

RESOLUTION NO. 6416(21)

**A Resolution of the City Council of the City of Lompoc,
County of Santa Barbara, State of California,
Directing Staff to Submit to the Qualified Electorate of
The City of Lompoc Changes to the Tax Structure for
Cannabis Manufacturing and Distribution Operators for
General Fund Purposes and Other Changes to the Regulations
and Definitions Applicable to the Cannabis Industry in Lompoc at
a General Municipal Election on November 8, 2022**

WHEREAS, Lompoc residents strongly prioritize maintaining and protecting key services that enhance public safety, maintain property values, prevent violent crimes and gangs, assist at-risk youth, support fire protection services, prevent graffiti and vandalism, improve 9-1-1 medical response times, address homelessness, regulate cannabis operations, and provide additional police officers and neighborhood patrols; and

WHEREAS, the City of Lompoc (City) has also heard a great deal from the community about their desire for improved streets, pothole repair, and the betterment of parks, library and recreational services. City streets in particular have suffered as a result of substantially increasing costs and unfunded liabilities imposed upon the City in recent years. City streets are underfunded and they are continuing to deteriorate; and

WHEREAS, in recent years, significant increases in staffing costs, programmatic costs and unfunded liabilities have severely impacted the City's General Fund budget. The most recent biennial budget deficit prior to Council reductions was calculated to be \$3.6 Million after all salaries, unfunded accrued liabilities for pensions (UAL), and revenue estimates were analyzed. Unfunded accrued liabilities pursuant to the California Public Employees Retirement System (CalPERS) have particularly placed severe pressure on the City's General Fund budget and, as a State-mandate, are not within the City's control. The City's UAL just for CalPERS obligations is currently \$93 Million—a 163% increase (from \$35M) over last eight years. Further, total annual CalPERS payments are projected to grow from \$9M (2020) to \$13M by 2025; and

WHEREAS, the structural deficit in the City's General Fund has resulted in the reduction of vital City services and programs that are a priority for Lompoc's citizens, such as the elimination of positions and programs in police, fire services, community development, planning, library, code enforcement, parks, recreation and general City staffing levels. The City's structural budget deficit has thus already impacted essential City services, and such vital City services—like police, fire and street maintenance—will only continue to be reduced or eliminated if the City is unable to secure a new, fiscally sustainable revenue stream; and

WHEREAS, the City has exhausted efforts to balance its general fund by reducing expenditures without an additional tax measure, but such efforts are unable to resolve the fiscal crisis given current market conditions, the extreme deficits and rising costs relating to UAL, growing capital improvement program needs and other fiscal conditions outside the City's control. Despite the City's sound management and disciplined control of its financial health, the City's ability to sustain local services and maintain streets, roads and other vital infrastructure has been seriously eroded; and

WHEREAS, in order to preserve vital City services the City must identify a reliable source of locally controlled funding. To this end, the City Council proposes this ballot measure to the electorate for changes to the taxing structure for cannabis manufacturing and distribution operators to preserve City services; and

WHEREAS, Article XIII C, Section 2 of the California Constitution authorizes the City Council to impose a general tax if approved by a majority vote of the qualified electors; and

WHEREAS, if approved by the voters, the tax ordinance would provide Lompoc with locally controlled funding for City services, including, without limitation, street maintenance, maintaining 9-1-1 emergency response times, fighting gangs and drugs, maintaining programs that attract businesses and create jobs, maintaining emergency communication systems, fixing City streets, addressing homelessness, regulating the cannabis industry and providing additional police officers and neighborhood patrols. Proceeds from the revenue would also be available to the City for purposes of the City paying down its State-mandated CalPERS obligations, thus freeing City General Fund revenues for use towards the City services prioritized by Lompoc citizens; and

WHEREAS, California Constitution, article XIII C, section 2, provides an election regarding a general tax must be consolidated with a regularly-scheduled general municipal election for members of the City Council; and

WHEREAS, on the basis of the foregoing, following a hearing on June 1, 2021, the City Council determines it is appropriate to direct staff to place a measure before the voters at the November 8, 2022, general municipal election, regarding changes to the City's taxing structure for cannabis manufacturing and distribution operations with no sunset.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOMPOC, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The foregoing recitals are true and correct and are hereby incorporated and made an operative part of this Resolution.

SECTION 2. The City Council directs staff to submit to the voters at the general municipal election on November 8, 2022, the following question:

<p>Shall a measure, (i) imposing eighteen levels of flat taxes ranging from \$25,000 to \$22,500,000 on various amounts of Lompoc cannabis manufacturing/distribution operators' annual revenues ranging from \$2,000,000 or less to over \$900,000,000, with no sunset clause, estimated to collect \$975,000 annually based on currently established operations, (ii) excluding sales/excise taxes from all City cannabis tax calculations and (iii) allowing receipts to show those taxes, be adopted?</p>	YES
	NO

OR

<p>Shall a measure, (i) imposing a graduated tax ranging from one cent per dollar to three cents per dollar, at half-cent increments, on five levels of Lompoc cannabis manufacturing/distribution operators' annual revenues ranging from \$10,000,000 or less to over \$55,000,000, with no sunset clause, estimated to collect \$1,575,000 annually based on currently established operations, (ii) excluding sales/excise taxes from all City cannabis tax calculations and (iii) allowing receipts to show those taxes, be adopted?</p>	YES
	NO

SECTION 3. Upon approval of the voters of the City of Lompoc, the Lompoc Municipal Code shall be amended to amend various sections and subdivisions of Chapter 3.50 of Title 3, establishing a new tax structure for cannabis manufacturing and distribution operations. The proposed complete text of the measure submitted to the voters is attached hereto as Exhibit "A". This question requires the approval of a majority of those casting votes. The City Council hereby proposes and approves the ordinance, the form thereof attached hereto as Exhibit "A," shall be submitted to the voters of the City.

SECTION 4. This Resolution shall become effective upon its passage and adoption.

The foregoing Resolution was proposed by Council Member _____, seconded by Council Member _____, and was duly passed and adopted by the Council of the City of Lompoc at its regular meeting on June 1, 2021, by the following vote:

AYES: Council Member(s):

NOES: Council Member(s):

ABSENT: Council Member(s):

Jenelle Osborne, Mayor
City of Lompoc

ATTEST:

Stacey Haddon, City Clerk
City of Lompoc

Exhibit A: Ordinance No. 1681(21)