
Potential Ballot Measures

2026 General Election

City Council Study Session
June 9, 2026



Overview of Potential Ballot Measures

Business License Rate Reform

- Costa Mesa is home to approximately 111,918 residents and 7,987 businesses.
- The City adopted its business license structure in 1985, and in the 41 years since, the costs of operations, infrastructure, and public safety have steadily increased.
- The current structure uses gross-receipts ranges, and variable rates for certain specialized business types.

Transient Occupancy Tax

- The current TOT rate is 8%, in place since voter approval in November 2010.
- Costa Mesa has a lower TOT than most neighboring cities.
- The City engaged hotel and motel owners and general managers to provide more information about a potential TOT increase.

Essential Services Supported by the General Fund

Supports Police Services

- Helps maintain low-crime rates
- Funds patrol staffing to keep business areas safe
- Contributes to faster response times for emergency calls

Strengthens Fire & Emergency Response

- Supports firefighter staffing and training
- Helps ensure quick response to medical and fire emergencies
- Maintains reliable equipment and life-saving resources

Improves Local Infrastructure

- Helps maintain roads, streets, sidewalks, and public spaces

Enhances Overall Quality of Life

- Ensures businesses operate safely and responsibly
- Helps to provide consistent, dependable and reliable public services
- Addressing homelessness

Ballot Measure Timeline

- **October 1, 2025:** FiPAC begins potential ballot measure(s) discussions.
- **December 2, 2025:** City Council asks staff to explore placement of two ballot measures: (1) Business License Reform and (2) Transient Occupancy Tax (TOT).
- **January - April 2026:** FiPAC discussion of ballot measures and recommendations.
 - **3/18:** Increase of TOT and/or BIA with a maximum of 3 percentage points.
 - **4/08:** Business license structure utilizing gross receipts.
 - **4/16:** Establish the following in the business license structure:
 - Minimum and maximum flat rate
 - CPI adjustments
 - Competitiveness with neighboring cities
 - Define “gross receipts”
 - Simple and easy-to-administer structure

Business License Reform

Background

- The business license rate was adopted in **April 1985**.
- Costa Mesa collects business licenses based on gross receipts.
 - Currently, the maximum business license a business may pay is \$200.

Gross Receipts	Business License Amount
Under \$1,000	None
\$1,000 - \$25,000	\$25
\$25,001 - \$40,000	\$35
\$40,001 - \$75,000	\$45
\$75,001 - \$200,000	\$60
\$200,001 - \$500,000	\$100
Over \$500,000	\$200

Note: Businesses including exhibitions, vehicles, tow trucks, buses, taxi cabs are subject to additional variable rates.

Gross Receipts

- The City's Municipal Code (CMMC § 9-9) currently defines gross receipts as:
 1. The total amount actually **received or receivable from all sales**;
 2. The total amount of **compensation actually received or receivable** for the performance of any act or service, of whatever nature it may be, for which a charge is made or credit allowed, whether or not such act or service is done as part of or in connection with the sale of materials, goods, wares or merchandise; and
 3. Gains realized from trading in stocks or bonds, interest discounts, rents, royalties, fees, commissions, dividends or other emoluments, however designated.
- For businesses that do not generate gross receipts, the following definition is used:
 - “Gross receipts” shall be deemed to include **the total of all expenses** incurred in the retailing, wholesaling, manufacturing or processing of such goods
 - At the business location within the city
 - For **payroll, utilities, depreciation, and/or rent.**

Current Registered Businesses

Total Gross Receipts		Number of Businesses	Current Rate
From	To		
\$0	\$1,000	1,365	\$0
\$1,001	\$25,000	1,293	\$25
\$25,001	\$50,000	629	\$35 to \$45
\$50,001	\$100,000	891	\$45 to \$60
\$100,001	\$250,000	1,095	\$60 to \$100
\$250,001	\$500,000	508	\$100
\$500,001	\$1,000,000	694	\$200
\$1,000,001	\$5,000,000	1,023	\$200
\$5,000,001	\$25,000,000	348	\$200
More than \$25,000,000		141	\$200
Total		7,987	

Surrounding Cities

- Surrounding cities vary in the application and formula for determining their Business License rates. Some cities use gross-receipts and others use the number of employees.

By Gross Receipts

Gross Receipts	Costa Mesa	Santa Ana	Orange	Anaheim
\$25,000	\$25	\$82	\$35	\$40
\$100,000	\$45	\$131	\$100	\$60
\$500,000	\$100	\$391	\$195	\$60
\$1,000,000	\$200	\$716	\$295	\$95
\$3,000,000	\$200	\$2,016	\$615	\$475
\$5,000,000	\$200	\$3,316	\$915	\$950
\$10,000,000	\$200	\$6,566	\$1,915	\$2,375
\$25,000,000	\$200	\$16,316	\$4,915	\$2,675

Surrounding Cities

- Surrounding cities vary in the application and formula for determining their Business License rates. Some cities use gross-receipts and others use the number of employees.

Per Employee

Per Employee	Huntington Beach	Newport Beach*	Irvine**
5	\$83	\$55	\$72
10	\$103	\$110	\$148
50	\$225	\$550	\$148
100	\$327	\$1,100	\$148
500	\$1,127	\$1,143	\$148
Max	None	\$1,143	\$148

*Listed above is the maximum amount for the City of Newport Beach for commercial, sales-tax generating businesses. The maximum amount for a commercial, non-sales-tax generating business is \$2,285.

**The City of Irvine determines their Business License Fee by resolution, adopted by the City Council.

FiPAC Recommendations

- **April 16, 2026:** FiPAC recommended the below overall structure, leaving the amounts to the discretion of the City Council.
 - Establish a minimum and a maximum flat-fee rate.
 - Apply Consumer Price Index (CPI) adjustments to both the rate and the established minimum and maximum flat-fee amounts.
 - Ensure the structure is competitive with neighboring cities.
 - Define “gross receipts” for consistent application.
 - Maintain a simple and easy-to-administer structure.

Structure of Potential Ballot Measure

- Based on FiPAC's recommendations, staff developed a business license rate:
 - A rate of \$0.60 per \$1,000 in gross receipts.
 - A minimum of \$25 flat fee (for business \$0 - \$49,999).
 - A maximum of \$15,000 flat fee (for business above \$25,000,000).
 - Ensures the rate is below that of neighboring cities based on gross receipts.
- Staff looked at ensuring that small businesses were minimally impacted.
 - Just over 41% of businesses would only pay the minimum rate of \$25.

Structure of Potential Ballot Measure

Total Gross Receipts		Number of Businesses	Current Rate	Potential Ballot Measure	
From	To			Recommended Rate	Equivalent Amount
\$0	\$1,000	1,365	\$0	Minimum Rate Applies	\$25
\$1,001	\$25,000	1,293	\$25		
\$25,001	\$50,000	629	\$35 to \$45		
\$50,001	\$100,000	891	\$45 to \$60	Rate of \$0.60 per \$1,000	\$30 to \$60
\$100,001	\$250,000	1,095	\$60 to \$100		\$60 to \$150
\$250,001	\$500,000	508	\$100		\$150 to \$300
\$500,001	\$1,000,000	694	\$200		\$300 to \$600
\$1,000,001	\$5,000,000	1,023	\$200		\$600 to \$3,000
\$5,000,001	\$25,000,000	348	\$200		\$3,000 to \$15,000
More than \$25,000,000		141	\$200	Maximum Rate Applies	\$15,000

Over 41% of businesses would pay the minimum rate of \$25.

Less than 2% of businesses would pay the maximum rate of \$15,000.

Note: Businesses \$49,999 and less will be subject to the minimum annual rate of \$25.

Structure of Potential Ballot Measure

- The proposed structure would be competitive for small businesses (\$100,000 or less in gross receipts).
- The proposed structure would be competitive with Santa Ana for larger businesses (\$1 million or more in gross receipts).

Gross Receipts	Costa Mesa (Current)	Costa Mesa (Business License Reform)	Santa Ana	Orange	Anaheim
\$25,000	\$25	\$25 (min)	\$82	\$35	\$40
\$100,000	\$45	\$60	\$131	\$100	\$60
\$500,000	\$100	\$300	\$391	\$195	\$60
\$1,000,000	\$200	\$600	\$716	\$295	\$95
\$3,000,000	\$200	\$1,800	\$2,016	\$615	\$475
\$5,000,000	\$200	\$3,000	\$3,316	\$915	\$950
\$10,000,000	\$200	\$6,000	\$6,566	\$1,915	\$2,375
\$25,000,000	\$200	\$15,000 (max)	\$16,316	\$4,915	\$2,675

Transient Occupancy Tax

Background

Ballot Measures

TOT / Hotel Tax

Initial Community
Feedback

Council Direction

Background

- **1978:** The City's Transient Occupancy Tax (TOT) goes into effect at a rate of 6%.
- **2010:** The City Council approved a ballot measure to increase TOT from 6% to 8%, which was approved by the voters in November 2010.

Surrounding Cities

- Costa Mesa one of the lowest TOT rates in Orange County.

City	TOT Rate (%)	City	TOT Rate (%)	City	TOT Rate (%)
Anaheim	15	Cypress	10	San Juan Capistrano	10
Garden Grove	14.5	Dana Point	10	Yorba Linda	10
Tustin	13	Fountain Valley	10	Irvine	8
Buena Park	12	Fullerton	10	Costa Mesa	8
La Palma	12	Huntington Beach	10	Laguna Niguel	8
Laguna Beach	12	Laguna Woods	10	Los Alamitos	8
Laguna Hills	12	Lake Forest	10	Mission Viejo	8
Seal Beach	12	Newport Beach	10	Stanton	8
Santa Ana	11	Orange	10	Westminster	8
Aliso Viejo	10	Placentia	10	La Habra	None
Brea	10	San Clemente	10	Rancho Santa Margarita	None
				Villa Park	None

Surrounding Cities

- Costa Mesa receives a lower amount of TOT compared to surrounding cities.

City	TOT Rate (%)	TOT Revenue			Short Term Rental Policy
		FY 2024-25 Actuals	FY 2025-26 Adopted	FY 2026-27 Proposed	
Anaheim	15	\$243,756,577	\$246,574,505	\$257,120,184	Allowed
Huntington Beach	10	\$16,022,412 \$967,767 (STR)	\$16,088,389 \$1,000,000 (STR)	\$16,488,230 \$967,767 (STR)	Allowed
Newport Beach	10	\$33,174,269	\$33,994,371	\$33,496,235	Allowed
Santa Ana	11	\$9,475,393	\$9,500,000	\$9,500,000	Not allowed
Costa Mesa*	8	\$9,962,421	\$9,843,276	\$10,573,611	Homeshares allowed
Irvine	8	\$19,270,070	\$19,614,548	\$19,866,142	Not allowed

*Costa Mesa TOT currently does not capture revenues associated with homeshares.

Business Improvement Area (BIA)

- In addition to the TOT, the City has 10 hotels participate in a BIA through Travel Costa Mesa.
 - This voluntary assessment is an additional 3% above the City's required TOT.
 - The additional 3% funds go to Travel Costa Mesa (99%) and the City (1%).
- Other cities in Orange County have similar assessments, but may differ in how they implement the assessment.

Surrounding Cities TOT and Assessment Rates

Cities	TOT Rate (%)	Assessment* (%)	Total Rate (%)
Anaheim	15	2	17
Garden Grove	14.5	2.5	17
Huntington Beach	10	6	16
Newport Beach	10	5	15
Buena Park	12	2	14
Laguna Beach	12	2	14
Santa Ana	11	2	13
Dana Point	10	1 - 1.5	11 - 11.5
Costa Mesa	8	3	11
Irvine	8	2	10

*Assessments may include Business Improvement Areas (BIA), Meetings Assessment Partnerships (MAP), Tourism Business Improvement Districts (TBID).

Background

Ballot Measures

TOT / Hotel Tax

Initial Community
Feedback

Council Direction

FiPAC Recommendations

- **March 18, 2026:** FiPAC recommended that the City Council approve an initiative for the November 3, 2026, ballot to increase the TOT by a maximum of 3 percentage points.
- FiPAC emphasized considering market competitiveness in conjunction with the existing 3% BIA rate.

Structure of Potential Ballot Measure

- The City is estimated to generate an additional \$1 million in revenue from TOT for every additional percentage point above the current 8% rate.
- Under this proposal, a 3% increase to the TOT is estimated to generate approximately \$3 million in additional revenue.

Rate Increase	Total TOT Rate	Estimated Revenue to be Generated
1%	9%	\$1M
2%	10%	\$2M
3%	11%	\$3M

Structure of Potential Ballot Measure

City	TOT Rate (%)	City	TOT Rate (%)	City	TOT Rate (%)
Anaheim	15	Cypress	10	San Juan Capistrano	10
Garden Grove	14.5	Dana Point	10	Yorba Linda	10
Tustin	13	Fountain Valley	10	Irvine	8
Buena Park	12	Fullerton	10	Laguna Niguel	8
La Palma	12	Huntington Beach	10	Los Alamitos	8
Laguna Beach	12	Laguna Woods	10	Mission Viejo	8
Laguna Hills	12	Lake Forest	10	Stanton	8
Seal Beach	12	Newport Beach	10	Westminster	8
Costa Mesa	11	Orange	10	La Habra	None
Santa Ana	11	Placentia	10	Rancho Santa Margarita	None
Aliso Viejo	10	San Clemente	10	Villa Park	None
Brea	10				

Structure of Potential Ballot Measure

Surrounding Cities TOT and Assessment Rates

Cities	TOT Rate (%)	Assessment* (%)	Total Rate (%)
Anaheim	15	2	17
Garden Grove	14.5	2.5	17
Huntington Beach	10	6	16
Newport Beach	10	5	15
Buena Park	12	2	14
Costa Mesa	11	3	14
Laguna Beach	12	2	14
Santa Ana	11	2	13
Dana Point	10	1 - 1.5	11 - 11.5
Irvine	8	2	10

**Assessments only applies to participating hotels.*

Initial Community Feedback

Community Feedback: Initial Results

- The City retained the services of FM3 Research for a community survey to determine initial interest in Business License Reform and a TOT increase.








Opinions on Local Revenue Options for the City of Costa Mesa

Highlights of a Survey of Likely Voters



OPINION
RESEARCH
& STRATEGY

Survey Methodology

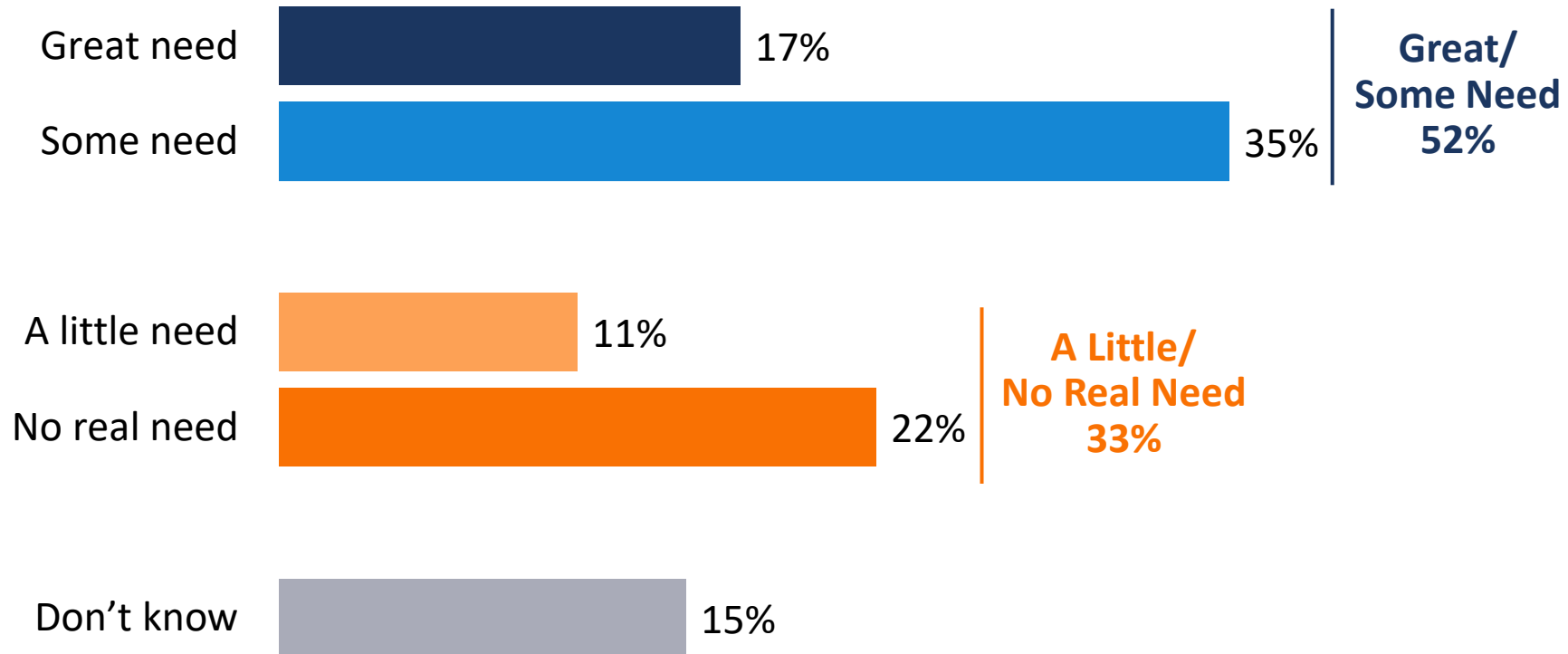
Dates	May 4-11, 2026
Research Population	Likely November 2026 Voters in the City of Costa Mesa
Total Interviews	426
Margin of Sampling Error	(Full Sample) $\pm 4.9\%$ at the 95% Confidence Level (Half Sample) $\pm 6.9\%$ at the 95% Confidence Level
Contact Methods	 Telephone Calls  Email Invitations  Text Invitations
Data Collection Modes	 Telephone Interviews  Online Interviews
Languages	English & Spanish

(Note: Not All Results Will Sum to 100% Due to Rounding)



Context

A slight majority perceive the City has at least some need for additional funds to provide City services, with less than 2-in-10 indicating there is a great need.





Initial Attitudes on a Potential Business License Reform Ballot Measure

Hypothetical Ballot Title and Summary Tested in Survey

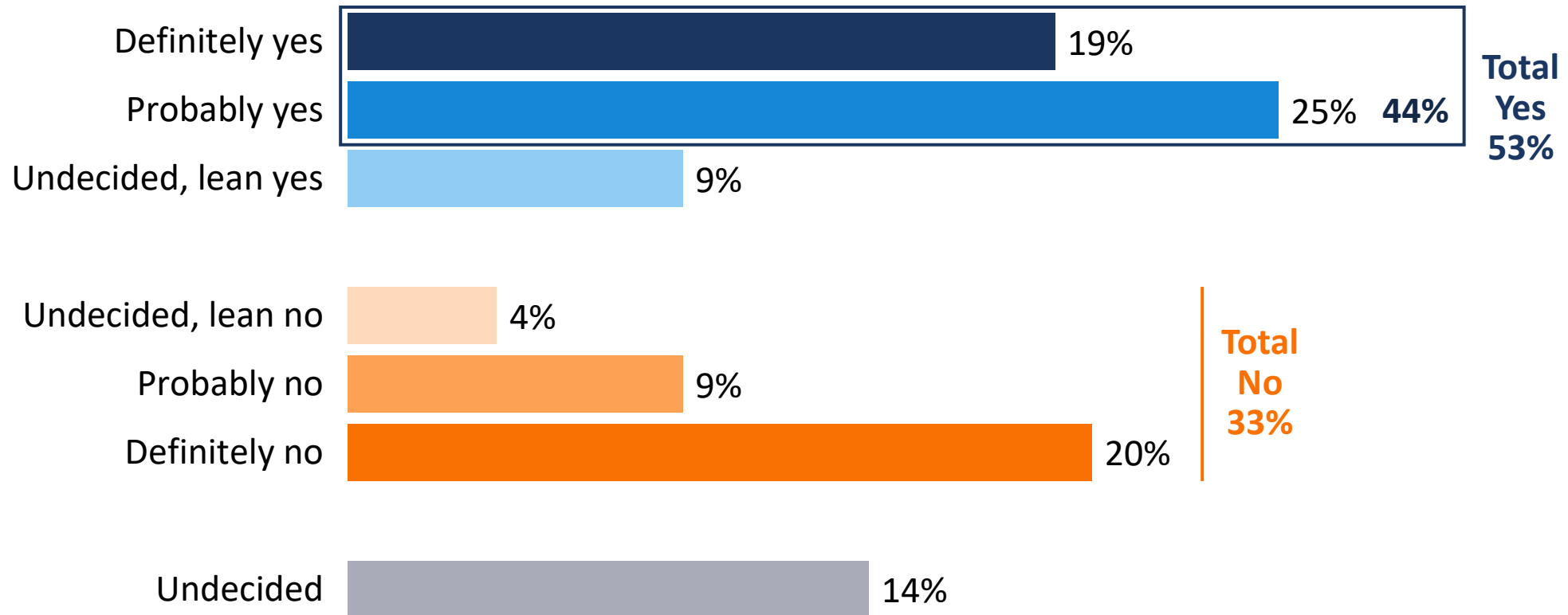
(As Approved by Legal Counsel)

Costa Mesa Fair Business License Update, Small Business Protection Measure

Shall an ordinance, without taxing residents, updating City of Costa Mesa's outdated business license tax, ensuring fairness to all businesses and funding general city services, including keeping public/business areas safe/clean; preventing crime/thefts/burglaries; addressing homelessness; by revising the tax rate to 60¢ per \$1,000 gross receipts, capped at \$15,000, with small businesses paying only \$25 a year; generating approximately \$6,000,000 annually until ended by voters, requiring audits, spending disclosure, all funds locally controlled, be adopted?

A slight majority initially support the measure, but support is soft with only close to 2-in-10 who would definitely vote yes and a fairly large group of undecided voters.

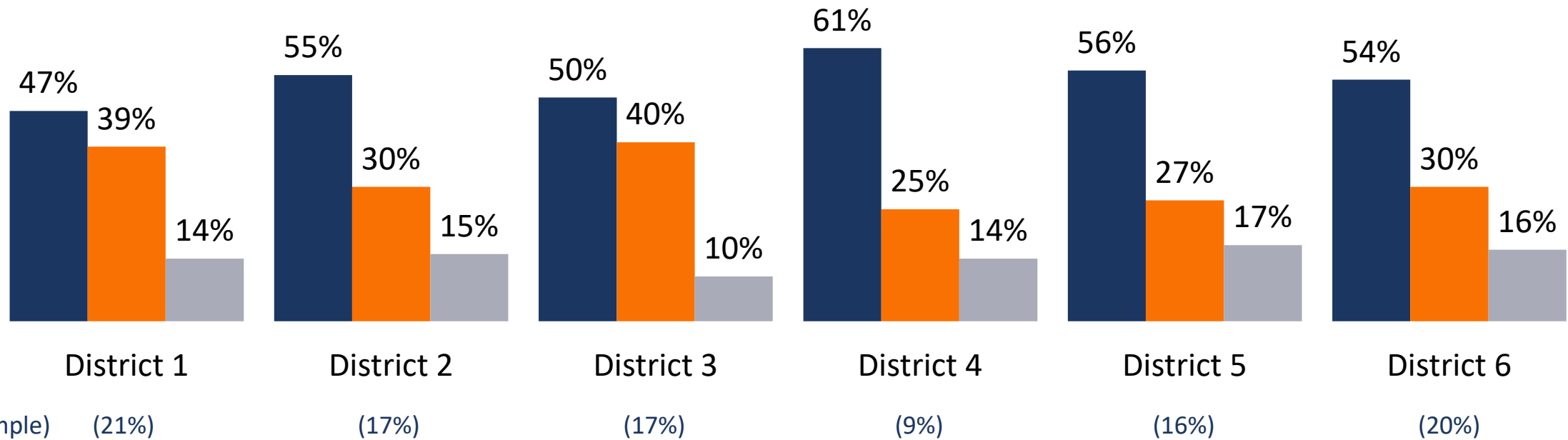
(MOE: ±4.9%)



Support for the measure exceeds opposition across all Districts, with the strongest support in District 4.

Initial vote on the Business License Tax by City Council District

■ Total Yes ■ Total No ■ Undecided



(% of Sample) (21%)

(17%)

(17%)

(9%)

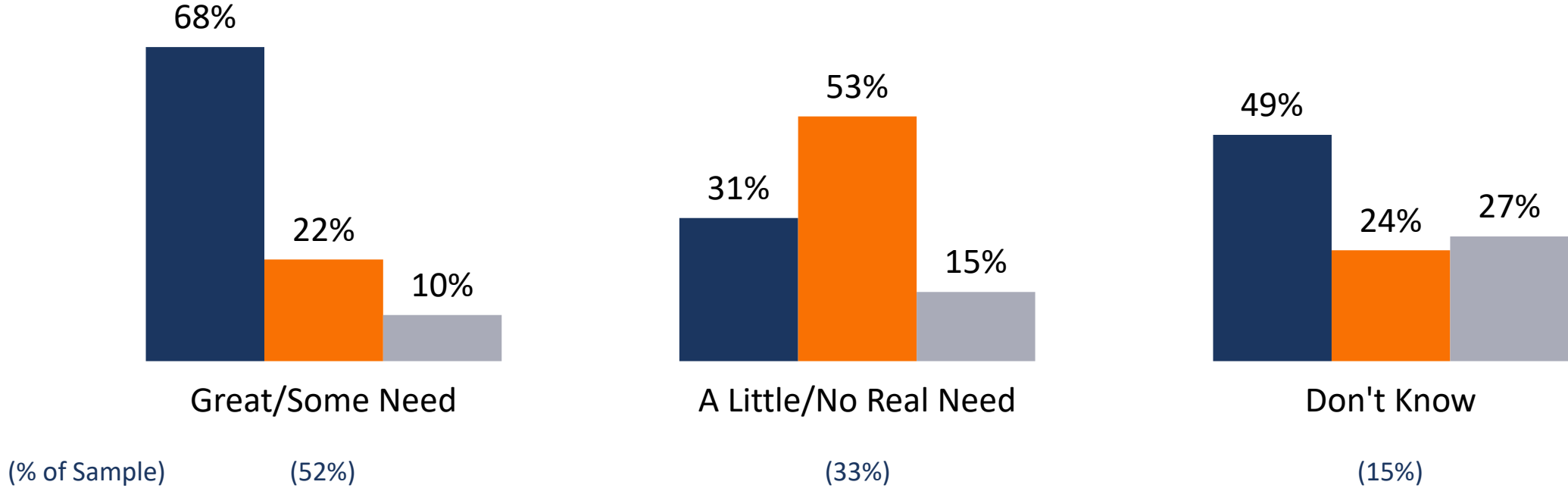
(16%)

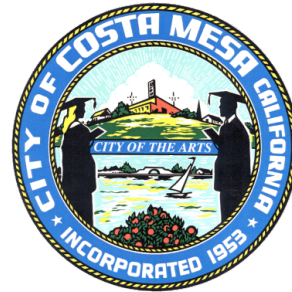
(20%)

There is a strong connection between perceptions of the City's need for additional funding and opinions on the measure.

Initial vote on the Business License Tax by Need for Funding

■ Total Yes ■ Total No ■ Undecided





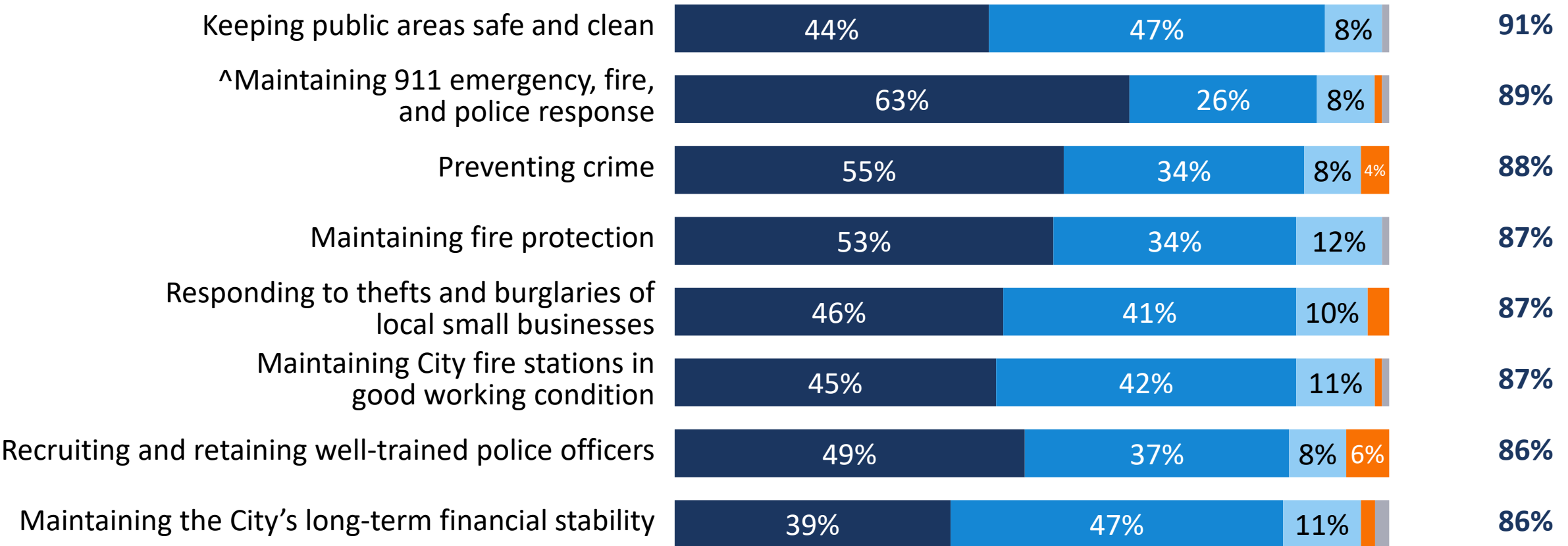
Budget Priorities

Voters' top priorities for the measure largely relate to public safety in a variety of ways.

(Ranked by Extremely/Very Important)

■ Extremely Important ■ Very Important ■ Somewhat Important ■ Not Too Important ■ Don't Know

Extremely/Very Important

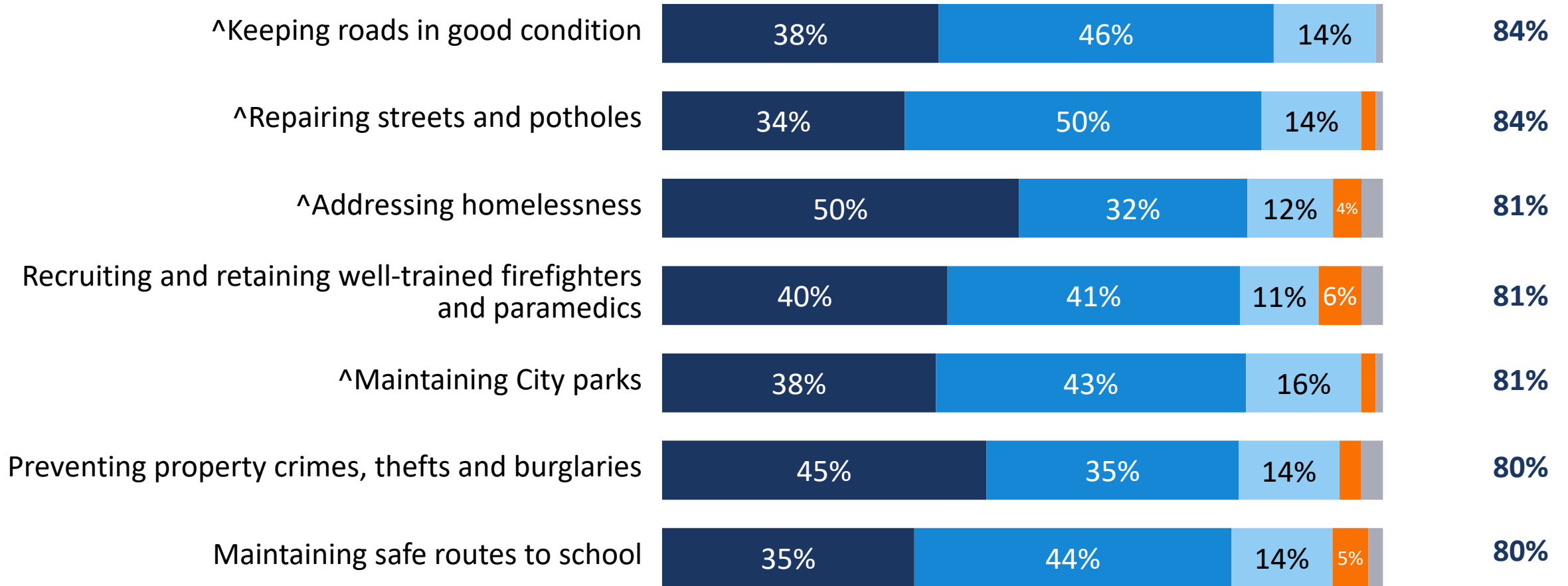


Continued

(Ranked by Extremely/Very Important)

■ Extremely Important ■ Very Important ■ Somewhat Important ■ Not Too Important ■ Don't Know

Extremely/Very Important

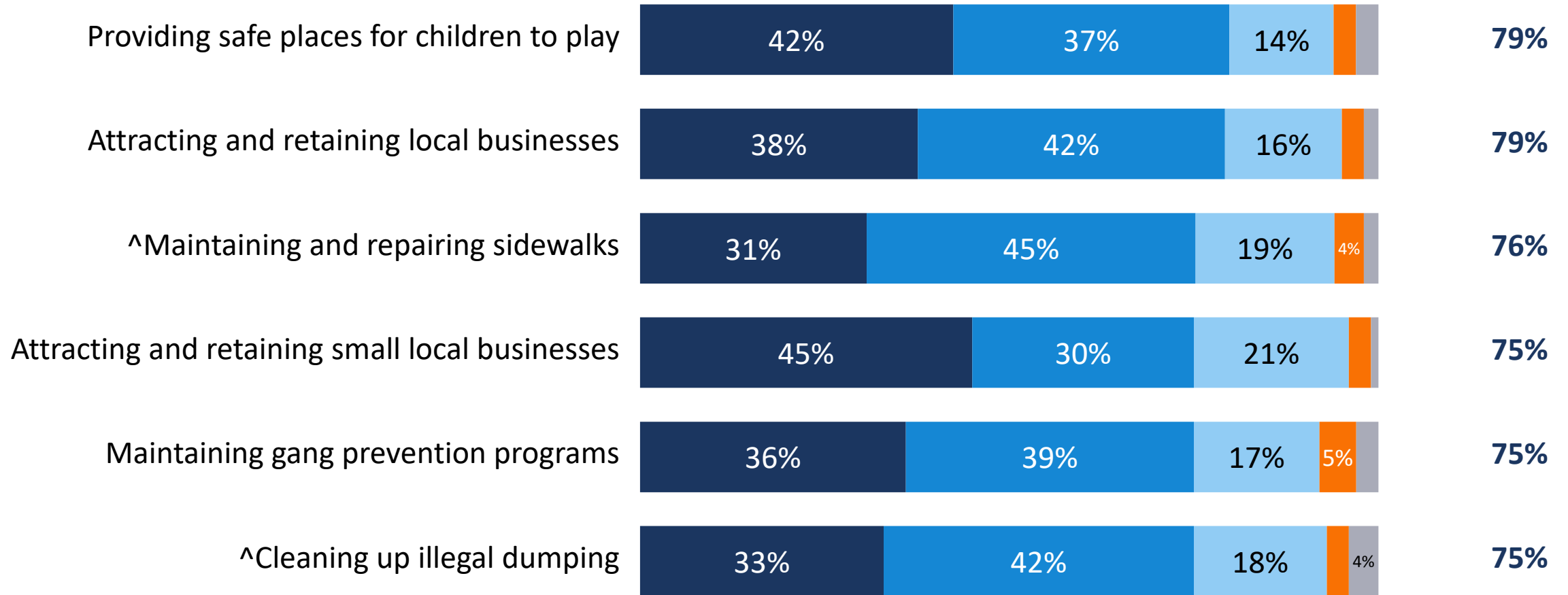


Continued

(Ranked by Extremely/Very Important)

■ Extremely Important ■ Very Important ■ Somewhat Important ■ Not Too Important ■ Don't Know

Extremely/Very Important

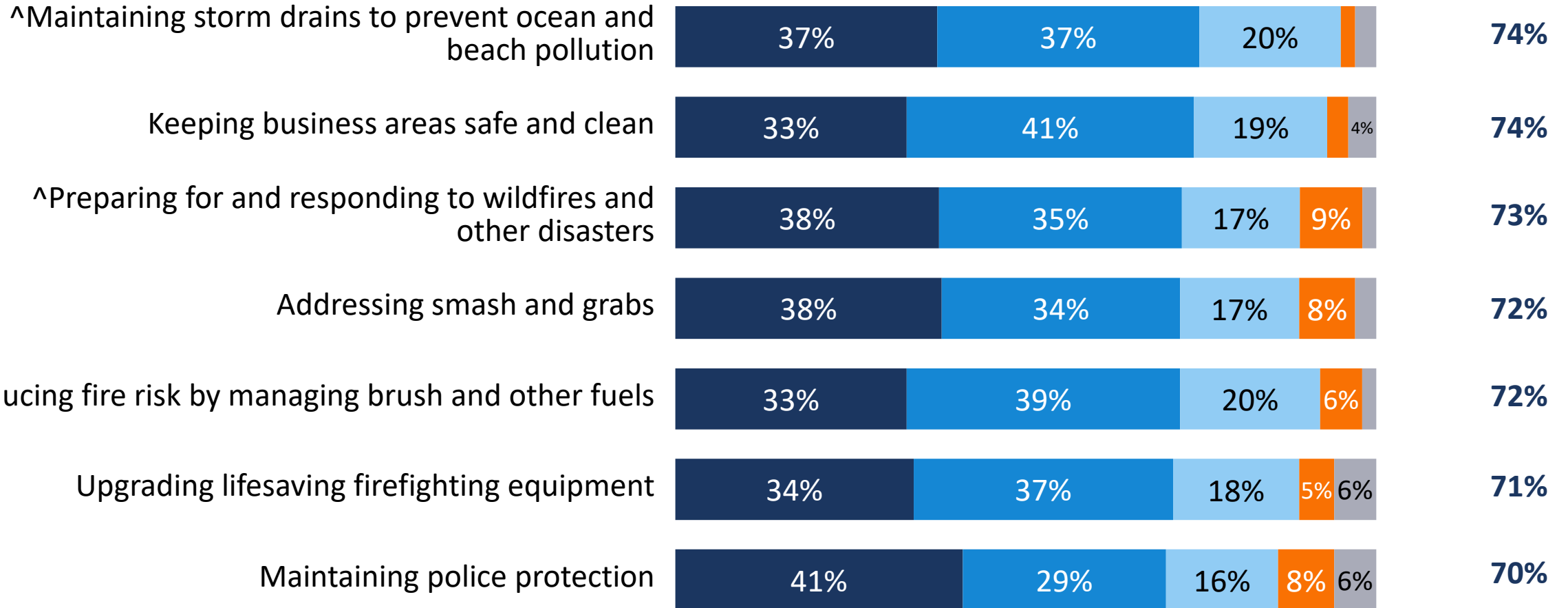


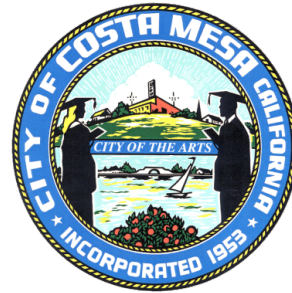
Continued

(Ranked by Extremely/Very Important)

■ Extremely Important ■ Very Important ■ Somewhat Important ■ Not Too Important ■ Don't Know

Extremely/Very Important

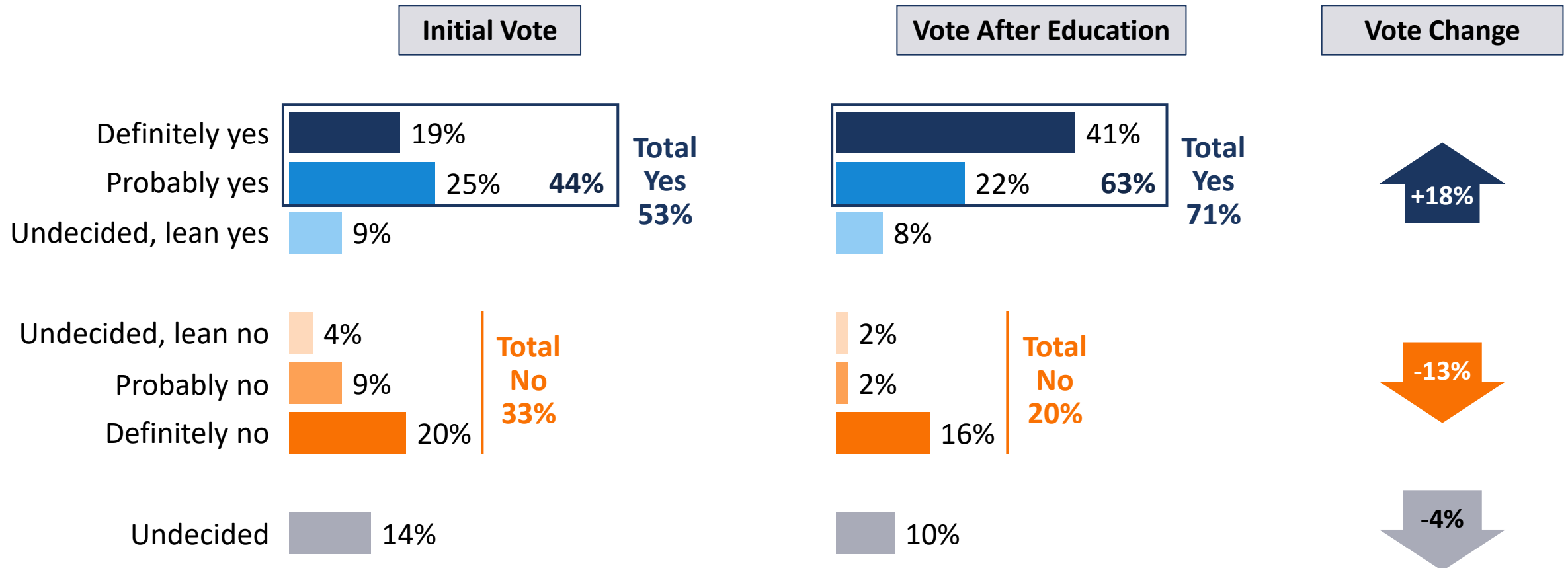


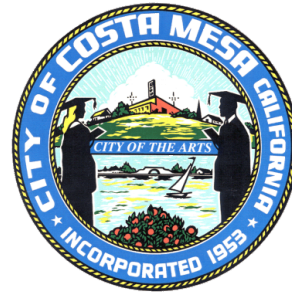


Effect of Educational Statements

After education, overall support increases 18% to 71% on this simple majority measure, with more than 4-in-10 saying they would definitely vote yes.

(MOE: ±4.9%)





Initial Attitudes on a Potential TOT Ballot Measure

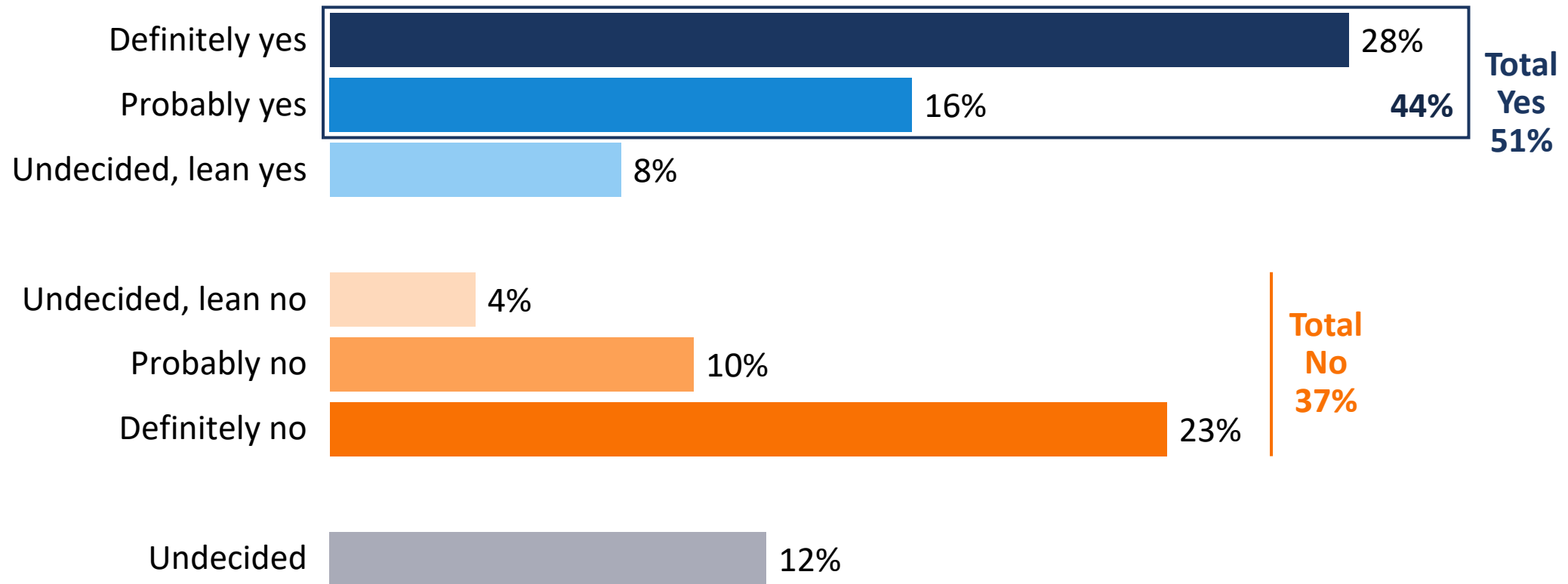
Hypothetical Ballot Measure Tested in Survey

(As Approved by Legal Counsel)

Costa Mesa Public Safety/City Services Measure. Shall the measure maintaining general city services such as 911 emergency, fire, police response and anti-gang programs; preparing for/responding to wildfires/other natural disasters; supporting youth/afterschool programs, senior services; maintaining City parks; keeping roads in good condition by adjusting the transient occupancy tax, paid only by hotel and motel guests, from 8% to 11%, providing approximately \$3,000,000 annually until ended by voters, requiring audits, spending disclosures, all funds locally controlled, be adopted?

Support for the TOT measure is right at the simple majority level needed for passage and well within the margin of error, although opinions may have been hurt by the measure being asked after all BLT questions.

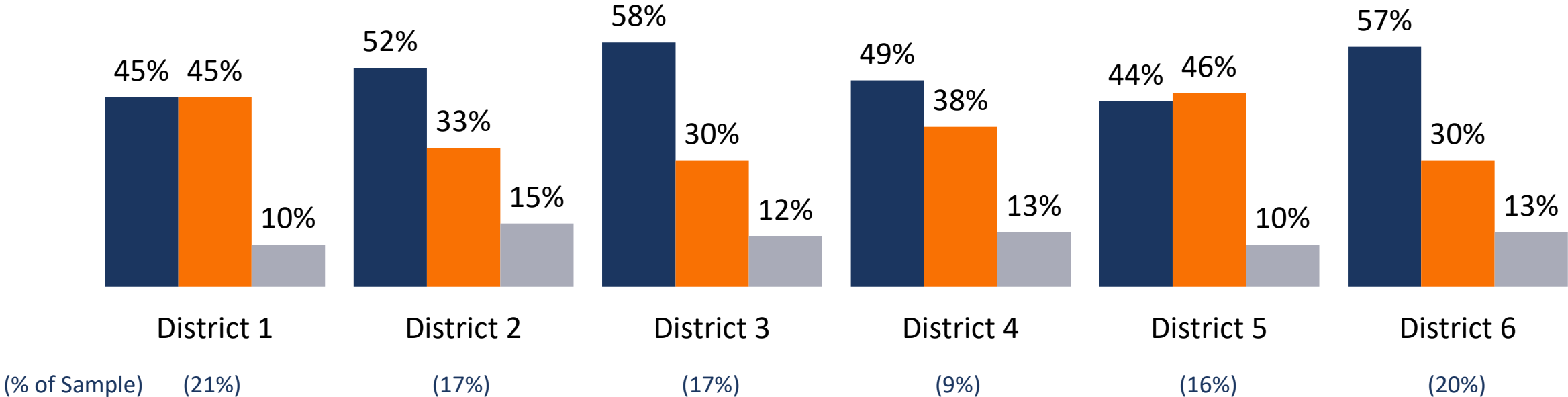
(MOE: $\pm 4.9\%$)



The TOT measure is stronger in Council Districts 3 and 6.

Initial Vote on the TOT by City Council District

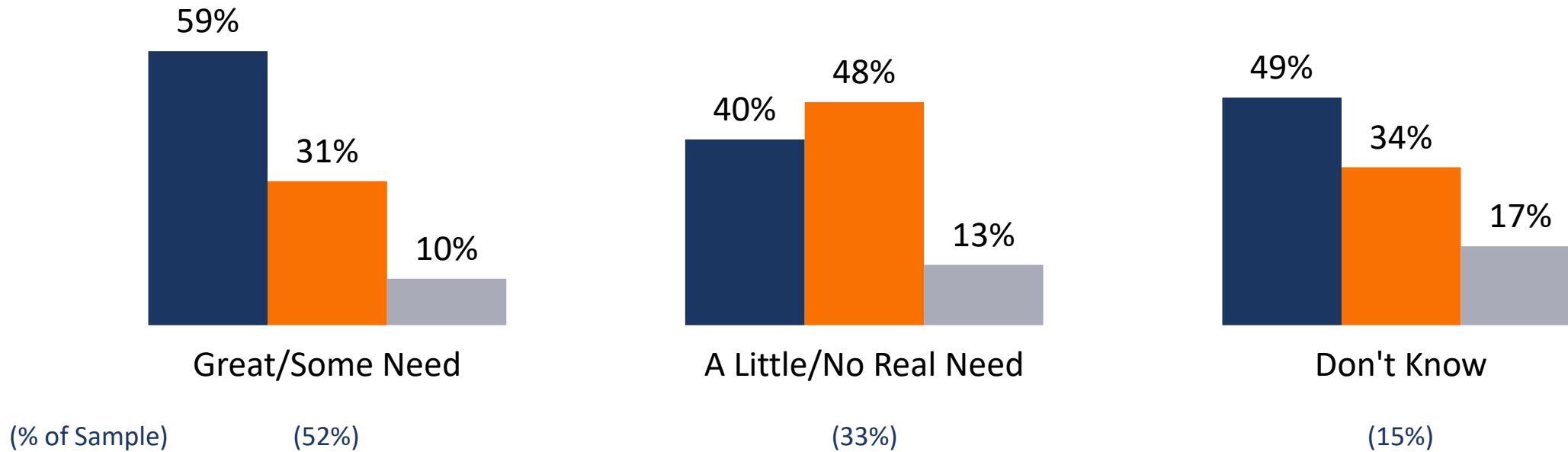
■ Total Yes ■ Total No ■ Undecided

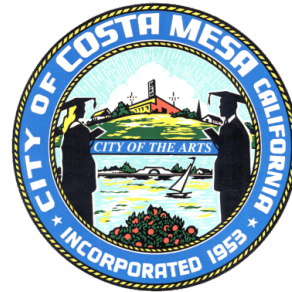


Almost 6-in-10 voters who believe the city needs additional funds support the TOT measure.

Initial Vote on the TOT by Need for Funding

■ Total Yes ■ Total No ■ Undecided





Conclusions

Conclusions

- A majority feel the City has at least “some need” for additional funding, but only 17% believe the City is in “great need” of additional funding.
- A business license tax reform measure is viable for further planning, assuming substantial communication with voters and stakeholder outreach.
- Initial support exceeds the majority vote threshold, but is somewhat soft and there are a substantial number of undecided voters.
- Simulating education lifts the measure to 71% signaling the importance of doing community outreach.
- Public safety (described in a variety of ways) is the top priority for funding from a BLT measure, followed by addressing homelessness, repairing streets and potholes, and maintaining parks.
- A TOT measure could also be viable but needs further exploration. There is soft initial support, but the survey did not include detailed questions about the elements or themes related to the measure.



Opinions on Local Revenue Options for the City of Costa Mesa

Highlights of a Survey of Likely Voters



OPINION
RESEARCH
& STRATEGY

Council Direction

Council Considerations

	Business License Reform	Transient Occupancy Tax
FiPAC Recommendations	<ul style="list-style-type: none"> • A minimum and a maximum flat-fee rate. • CPI adjustments to both the rate and minimum/maximum flat-fee amounts. • Competitive structure with neighboring cities. • Define “gross receipts” for consistent application. • Simple and easy-to-administer structure. 	<ul style="list-style-type: none"> • Proceed with placing on ballot with up to a 3% TOT rate increase.
Proposed Ballot Structure	<ul style="list-style-type: none"> • \$0.60 per \$1,000 in gross receipts. • Minimum of \$25 flat fee for businesses up to \$49,999 in gross receipts. • Maximum of \$15,000 flat fee for businesses over \$25 million in gross receipts. 	Up to: <ul style="list-style-type: none"> • 1% increase to TOT. • 2% increase to TOT. • 3% increase to TOT.
Estimated Revenue	<ul style="list-style-type: none"> • \$5 million above what is currently received, based on the \$0.60 per \$1,000 in gross receipts rate. 	<ul style="list-style-type: none"> • \$1 million - \$3 million above what is currently received, depending on the rate.
Staff Request	Council to provide direction.	Council to provide direction.

Staff Request

- Council may provide direction on the placement of the measure(s) on the November 3, 2026 ballot.
 - Provide direction to staff regarding the placement of potential **Business License Reform** measure on the November 3, 2026 ballot.
 - Provide direction to staff regarding the placement of potential **Transient Occupancy Tax (TOT)** measure on the November 3, 2026 ballot.

Ballot Measure Timeline

Date**Event****June 9, 2026**

City Council Study Session to review potential ballot measures.

July 21, 2026

City Council votes on placement of measures on the November 3, 2026 ballot.

August 7, 2026

Deadline to file with County Registrar of Voters.

November 3, 2026

Election Day

December 1, 2026

City Council accepts certification of the election results.



Questions



Retail Gross Receipts	Costa Mesa - old	Santa Ana	Orange	Anaheim	Costa Mesa Proposed - \$0.2/thousand	Costa Mesa Proposed - \$0.5/thousand	Costa Mesa Proposed - \$0.6/thousand	Costa Mesa Proposed - \$0.7/thousand
\$ 25,000.00	\$ 25.00	\$ 82.00	\$ 35.00	\$ 40.00	\$ 5.00	\$ 12.50	\$ 15.00	\$ 17.50
\$ 100,000.00	\$ 45.00	\$ 131.00	\$ 100.00	\$ 60.00	\$ 20.00	\$ 50.00	\$ 60.00	\$ 70.00
\$ 500,000.00	\$ 100.00	\$ 391.00	\$ 195.00	\$ 60.00	\$ 100.00	\$ 250.00	\$ 300.00	\$ 350.00
\$ 1,000,000.00	\$ 200.00	\$ 716.00	\$ 295.00	\$ 95.00	\$ 200.00	\$ 500.00	\$ 600.00	\$ 700.00
\$ 3,000,000.00	\$ 200.00	\$ 2,016.00	\$ 615.00	\$ 475.00	\$ 600.00	\$ 1,500.00	\$ 1,800.00	\$ 2,100.00
\$ 5,000,000.00	\$ 200.00	\$ 3,316.00	\$ 915.00	\$ 950.00	\$ 1,000.00	\$ 2,500.00	\$ 3,000.00	\$ 3,500.00
\$ 10,000,000.00	\$ 200.00	\$ 6,566.00	\$ 1,915.00	\$ 2,375.00	\$ 2,000.00	\$ 5,000.00	\$ 6,000.00	\$ 7,000.00
\$ 25,000,000.00	\$ 200.00	\$ 16,316.00	\$ 4,915.00	\$ 2,675.00	\$ 5,000.00	\$ 12,500.00	\$ 15,000.00	\$ 17,500.00