



CITY OF ORLAND STAFF REPORT
MEETING DATE: March 19, 2024

TO: Honorable Mayor and Council

FROM: Pete Carr, City Manager

SUBJECT: **Public Hearing: Proposed Local Sales Tax Ballot Measure**
(Public Hearing/Action)

BACKGROUND

Following months of discussion, receipt of public input and consideration of alternatives, on March 6th the City Council directed staff to prepare for a noticed public hearing about a proposed local sales tax. The October 3 and November 7, 2023 agenda staff reports presented the topic with factors to consider. At its February 6, 2024 meeting the Council directed staff to provide draft ballot measure text and to overview the process of placing an item on the November ballot. Staff did so on February 20th, at which meeting a date for this public hearing was set.

If approved by a 2/3 majority of the Council (4 of 5 Council members), a local add-on sale and use transaction tax measure would be placed on the November 5th general election ballot. The measure would propose a ½¢ local tax on the sale of all taxable goods, increasing the effective sales tax rate in Orland from the current 7.75¢ to 8.25¢. Combined with the existing ½¢ Measure Public Safety local sales tax, the entire 1¢ will remain in Orland.

While this measure would be a “general” tax, meaning that the funds go to the City General Fund at the discretion of the City Council, it is understood that the Council’s intention and clear commitment is the top spending priority for this tax revenue will be ambulance services, followed by street maintenance/improvements, parks & recreation, and library services. Measure A revenue will remain dedicated to public safety, with fire equipment capital expenses as top priority. Each measure will have its own annual report published to the community showing actual revenue and expenses for the previous fiscal year.

Tonight, following the close of public comments, the Council will consider the introduction (first reading) of the sales tax ordinance. If this first reading is approved by a 4/5 vote, the process then continues at the April 2 meeting -- although this may be on the consent calendar – as the second reading (adoption, subject to voter approval) of the ordinance along with a resolution requesting that the measure be placed on the November ballot.

ANALYSIS

Substantial discussion was considered about the need for a reliable, dedicated source of funding for ambulance services and accelerated level of street maintenance, as well as continued recreation and library services. To recap some of the highlights:

- A. A $\frac{1}{2}\text{¢}$ sales tax could be expected to generate \$1,500,000 in new revenue if it were in effect this year, more than meeting the cost of an additional 12-hr ambulance. The balance would be directed to street projects like repaving and sidewalk construction, then to parks, recreation and the library.
- B. Sales tax is in large part derived from sales to visitors to Orland, thus the share of contribution is spread beyond those residing in the City limits. Ambulance and street services are likewise provided to visitors as well as City residents.
- C. Today:

$\$10.00$ purchase + $7\frac{3}{4}\text{ ¢}$ tax = $\$10.775$ (\$10.78)

With this add-on tax: $\$10.00$ purchase + $8\frac{1}{4}\text{ ¢}$ tax = $\$10.825$ (\$10.83)

Tax on a \$10,000 purchase would increase from \$10,775 to \$10,825.

This measure would provide new additional revenue for highly valued City services, and would act as a buffer to protect the integrity of Measure A.

$\frac{1}{2}\text{¢}$ local sales taxes are very common, with many jurisdictions (i.e. Chico, Oroville, Colusa) having a full 1¢ local tax. Willows will be asking its voters to approve a 1.5¢ tax this November.

Attachment: Draft Ordinance Providing $\frac{1}{2}\text{¢}$ Sales Tax for Orland General Fund Services

RECOMMENDATION:

Consider staff report, conduct public hearing, close the hearing.

Move to introduce First Reading of the ordinance:

"I move that the City Council introduce and approve the first reading of Ordinance 2024-__ by title: adding Chapter 3.10 to the Orland Municipal Code regarding a Transactions and Use Tax to be Administered by the State Board of Equalization upon Adoption by the Voters."

Fiscal Impact of Recommendation:

Minor administrative expenses in preparing for the election.