CITY OF NORCO
STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

DATE: July 18, 2018

PREPARED BY: Andy Okoro, City Manager
John Harper, City Attorney
Cheryl Link, City Clerk

SUBJECT: Placement of a Transactions and Use Tax Measure on the November 6, 2018 General Municipal Election Ballot

RECOMMENDATIONS:

1) Adopt **Resolution No. 2018-43**, calling and providing for a municipal election to be consolidated with the statewide general election to be held in the City of Norco on Tuesday, November 6, 2018, for the purpose of approving an ordinance enacting a transactions and use tax to be administered by the California Department of Tax and Fee Administration formerly known as State Board of Equalization, and ordering the submittal of the ordinance to the voters for the election; and

2) Adopt **Resolution No. 2018-44**, in support of voter approval of the proposed Transactions and Use Tax measure providing for the submission a ballot argument by Members of the City Council, Bona fide associations, and/or eligible individual residents, in favor of the measure pursuant to Elections Code Section 9282; and

3) Appoint and authorize an Ad-Hoc Subcommittee of two Council Members to work with staff to prepare and/or submit ballot arguments in favor of the measure, and/or rebuttal argument as needed; and

4) Direct the City Attorney and City Clerk to take all actions necessary to place this measure on the November 6, 2018 General Municipal Election.

SUMMARY: On March 18, 2015, City Council's Ad-Hoc Committee on Infrastructure Needs and Funding Options submitted its report to the City Council which included a recommendation that the City look for new revenue sources to meet over $4 million in annual funding gap to repair and maintain streets and roads, equestrian and pedestrian trails and other public facilities. Similarly, two of the City Council's five strategic priorities

adopted on August 7, 2016 are: 1) Establish funding for planning, maintenance, replacement and development of infrastructure; 2) Improve the quality of life by enhancing public safety services.

In a community issues survey commissioned by the City Council and conducted in early 2017, the overwhelming majority of Norco residents who responded to the survey identified their top three priorities as 1) Protecting the uniqueness of Norco as "Horsetown USA;" 2) Improving public safety response times; 3) Improving City infrastructure. At a public Study Session on April 4, 2018, the City Council received financial projection regarding the long term financial ability of the City to pay for police protection, fire, emergency medical services and other essential services. The financial projection showed current year deficit of $1.4 million which is anticipated to grow to over $4 million by fiscal year 2022-2023 due primarily from the rising costs to provide public safety and other essential services . During the Study Session, City Council was also presented with updated information regarding the City's infrastructure funding gap. Staff presented the proposed Transactions and Use Tax to the Economic Development Advisory Council (EDAC). The members of EDAC unanimously recommended that the City Council approve the placement of a Transactions and Use Tax measure on the November 6, 2018 General Municipal Election ballot.

BACKGROUND: The City of Norco provides a unique quality of life that residents value and appreciate. Residents choose to live in Horsetown, USA because the value the unique animal-keeping, large-lot lifestyle with access to trails and open space. The City must be vigilant about protecting Norco's unique, small town, open space, equestrian and animal-keeping way of life to preserve these traditions for future generations. This cherished lifestyle with limited housing and commercial options has negative impact on the City's tax revenue base.

The City provides full range of municipal services, including police, fire protection and emergency medical services; construction and maintenance of streets, trails and other infrastructure; recreational activities and cultural events; sanitation and water services; street lighting; planning and zoning; economic development; and general administrative services. Police protection is provided through a contract between the City and Riverside County. Fire protection and emergency medical services is also provided through a contract with Riverside County Fire (CALFire). The City is predominantly an equestrian, bedroom community with large residential lots. Business activity is driven by commercial/retail, light industrial, lodging and recreational development.

Fiscal Management

When Norco was incorporated, it was envisioned as way to preserve ranch and farm life (City Living in a Rural Atmosphere) and as a jewel of hard working lifestyle. But how to provide the funding to maintain this cherished lifestyle hasn't always been easy. With the City's tax base constrained due to restrictive large lots zoning requirements and

limited commercial development opportunities, City leaders have had to rely on creativity and hustle to generate enough revenues to provide essential municipal services. Asking residents to pay for local taxes above the taxes that are generally levied by the state and county governments and sometimes shared disproportionately with the City has not been the Norco way. This has resulted into ups and downs in City finances, depending on state government actions and national economic cycles.

In recent years, since after the great national recession of 2007-2008, the City has carefully managed its finances by reducing expenditures and building a healthy "rainy day" reserves. However, as opportunities and options for economic development declines at the same time that the cost to maintain and preserve Norco's cherished lifestyle continues to rise, the City must deal with the same issues that are facing many California cities, which is, how to become self-sufficient and not depend mostly on state controlled revenues. This is critically important given the tendency of Sacramento to take away local government revenue allocations while shifting costs to cities.

Revenue Enhancement/Economic Development Efforts:
Over the years, beginning with the development of the Norco Auto Mall to the recent opening of the Norco Village Center and SilverLakes Equestrian and Sports Park, the City has used creative economic development strategies to generate needed sales tax, transient occupancy tax and other revenues to pay for essential public safety services like fire, emergency medical services and police protection. In recent years, the City has brought in two national brand hotels which have resulted in significant increase in transient occupancy taxes. Sales tax lost during the great recession has been recaptured by working to sustain the auto mall business and by attracting other small businesses that complement Norco's rural lifestyle such as Tractor Supply, Floor and Décor, Hobby Lobby, WinCo Foods, Les Schwab Tires to name a few. Similarly, until Governor Brown dissolved all redevelopment agencies in California, the City leveraged tax increment revenues allocated to the now dissolved Norco Community Redevelopment Agency to generate funding for investments in streets and roads, trails, public buildings, parks and other public facilities.

Expenditure Reduction/Containment Efforts:
Coming out from the devastating great recession when City General Fund revenues were at their lowest in years, City Council responded by implementing additional expenditure and cost containment measures to keep the City solvent. Some of the measures included:

- Contracting out fire and emergency medical services
- Reduction in public safety police services by eliminating 4-member motorcycle traffic enforcement program and other sworn and support positions
- Negotiated salary freezes with employee associations
- Reformed City pension by requiring employees to contribute more to fund retirement benefits

These were in addition to cost reduction measures that were implemented prior to the great recession including:

- Reduction in staffing level through lay-offs, attrition and contracting out for services including: engineering, plan check, custodial and other services
- Implementation of compressed work-week
- Limited City contribution to fund employees health insurance – employees were required to contribute more towards their health insurance premium
- Implemented retiree medical insurance vesting schedule to tighten eligibility to receive retiree medical costs thereby, reducing City retiree medical insurance benefits costs.

Constraints on Future Revenue Growth

Even with all of the progress on the economic development front, there are very limited future opportunities to significantly grow revenues through economic development activities alone. The City has limited roof-tops which big box retail businesses look for in deciding where to locate. Moreover, with retail activities shifting online, these retail businesses are not expanding by building traditional shops. It is also important to note that the City is near build-out with very limited available land that can be developed into major retail businesses with potential for significant tax revenue generation.

In addition to the constraints to growing sales tax revenues, the City has historically received very low property tax revenue into the General Fund to pay for City vital services. On the average, California cities receive about 21% of property tax revenues generated in their cities to pay for vital city services while the City of Norco receives only about 6% of total property tax revenues generated in the City to pay for the same services. This is a significant issue for the City. Unlike sales tax which can be very unstable depending on economic conditions, property tax tends to be more stable and is usually the largest single source of General Fund revenue for most cities.

External Challenges

Despite the City's prudent fiscal management and cost reduction/containment measures over the years, Norco is faced with several external challenges over which it has no control. Sacramento continues to find new and creative ways to take local revenues. These takeaways are making it more challenging to provide vital City services such as public safety or make the necessary investments in streets and roads, trails, parks, public buildings and other City assets that serve the community. The loss of redevelopment tax increment and mandated cost reimbursements are examples of actions taken by the state in recent years that have negatively affected the City's ability to provide services and invest in community improvement projects.

Other external challenges include the state's program to release parolees to alleviate prison overcrowding which has resulted in increased demands for local public safety services. For example, Proposition 47, which was passed in 2014, reduced the classification of most non-serious and non-violent property and drug crimes from felony to misdemeanor. The practical impact of this proposition is that most of these offenders

are provided with a citation to appear instead of being sent to jail. This and the increasing number of homeless people in the City have contributed to steady increase in calls for service.

Despite the increase in calls for service, the City has been forced to reduce the number of sworn patrol officers protecting the City from fourteen (14) in fiscal year 2007-2008 to nine (9) by fiscal year 2017-2018. Similarly, the number of non-sworn Community Service Officers dedicated to the City has been reduced from six (6) to three (3) during the same period.

While communities differ based on crime statistics and other factors which impact police staffing levels, the City's current police patrol of 60 hours per day; or two police officers per shift; is below the minimum level that would be considered reasonable in order to effectively protect a City of 15 square miles with over 24,000 residents; excluding the prison population.

Community Animal-Keeping Lifestyle and Investment in Assets

The City of Norco has been officially branded as "Horsetown USA" reinforcing the City's unique equestrian lifestyle of "City living in a Rural Atmosphere." This is not just a slogan but a way of life that is supported by large residential lot sizes with animal-keeping amenities, over one-hundred miles of equestrian trails, numerous parks and open space, first class horse facilities and many miles of streets and roads. Excluding water and sewer systems, the City has invested over $240 million in community infrastructure assets over the last fifty years to support the City's cherished lifestyle and service delivery. The cost to replace these assets today will be significantly higher. This investment in streets, roads, trails, parks, buildings, storm drains, land and other improvements are at serious risk of significant to total loss or abandonment if adequate funding cannot be generated to maintain and replace them in a timely manner. Similarly, vital services including public safety, open space, park, and trail maintenance as well as recreation and leisure activities which support the Horsetown USA cherished lifestyle will continue to worsen each and every year; reducing property values and making Norco less attractive to current and potential future residents and businesses. If we want to fix our streets, maintain our trails and open space, and keep police protection at safe levels, then the community needs to rally together for more revenues to meet these funding challenges.

Low Tax Revenue Base

Unlike many cities in the state including cities in Riverside County, Norco does not have any voter approved locally controlled tax revenues like Utility User Tax; Transactions and Use Tax or Parcel Tax to help fund City services. Norco receives minimal state dedicated gas tax revenues or county dedicated Measure A revenues to assist with the funding for maintenance and replacement of streets and roads. There is no dedicated

funding source for trails, parks, public buildings and other public facilities. Even though Norco generates significant amount of sales and property taxes, only a small fraction is allocated to the City with major portions going to the state, county, other districts and governments.

For example, in fiscal year 2017, total property tax collected in the City was $30.7 million but only $1.6 million was allocated to the City's general fund to pay for vital city services. Similarly, during the same fiscal year, $50.4 million of sales tax was collected in the City with only $6.5 million allocated to the City's general fund. Norco cannot change how these revenues are currently allocated. However, Norco voters can approve a locally controlled Transactions and Use Tax through a ballot measure. All revenues generated from such measure cannot be taken away by the state or allocated to the county or other taxing entities. All revenues generated will go to City to be used to provide services that are vital to preserving Norco's lifestyle.

Voter Approval of Local Revenue Measure

Discussions regarding implementing voter approved local revenue measure has been on-going for nearly ten years. This was the subject of extensive discussion during the great recession including a town hall meeting in 2010. This issue was again discussed extensive by the Ad-Hoc Committee on Infrastructure Needs and Funding Options, which was commissioned by the City Council to recommend new revenue sources for the City. Norco is not alone on this issue as many California cities have taken actions and implemented various voter-approved local revenue measures in response to state actions to address their local budget challenges. Before Norco residents can vote on a revenue ballot initiative, the City Council must first adopt a resolution in support of the measure and another resolution to place the measure on the ballot.

It is important to note that any increase in the City's tax rate must be approved by the voters pursuant to the requirements of Proposition 218. Several other complex factors, including how the funds generated will be used, must also be considered in choosing the type of tax measure to place on the ballot for voters to consider. The next City Council election is scheduled for November 6, 2018. A super majority approval of the City Council is required in order to place a Transactions and Use Tax revenue measure on the November 6, 2018 election ballot.

The table below provides a summary of the necessary steps required before a revenue measure can be approved and implemented. These steps include actions that must be taken by the City Council and voter approval requirements. The process to be followed depends on the type of revenue measure and how the new revenues would be used as shown on the chart on the following page.

Revenue Measure Item	City Council Approval	Voter Approval
City General Taxes – where revenues are used for unrestricted purposes. Examples of Taxes • Transactions and Use Tax • Utility Users Tax	If consolidated with a regularly scheduled election of the City Council: • 2/3 for transactions and use tax • 2/3 for utility users tax for general law cities • Majority for utility users tax for Charter Cities If not consolidated, unanimous declaration of a "fiscal emergency" is required	Majority
City Special Taxes – where revenues are restricted for specific purpose. Examples of Taxes: • Transactions and Use Tax • Utility Users Tax	• Majority for utility users tax • 2/3 for transactions and use tax	2/3
Parcel Tax – Tax on Parcels of Property (flat rate or rate that varies based on use or size)	Majority or Super Majority depending on City type and use of revenues	2/3

Realistically, there are three types of tax revenues measures that they City Council could consider placing on the ballot namely:

1. Transactions and Use Tax
2. Utility Users Tax
3. Parcel Tax

Transactions and Use Tax: In 2003, Governor Gray Davis signed SB 566 which gave every County and every City in the State the ability to seek voter approval for local transactions and use tax increase under the following conditions:

- The Transactions and Use Tax may be imposed at the rate of 0.125%, or multiple thereof
- The ordinance proposing the tax must be approved by two-thirds vote of all members of the governing body
- If for general purpose, the tax must be approved by a majority vote of the voters in the city or county

- The maximum combined rate of transactions and use taxes (regular City sales tax and local add-on transactions and use tax) in any location may not exceed 2%, so for the City, the new tax cannot exceed 1.5% with the 0.5% County add-on transactions and use tax.

Local add-on transactions and use tax is becoming very popular for Cities seeking new revenue sources due to the fact that it has generally achieved high percentage passage rate, over 75% in recent elections for general revenue measures. Additionally, the tax burden is not borne by only the residents. Non-residents who come to shop and dine in the City also pay the tax on applicable items. Transactions and use tax is administered by the California Department of Tax and Fee Administration (formerly State Board of Equalization) as part of the regular sales tax administration process.

Utility Users Tax: Utility user's tax is one of the revenue options available to the City Council to seek voter approval for implementation. Utility user's tax is a tax imposed on the consumer (residential, commercial, and industrial) of any combination, or all, of gas, electric, cable television, telephone, refuse, water, and other utility services. Utility user's tax is usually collected by the utility company as part of its billing process and then remitted to the taxing authority. Because of limited roof-tops, this tax will have to be imposed at significantly high rate in order to generate the $4.5 million dollars estimated to be generated from transactions and use tax. It is also important to note that the burden from this tax will be borne entirely by Norco residents and businesses.

Parcel Tax: Parcel tax levy is another potential revenue funding option that can be implemented through a revenue ballot measure. Parcel tax is considered special tax on a parcel of property. Outlined below are noteworthy points on parcel tax.

- Special tax on parcel of property
- Generally based on either flat per-parcel rate or variable rate depending on the size, use, and/or number of units
- Administered by the County through the property tax process
- May be levied for general or specific purpose
- Parcel taxes are property related and thus, require at least 2/3 voter approval regardless of how revenue would be used
- Due to limited number of real property parcels in Norco, the levy would have to be at high rate to generate the equivalent revenue estimated to be generated from transactions and use tax
- Likely to depress property values in Norco due to long term levy
- Tax burden will entirely be borne by Norco residents and businesses

General versus Specific Revenue Measures: The City Council has the option of placing the revenue measure as a general revenue measure or a specific revenue measure.

General Revenue Measure: Under current state laws general revenue measures are implemented as follows:

- Requires 2/3 City Council approval and majority voter approval for transactions and use tax
- Requires 2/3 City Council approval and majority voter approval for utility users tax – assumes that the City is not a Charter City for this purpose. Charter cities require only majority approval of the City Council
- Requires 2/3 City Council approval and 2/3 voter approval for parcel tax
- Revenues generated from general revenue measure will be appropriated and spent at the discretion of the governing body
- Citizens' Oversight Committee may be required for general revenue tax measure
- Independent annual audit may be required for general revenue tax measure

Specific Revenue Measure: Under current state laws, specific revenue measures are implemented as follow:

- Requires 2/3 City Council approval and 2/3 voter approval for transactions and use
- Requires majority City Council and 2/3 voter approval for utility users tax
- Requires 2/3 City Council approval and 2/3 voter approval for parcel tax
- Revenues generated from the specific revenue measure must be used for the specific purpose(s) for which they were approved

Conclusion:

After studying the pros and cons of the various types of revenue measures, the Ad-hoc Committee on Infrastructure Needs and Funding Options recommended that the City consider placing a transactions and use tax revenue measure on the ballot for Norco voters to decide. In order to place this type of tax measure on the ballot, a two-thirds vote of the City Council (at least four members) is required. If passed by the City Council and the electorate, the operative date will be April 1, 2019.

If the City Council adopts the attached resolution to place the measure on the November 6, 2018 ballot, the City Attorney and the City Clerk will submit the required documentation to the County Registrar of Voters and perform other related tasks by the following deadlines:

1. Before August 10, 2018: Submit Resolution and Ordinance to the County Registrar of Voters for Measure Placement on the November ballot
2. August 15, 2018: Last day to withdraw measure
3. August 20, 2018: Last day to file primary arguments and for the City Attorney to

file impartial analysis of the measure
4. August 21 through August 30, 2018: Public examination of primary arguments and impartial analysis
5. August 30, 2018: Last day to file rebuttals to arguments

The proposed resolution incorporates the ability of one or more members of the City Council, community organizations, or eligible individual voters, to submit a ballot argument in favor of the measure pursuant to Elections Code Section 9282. The proposed ordinance also permits submittal of rebuttal arguments pursuant to Elections Code Section 9285. It is recommended that the City Council appoint a two-Council Member Ad-hoc Committee consisting of Mayor Pro Tem Robin Grundmeyer and Council Member Kevin Bash to work with staff, community organizations, individual voters to submit said argument in favor and/or rebuttal argument as needed by the deadline referenced above.

FISCAL IMPACT: The estimated cost to conduct the November election in the amount of $45,000 has been included in the City Clerk's Department General Fund Budget for FY 2018-2019. Similarly, estimated expenditures related to public education and outreach including materials, contract services and supplies estimated in the amount of $75,000 has been included in the non-departmental General Fund Budget for FY 2018-2019. If the proposed ballot measure is successful, the City's sales tax rate will increase by 1% to 8.75%. The current sales tax rate in the City is 7.75%. It is estimated that the increase in rate will generate about $4.5 million annually (until ended by voters). Revenues generated will be used to fund infrastructures and vital city services including maintenance and replacement of streets and roads, pedestrian and equestrian trails, parks, public buildings and other public facilities; and to avoid additional cuts to fire, emergency medical services, police protection and other essential services.

RELATIONSHIP TO STRATEGIC PLAN: Adoption of the attached resolutions and passage of the Transactions and Use Tax Measure is consistent with the following City Council Strategic Directions:

- Establish funding for planning, maintenance, replacement and development of infrastructure
- Improve the quality of life by enhancing public safety services

Attachments: Resolution No. 2018-43
Resolution No. 2018-44

RESOLUTION NO. 2018-43

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORCO, CALIFORNIA, CALLING AND PROVIDING FOR A MUNICIPAL ELECTION TO BE CONSOLIDATED WITH THE STATEWIDE GENERAL ELECTION TO BE HELD IN THE CITY OF NORCO, CALIFORNIA ON TUESDAY, NOVEMBER 6, 2018, FOR THE PURPOSE OF APPROVING AN ORDINANCE ENACTING A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE STATE BOARD OF EQUALIZATION, AND ORDERING THE SUBMITTAL OF THE ORDINANCE TO THE VOTERS FOR THE ELECTION

WHEREAS, due to the dissolution of the Redevelopment Agency by the State in 2012, Norco lost millions of dollars in local tax increment revenue leaving annual funding gap of over $4.5 million in streets, roads, trails, parks and public facilities; and

WHEREAS, the City has invested over $240 million in these important community assets which are in serious jeopardy of abandonment/loss if replacement revenues to the funds lost to Sacramento cannot be found; and

WHEREAS, due to the rising costs of providing public safety services including police, fire, 9-1-1 emergency medical services and other vital services, the City's General Fund budget has projected budget deficit of $1.4 million in Fiscal Year 2018-2019 and growing to over $4 million annually by Fiscal Year 2022-2023; and

WHEREAS, current staffing levels for police and fire, which are at bare minimum, cannot be sustained unless a guaranteed source of local funding, which can only be spent locally for Norco residents and cannot be taken by Sacramento, is implemented; and

WHEREAS, public safety is a top priority of the City Council and residents, and the City desires to maintain sheriff deputies, firefighters, paramedics, to protect public safety and ensure low response times; and

WHEREAS, this measure helps to maintain funding for public safety, and protect investments in local streets, roads, trails, and public facilities; and

WHEREAS, sales taxes are not charged on food purchased such as groceries or prescription medication, real-estate transactions, insurances; and is also paid by visitors who come to Norco to shop and dine limiting its impact on Norco residents; and

WHEREAS, the proposed measure includes tough fiscal accountability and transparency, including requiring annual independent financial audits and a Citizens' Oversight Committee to ensure that every dollar generated from this measure is accounted for and spent appropriately in Norco; and

WHEREAS, staff presented the proposed Transactions and Use Tax to the Economic Development Advisory Council (EDAC), and the members unanimously recommended that the City Council approve the placement of a Transactions and Use Tax measure on the November 6, 2018 General Municipal Election ballot; and

WHEREAS, pursuant to California Revenue and Taxation Code Section 7285.9 the City of Norco ("City") has the authority to levy a Transactions and Use Tax for general purposes.

NOW, THEREFORE, the City Council of the City of Norco, California, does hereby resolve, declare, and determine as follows:

SECTION 1. Section 7285.9 of the California Revenue and Taxation Code authorizes any city to levy, increase or extend a transactions and use tax for general purposes at a rate of 0.125 percent, or a multiple thereof, subject to approval by a two-thirds vote of all of the members of the City Council and by a majority of the qualified voters of the City voting in an election on the issue.

SECTION 2. Pursuant to California Elections Code Sections 9222 and 10201, the City Council hereby orders that a municipal election in and for the City of Norco, California shall be held on Tuesday, November 6, 2018, for approving a transaction and use tax measure. The full text of Ordinance No. 1041, attached to this Resolution as "Attachment A," shall be printed in the voter pamphlet. The measure to be submitted to the voters shall appear and be printed on the ballot as follows:

<table>
<tr><th colspan="2">City of Norco</th></tr>
<tr><td rowspan="2">CITY OF NORCO (HORSETOWN USA)
LIFESTYLE PROTECTION AND VITAL SERVICES MEASURE

To keep Norco "Norco"! To continue protecting Norco's unique animal-keeping, open space, large-lot lifestyle, avoid further deterioration of infrastructure, continue restoring and maintaining local streets, trails, public facilities, equestrian amenities and parks, and prevent additional cuts to police, fire and emergency medical services; shall the City of Norco adopt a locally-controlled one-cent sales tax, generating approximately $4.5 million annually, until ended by voters, requiring independent audits and a Citizens' Oversight Committee?</td><td>YES</td></tr>
<tr><td>NO</td></tr>
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SECTION 3. City Council hereby approves proposed Ordinance No. 1041 to be submitted to the voters. The proposed measure is a general tax as defined in Article XIIIC of the California Constitution and shall not take effect unless and until approved by a vote of at least a majority of the voters voting on the question at the election.

SECTION 4. The ballot measure to be submitted to the voters for the approval of Ordinance No. 1041 shall be conducted in conjunction with the general municipal election to be held on November 6, 2018.

A. The City Attorney is hereby directed to prepare an impartial analysis of the measure pursuant to Elections Code Section 9280.

B. The City Council hereby authorizes Mayor Pro Tem Robin Grundmeyer and Council Member Kevin Bash to prepare and/or submit a ballot argument in favor of the measure pursuant to Elections Code Section 9282 and further authorizes rebuttal arguments to be submitted pursuant to Elections Code Section 9285.

C. Pursuant to Elections Code Sections 10400–10403.5, the City Council of the City of Norco, California hereby requests the consolidation of the municipal election for the ballot measure described in Section 2 with the statewide general election to be held on November 6, 2018. The City Council further requests that the Registrar of Voters of the County of Riverside canvass the returns of said election. Within the City of Norco, California, the election precincts, polling places, and voting booths shall, in every case, be the same, and there shall be only one set of election officers in each of the precincts which shall be the same as those selected and designated by the Riverside County Registrar of Voters. Only qualified electors of the City of Norco, California shall be permitted to vote for the measure placed on the ballot by the City Council.

D. Except for those services routinely conducted by the City Clerk as the local elections official, delegation is hereby made to the Riverside County Registrar of Voters to conduct said election for the ballot measure described in Section 2 in accordance with all applicable laws and procedures. The Riverside County Registrar of Voters is hereby authorized, instructed, and directed to canvass the returns of the general municipal election and give such further or additional notice of said election, in time, form, and manner as required by law.

E. That the Board of Supervisors is requested to issue instructions to the Riverside County Registrar of Voters to take all steps necessary for the holding of the consolidated election for the ballot measure described in Section 2.

F. Said election for the ballot measure described in Section 2 shall be held and conducted as provided by law for holding consolidated municipal elections. Said consolidated election shall be held and conducted in the manner prescribed in Elections Code Section 10418.

G. The City of Norco, California recognizes that additional costs will be incurred by the County, by reason of this consolidation, and agrees to reimburse the County for such additional costs.

SECTION 5. The City Clerk is hereby directed to file a certified copy of this Resolution with the Board of Supervisors and Riverside County Registrar of Voters.

SECTION 6. The City Clerk shall certify to the passage and adoption of this resolution.

PASSED AND ADOPTED by the City Council of the City of Norco, California, at a regular meeting held on July 18, 2018.

Ted Hoffman, Mayor
City of Norco, California

ATTEST:

Cheryl L. Link, CMC, City Clerk
City of Norco, California

I, Cheryl Link, City Clerk of the City of Norco, California, do hereby certify that the foregoing Resolution was introduced and adopted by the City Council of the City of Norco, California at a regular meeting thereof held on July 18, 2018, by the following vote of the City Council:

AYES:	HOFFMAN, GRUNDMEYER, BASH, HANNA, NEWTON
NOES:	NONE
ABSENT:	NONE
ABSTAIN:	NONE

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Norco, California, on July 18, 2018.

Cheryl L. Link, CMC, City Clerk
City of Norco, California

APPROVED AS TO FORM:

John R. Harper, City Attorney
City of Norco, California

Attachment: Ordinance No. 1041

ORDINANCE NO. 1041

AN ORDINANCE OF THE PEOPLE OF THE CITY OF NORCO, CALIFORNIA, ADDING CHAPTER 3.05 TO THE NORCO MUNICIPAL CODE TO IMPOSE A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

WHEREAS, due to the dissolution of the Redevelopment Agency by the State in 2012, Norco lost millions of dollars in local tax increment revenue leaving annual funding gap of over $4.5 million in streets, roads, trails, parks and public facilities; and

WHEREAS, the City has invested over $240 million in these important community assets which are in serious jeopardy of abandonment/loss if replacement revenues to the funds lost to Sacramento cannot be found; and

WHEREAS, due to the rising costs of providing public safety services including police, fire, 9-1-1 emergency medical services and other vital services, the City's General Fund budget has projected budget deficit of $1.4 million in Fiscal Year 2018-2019 and growing to over $4 million annually by Fiscal Year 2022-2023; and

WHEREAS, current staffing levels for police and fire which are at bare minimum cannot be sustained unless a guaranteed source of local funding which can only be spent locally for Norco residents and cannot be taken by Sacramento is implemented; and

WHEREAS, public safety is a top priority of the City Council and residents; and the City desires to maintain sheriff deputies, firefighters, paramedics, to ensure low response times; and

WHEREAS, this measure helps to maintain funding for public safety, and protect investments local streets, roads, trails, and public facilities; and

WHEREAS, sales taxes are not charged on food purchased as groceries or prescription medication, real-estate transactions, insurances; and is also paid by visitors come to Norco to shop and dine limiting its impact on Norco residents; and

WHEREAS, the proposed measure includes tough fiscal accountability and transparency, including requiring annual independent financial audits, Citizens' Oversight Committee to ensure that every dollar generated from this measure is accounted for and spent appropriately; and

WHEREAS, pursuant to California Revenue and Taxation Code Section 7285.9 the City of Norco ("City") has the authority to levy a Transactions and Use Tax for general purposes; and

WHEREAS, the people of the City desire to levy a one percent (1%) Transactions and Use Tax for general purposes to fund the maintenance and replacements of City's investments in community assets including streets, roads, trails, parks and public facilities; and to fund essential City services, including public safety services; and

WHEREAS, the people of the City believe that only a locally-approved voter funding source would guarantee that new revenue stays in Norco to help the City fund the maintenance and replacement of community assets and provide essential services to its residents; and

WHEREAS, the City's Transactions and Use Tax Ordinance is necessary to protect the public's health, safety, and welfare and will be added to the Norco Municipal Code as Chapter 3.05; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORCO DO HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Title. This ordinance shall be known as the Norco Transactions and Use Tax Ordinance, the text of which is set forth in Attachment A, attached hereto.

SECTION 2. Operative Date. "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance, the date of such adoption being as set forth below.

SECTION 3. Approval by the Voters. Pursuant to California Elections Code section 9217, this Ordinance shall take effect only if approved by a majority of the eligible voters of the City of Norco voting at the Regular Election of November 6, 2018 and shall take effect ten (10) days after the City Council has certified the results of that election by resolution.

SECTION 4. Severability. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

PASSED AND ADOPTED by the People of the City of Norco, California at the General Municipal Election held on November 6, 2018.

_____
Mayor, City of Norco, California

ATTEST:

_____
Cheryl L. Link, CMC, City Clerk
City of Norco, California

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Norco, California, on _____.

_____
Cheryl L. Link, CMC, City Clerk
City of Norco, California

APPROVED AS TO FORM:

_____
John R. Harper, City Attorney
City of Norco, California

Attachment: Exhibit A - Norco Municipal Code Chapter 3.05 – Transactions and Use Tax

Attachment "A"

Chapter 3.05- Transactions and Use Tax

Sections:

3.05.010 - Purpose.
3.05.020 - Contract with State.
3.05.030 - Transactions Tax Rate.
3.05.040 - Place of Sale.
3.05.050 - Use Tax Rate.
3.05.060 - Adoption of Provisions of State Law.
3.05.070 - Limitations on Adoption of State Law and Collection of Use Taxes.
3.05.080 - Permit Not Required.
3.05.090 - Exemptions and Exclusions.
3.05.100 - Amendments.
3.05.110 - Enjoining Collection Forbidden.
3.05.115 - Severability.
3.05.120 - Effective Date.
3.05.125 - Termination Date.

Sections:

3.05.010 – Purpose.

This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance which shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefore that can be administered and collected by the California Department of Tax and Fee Administration in a manner that adapts itself as fully as practicable to, and requires the least possible

deviation from, the existing statutory and administrative procedures followed by the California Department of Tax and Fee Administration in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

3.05.020 - Contract with State.

Prior to the operative date, the City shall contract with the California Department of Tax and Fee Administration to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the City shall not have contracted with the California Department of Tax and Fee Administration prior to the operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

3.05.030 - Transactions Tax Rate.

For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of one percent (1%) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance.

3.05.040 - Place of Sale.

For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the California Department of Tax and Fee Administration.

3.05.050 - Use Tax Rate.

An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of one percent (1%) of the sales price of the property. The sales price shall include

delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

3.05.060 - Adoption of Provisions of State Law.

Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

3.05.070 - Limitations on Adoption of State Law and Collection of Use Taxes.

In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this City shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, Victims Compensation and Government Claims Board, State Board of Equalization, State Treasury, or the Constitution of the State of California;

2. The result of that substitution would require action to be taken by or against this City or any agency, officer, or employee thereof rather than by or against the State Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.

3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

B. The word "City" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

3.05.080 - Permit not Required.

If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

3.05.090 - Exemptions and Exclusions.

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the City which is shipped to a point outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the

Vehicle Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this City of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date

of this ordinance.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.

7. "A retailer engaged in business in the City" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

D. Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

3.05.100 - Amendments.

All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and

which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

3.05.110 - Enjoining Collection Forbidden.

No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State or the City, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

3.05.115 – Severability.

If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

3.05.120 – Effective Date.

This ordinance relates to the levying and collecting of the City transactions and use taxes and shall take effect immediately.

3.05.125 – Independent Financial Audit.

By no later than December 31, of each year, the City's independent auditors shall complete a City of Norco Transactions and Use Tax Ordinance Compliance and Internal Control Audit Review to determine whether the tax revenues collected pursuant to this chapter are collected, managed, expended and reported in accordance with the requirements of this ordinance. The Independent Auditor's Report shall be presented to the Citizens' Oversight Committee.

3.05.130 – Citizens' Oversight Committee.

No later than 180 days after the passage of this ordinance, the City Council of the City of Norco shall by resolution establish a Transactions and Use Tax Oversight Committee who shall act in advisory capacity to the City Council to review of revenues and expenditures pertaining to this chapter.

RESOLUTION NO. 2018-44

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORCO, CALIFORNIA, IN SUPPORT OF VOTER APPROVAL OF THE PROPOSED TRANSACTIONS AND USE TAX MEASURE AND PROVIDING FOR THE SUBMISSION OF A BALLOT ARGUMENT BY THE CITY COUNCIL, MEMBERS OF THE CITY COUNCIL, BONA FIDE ASSOCIATIONS, AND/OR ELIGIBLE INDIVIDUAL RESIDENTS, IN FAVOR OF THE MEASURE PURSUANT TO ELECTIONS CODE SECTION 9282

WHEREAS, the City of Norco (Horsetown USA) provides a unique quality of life that is better than nearby cities; residents choose to live in Horsetown, USA because they value the unique large lots, animal-keeping lifestyle and access to trails and open space; and

WHEREAS, the City must be vigilant about protecting Norco's unique, small town, open space, equestrian and animal-keeping way of life to preserve these traditions for future generations; and

WHEREAS, the City's animal-keeping, large lots lifestyle limits the number of houses and commercial development which negatively impacts the City's local tax revenue base; and

WHEREAS, 80% of the more than 2,400 annual calls to Norco firefighters/paramedics require medical attention that require fast 9-1-1 response times so that people suffering from heart attacks, strokes or other medical emergencies continue to receive the immediate paramedic care they need to increase their chances of survival; and

WHEREAS, the City has funding gap of over $4.5 million annually to invest in deteriorating local infrastructure, including streets and roads, equestrian and pedestrian trails and other public facilities; and

WHEREAS, current projections also show that the City has a funding gap of $1.4 million in fiscal year 2018-2019 which is anticipated to grow to a gap of over $4 million in fiscal year 2022-2023 to pay for fire, emergency medical services, police protection and other vital services; and

WHEREAS, fixing and maintaining these community assets will make City streets safer and improve quality of life and home values; and

WHEREAS, a local revenue measure will help maintain that unique quality of life within the City of Norco by providing funds for the maintenance of City streets, trails, parks and public infrastructure and prevent further reduction to public safety services; and

WHEREAS, a local revenue measure will keep Sacramento from seizing any of Norco's local funding, maintain fiscal stability, and protect vital services that the public relies on and the quality of life residents have come to expect; and

WHEREAS, a local revenue measure is necessary to maintain sheriff's deputy staffing levels due to rising costs and maintain neighborhood fire stations; and

WHEREAS, the proposed local revenue measure will be spent entirely on local essential services that benefit Norco, with no money directed to the State; and

WHEREAS, the proposed measure provides for public accountability through annual independent financial audits, and a Citizens' Oversight Committee with responsibility for review of revenue and expenditures.

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

SECTION 1. The City Council of the City of Norco supports voter approval of the proposed 1% Transactions and Use Tax measure to be submitted to the voters by Resolution No. 2018-43.

SECTION 2. Elections Code Section 9285 authorizes the City Council, any of its members, bona fide associations, and/or eligible individual residents, to submit an argument in favor of the proposed measure. The City Council authorizes Mayor Pro Tem Robin Grundmeyer and Council Member Kevin Bash to draft and/or submit a ballot argument in favor of the measure based on the reasons described in the whereas clauses above and to draft and/or submit a rebuttal argument if required as authorized by Elections Code Sections 9282 and 9285. If it is proposed that the ballot argument be signed by all members of the City Council, then the proposed argument shall be submitted to the City Council for approval in a public meeting of the City Council. This resolution is authorized by Elections Code Section 9285 and applicable case law.

SECTION 3. The City Clerk shall certify to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Norco, California, at a regular meeting held on July 18, 2018.

Ted Hoffman, Mayor
City of Norco, California

ATTEST:

Cheryl L. Link, CMC, City Clerk
City of Norco, California

I, Cheryl L. Link, City Clerk of the City of Norco, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Norco, California, at a regular meeting thereof held on July 18, 2018 by the following vote of the City Council:

AYES:	HOFFMAN, GRUNDMEYER, BASH, HANNA, NEWTON
NOES:	NONE
ABSENT:	NONE
ABSTAIN:	NONE

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the City of Norco, California on July 18, 2018.

Cheryl L. Link, CMC, City Clerk
City of Norco, California

APPROVED AS TO FORM:

John R. Harper, City Attorney
City of Norco, California