



STAFF REPORT	
SUBJECT: Consideration of a Letter of Opposition to the League of California Cities Revenue and Taxation Policy Committee Recommendation to Restructure the Bradley-Burns 1% Local Sales and Use Tax Allocations	MEETING DATE: February 5, 2026
SUBMITTED BY: Melissa Swanson, Administrative Services Director/City Clerk	
PURPOSE OF REPORT: <input type="checkbox"/> Information only <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Action Item	

WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is asked to authorize the Mayor to sign and transmit a formal letter of opposition to the League of California Cities (Cal Cities) regarding the proposed 50/50 revenue split of the Bradley-Burns 1% Sales Tax for e-commerce transactions.

BACKGROUND/DISCUSSION:

The Bradley-Burns Uniform Local Sales and Use Tax Law (1955) currently allocates the 1% local portion of sales tax to the jurisdiction where the sale is negotiated or where the warehouse/fulfillment center is located (Point-of-Sale).

Recently, the Cal Cities City Managers Department Sales Tax Working Group proposed a recommendation to change this allocation. The proposal suggests a 50/50 split: 50% would remain with the Point-of-Sale jurisdiction, while the other 50% would be redistributed to the "Destination" jurisdiction (where the product is delivered).

While the proposal is framed as a way to "equalize" revenue across the state, it creates a significant fiscal inequity for cities like Clearlake.

1. Infrastructure & Service Burdens As the regional retail hub for Lake County, Clearlake bears 100% of the public safety, road maintenance, and code enforcement costs associated with our local businesses. Whether it is a traditional brick-and-mortar store or a warehouse-based e-commerce entity, the City must provide the police protection and maintain the streets used by delivery fleets.

2. Fiscal Impact Sales and Property taxes account for over 53% of Clearlake's General Fund revenue. This revenue is the backbone of our \$6.3 million personnel budget, which funds our police officers and public works crews. A 50% reduction in e-commerce-related sales tax would create an immediate budgetary gap, potentially forcing a reduction in essential services.

3. Undermining Local Economic Planning The City has made, and plans to continue to make, significant investments in revitalization (e.g., the Lakeshore Drive improvements and Austin Park) to attract

business. Retroactively changing the tax rules penalizes the City for its successful economic development efforts and creates uncertainty for future financial planning.

OPTIONS:

1. Move to approve the recommendation and authorize the transmittal of the opposition letter.
2. Other direction.

FISCAL IMPACT:

None \$ Budgeted Item? Yes No

Budget Adjustment Needed? Yes No If yes, amount of appropriation increase: \$

Affected fund(s): General Fund Measure P Fund Measure V Fund Other:

Comments:

STRATEGIC PLAN IMPACT:

- Goal #1: Economic Development
- Goal #2: Public Facilities and Infrastructure
- Goal #3: Celebrate Clearlake
- Goal #4: Clean
- Goal #5: Fiscal Sustainability
- Goal #6: Safe

SUGGESTED MOTIONS:

Move to approve the recommendation and authorize the transmittal of the opposition letter.

- Attachments:**
 - 1) Cal Cities Revenue and Taxation Policy Committee Agenda
 - 2) Letter of Opposition from Unified CalCities Members
 - 3) Draft Letter of Opposition