

RESOLUTION NO. 26-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMMERCE, CALIFORNIA, CALLING AND GIVING NOTICE OF A SPECIAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, JUNE 2, 2026, BY SUBMITTING TO THE QUALIFIED ELECTORS OF THE CITY OF COMMERCE TO CONSIDER APPROVAL OF THE COMMERCE ESSENTIAL SERVICES PROTECTION MEASURE, AN ORDINANCE OF THE CITY OF COMMERCE TO ADOPT A ONE-QUARTER CENT (1/4C) TRANSACTION AND USE TAX, REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES TO CONSOLIDATE THE CITY'S SPECIAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, JUNE 2, 2026, WITH THE STATEWIDE PRIMARY ELECTION TO BE HELD ON THAT SAME DATE; AND OTHER ELECTION MATTERS AS REQUIRED BY LAW

WHEREAS, the City of Commerce is a general law city organized and existing under the laws of the State of California; and

WHEREAS, the City is responsible for maintaining essential municipal services and protecting the public health, safety, and welfare of the Commerce community; and

WHEREAS, the City is committed to maintaining a safe, high-quality community, protecting open space, and providing essential municipal services and facilities for residents, businesses, and visitors; and

WHEREAS, the City has historically maintained strong financial restraint to protect against unexpected economic conditions and ensure an aggressive reserve policy that protects against volatility of services and prioritizes essential services; and

WHEREAS, the City derives approximately forty percent (40%) of its General Fund revenues from gaming operations located within the City; and

WHEREAS, specifically the City has experienced a strong partnership with the Commerce Casino that generates over \$30,000,000 a year in revenues for the City that fund a significant portion of the City budget and underwrites the public safety budget, parks budget and other essential City services; and

WHEREAS, these General Fund revenues support essential services, including police protection, 911 emergency response, youth and senior programs, library services, parks, infrastructure maintenance, and general municipal operations; and

WHEREAS, on February 6, 2026, the State of California finalized new regulations that will take effect on April 1, 2026 (“New Gaming Restrictions”), basically prohibiting certain games

(blackjack and blackjack-style games) and the use of third party proposition player services (TPPPs) at gaming facilities; and

WHEREAS, the New Gaming Restrictions mark a significant shift in how cardrooms may lawfully operate their most popular games and is estimated to result in a \$2 billion per year loss to the gaming industry, according to the President of the California Gaming Association; and

WHEREAS, because the use of TPPPs and blackjack-style games make up a large portion of the revenues for the Commerce Casino and other gaming facilities, the New Gaming Restrictions will likely result in an immediate material reduction in the City's revenues of approximately \$8 to \$18 million per year, an immediate structural budget deficit, and significant municipal service reductions; and

WHEREAS, in light of the New Gaming Restrictions and sudden loss in revenue, the City Council seeks to diversify the revenue sources of the City to preserve its stability through changes at the casino by adding additional sales tax revenues to fund City operations and preserve essential services, and

WHEREAS, the County of Los Angeles has moved to increase sales taxes in the coming election that could make protecting the City's local access to sales tax revenues to fund City services for City residents very difficult to impossible; and

WHEREAS, the County of Los Angeles sales tax generated within the City of Commerce would not stay local in the City of Commerce or be prioritized by the City, but would be used by the County to fund County operations and health services across the entire County, and

WHEREAS, State and County allocation constraints limit the City's ability to fund local needs: (i) the City retains only a portion of sales tax generated locally, meaning the current total sales tax rate in the City is 10.5%, and only 1.75% of the total sales tax rate is under local control; and (ii) the City receives one of the smallest shares of property tax revenue in Los Angeles County, just 6.7%, ranking 67th out of 88 cities; and

WHEREAS, State law limits the total combined rate of local transactions and use (sales) taxes that may be imposed within Los Angeles County, and staff has reported that for most cities the combined rate is capped at 10.75%; and

WHEREAS, importantly, over 50% of all sales tax revenue generated within the City comes from non-residents and visiting shoppers — meaning that more than half of the sales tax collected is paid by those who live outside the City; and

WHEREAS, the City Council finds that revenues from a voter-approved transactions and use (sales) tax measure would stay in the City to support essential services and community priorities, including maintaining 911 emergency response and proactive law enforcement, maintaining senior and youth programs, and library services, maintaining streets and sidewalks, and maintaining safe parks and protecting open space; and

WHEREAS, absent an ongoing revenue solution, the City will face continued revenue diversity risks due to regulatory actions affecting the Commerce Casino and related City revenues requiring the City to reduce public safety services, reduce youth and senior programming, reduce community activities, defer required maintenance on City facilities, infrastructure, and capital improvement projects, and a drawdown of General Fund reserves, threatening the City's ability to respond to future emergencies and maintain public safety, parks, and programming; and

WHEREAS, without an additional substantial diversified and consistent revenue source, the increasing budget risks may also require adjustments to City facility operations, such as reduced hours at City Hall, Community Center, Library, as well as reductions in law enforcement services that could result in fewer police officers and slower 911 emergency response times; and

WHEREAS, after a thorough consideration, a transactions and use (sales) tax has been identified as the highest priority new revenue source expected to generate significant ongoing funds to aid in diversifying City revenues and moving to protect a critical available tax increment; and

WHEREAS, the City Council finds that the City therefore has limited remaining local capacity for a transactions and use tax add-on within the cap; and

WHEREAS, the City Council understands that the County has submitted a countywide transactions and use (sales) tax measure of one-half cent ($\frac{1}{2}\%$) to voters in the Statewide Primary Election of June 2, 2026, and if a countywide measure is approved it will increase the difficulty of the City adopting future sales tax measures, the City's capacity to establish its own locally controlled sales tax measure is harmed; and

WHEREAS, the City Council finds that preserving local control is important because the City is directly accountable to local voters for the provision of City services and infrastructure, and the City requires stable, locally controlled revenue to address structural deficits and maintain essential services; and

WHEREAS, the City Council finds that it is time-sensitive to submit the City's proposed transactions and use (sales) tax measure to voters now in order to offset the impending revenue reduction from the New Gaming Restrictions that will become effective in April 2026, to preserve the City's remaining local capacity, and to avoid the risk that a countywide or other regional measure will eliminate the City's opportunity to secure a locally controlled revenue source; and

WHEREAS, a transactions and use (sales) tax does not apply to common essentials such as groceries, prescriptions, medical and dental services, real estate, rent, utilities, education, personal services, and labor; and

WHEREAS, based on the risks created by the New Gaming Restrictions that will impact the operations of the Commerce Casino as early as April 2026, reduce the City's revenues, and create or increase the City's budget deficit from 2026-2027 onward, the City Council concurrently declared via Resolution No. 26-__ that a fiscal emergency exists, requiring prompt action to preserve the City's ability to maintain essential services and unfunded needs; and

WHEREAS, a transactions and use (sales) tax would be levied in addition to, and would be collected at the same time and in the same manner as, the Uniform Local Sales and Use Tax of the City of Commerce (Commerce Muni. Code, Ch. 3.08); and

WHEREAS, levying a quarter cent (1/4¢) transactions and use (sales) tax would not cause the overall transactions and use (sales) tax in the City to exceed two percent as required by Revenue and Taxation Code section 7251 et seq.; and

WHEREAS, a quarter cent (1/4¢) transactions and use (sales) tax would, if approved, generate an estimated \$4.5 million each year of new and local revenue, until ended by voters, to protect and maintain City services that directly benefit the residents and businesses of Commerce; and

WHEREAS, Elections Code section 9222 authorizes the City Council to submit to the voters, without a petition, a proposition (measure) for the repeal, amendment, or enactment of any ordinance, to be voted upon at any succeeding regular or special election, and if the proposition (measure) is approved by the requisite number of votes cast on the measure at the election, the ordinance shall be repealed, amended, or enacted accordingly; and

WHEREAS, Elections Code section 9222 further provides that such a proposition (measure) may be submitted to the voters by ordinance or resolution, provided the election is held not less than 88 days after the date of the order of election; and

WHEREAS, the City Council now calls a June 2, 2026 special municipal election (“Special Municipal Election”) to submit to City of Commerce voters a ballot measure (hereinafter, the “Measure”) to adopt an ordinance that increases the City's transactions and use tax rate, currently set at three-quarters percent (0.75%), by an additional one-quarter percent (0.25%) such that the new transactions and use tax rate will be one percent (1%); and

WHEREAS, pursuant to Government Code Sections 53723 and 53724(b), Revenue and Taxation Code Section 7285.9, any proposed increase or extension of the City's general purpose transactions and use tax must be approved by ordinance approved by no less than two-thirds of all the members of the City Council (i.e., by at least 4 "yes" votes), subject also to approval by City of Commerce voters by a simple majority of votes cast (50% plus 1) at a City election; and

WHEREAS, Section 2(b) of Article XIIC of the California Constitution further provides that an election required to approve the establishment of, or increase to, a general tax must be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency, as is the case here, declared by a unanimous vote of members present of the governing body (See 75 Ops Cal Atty Gen 47 (1992), citing *Tidewaters. Ry., Co. v Jordan* (1912) 163 C 105); and

WHEREAS, concurrent with the approval of this Resolution, the City Council has also approved for first reading an ordinance (hereinafter, "the Ordinance") which, if the Measure is approved by City of Commerce voters, implements the increase of the City's transactions and use

tax to one percent (1%) (a true and correct copy of the Ordinance is attached to this Resolution as Exhibit "A"); and

WHEREAS, June 2, 2026 is an established Statewide Primary Election date under Elections Code section 1500; and

WHEREAS, the City Council desires to consolidate the City's Special Municipal Election with the June 2, 2026 Statewide Primary Election, pursuant to Elections Code Sections 10400 *et seq.*, with polling places and election officers of the two elections be the same, and that the Los Angeles County Registrar of Voters canvass the returns of the Special Municipal Election and the election be held in all respects as if there were only one election; and

WHEREAS, the City Council requests that the Los Angeles County Board of Supervisors ("Board") authorize and direct the Los Angeles County Registrar- Recorder/County Clerk (hereinafter, "the County") to consolidate the City's June 2, 2026 special election with the County-administered election(s) for the Statewide Primary Election of the same date; and

WHEREAS, the City shall compensate the County for all necessary expenses incurred by the County in providing the special election administration services for the City, including any such additional costs arising out of the placement of the above-described ballot measure on the City's June 2, 2026 ballot; and

WHEREAS, the City Council also wishes to (i) establish deadlines and rules for the submission of written arguments and rebuttals for and against the Measure in accordance with applicable Elections Code procedures; (ii) direct the timely preparation of the City Attorney's impartial analysis; and (iii) provide such other direction as may be necessary to facilitate the placement of the Measure on the ballot.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Commerce as follows:

Section 1. Intent – Calling Election.

Pursuant to the laws of the State of California relating to elections, a Special Municipal Election is hereby called and ordered to be held in the City of Commerce, California, on Tuesday, June 2, 2026, for the purpose of submitting to the City's qualified voters the attached 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.

Section 2. Ballot Measure Question.

The City Council does hereby order that the Measure shall be presented and printed upon the ballot submitted to the qualified voters in the manner and form set forth herein. There shall be printed substantially the following ballot question in compliance with Election Code Sections 9051, 13119(b) and 13247, with the designation "Measure ___" (with the measure designation letter to be assigned by the elections official):

Commerce Essential Services Protection Measure: To protect local funding threatened by State gaming regulations and maintain police services, 911 emergency response, youth and senior programs, library services, parks, streets, and infrastructure, shall the City of Commerce enact a ¼-cent (0.25%) transactions and use (sales) tax, providing approximately \$4.5 million annually for general government use until ended by voters, with annual audits and public disclosure?	YES
	NO

The City Clerk is authorized to make minor, non-substantive changes to the ballot question to conform to Elections Code requirements and ballot formatting.

Section 3. Proposed Ordinance.

The Ordinance submitted to the voters for enactment is attached hereto as Exhibit “A” and incorporated herewith. The City Clerk shall print the Ordinance to be submitted to the voters of the City of Commerce and shall make a copy thereof available to any voter upon request. The City Clerk is hereby authorized and directed to make any typographical, clerical, non-substantive corrections to the text of the attached Ordinance and this Resolution (including, but not limited to, the question to be submitted to the City's voters as provided in Section 2) as required to conform to any requirements of law.

Section 4. Voter Approval.

Pursuant to Elections Code section 9217, upon approval of the ballot measure by the voters, at the June 2, 2026, Consolidated Statewide Primary Election, the proposed Ordinance shall become a binding ordinance of the City of Commerce, and shall be considered as adopted upon the date that the vote is declared by the City Council and the ordinance shall go into effect 10 days after that date, albeit pursuant to Revenue and Taxation Code section 7265, the operative date of the additional 1/4 cent transactions and use tax shall be October 1, 2026, which is the first day of the first calendar quarter commencing more than 110 days after adoption of the ordinance by the voters on June 2, 2026.

Section 5. Election Procedures; Los Angeles County Registrar of Voters.

The City Council of the City of Commerce further resolves, declares and orders as follows:

- (a) The ballots to be used at the election shall be in form and content as required by law.
- (b) The City Clerk is directed to file a certified copy of this Resolution with the Los Angeles County Board of Supervisors and the Los Angeles County Registrar of Voters.
- (c) Pursuant to the requirements of Elections Code Sections 10002 and 10403, the City respectfully requests that the County Board of Supervisors consent and agree to the following:

1. That the June 2, 2026 Special Municipal Election called by the City to present City of Commerce voters with a Measure seeking approval of the Ordinance be consolidated with the County-administered election(s) of the same date; and

2. That the County Board of Supervisors consent to having the County render full election services to the City as may be requested by the Commerce City Clerk (hereinafter, the "City Clerk") with the understanding and agreement that the County will be reimbursed by the City in full for all services so provided; and

3. That the requested election services include: the preparation, printing and mailing of sample ballots and polling place cards; the establishment or appointment of precincts, polling places, and election officers, the preparation, printing, mailing and furnishing of vote-by-mail ballots, making such publications as are required by law in connection therewith; the furnishing of ballots, voting booths and other necessary supplies or materials for polling places; the canvassing of the returns of the election and the furnishing of the results of such canvassing to the City Clerk of the City of Commerce and the performance of such other election services as may be requested by the City Clerk.

(d) The City Clerk is authorized, instructed and directed to coordinate with the County of Los Angeles Registrar of Voters to procure and furnish any and all ballots, notices, printed matter and supplies, services, equipment and paraphernalia that may be necessary in order to properly and lawfully conduct the election.

(e) The polls for the election shall be open at 7:00 a.m. of the day of the election and shall remain open continuously from that time until 8:00 p.m. of the same day when the polls shall be closed, pursuant to Elections Code Section 10242, except as provided in Elections Code Section 14401.

(f) In all particulars not recited in this Resolution, the election shall be held and conducted as provided by law for the holding of municipal elections in the City.

(g) Notice of the time, place, and holding of the election is given and the City Clerk is authorized, instructed, and directed to give further or additional notice of the election, in time, form, and manner as required by law.

(h) All ballots shall be tallied at a central counting place and not at the precincts. Said central counting place shall be at a ballot counting center designated by the County.

Section 6. Impartial Analysis; Arguments; Rebuttals; Voter Information Materials.

(a) Impartial Analysis. The City Clerk shall transmit the Measure to the City Attorney or designated Special Legal Counsel for preparation of an impartial analysis pursuant to Elections Code section 9280. The City Attorney shall prepare an impartial analysis of the Measure, not to exceed 500 words in length. The impartial analysis should explain what the measure will do if approved and enacted and how that impacts/changes existing law. The City Attorney or Special Legal Counsel shall transmit its impartial analysis to the City Clerk, who shall cause the analysis

to be published in the voter information guide along with the ballot measure as provided by law. The Impartial Analysis shall be filed no later than March 13, 2026. In the event the entire text of the measure is not printed in the Voter Information Guide, there shall be printed immediately below the impartial analysis, in no less than 10-font bold type, the following: "The above statement is an impartial analysis of Ordinance or Measure. If you desire a copy of the ordinance or measure, please call the election official's office at (323) 722-4805 and a copy will be mailed at no cost to you."

(b) Ballot Arguments.

1. The City Council acknowledges Elections Code Section 9282(b) and 9287 which provide as follows:

When a measure is placed on the ballot by a legislative body, the legislative body, or a member or members of the legislative body authorized by that body, or an individual voter who is eligible to vote on the measure, or bona fide association of citizens, or a combination of voters and associations, may file a 300 word or less written argument in favor of the measure; and

If more than one argument in favor of a measure is submitted, the City Clerk shall give preference and priority, in the order named, to the arguments submitted by the following person(s) and entities: (A) the legislative body, or member or members of the legislative body authorized by that body; (B) an individual voter, or bona fide association of citizens, or combination of a voter(s) and associations, who are the bona fide sponsors or proponents of the measure; (C) a bona fide associations of citizens; and (D) individual voters who are eligible to vote on the measure.

The City Council hereby declares that the City Council, or any member(s) of the City Council so designated, shall have priority to file the argument in favor of the measure, and that the City Clerk shall accept that argument as the official argument in favor of the measure over any other proponent arguments submitted.

2. Arguments against the proposed ballot measure, if any, shall also be subject to the provisions of Elections Code 9282 and 9287.

3. The deadline date and time for submitting arguments for or against the measure to the City Clerk is March 13, 2026 by 5:30 p.m., after which time no arguments for or against the measure will be accepted. Arguments for or against the measure may not exceed 300 words in length. Each argument shall be filed with the City Clerk, signed, and include the printed name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the name of the organization, and the printed name and signature of at least one of its principal officers who is the author of the argument. The arguments shall be accompanied by the Form of Statement to be Filed by Author(s) or Arguments.

4. The City Clerk shall comply with all provisions of law establishing priority of arguments for printing and distribution to the voters, and shall take all necessary actions to cause the selected arguments to be printed and distributed to the voters.

(c) Rebuttals.

1. Pursuant to Elections Code Sections 9285 and 9287, the City Council hereby authorizes the filing of rebuttal arguments for and against the City measure submitted to the voters. When the City Clerk selects the arguments for and against the City-initiated measure to be printed and distributed to the voters, the City Clerk will send a copy of the argument in favor of the measure to the authors of the argument against the measure, and a copy of the argument against to the authors of the argument in favor of the measure.

2. The authors of the respective arguments for and against the measure or persons designated by them may then prepare and submit rebuttal arguments not exceeding 250 words in length. The deadline for submitting rebuttal arguments to the City Clerk is March 23, 2026 by 5:30 p.m., after which time no rebuttal arguments will be accepted. Rebuttal arguments shall be printed in the same manner as the direct arguments. Each rebuttal argument shall immediately follow the direct argument which it seeks to rebut.

(d) Other Materials. The City Clerk is authorized to prepare and include such other information and notices as may be required by the Elections Code and as the City Clerk determines to be appropriate for the conduct of the election.

Section 7. Filing with County.

The City Clerk shall, not later than the 88th day prior to the Special Municipal Election to be held on Tuesday, June 2, 2026, file with the Board of Supervisors and the County Clerk - Registrar of Voters of the County of Los Angeles, State of California, a certified copy of this Resolution.

Section 8. Public Examination.

Pursuant to Elections Code Section 9295, this measure will be available for public examination for no fewer than ten (10) calendar days prior to being submitted for printing in the voter information guide. The Clerk shall post notice in the Clerk's office of the specific dates that the examination period will run.

Section 9. CEQA.

The City Council hereby finds and determines that the ballot measure relates to organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment, and therefore is not a project within the meaning of the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines, section 15378(b)(5).

Section 10. Notice; Publication; Posting.

The City Clerk is directed to give notice of the election, and to cause all notices to be posted and/or published as required by law.

Section 11. Further Authorization.

The City Clerk and City Manager and their designees are hereby authorized to take all actions as necessary to effectuate the purposes of this resolution and the election.

Section 12. Severability.

If any section, subsection, sentence, clause, or phrase of this Resolution is for any reason held to be invalid, such decision shall not affect the validity of the remaining portions.

Section 13. Effective Date.

That this Resolution shall take effect upon its adoption.

Section 14. Certification

That the City Clerk shall certify the passage of this Resolution and enter it into the book of original resolutions.

PASSED, APPROVED, AND ADOPTED THIS 24th day of February, 2026.

Kevin Lainez, Mayor

ATTEST:

Pat Jacquez-Nares, Interim City Clerk

State of California }
County of Los Angeles } SS
City of Commerce }

I, PAT JACQUEZ-NARES, INTERIM CITY CLERK of the City of Commerce, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Commerce held on the 24th day of February, 2026, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Pat Jacquez-Nares, Interim City Clerk

PPROVED AS TO FORM:

Noel Tapia, City Attorney

EXHIBIT A

ORDINANCE NO. _____

AN ORDINANCE OF THE PEOPLE OF THE CITY OF COMMERCE, CALIFORNIA, AMENDING TITLE 3 OF THE COMMERCE MUNICIPAL CODE TO REPEAL AND REPLACE THE PROVISIONS OF CHAPTER 3.09 AND REPEAL THE PROVISIONS OF CHAPTER 3.26 WITH THE PROVISIONS OF THIS ORDINANCE AUTHORIZING THE INCREASE OF THE EXISTING THREE-QUARTERS PERCENT (0.75%) TRANSACTIONS AND USE (SALES) TAX BY AN ADDITIONAL ONE-QUARTER PERCENT (0.25%), FOR A TOTAL OF ONE PERCENT (1%) TRANSACTIONS AND USE (SALES) TAX, PURSUANT TO REVENUE AND TAXATION CODE SECTIONS 7251 - 7279.6 AND 7285.9 - 7285.92, TO BE ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION ON BEHALF OF THE CITY OF COMMERCE

WHEREAS, the City of Commerce is a general law city organized and existing under the laws of the State of California; and

WHEREAS, the City is responsible for maintaining essential municipal services and protecting the public health, safety, and welfare of the Commerce community; and

WHEREAS, the City is committed to maintaining a safe, high-quality community, protecting open space, and providing essential municipal services and facilities for residents, businesses, and visitors; and

WHEREAS, the City has historically maintained strong financial restraint to protect against unexpected economic conditions and ensure an aggressive reserve policy that protects against volatility of services and prioritizes essential services; and

WHEREAS, the City derives approximately forty percent (40%) of its General Fund revenues from gaming operations located within the City; and

WHEREAS, specifically the City has experienced a strong partnership with the Commerce Casino that generates over \$30,000,000 a year in revenues for the City that fund a significant portion of the City budget and underwrites the public safety budget, parks budget and other essential City services; and

WHEREAS, these General Fund revenues support essential services, including police protection, 911 emergency response, youth and senior programs, library services, parks, infrastructure maintenance, and general municipal operations; and

WHEREAS, on February 6, 2026, the State of California finalized new regulations that will take effect on April 1, 2026 (“New Gaming Restrictions”), basically prohibiting certain games (blackjack and blackjack-style games) and the use of third party proposition player services (TPPPs) at gaming facilities; and

WHEREAS, the New Gaming Restrictions mark a significant shift in how cardrooms may lawfully operate their most popular games and is estimated to result in a \$2 billion per year loss to the gaming industry, according to the President of the California Gaming Association; and

WHEREAS, because the use of TPPPs and blackjack-style games make up a large portion of the revenues for the Commerce Casino and other gaming facilities, the New Gaming Restrictions will likely result in an immediate material reduction in the City’s revenues of approximately \$8 to \$18 million per year, an immediate structural budget deficit, and significant municipal service reductions; and

WHEREAS, in light of the New Gaming Restrictions and sudden loss in revenue, the City Council seeks to diversify the revenue sources of the City to preserve its stability through changes at the casino by adding additional sales tax revenues to fund City operations and preserve essential services, and

WHEREAS, State and County allocation constraints limit the City’s ability to fund local needs: (i) the City retains only a portion of sales tax generated locally, meaning the current total sales tax rate in the City is 10.5%, and only 1.75% of the total sales tax rate is under local control; and (ii) the City receives one of the smallest shares of property tax revenue in Los Angeles County, just 6.7%, ranking 67th out of 88 cities; and

WHEREAS, State law limits the total combined rate of local transactions and use (sales) taxes that may be imposed within Los Angeles County, and staff has reported that for most cities the combined rate is capped at 10.75%; and

WHEREAS, importantly, over 50% of all sales tax revenue generated within the City comes from non-residents and visiting shoppers — meaning that more than half of the sales tax collected is paid by those who live outside the City; and

WHEREAS, the City Council finds that revenues from a voter-approved transactions and use (sales) tax measure would stay in the City to support essential services and community priorities, including maintaining 911 emergency response and proactive law enforcement, maintaining senior and youth programs and services, maintaining streets and sidewalks, and maintaining safe parks and protecting open space; and

WHEREAS, absent an ongoing revenue solution, the City will face continued revenue diversity risks due to regulatory actions affecting the Commerce Casino and related City revenues requiring the City to reduce public safety services, reduce youth and senior programming, reduce community activities, defer required maintenance on City facilities, infrastructure, and capital improvement projects, and a drawdown of General Fund reserves, threatening the City’s ability to respond to future emergencies and maintain public safety, parks, and programming; and

WHEREAS, the City Council finds that the City therefore has limited remaining local capacity for a transactions and use tax add-on within the cap; and

WHEREAS, the City Council finds that preserving local control is important because the City is directly accountable to local voters for the provision of City services and infrastructure, and the City requires stable, locally controlled revenue to address structural deficits and maintain essential services; and

WHEREAS, the City Council finds that it is time-sensitive to submit the City's proposed transactions and use (sales) tax measure to voters now in order to offset the impending revenue reduction from the New Gaming Restrictions that will become effective in April 2026, to preserve the City's remaining local capacity, and to avoid the risk that a countywide or other regional measure will eliminate the City's opportunity to secure a locally controlled revenue source; and

WHEREAS, based on the risks created by the New Gaming Restrictions that will impact the operations of the Commerce Casino as early as April 2026, reduce the City's revenues, and create or increase the City's budget deficit from 2026-2027 onward, the City Council concurrently declared via Resolution No. 26-__ that a fiscal emergency exists, requiring prompt action to preserve the City's ability to maintain essential services and unfunded needs; and

WHEREAS, Revenue and Taxation Code section 7285.9 authorizes the City to levy a transactions and use (sales) tax by ordinance following approval by two-thirds of the City Council and a majority vote of the qualified electors of the City voting in an election on the issue; and

WHEREAS, a transactions and use (sales) tax would be levied in addition to, and would be collected at the same time and in the same manner as, the Uniform Local Sales and Use Tax of the City of Commerce (Commerce Muni. Code, Ch. 3.08); and

WHEREAS, levying a quarter cent (1/4¢) transactions and use (sales) tax would not cause the overall transactions and use (sales) tax in the City to exceed two percent as required by Revenue and Taxation Code section 7251 et seq.; and

WHEREAS, a quarter cent (1/4¢) transactions and use (sales) tax would, if approved, generate an estimated \$4.5 million each year of new and local revenue, until ended by voters, to protect and maintain City services that directly benefit the residents and businesses of Commerce; and

WHEREAS, Section 2(b) of Article XIIC of the California Constitution further provides that an election required to approve the establishment of, or increase to, a general tax must be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency, as is the case here, declared by a unanimous vote of members present of the governing body (See 75 Ops Cal Atty Gen 47 (1992), citing *Tidewaters Ry., Co. v Jordan* (1912) 163 C 105); and

WHEREAS, in compliance with Government Code Sections 53723 and 53724(b), Revenue and Taxation Code Section 7285.9, and Section 2(b) of Article XIII C of the California Constitution, the City Council approved Resolution No. 26-__ which (i) called and gave notice of the submission to City of Commerce voters of a ballot measure to increase the City’s 0.75% transactions and use tax by 0.25% to a total of 1%; (ii) made a unanimous finding of a fiscal “emergency” within the meaning of Section 2(b) of Article XIII C of the California Constitution; (iii) acknowledged the concurrent first-reading approval of this Ordinance by the City Council; (iv) ordered that the ballot measure be submitted as part of the City’s June 2, 2026 Special Municipal Election, which is to be consolidated with the County-administered elections of the same date; (v) requested the County to provide administrative services and support for its special municipal election, inclusive of the ballot measure; and (vi) setting priorities for the submission of arguments and rebuttals and ordering the preparation of the City Attorney’s Impartial Analysis; and

WHEREAS, the ballot measure seeking approval of this Ordinance was given the letter designation Measure “__” which presented the following question to City of Commerce voters:

<p>Commerce Essential Services Protection Measure: To protect local funding threatened by State gaming regulations and maintain police services, 911 emergency response, youth and senior programs, library services, parks, streets, and infrastructure, shall the City of Commerce enact a ¼-cent (0.25%) transactions and use (sales) tax, providing approximately \$4.5 million annually for general government use until ended by voters, with annual audits and public disclosure?</p>	YES
	NO

NOW, THEREFORE, THE PEOPLE OF THE CITY OF COMMERCE ORDAIN AS FOLLOWS:

Section 1. Elections Code Section 13119 Statement

The additional 1/4 percent (0.25%) transactions and use tax is estimated to produce approximately \$4.5 million per year, which may be used to fund general municipal services, and which shall remain in effect unless subsequently repealed by the voters.

Section 2. Local Use of Proceeds

The revenue produced by the additional ¼ percent (0.25%) transactions and use tax may be used for any local general municipal purpose including, but not limited to, maintain 9-1-1 emergency response times, robbery/burglary prevention, neighborhood police patrols/fire engine service levels; address homelessness, traffic; repair potholes/streets; keep public areas safe/clean; help retain local businesses; maintain senior services, youth/afterschool programs, and library

services, until ended by voters, with independent financial audits, public review, all funds used locally.

Section 3. Annual Independent Audits

The financial records, accounting practices and internal controls related to the collection, deposit and expenditure of the revenue produced by the cumulative one percent (1%) transactions and use tax shall be examined by means of an annual audit conducted by an independent auditor whose services shall be retained by the City through a contract for services as an independent contractor and available to the public for review.

Section 4. Transactions and Use Tax

Title 3 (Revenue and Finance) of the Commerce Municipal Code is hereby amended to repeal and replace the current Chapter 3.09 in its entirety with the following provisions:

“CHAPTER 3.09 TRANSACTIONS AND USE TAX

3.09.010 Title.

This chapter shall be known as the “Transactions and Use Tax Ordinance of the City of Commerce.” The City of Commerce hereinafter shall be called “city.” This chapter shall be applicable in the incorporated territory of the city.

3.09.020 Operative date.

The transactions and use tax codified under this Chapter 3.09 of the code was first approved by City of Commerce voters at a municipal election held on November 6, 2012 and, pursuant to Revenue and Taxation Code Section 7265, became operative on the first day of the calendar quarter commencing 110 days after its adoption, April 1, 2013 at an original rate of one-half percent (0.5%).

The transactions and use tax previously codified under Chapter 3.26 of the code [City of Commerce Transactions and Use Tax Ordinance of 2020] was first approved by City of Commerce voters at a municipal election held on November 3, 2020 and, pursuant to Revenue and Taxation Code Section 7265, became operative on the first day of the calendar quarter commencing 110 days after its adoption, April 1, 2021 at rate of one-quarter percent (0.25%).

On June 2, 2026, City of Commerce voters approved a City-initiated ballot measure to increase the transactions and use tax rate by an additional one-quarter percent (0.25%), from the above. Therefore, based on the foregoing and as approved by the City of Commerce voters, the total transaction and use tax rate is one percent (1%). For purposes of this Section the term “operative date” shall mean April 1, 2026, the date upon which the increased one percent (1%) transactions and use tax rate shall take effect.

3.09.030 Purpose.

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

- (1) 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. The tax is a general tax whose proceeds shall be deposited in the city's general fund and expended for any lawful purposes of the city.
- (2) To adopt a retail transactions and use tax law 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.
- (3) To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefor 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.
- (4) 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 chapter.

3.09.040 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.

3.09.050 Transactions tax rate.

For the privilege of selling tangible personal property at retail, an increased tax is hereby imposed upon all retailers in the incorporated territory of the City of Commerce 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 chapter.

3.09.060 Place of sale.

For the purposes of this chapter, 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.

3.09.070 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 chapter 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.

3.09.080 Adoption of provisions of state law.

Except as otherwise provided in this chapter or 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 chapter as though fully set forth therein.

3.09.090 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:

- (1) Wherever the State of California is named or referred to as the taxing agency, the name of the city shall be substituted therefore. However, the substitution shall not be made when:
 - a. 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.
 - b. 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 chapter.

- c. 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:
 - 1. Provide an exemption from this tax with respect to certain sales, storage 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
 - 2. 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 provisions of the code.
 - d. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.
- (2) 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.

3.09.100 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 chapter.

3.09.110 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 count pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administrated 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 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 chapter.
 - (4) A lease of tangible personal property which is 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 chapter.
 - (5) For the purpose of subsections (b)(3) and (b)(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 unconstitutional 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 chapter, 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 issues 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 chapter.
 - (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 which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this chapter.
 - (5) For the purpose of subsections (c)(3) and (c)(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 subsection (c)(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 chapter 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.

3.09.120 Term.

The tax imposed by this chapter shall be effective until terminated or otherwise altered by a majority of the City of Commerce voters.

3.09.130 Amendments.

All amendments subsequent to the effective date of this chapter 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 chapter, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this chapter.

3.09.140 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 chapter, 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.

3.09.150 Oversight, auditing and reporting.

By no later than six months after the end of each fiscal year after the operative date, the city's independent auditors shall complete a report reviewing the collection, management and expenditure of revenue from the tax levied by this chapter. Additionally, there shall be an advisory committee to the city council consisting of up to five seats to review and report on the receipt of revenue and expenditure of funds from the tax authorized by this chapter. The committee members shall be either city residents or representatives of city businesses. Within ninety days of the operative date of this chapter, the city council shall adopt a resolution establishing the composition of the committee, appointing the committee members, setting the terms of office of the committee members, and defining the scope of the committee's responsibilities, which at a minimum shall include reviewing the annual auditor's report and making recommendations to the city council for use of the tax revenue. The committee members shall serve at the pleasure of the city council. The committee's report and recommendations shall be completed by a date to allow for it to be considered as part of each annual budget process. The committee's report and recommendation shall be a matter of public record and shall be considered and reported by the city council at a public meeting.

3.09.160 Severability

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

Furthermore, Title 3 (Revenue and Finance) of the Commerce Municipal Code is hereby amended to repeal the provisions of the current Chapter 3.26 [Transactions and Use Tax Ordinance of 2020] in its entirety and to consolidate said provisions with Chapter 3.09, as provided above. The one-quarter percent (0.25%) transaction and use tax rate that was approved by the City of Commerce voters at the municipal election held on November 3, 2020 remains intact and is included as part of Chapter 3.09 above.

Section 5. Severability

Should any provision, section, paragraph, sentence, or word of this ordinance be rendered or declared invalid by any final court action in a court of competent jurisdiction or by reason of

any preemptive legislation, the remaining provisions, sections, paragraphs, sentences or words of this ordinance as hereby adopted shall remain in full force and effect.

Section 6. Repeal of Conflicting Provisions

All the provisions of the Municipal Code as heretofore adopted by the City of Commerce that conflict with the provisions of this ordinance are hereby repealed.

Section 7. Amendments

Section 3.09.050 (Transactions Tax Rate) of Chapter 3.09 (Transactions and Use Tax) of Title 3 (Revenue and Finance) of the Commerce Municipal Code shall not be subsequently amended unless approved by the voters, but the remaining provisions of Chapter 3.09 (Transactions and Use Tax) may be amended by the City Council unless otherwise provided by applicable law.

Section 8. Certification

The City Clerk shall certify to the passage of this ordinance and shall cause the same to be published according to law.

Section 9. Operative Date of the Additional 1/4 percent (0.25%) Transactions and Use Tax for a Total of One Percent (1%) Transaction and Use Tax

The operative date of the additional 1/4 percent (0.25%) transactions and use tax, for a total of one percent (1%) transaction and use tax, shall be October 1, 2026, which is the first day of the first calendar quarter commencing more than 110 days after adoption of this ordinance by the voters on June 2, 2026, or as soon thereafter as permitted by law.

PASSED AND ADOPTED by the People of the City of Commerce at a special municipal election held and conducted with the consolidated general election held on June 2, 2026.

Kevin Lainez, Mayor

ATTEST:

Pat Jacquez-Nares, Interim City Clerk