

RESOLUTION NO. 26-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
COMMERCE, CALIFORNIA, DECLARING A FISCAL
EMERGENCY PURSUANT TO ARTICLE XIII C, SECTION 2(b)
OF THE CALIFORNIA CONSTITUTION

WHEREAS, the City of Commerce is a general law city organized under the laws of the State of California; and

WHEREAS, the City is responsible for maintaining essential municipal services and protecting the public health, safety, and welfare of the Commerce community; and

WHEREAS, the City is committed to maintaining a safe, high-quality community, protecting open space, and providing essential municipal services and facilities for residents, businesses, and visitors; and

WHEREAS, the City has historically maintained strong financial restraint to protect against unexpected economic conditions and ensure an aggressive reserve policy that protects against volatility of services and prioritizes essential services; and

WHEREAS, the City derives approximately forty percent (40%) of its General Fund revenues from gaming operations located within the City; and

WHEREAS, specifically the City has experienced a strong partnership with the Commerce Casino that generates over \$30,000,000 a year in revenues for the City that fund a significant portion of the City budget and underwrites the public safety budget, parks budget and other essential City services; and

WHEREAS, these General Fund revenues support essential services, including police protection, 911 emergency response, youth and senior programs, library services, parks, infrastructure maintenance, and general municipal operations; and

WHEREAS, on February 6, 2026, the State of California finalized new regulations that will take effect on April 1, 2026 (“New Gaming Restrictions”), basically prohibiting certain games (blackjack and blackjack-style games) and the use of third party proposition player services (TPPPs) at gaming facilities; and

WHEREAS, the New Gaming Restrictions mark a significant shift in how cardrooms may lawfully operate their most popular games and is estimated to result in a \$2 billion per year loss to the gaming industry, according to the President of the California Gaming Association; and

WHEREAS, because the use of TPPPs and blackjack-style games make up a large portion of the revenues for the Commerce Casino and other gaming facilities, the New Gaming Restrictions will likely result in an immediate material reduction in the City’s revenues of

approximately \$8 to \$18 million per year, an immediate structural budget deficit, and significant municipal service reductions; and

WHEREAS, in light of the New Gaming Restrictions and sudden loss in revenue, the City Council seeks to diversify the revenue sources of the City to preserve its stability through changes at the casino by adding additional sales tax revenues to fund City operations and preserve essential services, and

WHEREAS, the County of Los Angeles has moved to increase sales taxes in the coming election that could make protecting the City's local access to sales tax revenues to fund City services for City residents very difficult to impossible; and

WHEREAS, the County of Los Angeles sales tax generated within the City of Commerce would not stay local in the City of Commerce or be prioritized by the City, but would be used by the County to fund County operations and health services across the entire County, and

WHEREAS, State and County allocation constraints limit the City's ability to fund local needs: (i) the City retains only a portion of sales tax generated locally, meaning the current total sales tax rate in the City is 10.5%, and only 1.75% of the total sales tax rate is under local control; and (ii) the City receives one of the smallest shares of property tax revenue in Los Angeles County, just 6.7%, ranking 67th out of 88 cities; and

WHEREAS, State law limits the total combined rate of local transactions and use (sales) taxes that may be imposed within Los Angeles County, and staff has reported that for most cities the combined rate is capped at 10.75%; and

WHEREAS, importantly, over 50% of all sales tax revenue generated within the City comes from non-residents and visiting shoppers — meaning that more than half of the sales tax collected is paid by those who live outside the City; and

WHEREAS, the City Council finds that revenues from a voter-approved transactions and use (sales) tax measure would stay in the City to support essential services and community priorities, including maintaining 911 emergency response and proactive law enforcement, maintaining senior and youth programs and services, maintaining streets and sidewalks, maintaining senior and youth programs and services, and maintaining safe parks and protecting open space; and

WHEREAS, absent an ongoing revenue solution, the City will face continued revenue diversity risks due to regulatory actions affecting the Commerce Casino and related City revenues requiring the City to reduce public safety services, reduce youth and senior programming, reduce community activities, defer required maintenance on City facilities, infrastructure, and capital improvement projects, and a drawdown of General Fund reserves, threatening the City's ability to respond to future emergencies and maintain public safety, parks, and programming; and

WHEREAS, without an additional substantial diversified and consistent revenue source, the increasing budget risks may also require adjustments to City facility operations, such as

reduced hours at City Hall, Community Center, Library, as well as reductions in law enforcement services that could result in fewer police officers and slower 911 emergency response times; and

WHEREAS, after a thorough consideration, a transactions and use (sales) tax has been identified as the highest priority new revenue source expected to generate significant ongoing funds to aid in diversifying City revenues and moving to protect a critical available tax increment; and

WHEREAS, the City Council finds that the City therefore has limited remaining local capacity for a transactions and use tax add-on within the cap; and

WHEREAS, the City Council understands that the County has submitted a countywide transactions and use (sales) tax measure of one-half cent ($\frac{1}{2}\%$) to voters in June 2026, and if a countywide measure is approved it will increase the difficulty of the City adopting future sales tax measures, the City's capacity to establish its own locally controlled sales tax measure is harmed; and

WHEREAS, the City Council finds that preserving local control is important because the City is directly accountable to local voters for the provision of City services and infrastructure, and the City requires stable, locally controlled revenue to address structural deficits and maintain essential services; and

WHEREAS, the City Council finds that it is time-sensitive to submit the City's proposed transactions and use (sales) tax measure to voters now in order to offset the impending revenue reduction from the New Gaming Restrictions that will become effective in April 2026, to preserve the City's remaining local capacity, and to avoid the risk that a countywide or other regional measure will eliminate the City's opportunity to secure a locally controlled revenue source; and

WHEREAS, a transactions and use (sales) tax does not apply to common essentials such as groceries, prescriptions, medical and dental services, real estate, rent, utilities, education, personal services, and labor; and

WHEREAS, based on the risks created by the New Gaming Restrictions that will impact the operations of the Commerce Casino as early as April 2026, reduce the City's revenues, and create or increase the City's budget deficit from 2026-2027 onward, the City Council finds that a fiscal emergency exists requiring prompt action to preserve the City's ability to maintain essential services and unfunded needs; and

WHEREAS, Article XIII C, section 2(b) of the California Constitution requires that a general tax submitted by a local government be presented to the electorate and approved by a majority vote, and further provides that the election required by that subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency, as is the case here, declared by a unanimous vote of members of the governing body (see 75 Ops.Cal.Atty.Gen 47 (1992), citing *Tidewaters. Ry., Co. v. Jordan* (1912) 163 Cal. 105); and

WHEREAS, at minimum, a fiscal emergency in this context typically involves an unexpected decline in revenue combined with an inability to provide or maintain essential services at acceptable levels, and that a declaration should be supported by evidence and reflect reasonable steps taken and consideration of alternatives; and

WHEREAS, by this Resolution, the City Council desires to make a clear public finding of a fiscal emergency as defined by Article XIII C, section 2(b) of the California Constitution and herein, regarding the City's fiscal condition, and to preserve the City's ability to consider revenue measures necessary to avoid cuts to essential services and to protect the public health, safety, and welfare.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Commerce:

Section 1. Recitals Evidence. The foregoing recitals are true and correct and incorporated into this Resolution by this reference as findings.

Section 2. Declaration of Fiscal Emergency (Article XIII C, Section 2(b)). Based on the findings in this Resolution, including (a) the likely unexpected large loss of the revenues from gaming operations due to New Gaming Restrictions, (b) the potential reductions to essential City services and deferral of critical maintenance and repairs, and (c) the magnitude of unfunded capital needs, the City Council hereby declares that a Fiscal Emergency exists as that term is used in Article XIII C, section 2(b) of the California Constitution..

Section 3. No Automatic Election Call. This Resolution is limited to declaring a fiscal emergency for purposes of Article XIII C, section 2(b). This Resolution does not, by itself, call an election, adopt a tax ordinance, or approve ballot language.

Section 4. Effective Date. Resolution shall take effect immediately upon its adoption.

Section 5. Certification. The City Clerk shall certify to the adoption of this resolution and shall cause the same to be processed in the manner required by law.

PASSED, APPROVED, AND ADOPTED THIS 24th day of February, 2026.

Kevin Lainez
Mayor

ATTEST:

Pat Jacquez-Nares
Interim City Clerk

APPROVED AS TO FORM:

Noel Tapia
City Attorney

State of California }
County of Los Angeles } SS
City of Commerce }

I, PAT JACQUEZ-NARES, INTERIM CITY CLERK of the City of Commerce, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Commerce held on the 24th day of February 2026 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Pat Jacquez-Nares
Interim City Clerk

APPROVED AS TO FORM:

Noel Tapia
City Attorney