CITY OF VACAVILLE

City Council
Staff Report

Meeting Date: June 23, 2026

To: Honorable Mayor and City Council Members
Attention: Savita Chaudhary, City Manager

From: GeorgeAnne Meggers-Smith, Assistant City Manager
(Staff Contact, GeorgeAnne Meggers-Smith (707) 449-5651)

Subject: **Ordinance of the Voters of the City of Vacaville Imposing a One Percent Transactions and Use Tax to be Administered by the California Department of Tax and Fee Administration (First Reading); *and***

Resolution Ordering the Submission to the Qualified Electors of the City at the General Municipal Election to be held on November 3, 2026, a Measure Establishing an Additional One-Cent Sales Tax Providing Approximately Twenty-Eight Million Dollars Annually, Under Local Control with Citizens Oversight and Annual Audits Including Public Reporting, until ended by Voters and Approving the Ordinance to be Submitted to the Voters Pursuant to Revenue and Taxation Code Section 7285.9; Requesting the Solano County Elections Department to Conduct the Election and Requesting Consolidation of the General Municipal Election with the Statewide General Election to be Held on November 3, 2026; Directing the City Attorney to Prepare an Impartial Analysis Concerning Such Measure; Setting Rules for the Filing of Written Arguments Regarding Said City Measure

Actions for Consideration:

Approve an Ordinance of the Voters of the City of Vacaville Imposing a One Percent Transaction and Use Tax to be administered by the California Department of Tax and Fee Administration (First Reading) to be Passed and Adopted by the Voters of the City of Vacaville.

By a Two Thirds Vote of the City Council, Adopt a Resolution Ordering the Submission to the Qualified Electors of the City at the General Municipal Election to be held on November 3, 2026, a Measure Establishing an Additional One-Cent Sales Tax Providing Approximately Twenty-Eight Million Dollars Annually, Under Local Control with Citizens Oversight and Annual Audits Including

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Recommendations:

- By title only, introduce the subject ordinance and waive reading of the title per Government Code §36934
- By simple motion, adopt the subject resolution.

Background:

Vacaville is a full-service city, equipped with its own City-run police, fire, parks and recreation, community development, economic development, public works, and water and sewer utility services. The health and safety of all residents in the City is a top priority. The City of Vacaville faces a $12 million structural general fund budget deficit due to slowing sales tax revenue compounded by rising costs due to inflation. The general fund pays for important City services such as police, fire, and paramedic services; 911 emergency response; emergency street repairs and maintenance; neighborhood park and recreation services; and general municipal services to the public.

To address the projected gap between the City's operating revenues and expenses in fiscal year 2025-2026, staff identified and Council approved the implementation of the $9.2 million in citywide cost saving measures.

These cost savings measures include:

- Delayed the hiring of 16 full-time positions
- Froze 3 positions
- Reduced operating budgets by 2.5% across all departments
- No CPI increases to Services and Supplies budgets
- Reduced Measure M pilot programs, Capital Improvement Program, and Internal Service Fund funding
- Deferred maintenance
- Utilized excess reserves to balance the general fund
- Paused ADP payments to CalPERS
- The City Council has also taken action to stop absorbing credit card processing fees, which will result in approximately $400K in cost savings annually and
- Adopted the State's cell site fee structure, resulting in approximately $200K in additional annual revenue once fully implemented.

Without additional ongoing revenue, the City may need to evaluate further service reductions, including deferred maintenance, reducing staffing levels, and delaying capital and operational investments. A local transaction and use tax (sales tax) measure is one of the few revenue-generating options available to the cities. Vacaville currently has the lowest sales tax rate in

Solano County at 8.125%. A local sales tax measure in Vacaville would keep the sales tax rate in line with other Solano County cities while generating additional revenue from a locally approved measure for essential services. These funds would remain under local control and can't be redirected or taken by the State.

At the September 9, 2025, City Council meeting, Council received a presentation and authorized the issuance of a Request for Proposals (RFP) for voter opinion and public education services for potential increases to the sales tax, transient occupancy tax (TOT), and business license tax (BLT) modernization. After reviewing the survey data, staff analysis, and consultant recommendations, the City Council decided not to move forward with TOT or BLT at this time.

At the November 3, 2025, Special Meeting of the City Council, the City Council directed the City Manager to negotiate and execute an agreement with Probolsky Research and William Berry Campaigns to provide the approved voter opinion research and public education services.

At the February 10, 2026, City Council meeting, Probolsky Research presented the results of a statistically valid survey of 400 likely Vacaville voters. The goal of the survey was to gather feedback on residents' views of City services and local government, as well as their support for or opposition to a proposed one-cent increase to the sales tax. Based on the results of the survey, Council directed staff to begin a community education and outreach effort to provide clear, factual information regarding the City's fiscal situation, service levels, and long-term revenue needs, consistent with applicable California law governing public agency communications.

The community education and outreach effort began following the February 10, 2026, City Council meeting and included developing a website, ChoosingAPath.net, to share factual and non-advocacy information with Vacaville residents regarding the City's fiscal condition, service levels, and the potential consideration of a local sales tax measure.

- The website serves as a centralized resource for residents seeking information about the City's finances and includes: Budget information, including General Fund information on the City's current and projected fiscal outlook including expenditures and revenue overview, and 5-year projected budget forecast
- Comparisons of Vacaville's sales tax rate with neighboring jurisdictions, including current sales tax rates and accountability provisions
- Link to the City's Financial Transparency Portal
- Details regarding City services and programs supported by the General Fund
- Information on Measure M, including information on infrastructure, facility, and maintenance needs funded through Measure M.
- Correspondence to the community from the City Manager, Police Chief, and Fire Chief
- Town Hall and community presentation slide decks and recordings
- Frequently Asked Questions (FAQs) related to local sales tax measures
- Link to Community Questionnaire
- Links to City Council presentations, reports, and other publicly available information related to the City's fiscal sustainability efforts.

Outreach efforts also included a hybrid Town Hall meeting, 12 community meetings throughout the City (2 in each district), presentations to community groups, and information shared through social media, email, and the City's newsletter.

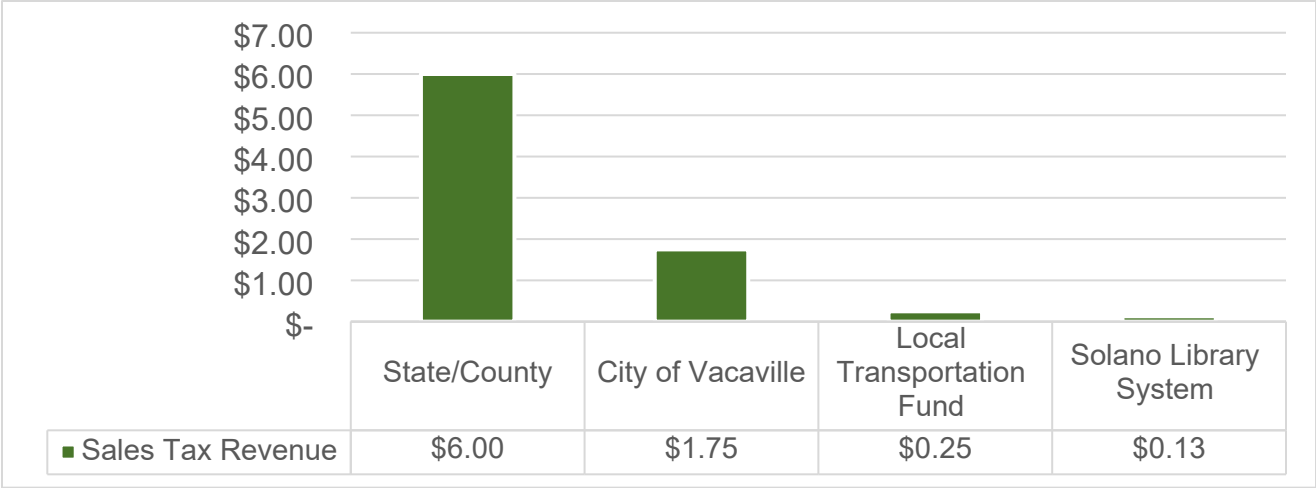
At the June 9, 2026, City Council meeting, Probolsky Research presented the results of a statistically valid survey of 400 likely Vacaville voters to gather additional feedback and insight from residents on the education effort and support or opposition to a proposed one-cent increase to the local sales tax. The poll showed improvement in awareness and satisfaction with City services, while maintaining a level of support for the proposed sales tax increase. Following the receipt of this information, the City Council adopted a resolution directing City staff to prepare and ordinance to be passed and adopted by the voters of the City of Vacaville establishing and additional one percent transaction and use tax to for consideration by the City Council at the June 23, 2026 City Council meeting.

Discussion:

Budget reductions alone will not fully address the City's projected structural deficit. Staff recommends consideration of a local sales tax because it is one of the few locally controlled revenue options available to cities under California law. Revenue generated by the local measure would remain in Vacaville and could not be taken by the State or County. To promote accountability and transparency, a Citizen's Oversight Committee would be established, and all revenues and expenditures would be subject to annual independent audits and public reporting requirements. In California, a general tax to be used for general governmental purposes requires a 50% plus one majority vote.

California has a State-mandated minimum sales tax of 7.25% with a majority of the jurisdictions statewide having a higher sales tax rate to support and maintain local services. Vacaville's sales tax rate is 8.125%, however, most of the sales tax revenue generated does not go to the City. The state's base sales tax rate is 6% and goes towards the State's General Fund, to support health and social service programs, and the Public Safety Augmentation Fund held by the County. The City receives 1.75%, which is comprised of the 1% Bradley-Burns tax allocated to counties and cities to use at their discretion and the .75% Measure M tax. The remaining sales tax is distributed to county local transportation funds (0.25%) to support transportation programs and to fund the Solano County Library system (0.125%). A locally approved sales tax measure would provide a dedicated source of funding to help maintain City services, address infrastructure and facility needs, and support the long-term fiscal sustainability of the community.

For every **$100** of sales in the City, the tax generated is **$8.13**. The share of tax revenue is distributed as follows:



The Local Government Guide to California Sales, Use and Transaction Tax https://cdtfa.ca.gov/industry/local-jurisdictions-and-districts/ provides a detailed overview of the allocation of sales tax and how use tax is imposed in California. Counties, municipalities, and districts are allowed to increase the sales tax in their jurisdictions up to a total of 2%.

Assembly Bill AB 3259 increased the Solano County cap by .50%, increasing the cap to 9.75% and will remain in effect until January 1, 2029. https://alcl.assembly.ca.gov/system/files/2024-04/ab-3259-wilson.pdf

Many cities are facing similar budget deficits. At the November 2024 election, 4 of the 7 cities in Solano County increased their sales tax, with a 5th planning a tax measure in 2026. The most recent increases, as well as the rate in all Solano County cities, are listed in Tables 1 and 2 below:

Table 1: Most recent sales tax increases (Nov 2024) in Solano County

City	Percent Increase	New Rate - effective April 1, 2025	Old Rate
Benicia	0.50%	9.625%	9.125%
Dixon	1%	8.375%	7.375%
Rio Vista	1%	9.125%	8.125%
Suisun City	0.75%	9.125%	8.375%

The City of Vacaville's sales tax rate is the lowest of all 7 cities in Solano County, as described in Table 2 below. Per the California Department of Tax and Fee Administration, the statewide average for sales tax is 8.95%.

Table 2: Sales Tax Rates in Nearby Cities https://cdtfa.ca.gov/formspubs/cdtfa95.pdf

Regional City Sales Tax Rates	
Vacaville Current	8.125%
Dixon* (Increased by 1% Nov 2024)	8.375%
Fairfield **(Currently exploring an increase)**	8.375%
Suisun City* (Increased by 0.75% Nov 2024)	9.125%
Rio Vista* (Increased by 1% Nov 2024)	9.125%
Vallejo	9.250%
Benicia* (Increased by 0.5% Nov 2024)	9.625%
Solano County CAP	9.75%

*Increase effective April 1, 2025

Pursuant to California Revenue and Taxation Code Section 7285.9, the City has the authority to levy a Sales Tax for general purposes, subject to voter approval. The law requires a general tax to be placed on a regularly scheduled general election. If a tax is approved at the November 2026 general election, it will go into effect on April 1, 2027.

The potential, locally enacted Sales Tax measure is projected to generate general fund revenue of approximately $28 million annually for a one cent increase. The projections are based on current revenue derived from the existing Measure M sales tax and are subject to change with changes to economic activity within the City.

The additional projected revenue of $28 million annually would not only address the current structural deficit but also provide additional revenue to help meet ongoing service, infrastructure, and long-term financial obligations. The additional revenues will be used to continue to support public safety operations, emergency response services, roadway maintenance, parks and recreation services, homelessness response programs, and facility maintenance and replacement.

In June 2026, the City Council adopted a General Fund Reserve Policy to strengthen the City's long-term financial sustainability and provide a framework for the use of one-time and ongoing revenues. Under the policy, priority is given to maintaining adequate reserves for economic uncertainty, emergencies, and unforeseen events. Once reserve targets are achieved, any future General Fund surpluses may be allocated by the City Council toward infrastructure investment, capital replacement needs, unfunded liabilities, and other strategic priorities identified through the annual budget process. The Reserve Policy helps ensure that additional revenues are managed responsibly and in a manner that balances current service needs with the City's long-term financial health.

Based on economic studies, staff estimate that 22% of Vacaville's sales tax revenue is generated from out-of-town visitors.

California Department of Tax and Fee Administration (CDTFA) website provides detailed information on sales tax exemptions. Here are some key exemptions:

- Most grocery store food items are exempt, including bread, fruits, vegetables, and bottled water.
- Prescription medicines and certain medical devices: This covers prescribed drugs dispensed by a pharmacist and specific medical devices like wheelchairs or crutches when prescribed.
- Items purchased with Electronic Benefits Transfer (EBT) cards (CalFresh benefits): Purchases using CalFresh benefits are exempt, even if the items are typically taxable.
- Sales for resale: Businesses with a resale certificate purchasing inventory for resale are exempt.
- Sales to the U.S. government: Sales and leases to the U.S. government are generally exempt.
- Sales in interstate or foreign commerce: Sales shipped from California to outside the state can be exempt under certain conditions.
- Labor costs: Labor charges for services, if listed separately on an invoice, are generally exempt.

The Solano County Registrar of Voters has estimated the cost to administer the General Election at approximately $5.50 per registered voter. Currently, the City of Vacaville has 62,537 registered voters, with an estimated total of 65,000 by the election date, and the estimated cost of submitting a tax measure to the City's electorate in November 2026, general election is $357,500. However, the City will be participating in the General Election for councilmembers, so the cost to add a measure is incremental and is estimated by the Registrar of Voters to be about $0.50 per registered voter, or an increase to the normal election services invoice of $32,500 for each measure. The incremental cost of adding a measure to the City's already required offices is mostly associated with printing and proofing the full text of the measure and arguments for/against in the Voter Information Guide.

To qualify for the ballot, 2/3 of the City Council (at least 5 out of 7 members) are required to vote affirmatively to approve the transaction and use tax ordinance. If a council member is absent from the meeting, 5 City Council Members are still required to vote affirmatively for the item to qualify for the ballot. If approved by the Council, and then passed by a majority of the voters (50% plus 1) on Tuesday, November 3, 2026, it would go into effect on April 1, 2027.

Without additional ongoing revenue, City Council may need to consider further reductions in staffing, deferred infrastructure maintenance, reductions in park and recreation services, delays in capital projects, and other service adjustments. To provide context of potential additional budget reductions, at the April 14, 2026, Council meeting, staff presented an estimate and impact of 5% budget reductions.

Staff has implemented significant cost-saving measures and conducted extensive public outreach regarding the City's fiscal challenges. A one-percent sales tax would provide an estimated $28 million annually in locally controlled revenue to address the City's structural deficit, maintain

essential services, and support long-term financial sustainability. Revenue generated by the measure would remain in Vacaville and would be subject to independent annual audits, public reporting requirements, and oversight by a Citizens' Oversight Committee. Staff therefore recommends adoption of the ordinance placing the proposed one-percent local transactions and use tax (sales Tax) measure before Vacaville voters at the November 3, 2026 General Municipal Election.

Environmental Impact:

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project that has the potential to result in either a physical change in the environment or a reasonably foreseeable indirect physical change in the environment, pursuant to California Code of Regulations Title 14 Section 15378(b)(5).

Fiscal Impact:

The proposed locally enacted sales tax increase is projected to generate approximately $28 million in additional General Fund revenue annually for the proposed one-cent increase in the tax rate. If approved by voters on November 3, 2026, the measure would take effect on April 1, 2027. The first full fiscal year of revenue would begin in FY 2027–28. .

Because the City will be participating in the November 3, 2026, General Election for Districts 2, 4, and 6, as well as the Mayor's seat, the cost of adding a local ballot measure would be incremental and the Registrar of Voters is estimating an additional cost of approximately of $32,500 to the standard election services. The FY 2026–27 Non-Departmental budget includes a one-time allocation of $390,000 to cover all anticipated election expenses.

Amount Requested: There are no funds requested for this item.

Funding Source: General Fund (1001)

Budget Distribution: The costs of staff time associated with this item are covered within the existing CIty Manager's Department operating budget.

Alternatives:

The Council could choose not to adopt the Ordinance Imposing a Transaction and Use Tax. This is not recommended as the City has a structural budget deficit that it's trying to solve, and a one-cent sales tax would provide approximately $28 million of additional revenue annually for the General Fund.

Strategic Plan Goal/Initiative:

Goal 1 – Ensure Public Safety
Goal 2 – Strengthen the Local Economy
Goal 3 – Protect Vacaville's Quality of Life
Goal 4 – Maintain Effective and Efficient Services
Goal 5 – Promote Community Engagement and Increased Equity and Inclusion

Levine Act:

No

Attachments:

Action Item 1: Ordinance of the Voters of the City of Vacaville Imposing a One Percent Transactions and Use Tax to be Administered by the California Department of Tax and Fee Administration (First Reading)

Action Item 2: Resolution Submitting the Measure to Qualified Voters; Requesting Consolidation with the Statewide General Election; Directing Preparation of an Impartial Analysis; Setting Rules for the Filing of Written Arguments