



# CITY OF CARMEL-BY-THE-SEA

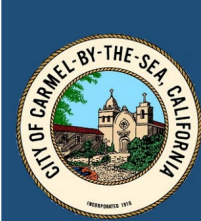
Of Carmel-By-The-Sea Ordering The Submission To The Qualified Electors Of The City Of Carmel-By-The-Sea At The November 3, 2026, General Municipal Election A Measure To Increase The **Transactions And Use Tax Rate** By 0.375% To Make The Total Tax Rate 1.875% and Extending the Duration of the Transactions and Use Tax so that it remains in effect until ended by Voters or, in the alternative, provide direction and Motion to approve draft Primary Argument in Support of Ballot Measure

City Council Regular Meeting  
June 2, 2026



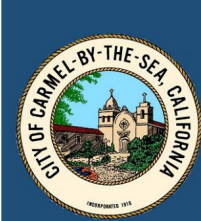
# Background

This Agenda item is based on the direction from the City Council at its meeting on May 4, 2026 that Council City Council at its meeting on June 2, 2026 discuss and consider adopting the Resolution 2026-043 (Attachment 1) which would submit to the City’s qualified voters a ballot measure that to increase the Transactions And Use Tax Rate (also known as sales tax) by 0.375% to make the total tax rate 1.875% and extending the duration of the Transactions and Use Tax so that it remains in effect until ended by Voters if approved by a majority of the voters.



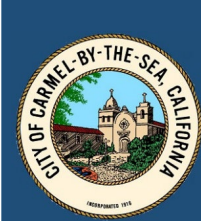
# Ballot Question – Option 1

“Shall the measure providing additional funding for City of Carmel-by-the-Sea general government purposes by increasing the transaction and use tax (also known as sales tax) rate by 0.375% so that the total tax rate is 1.875%, and the 0.375% providing approximately \$1,800,000 annually and the 1.875% providing approximately \$9,400,000 annually in total, and extending the duration of such total tax so that it remains in effect until ended by voters, be adopted?”



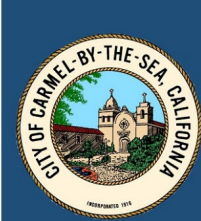
## Ballot Question – Option 2

“To upgrade streets/ ~~and~~ sidewalks, address beach erosion, enhance wildfire preparedness, maintain City trees, and fund other general government purposes in Carmel-by-the-Sea, shall the measure increasing the transaction and use tax (also known as sales tax) by 0.375%, from 1.50% to 1.875%, providing approximately \$1,800,000 annually in additional revenue and approximately \$9,400,000 annually in total revenue, and extending the total 1.875% tax until ended by voters, with independent audits and all funds benefitting Carmel-by-the-Sea, be adopted?”



# Independent Audit

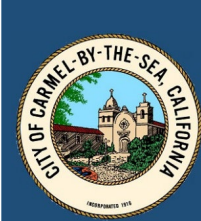
- If the Council selects Option 2, then the proposed Ordinance would need to include language that provides words to the effect that the revenue from the sales tax will be subject to an independent audit as part of the City's annual independent financial audit. The proposed Ordinance (Attachment 3) has been revised to read as follows in regard to an independent financial audit with the underlined text added:
- **SECTION 1. AMENDMENT TO SECTION 3.28.170:** Section 3.28.170 (entitled "Imposition") of Article IV of Chapter 3.28 of Title 3 of the Carmel-by-the-Sea Municipal Code is hereby amended in its entirety as follows:
- "A transactions and use tax is hereby imposed as a general tax on the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the City, and upon the sales price of tangible personal property stored, used or otherwise consumed in the City as further set forth below. The revenue from the Transaction and Use Tax shall be subject to the City's annual independent financial audit."



# Votes Required

Under Proposition 218, the City may only increase a general tax if:

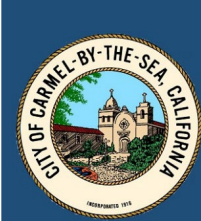
- (a) Two-thirds of the members of the City Council (which would be four affirmative votes) approving placing a tax measure on the ballot for voter consideration, and
- (b) The ballot measure is approved by a majority vote of the electorate at a general municipal election (for the election of members of Council). The next general election is November 3, 2026



# Submitting Measure to Voters

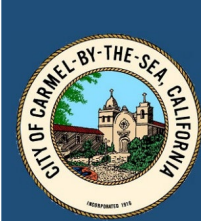
In order to submit a transaction and use tax measure to the voters at the November 3, 2026, general municipal election, the City Council must adopt a resolution that:

- 1) submits the measure to the voters and includes the ordinance increasing the rate by .375%;
- 2) requests the consolidation of such general municipal election with the Statewide General Election on November 3, 2026; and
- 3) authorizes the drafting of primary arguments by all or some councilmembers, directs the City Attorney to draft an impartial analysis of the measure, and authorizes rebuttal arguments.



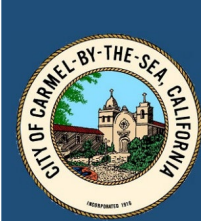
## Section 2 of Resolution

Submission of Measure. Pursuant to the laws of the State of California, including, but not limited to, Elections Code Sections 9222 and 10201, the City Council, pursuant to its right and authority, does hereby order the submission to the voters of the City at the General Municipal Election to be held on November 3, 2026, which was called pursuant to Resolution No.2026-040, a ballot measure that, if approved, increases the City's current transactions and use tax rate from 1.5% to 1.875% and extends the duration of such transactions and use tax so that it remains in effect until ended by voters of the City of Carmel-by-the-Sea with the 0.375% providing approximately ~~\$1,800,000~~ ~~\$1,887,417~~ annually and the 1.875% providing approximately ~~\$9,400,000~~ ~~\$9,437,087~~ annually in total ("Measure"). As required by Elections Code Section 13247, the abbreviated form of the Measure to appear on the ballot is specified below in Section 3.



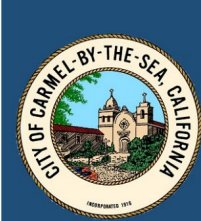
# Section 10 a i of Resolution

Pursuant to Elections Code Section 9282, the City Council authorizes the Mayor and City Councilmembers to author and submit the primary argument in favor of the Measure not exceeding 300 words, accompanied by the printed name(s) and signature(s) of the author(s) submitting it, in accordance with Article 4, Chapter 3, Division 9 of the Elections Code, and authorizes the Mayor and City Councilmembers, to submit a rebuttal argument to the argument against the Measure pursuant to Section 10(c) if time permits or, in the alternative, the rebuttal argument shall be submitted by the Mayor and Mayor Pro Tem



# Deadline to Submit Arguments

- The deadline to submit the Primary Argument to the City Clerk is August 7, 2026 at 5:00 pm and the deadline to submit the Rebuttal Argument if an Opposition Primary Argument has been submitted is August 17 2026 at 5:00 pm
- Two choices in regard to Section 10 a i of Resolution:
  - (1) Revise to read: Mayor and City Councilmembers shall submit a rebuttal argument. This would require setting a special meeting of the City Council to approve the Rebuttal Argument, most likely August 12 to 14 or
  - (2) Revise to read: The persons authorized to submit the Rebuttal Argument are: insert two names.



# Draft Primary Argument in Support of Ballot Measure – Attachment 6

A transaction and use tax is a sales tax applied to most purchases of goods, food, and beverages. In a tourist destination like Carmel-by-the-Sea, a substantial portion of this tax is paid by visitors.

Sales taxes fund a variety of things, mostly at the State and County Level. California law limits the LOCAL sales tax rate in Carmel to 1.5%, which is available entirely for local uses. A recent change in State Law, however, allows cities like Carmel-by-the-Sea to increase our local share by 0.375% to a total of 1.875%. Doing so would add just 19 CENTS to a \$50 lunch bill, while generating an additional \$1.88 Million in sorely needed revenue for our local city government.



# Draft Primary Argument in Support of Ballot Measure – Attachment 6 (continued)

If, as voters, we do not approve this local tax increase, another adjacent jurisdiction, such as Monterey County, may seek to permanently claim this limited taxing authority. Approving this measure now, ensures that these locally generated funds remain under local control and are available to upgrade our infrastructure and enhance overall service levels.

Funds generated by this tax increase can be put to good use immediately. Beyond the rising costs of almost everything, our City’s infrastructure is old, overused, and, unfortunately, has been allowed to deteriorate. The current City Council estimates the cost to correct this deferred maintenance at over \$100 Million, and we believe the need to address it is urgent and important. We’ve already changed our Guiding Budget and Financial Policies to strictly limit operational spending, thereby increasing funds available for infrastructure rehabilitation. But that’s just a start. To make real and meaningful progress, we simply need more revenue. This SMALL tax increase will be a BIG help.

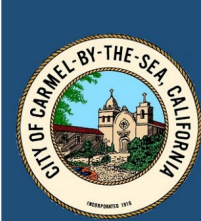
Join us. Vote yes on measure Z.



# Informational Activities

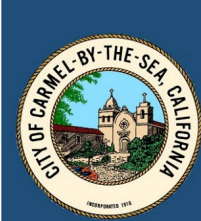
After a measure is “certified to appear” on a particular election ballot, the City is prohibited from spending any City resources to support or oppose the ballot measure.

The City is able to provide information to the public in a neutral and unbiased manner and in a format that is not argumentative. This involves utilization of the City’s standard methods of communication with the public.



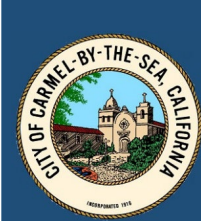
# Amendment to Section 3.28.170

“A transactions and use tax is hereby imposed as a general tax on the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the City ~~for a period of 20 years~~, and upon the sales price of tangible personal property stored, used or otherwise consumed in the City as further set forth below.”



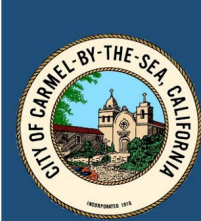
# Amendment to Section 3.28.210

“For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated area of the City at the rate of ~~one and one-half percent~~ 1.875% of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the City on and after the operative date of the ordinance codified in this article ~~for a period of 20 years following the effective date of the tax~~ and remaining in effect until repealed by the voters of the City of Carmel-by-the-Sea ~~and shall then be terminated.~~”



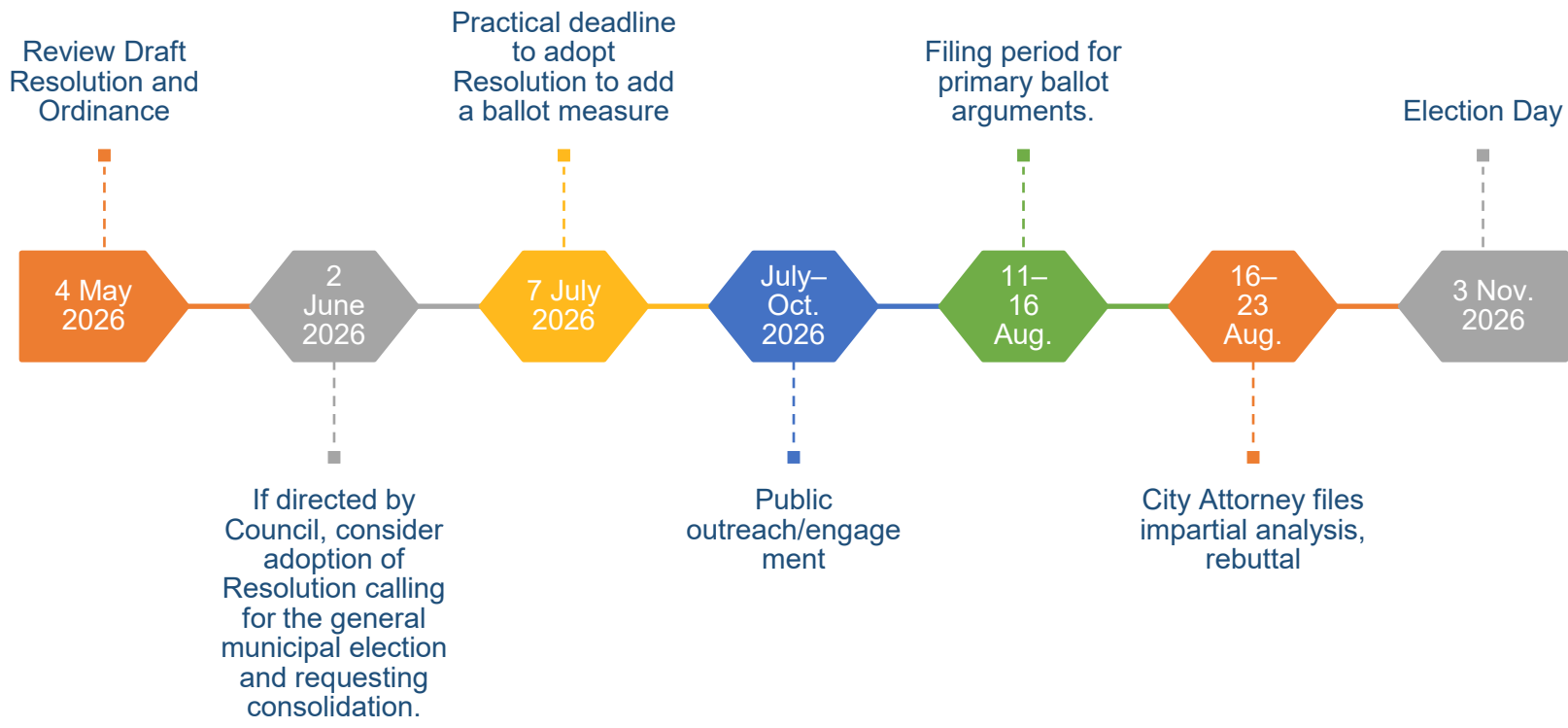
# Amendment to Section 3.28.230

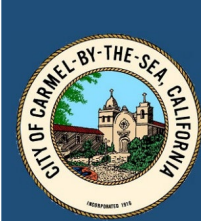
An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the operative date of the ordinance codified in this article for storage, use or other consumption in the City at the rate of 1.875% ~~one and one-half percent~~ of the sales price of the property ~~for a period of 20 years following the effective date of the tax, and remaining in effect until repealed by the voters of the City of Carmel-by-the-Sea and shall then be terminated~~. The sales price shall include delivery charges when such charges are subject to sales or use tax regardless of the place to which delivery is made.”



# Amendment to Section 3.28.310

“The authority to levy the taxes imposed by this article shall remain in effect until repealed by the voters of the City of Carmel-by-the-Sea. ~~expire 20 years from the operative date, unless extended by the voters.~~”





# Recommendation

1. If the Council decides to submit the Transaction and Use Tax (also known as sales tax) to the voters, then Motion to adopt Resolution 2026-043 relating to a potential ballot measure to increase the City's Transaction and Use Tax by .375 % so the new total tax rate is 1.875% with revised Section 2 on dollar amounts.
2. Motion to approve draft Primary Argument in Support of Transaction and Use Tax Ballot Measure (Attachment 6)
3. Motion to revise Section 10 a i of Resolution 2026-042 by one of the following: (1) Mayor and City Councilmembers shall submit a rebuttal argument or (2) The persons authorized to submit the Rebuttal Argument are: insert two names

4. If the Council selects Option 2 for the Ballot Question, then Motion to add to Ordinance attached to Resolution 2026-043 the following language to the end of SECTION 1. AMENDMENT TO SECTION 3.28.170:

.....

The revenue from the Transaction and Use Tax shall be subject to the City's annual independent financial audit.



# End of Presentation

Questions?