



## **CITY OF ORLAND STAFF REPORT**

**MEETING DATE: February 20, 2024**

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**TO:** Honorable Mayor and City Council Members

**FROM:** Pete Carr, City Manager and Gregory P. Einhorn, City Attorney

**SUBJECT:** **Proposed Sales Tax Increase Measure and Adoption Process**  
(Discussion/Action)

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### **BACKGROUND:**

Background information was provided in the October 3, 2023 agenda item staff report, along with references to additional outside resources on the topic and examples of what amount of revenue would likely be raised with a half-cent sales tax. The Council further discussed the topic February 6, 2024, and directed staff to draft language for consideration of a possible ballot measure.

At both meetings, Councilmembers and public participants recognized the success of Measure A in meeting the needs of public safety, and identified the outstanding need to increase funding for essential municipal responsibilities like street maintenance & improvements and ambulance services, as well as valued quality-of-life services like parks & recreation and library services.

It is understood that a decision must be made by the end of March for proper placement on the November general election ballot. The Council acknowledged that educating the public would be key to any tax measure proposal's success.

### **ANALYSIS:**

#### **1. Measure A**

In November of 2016, the City of Orland voters approved Measure A (over 70%), adding a half-cent to the City's sales tax rate, from the state-wide 7.25% to 7.75%. With the exception of those items that are exempted from the payment of the tax, the tax applies to most over-the-counter sales of tangible goods and to restaurant sales. Non-City residents share in paying the tax for most over-the-counter purchases.

While legally adopted as a general tax, meaning the revenue goes to the general fund at the discretion of the Council, Measure A funds have been separately accounted for since the measure's inception, with published annual audit reports. The City Council has consistently approved the public services spending consistent with the Measure A language as presented to and approved by the voters.

The 2016 Measure A ballot question was as follows:

#### City of Orland Public Services Tax Measure

To support and fund the Orland Volunteer Fire Department; replace and maintain Orland Fire Department first responder and emergency equipment and maintain and support other general funded City services, shall the City of Orland enact a 1/2 cent (.05%) sales tax increase by adopting Ordinance No.2024-XX, with all money for Orland and for Orland purposes, no money for Sacramento, and published annual audits?

## **2. 2024 Local Sales Tax Consideration**

The Council is considering an increase to the local tax rate from the 1/2 cent provided by Measure A to 1 cent. Similar to Measure A, the Council is considering presenting the question to the voters at the November general election as a general tax.

Draft language for consideration could be as follows: (note that the length is limited to 75 words)

#### City of Orland Street, Ambulance, Parks, Recreation and Library Services Tax Measure

To fund construction and maintenance of Orland Streets, fund Orland Ambulance Services, Orland Parks and Recreation and Orland Library Services, and other general funded City services, shall the measure to raise the sales tax rate 1/2 cent, 1 cent total, providing approximately \$1,500,000 annually, all money locally controlled, with published annual audits, starting April 1, 2025, until ended by voters, be adopted?

## **3. Calling the Election – Resolution Giving Notice of Election Required**

In order for the City to conduct an election for a general transactions and use tax, Elections Code requires that the election must not be held less than eighty-eight (88) days after the order of the election by resolution. Thus, the Council must decide by resolution by early July. As a practical matter, the decision must be made earlier for adequate public debate as well as production of ballot pamphlet statements and other informational materials. The call of the election will be established by a resolution which will both call the election and establish certain election procedures, and which will also request that the City's Election be consolidated with General Election administered by the County of Glenn on the same date.

## **4. Ordinance – Council and Voter Approval Required**

Unlike most ordinances submitted to voters for approval, ballot measure ordinances for the implementation of transactions and use taxes, like the one contemplated here, must be approved both by Council and the voters. The Revenue and Taxation Code requires at least two-thirds (2/3) majority of the City Council for placement of a tax measure on the ballot. For Orland, this means 4 of 5 voting Councilmembers must approve it.

Should a majority (more than 50%) of the voters approve the tax measure at the November 5, 2024 election, the City would be required to enter into two agreements with the Board of Equalization: 1) a preparatory cost agreement and 2) an ongoing administration agreement. The documents would be prepared by City staff after the election. The tax would become operative on April 1, 2025.

## **5. Steps Outlined**

1. Introduce and Approve Sales Tax Ordinance (at noticed public hearing)
2. Second reading and adoption of Sales Tax Ordinance (can be by Consent)
  - (b) This approves the Resolution to place Sales Tax Ordinance on the ballot for the November 5, 2024 election.
  - (c) Council directs City Attorney to draft impartial legal analysis and submit to City Clerk for printing and inspection and transmission to the Glenn County Registrar of Voters.
  - (d) City Council appoints a City Council sub-committee to draft ballot arguments.
  - (e) City staff submits signed Resolution to the Glenn County Registrar of Voters.
3. City Council approves ballot argument.
  - (a) City Council to receive and review any opposition argument and direct staff/subcommittee regarding rebuttal.
  - (b) City staff to submit ballot arguments to the Glenn County Registrar of Voters.
4. City Council approves any rebuttal argument.
  - (a) City staff to submit any ballot rebuttal arguments to the Glenn County Registrar of Voters.

This evening, the City Council should decide if it wishes to proceed with placement of a local sales tax on the November ballot. If yes, then direct staff as to the purpose and the amount of the tax. Staff will prepare the Resolution and Ordinance for the March 5<sup>th</sup> noticed public hearing.

**RECOMMENDATION:** Direct Staff.

**FISCAL IMPACT OF RECOMMENDATION:** None at this time.