

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF MERCED, CALIFORNIA,
APPROVING AN ORDINANCE AND ORDERING
THAT A MEASURE BE SUBMITTED TO THE
VOTERS OF THE CITY AT THE GENERAL
MUNICIPAL ELECTION TO BE HELD ON
NOVEMBER 3, 2026 TO CONSIDER A
LOCAL 1¢ (1%) GENERAL TRANSACTIONS
AND USE TAX TO BE ADMINISTERED BY
THE CALIFORNIA DEPARTMENT OF TAX
AND FEE ADMINISTRATION**

WHEREAS, the City strives to maintain general municipal services for Merced residents, businesses, and visitors at the levels they expect and deserve; and

WHEREAS, the City Council has been informed by staff that the City needs to increase revenues to fund vital City programs and services; and

WHEREAS, the City of Merced's Fire Staffing is set to be reduced on March 2027 by 27% due to lack of funding; and

WHEREAS, according to the 2022 Pavement Condition Index (PCI) Study, the overall condition of the City of Merced's roads is rated as "Poor" requiring a significant capital investment; and

WHEREAS, the City of Merced's Police staffing remains below 2009 levels and has not kept pace with the City's population growth; and

WHEREAS, designated park sites remain undeveloped, and safety concerns at existing parks, including gang activity and homeless encampments, require an influx of capital and personnel resources; and

WHEREAS, this measure has strict accountability requirements, including oversight by an independent citizens' transparency commission, public disclosure of all spending, and independent annual audits to ensure funds are spent as promised; and

WHEREAS, additional sources of local revenue will help the City maintain local control over its revenue and promote fiscal sustainability; and

WHEREAS, if approved by the voters, the revenue from this measure will be subject to transparency and accountability provisions to ensure that all funds will remain in Merced for the local general services on which local residents and businesses rely, and that none of the new funding can be taken by the Federal or State governments; and

WHEREAS, the City proposes to submit to the voters of the City an Ordinance providing for the levy of a local transactions and use tax.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCED DOES HEREBY RESOLVE, DETERMINE, FIND AND ORDER AS FOLLOWS:

SECTION 1. The facts set forth in the recitals of this Resolution are true and correct and establish the factual basis for the City Council's adoption of this Resolution.

SECTION 2. 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 3. By Resolution No. 2026-32, adopted on June 15, 2026, the City Council has previously called and given notice of the General Municipal Election to be held in the City on November 3, 2026, and to be consolidated with the Statewide General Election conducted on the same date. Pursuant to California Elections Code Sections 9222 and 10201, the City Council hereby orders that at the said election, a Vital Services Protection Ordinance be submitted to the voters for consideration. The full text of the City of Merced Vital Services Protection Ordinance is attached to this Resolution as Exhibit A and incorporated herein by reference. The measure to be submitted to the voters shall appear and be printed on the ballot as follows:

City of Merced Vital Services Protection Measure	
Shall the measure to maintain local quality of life/ general city services, such as 911 police/ emergency medical/ natural disaster response; responding quickly to neighborhood fires/ retaining firefighters; gang prevention; addressing homelessness; fixing roads/potholes; and keeping parks safe/clean, by establishing a 1¢ sales tax, providing approximately \$18,000,000 annually until ended by voters, with public disclosure, independent audits, citizen oversight, and all funds for Merced, be adopted?	YES
	NO

SECTION 4. The City Council, by at least 2/3 vote, hereby approves the proposed City of Merced Vital Services Protection Ordinance, attached to this Resolution as Exhibit A, to be submitted to the voters and the full text to be published in the November 3, 2026 General Municipal Election Voters Information Guide is SECTION 1 of Exhibit "A". The proposed measure is a general tax, as defined in Article XIIC of the California Constitution, at a rate of 1% on transactions and uses in the City as defined in the Ordinance, to be collected by the California Department of Tax and Fee Administration until repealed by the voters. The Ordinance shall not take effect unless and until approved by a vote of at least a majority of voters voting on the question at the election.

SECTION 5. The City Attorney is hereby directed to prepare an impartial analysis of the measure pursuant to Elections Code Section 9280.

SECTION 6. The City Council directs that arguments for and against the measure may be filed in accordance with applicable law, and that Councilmember[s] [name(s)] are authorized to file an argument in favor of the measure.

SECTION 7. In all particulars not recited in this Resolution, the election shall be held and conducted as provided by law for holding municipal elections. All persons qualified and registered to vote in the City of Merced as of the date of such election shall be entitled to vote.

SECTION 8. Notice of the time and place of holding the General Municipal Election is hereby given and the City Clerk is authorized, instructed, and directed to give further or additional notice of the election, in

the time, form and manner as required by law, and to publish a synopsis of the measure as required by law.

SECTION 9. The City Clerk is hereby directed to submit complete certified copies of this Resolution to the Merced County Registrar of Voters Office and to the Merced County Board of Supervisors by August 7th, 2026.

SECTION 10. The Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

PASSED AND ADOPTED by the City Council of the City of Merced at a regular meeting held on the ____ day of _____ 2026, by the following vote:

AYES: Council Members:

NOES: Council Members:

ABSENT: Council Members:

ABSTAIN: Council Members:

APPROVED:

Mayor

ATTEST:
D. SCOTT MCBRIDE, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

(SEAL)

APPROVED AS TO FORM:

Craig Cornwell 7-29-2026
City Attorney Date

EXHIBIT A

ORDINANCE NO. _____

AN ORDINANCE ADOPTED BY THE VOTERS OF THE CITY OF MERCED IMPOSING A 1% TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

THE VOTERS OF THE CITY OF MERCED DO HEREBY ORDAIN AS FOLLOWS:

Section 1. Chapter 3.39 is hereby added to Title 3 of the Merced Municipal Code to read as follows:

"Chapter 3.39 - TRANSACTIONS AND USE TAX

3.39.010. SHORT TITLE. This ordinance shall be known as the City of Merced Vital Services Protection Ordinance. The City of Merced hereinafter shall be called "City." This ordinance shall be applicable in the incorporated territory of the City.

3.39.020. OPERATIVE DATE. "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance. For purposes of Revenue and Taxation Code section 7265, this ordinance shall be considered adopted on the date of the election in which it is approved by the qualified voters of the City.

3.39.030. 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 transaction 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.

3.39.040. 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.

3.39.050. 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 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.

3.39.060. 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.

3.39.070. 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 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.

3.39.080. 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.

3.39.090. 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 therefore. 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, 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 California Department of Tax and Fee Administration, 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.

1. "A retailer engaged in business in the District" shall also include any retailer that, in the preceding calendar year or the current calendar year, has total combined sales of tangible personal property in this state or for delivery in the State by the retailer and all persons related to the retailer that exceeds five hundred thousand dollars (\$500,000). For purposes of this section, a person is related to another person if both persons are related to each other pursuant to Section 267(b) of Title 26 of the United States Code and the regulations thereunder.

3.39.100. 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.

3.39.110. 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.

3.39.120. 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.

3.39.130. 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.”

Section 2. 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.

Section 3. AMENDMENTS. Pursuant to Elections Code Section 9217, this ordinance may be amended by the City Council without a vote of the people, except that, as required by Article XIII C of the California Constitution, voter approval is required for any amendment that would increase the rate of any tax levied pursuant to this Ordinance.

Section 4. EFFECTIVE DATE AND EXPIRATION. This ordinance relates to the levying and collecting of the City’s transactions and use taxes and shall take effect immediately upon approval by the voters and shall remain in effect until repealed by the voters of the City of Merced.

APPROVED for placement on the ballot by at least a 2/3 vote of the Merced City Council at a meeting held on August 3, 2026, pursuant to Government Code Section 53724 and Revenue and Taxation Code Section 7285.9, and

PASSED AND ADOPTED by the voters of the City of Merced, State of California, at the General Municipal Election held on November 3, 2026.

AYES: Council Members:

NOES: Council Members:

ABSENT: Council Members:

ABTAIN: Council Members:

APPROVED:
MATTHEW SERRATTO, MAYOR

Mayor

ATTEST:
D. SCOTT MCBRIDE, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

(SEAL)

APPROVED AS TO FORM:
CRAIG J. CORNWELL, CITY ATTORNEY

City Attorney

Date