



## City Council Agenda Item

**City Council Meeting Date:** August 22, 2019

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

**FROM:** Jim Throop, City Manager  
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**SUBJECT:** General Sales Tax Option

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### **Recommendation:**

Staff recommends the City Council:

- 1) Discuss and provide direction on the general sales tax option, as to whether staff should bring back to the City Council the required resolution and ordinance to place a General sales tax on the March 2020 election ballot; and
- 2) If the City Council desires to proceed with a general tax option, provide direction to staff regarding the wording of the ballot question; or
- 3) Provide other direction.

Estimated cost for the special election is between \$20,000 and \$25,000, which will be charged to the General Fund reserves. Current Fiscal Year 2019-20 year-end General Fund unassigned reserves are estimated to be \$1.7 million.

### **Background:**

On June 24, 2019, the City Council held a workshop to discuss the possibility of putting a sales tax measure on the March 2020 ballot. There was discussion and a presentation by Council Member Starbuck on a Special Tax option at the workshop. (See Agenda Item 1 for a Special Tax option.)

The City Council directed staff to hold a special City Council meeting at which the sales tax options could be discussed and/or voted on for the March 2020 ballot.

**Discussion:**

In order to properly inform City Council of the different options, the following is an option for a General Sales tax for the March 2020 ballot.

“A ‘General Tax’ is a tax imposed for general governmental purposes, the proceeds of which are deposited into the General Fund. A majority vote of the electorate (those voting on the measure) is required to impose, extend, or increase any general tax.<sup>1</sup> (See Attachment 1.)

A possible ballot question could be:

“Shall the measure, known as **LOMPOC SALES TAX MEASURE**, to maintain and enhance essential public services, such as neighborhood police patrols, firefighter staffing, gang suppression/enforcement, crime/graffiti/vandalism prevention, 911 medical response times, library, recreation, homelessness, at-risk youth programs, pay down of long-term liabilities, providing greater fiscal stability for the City of Lompoc, by establishing a maximum one percent (1%) sales tax with no sunset clause, and estimated to generate \$4.9 million annually, be adopted?”

The City Council may revise the ballot question wording in any way it sees fit, provided these rules are followed:

1. 75 words maximum (Elections Code 9501) (the version above is 73 words).
2. Must use phrase: “Shall the measure (stating the nature thereof) be adopted?” (EC 13119(a)).
3. Must include estimate of annual revenues generated (EC 13119(b)).
4. Must state the rate (EC 13119(b)).
5. Must state the duration of tax (e.g., no sunset, 10 years) (EC 13119(b)).
6. The ballot question “shall be a true and impartial synopsis of the purpose of the proposed measure, and shall be in language that is neither argumentative nor likely to create prejudice for or against the measure.” (EC 13119(c)).
7. Including “maximum” rate of 1% will allow future City Councils to lower the rate without going back to voters, but not increase the rate.

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<sup>1</sup>California Municipal Revenue Sources Handbook 2014, Michael Coleman, pg. 12.

The City Council should also keep in mind the following vote requirements:

1. To place a general tax on the March 2020 ballot would require a unanimous 5 Council votes to declare an emergency. If that emergency declaration passes, then a second vote would be taken to place the tax on the March 2020 ballot. That second vote would require 4 votes to pass. These votes would occur when staff brings the resolutions back to Council for consideration and adoption. To place a general tax on the November 2020 election ballot would not require a unanimous emergency vote, but would still require 4 yes votes to place the measure on the ballot. (A special tax needs only 3 Council votes to place on the ballot, regardless of the election date, and does not need an emergency declaration.)
2. A general tax needs 50% +1 vote of people to pass. Special tax needs 2/3 vote of people to pass.

If the City Council wishes to proceed with a general sales tax at the March 2020 election, then the City Council should direct staff to draft the full sales tax ballot measure and bring back the required resolutions for placing the measure on the ballot. The City Council should also decide on the ballot question language, so that staff may place it into the resolution.

In order to place a ballot measure on the March 2020 ballot, Santa Barbara County Elections Office requires the following deadlines to be met (see Attachment 2):

<b>Date</b>	<b>Deadline</b>
10/24/19	Clerk of the Board Agenda deadline (City's deadline to adopt resolution placing measure on the ballot)
11/5/19	Board of Supervisors meeting
11/10/19	Publication-Notice of Election/Submit Arguments
11/12/19-12/2/19	Period for Submitting Direct Arguments
11/22/19-12/2/19	10-day Public Exam Period
11/22/19-12/2/19	Period for Submitting Rebuttal Arguments
12/2/19	Deadline for Impartial Analysis
12/3/19-12/12/19	10-day Public Exam Period
12/6/19	Board of Supervisors Direct Auditor to Prepare Fiscal Impact Statement
12/12/19	Deadline for Fiscal Impact Statement
12/13/19-12/23/19	10-day Public Exam Period
12/23/19	Election Official's Deadline for Submission of Local Measure Info to Printer

The new tax would not begin to be collected until 110 days, and beginning of next quarter, after the election, such that collection of the new tax would start approximately July 2020, with the first new revenue reaching the City in October 2020.

**Fiscal Impact:**

The 1.0% General sales tax is estimated to generate approximately \$4.9 million per year. As the economy in Lompoc expands, there is the opportunity for the tax revenue to grow with it.

The cost to place the ballot measure on the March 2020 primary election is estimated to be between \$20,000 and \$25,000. The funding for this ballot measure will need to be from the General Fund reserves. The reserves are estimated to have a balance of approximately \$1.7 million at the end of FY 2019-20.

A General sales tax option has the ability to assist the City in multiple ways. Given that this option is for an indefinite period of time (no sunset), it would be appropriate to use it for increasing the number of Public Safety, Parks, Planning, and other key staffing areas that are currently deficient. It may also be used to assist in the pay-down the City's Unfunded Accrued Liability (UAL) from California Public Employees Retirement System (CalPERS), which is currently valued at \$84 million, and any other long-term liabilities. In addition, it could be used to purchase new equipment for Public Safety and park playgrounds, or any other capital project. The City has also been in a deficit mode for facility maintenance and this tax revenue could be used for that purpose as well.

**Conclusion:**

The City Council will need to discuss whether to place a General or Special sales tax of 1.0% on the March 2020 election ballot, and if so, provide direction on the ballot question language and direct staff to bring back the required resolutions to place the measure on the ballot.

Respectfully submitted,

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Jim Throop, City Manager

Attachments: 1) General vs Special Tax  
2) General Sales Tax Information