City of Colusa California

STAFF REPORT

DATE: July 21, 2026

TO: City of Colusa Mayor and Council Members

FROM: Jesse Cain, City Manager

AGENDA ITEM:

Consideration of a Resolution placing a 10-year extension of the City's Transactions and Use Tax ("Local Sales Tax") on the November 3, 2026 Ballot; and consideration to introduce the Ordinance imposing Tax and take certain related actions

Recommendation:

Staff recommends that Council take the following actions:

(i). Council to adopt a Resolution of the City Council of the City of Colusa submitting a Transaction and Use Tax Measure to the voters at November 3, 2026, General Municipal Election and taking certain related actions.

(ii). Council to introduce and waive the First Reading of Ordinance No.576, An Ordinance of the City of Colusa, California amending Article VIII of Chapter 8 of the Municipal Code to impose a transaction and use tax to be administered by the California Department of Tax And Fee Administration

(iii). If desired, authorize one or more members of the City Council to file an argument for or against the measure on behalf of the City Council

BACKGROUND ANALYSIS:

In 2022, the voters of the City of Colusa approved Measure B, a 1% local transaction and use tax (commonly referred to as the "one-cent local sales tax"). Since its adoption, Measure B has provided a stable and reliable source of local revenue in the amount of about 1.3 million dollars a year that was used to maintain essential City services and address critical infrastructure needs.

Over the past four years, the city has been able to demonstrate to the public how Measure B revenues have been utilized. Funds generated by Measure B have supported roadway improvements, park maintenance and upgrades, public safety operations, and other essential municipal services that directly benefit Colusa residents.

The implementation of Measure B has allowed the city to make meaningful investments in community infrastructure while maintaining local control over tax revenues. The City has provided transparency regarding the expenditure of these funds, allowing residents to see firsthand the benefits that have been achieved through this local funding source.

Unless action is taken to extend the Measure B tax, collection of that tax will end on March 31, 2027. This is because Measure B included a four-year sunset. Measure B included the sunset as a means of giving the voters a chance to “try out” the new tax.

The continuation of the Measure B tax is critical to maintaining the City's current service levels and ongoing infrastructure improvement programs. If the City wishes to continue improving and maintaining its streets, parks, and public safety services, the continuation of Measure B funding is necessary.

Measure B revenues are collected and used exclusively for the benefit of the City of Colusa and cannot be redirected by the State for other purposes. Maintaining this local funding source protects the City's financial stability and allows local decision-makers to continue addressing community priorities. Measure B has proven to be an effective tool for maintaining local services and investing in community infrastructure. After four years of successful implementation, the City can clearly demonstrate how the funds have been spent and the benefits they have provided to residents.
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Discussion

State law gives cities the authority to adopt transactions and use taxes. Such taxes, which are often called local sales taxes, are collected by the State Department of Tax and Fee Administration along with the sales and use tax, and the proceeds of the tax are paid by the state to the city by imposing the tax (less an administrative charge).

The City’s existing transactions and use take is a general tax (deposited in the general fund) rather than a special tax (reserved for a specific purpose). Extension of a general transactions and use tax requires majority (50% + 1) approval by the registered voters voting at an election. In addition to the necessary voter approval, the ordinance imposing the tax must be approved by a two-thirds vote of the City Council.

The attached ordinance extends the existing a transaction and use tax for an additional ten years. The rate of the tax, if the extension is approved, will remain at 1% and proceeds of the tax will continue to be deposited in the general fund.

The attached resolution submits the tax ordinance to the voters. It also repeals Resolution 26-36, which was adopted by the City Council on June 16, 2026, to submit the matter to the voters, but was missing certain necessary information.

BUDGET IMPACT

If passed a 1% tax increase would add approximately $1.25 million yearly to the General Fund. Costs associated with reimbursements to the County for placing the measure on the ballot will be approximately $1.3 million each year

STAFF RECOMMENDATION:

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