Tax or Sales Tax Add-On: A transactions and use tax (TUT) or a local sales tax add-on can be added to the base sales tax if approved by local voters. Per Proposition 13, a General TUT may be used towards any General Fund expenditure and requires approval by a simple majority or 50% + 1 of the City’s voters. In contrast, a Special TUT must be allocated to a designated use and requires approval by two-thirds, or 66.7%, of the City’s voters.

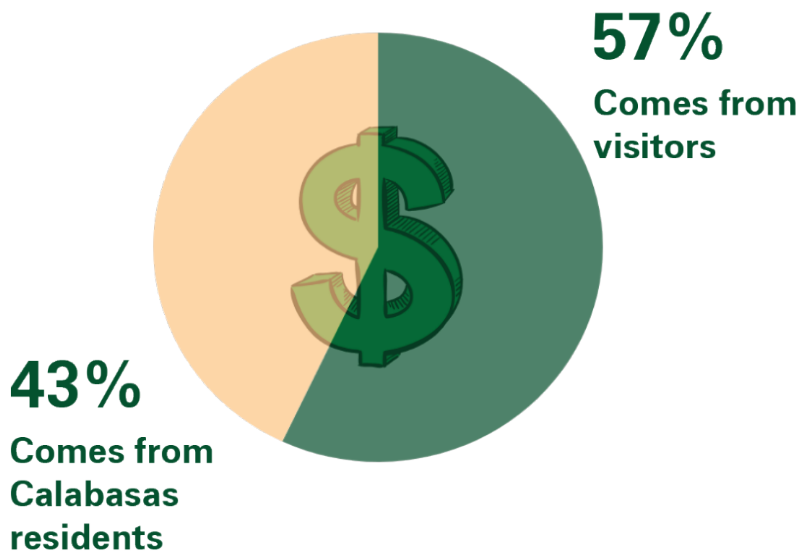
Through a TUT the City may increase its tax rate in multiples of 0.125% up to a maximum increase of 1.00%, or 1 cent for every dollar. If the City of Calabasas chooses not to pursue a TUT, another taxing entity (Los Angeles County, and/or another taxing entity allowed to enact sales taxes) may submit its own sales tax initiative to the voters of Los Angeles County for a portion of the available sales tax increment, up to the cap of 1.00%.

Of the 88 cities in Los Angeles County, 59 have adopted a TUT. Like Calabasas, other cities are currently considering a TUT in 2026. The table below shows a breakdown of the cities and their current sales tax rate:

Cities	Tax Rate
Agoura Hills, Bell, Beverly Hills, Bradbury, Calabasas, Cerritos, City of Industry, Claremont, Diamond Bar, El Segundo, Hermosa Beach, Hidden Hills, La Habra Heights, La Mirada, Los Angeles, Maywood, Palos Verdes Estates, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, San Marino, Santa Clarita, Temple City, Walnut, West Covina, Westlake Village (29 cities)	9.75%
Avalon, Inglewood, La Puente, Malibu, Manhattan Beach, Torrance (6 cities)	10.25%
Alhambra, Arcadia, Artesia, Baldwin Park, Bell Gardens, Bellflower, Burbank, Carson, City of Commerce, Covina, Cudahy, Downey, Duarte, El Monte, Gardena, Glendale, Hawaiian Gardens, Hawthorne, Huntington Park, La Canada Flintridge, La Verne, Lakewood, Lawndale, Lomita, Long Beach, Monrovia, Montebello, Monterey	10.50%

Park, Norwalk, Paramount, Pasadena, Pomona, San Fernando, San Gabriel, Sierra Madre, Signal Hill, South Pasadena, Vernon, West Hollywood, Whittier (40 cities)	
Azusa, Compton, Culver City, Glendora, Irwindale, Lynwood, Pico Rivera, Santa Monica, South El Monte, South Gate (10 cities)	10.75%
Santa Fe Springs (1 city)	11.00%
Lancaster, Palmdale (2 cities, exceeding the 10.75% cap via State Legislation AB 2443)	11.25%

Calabasas Residents and Sales Tax Revenue: Calabasas is fortunate in that the majority of sales tax revenue generated in the community comes from non-residents. Out of town visitors shop at local retail establishments, dine at restaurants, and purchase taxable goods in the community. According to a recent study conducted by the City’s sales tax expert, HdL Companies, 57.2% of the sales tax revenue that the City receives comes from non-residents. The following graphic shows the source of sales tax revenue generated in Calabasas.



Calabasas is both a destination and a gateway to other destinations. Visitors contribute to the local economy and help sustain the amenities (parks, recreational facilities, public spaces), services (public safety), and infrastructure (clean streets, landscaped medians) that characterize the community. This balanced revenue structure offsets General Fund costs that would otherwise be borne by Calabasas residents.

Though spending patterns and non-resident sales tax contributions may vary in the future, the above noted percentages provide insight on how a local sales tax add-on may impact Calabasas residents. For example, if voters were to approve a 1 cent TUT, a resident can expect to contribute on average \$8.25 per month in new sales tax revenue. The methodology for the per resident averages is below:

1 Cent Local Add-On TUT

1 cent transactions and use tax revenue	\$5,300,000
\$5,300,000 multiplied by 43% (resident sales tax contribution)	\$2,279,000
\$2,279,000 divided by 23,000 (number of residents)	\$99.08
\$99.08 divided by 12 (number of months)	\$8.25

Additionally, it is important for residents to know that a TUT does *not* apply to common essentials like groceries, prescriptions, medical and dental services, real estate, rent, utilities, education, personal services, and labor.

Furthermore, new revenues generated by a sales tax add-on are locally controlled to benefit the residents of Calabasas. Per law, these revenues cannot be taken by the State or the County. The resulting benefit of a TUT to the residents and businesses of Calabasas would be maintaining essential City services, while investing in important infrastructure projects that would otherwise be deferred due to the lack of funding.

Timeline and Cost of a Transactions and Use Tax Measure: To initiate a tax measure, State law requires that two-thirds of the City Council, or four out of five council members, vote for the tax measure proposal to be placed on a ballot. Furthermore, State law requires that a tax measure be placed on a consolidated election that includes Calabasas council members on the ballot. That being said, the next consolidated election for city council office is November 3, 2026.

Fiscal Emergency: It is important to note that State law provides a caveat to the above outlined process, in accordance with Article XIIC of the State Constitution, if an emergency, such as a fiscal emergency, is declared. There is no specific definition of or defined requirements on what constitutes a “fiscal emergency.” In fact, neither the Elections Code nor the Government Code define the term “fiscal emergency.” At minimum, a fiscal emergency typically involves a sharp, unexpected decline in revenue, coupled with the inability of the City to provide certain essential services or maintain them at an acceptable level in the foreseeable future. In short, a fiscal emergency is an imminent, severe financial situation that threatens the ability to provide essential services. The City must also show that it has taken reasonable steps to address its financial issues prior to declaring a fiscal emergency. Lastly, the City must demonstrate that it has considered available alternatives and that such alternatives are insufficient to solve the City’s financial issues.

A fiscal emergency requires the adoption of a resolution by unanimous vote of the entire City Council, making the required findings discussed above and supported by evidence of the financial state of the City. A resolution declaring a fiscal emergency can be adopted by the City Council at a separate meeting prior to or at the same meeting as when the City Council calls for an election.

If the City declares a fiscal emergency, then it does not have to wait until the November 2026 election to place a tax measure on the ballot. Instead, the City may place a tax measure on the June 2, 2026 primary election (which is also a consolidated election), or the City may hold a special election/stand-alone election. Per the election code, a stand-alone all-mail ballot election can only be held on the first Tuesday following the first Monday in May (May 5, 2026) or last Tuesday in August (August 25, 2026).

At the December 3, 2025, special meeting, the City Council directed staff to proceed with community outreach and engagement with the intent that a possible 1 cent (1%) sales tax initiative would be placed on the November 2026 ballot for voter consideration. However, the City was recently made aware of an effort by the Los Angeles County Board of Supervisors to place its own ½ cent (0.5%) sales tax measure on the June 2, 2026 ballot. The Board of Supervisors is tentatively scheduled to discuss and vote on this matter on February 10, 2026.

A new County sales tax at this time is problematic to the City of Calabasas. Should the County measure be approved and enacted before a City revenue initiative is presented to voters, the City would not be able to propose a 1 cent TUT and instead would be limited to a ½ cent sales tax add-on resulting in the potential loss of millions of dollars year after year that would go to the County instead remaining locally in Calabasas. Specifically, if the County measure is approved, approximately \$2.7 million per year in Calabasas-generated sales tax revenues would be diverted to the County for its general operations.

To ensure the City's fiscal sustainability and to protect the interests of Calabasas residents who have voiced their support for local control of a potential 1 cent measure, it is imperative that the City Council consider a sales tax initiative before a County measure is submitted to the voters.

For this to be accomplished, the City Council would need to call for a special stand-alone, all-mail ballot election to be held on May 5, 2026. The ballot question as presented below would allow voters the option to enact a secure, locally controlled general fund revenue source.

<p>Calabasas Public Safety/City Services Measure: To maintain Calabasas’ financial stability and general City services such as preparing for/responding to wildfires; reduce fire risk by managing brush/other fuels/natural areas; maintain 911/Sheriff response; help prevent property crimes/thefts/burglaries; keep public areas/safe/clean; repairing streets; shall a measure establishing a 1¢ sales tax providing approximately \$5,300,000 annually until ended by voters; requiring audits, spending disclosure, all funds locally controlled, be adopted?</p>	<p>YES</p> <p>NO</p>
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In order to proceed as outlined, all resolutions, ordinances and other election related material would need to be submitted to the Los Angeles County Registrar of Voters and the Los Angeles County Board of Supervisors by February 6, 2026. Based on preliminary numbers, staff estimates that a stand-alone election would cost approximately \$275,000 to \$300,000. A budget amendment would be necessary to allocate funds for this purpose and will be presented to the City Council at a future meeting if so directed.

ACCOUNTABILITY

The proposed City of Calabasas Public Safety / City Services Measure includes numerous accountability provisions, such as public disclosure of all spending and annual independent financial audits. The City Council and residents have also noted the importance of creating a citizen oversight committee that will ensure funds from this measure are used efficiently, effectively, and as intended. Furthermore, expenditures from the sales tax revenues would be included in annual budgets and other reports readily available to the public. Finally, voters can also vote to end the sales tax, just as they voted to create it.

Importantly, the revenues generated by the measure will be under local control to provide general local services and will be spent on quality-of-life services and programs benefiting Calabasas residents and businesses. By law, the state and County cannot take this funding away.

NEXT STEPS

If the City Council chooses to call for a Special Election to be held May 5, 2026, the following steps would immediately follow:

Impartial Analysis: The City Attorney will prepare an Impartial Analysis, explaining what the measure will do if enacted and the impacts. The Impartial Analysis shall be published along with the ballot measure, as provided by law, and shall be filed with the City Clerk no later than February 19, 2026.

Ballot Arguments and Rebuttals: Elections Code Section 9282(b) and 9287 allow (a) the legislative body, or a member or members of the legislative body authorized by that body, or an individual voter who is eligible to vote on the measure, or bona fide association of citizens, or a combination of voters and associations, to file a written argument in favor of the measure; (b) rules for preference and priority if more than one argument in favor of a measure is submitted; (c) arguments in opposition shall be subject to the provisions of Elections Code 9292 and 9287; and (d) Rebuttals shall comply with Elections Code Sections 9285 and 9287.

Designated Authors: City Councilmember(s) may be designated to author, file, and/or sign arguments in favor of the measure and rebuttals, if desired.

Deadlines: The deadline date and time for submitting arguments for or against the measure to the City Clerk is February 19, 2026, by 5:30 p.m. The deadline date and time for submitting rebuttals for or against the measure to the City Clerk is March 2, 2026, by 5:30 p.m.

FISCAL IMPACT

Subject to approval by Calabasas voters on the May 5, 2026 special election, a local transaction and use tax would take effect on or around October 1, 2026. As noted previously in this report, a 1 cent local sales tax would generate approximately \$5,300,000 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.

Funding for the stand-alone election in the amount of \$275,000 to \$300,000 would come from General Fund reserves.

ATTACHMENTS

- A. 10-Year Financial Forecast
- B. Unfunded Capital Improvement Projects List
- C. City Council Resolution No. 2026-1994 (Declaration of Fiscal Emergency)
- D. City Council Resolution No. 2026-1995 (Calling for Special All-Mail Ballot Election for May 5, 2026)
- E. Ordinance No. 2026-422 (Proposed Ordinance Imposing One Percent Transactions and Use Tax)
- F. City Council Staff Report of September 10, 2025
- G. City Council Staff Report of October 6, 2025
- H. Public Comments – Letter of Support from Calabasas Park Homeowners Association