



City Council Agenda Item

City Council Meeting Date: January 20, 2026

TO: Dean Albro, City Manager

FROM: Christie Donnelly, Management Services Director
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Jeff Malawy, City Attorney
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SUBJECT: Introduction of Ordinance No. 1741(26) Enacting a Special Transactions and Use Tax for the Purpose of Repair and Maintenance of City Streets

Recommendation:

Staff recommends the City Council:

1. Introduce, by reading of title only with further reading waived, Ordinance No. 1741(26) to enact a special transactions and use tax for the purpose of repair and maintenance of City streets (attached).

(Introduction of the ordinance is the first step in the process to place the measure on the June 2, 2026, election ballot. Introduction of the ordinance requires only a majority vote of the City Council. But approval of the ordinance at the February 3, 2026, Council meeting to place it on the ballot will require a 4/5 vote of the City Council. (Cal. Revenue & Taxation Code 7285.91.))

Background:

At the January 6, 2026, City Council meeting, the City Council directed staff to prepare the necessary documents for City Council consideration to place a 0.5% special sales tax measure for street repair and maintenance purposes on the June 2, 2026, election ballot.

California Revenue and Taxation Code section 7285.91 authorizes a city to adopt a special transactions and use tax, provided the tax ordinance is approved by a two-thirds vote of the city's governing body (4/5 Council yes votes) and then subsequently approved by a two-thirds vote of the electorate. The statute requires the tax to conform to state transactions and use tax law and to identify the specific allowable uses of the revenue.

Thus, the first step to place the measure on the ballot is for the City Council to introduce the sales tax ordinance. The City Council will consider adopting the sales tax ordinance

at the February 3, 2026, City Council meeting, which must be done by a 4/5 City Council vote. Also at the February 3, 2026, meeting, or sooner if needed, the City Council will consider the resolution to call the election and request the County consolidate it with the Statewide primary election.

Discussion:

Staff has prepared the attached special sales tax ordinance for the City Council's review and consideration.

The proposed Ordinance would generate locally controlled revenue dedicated exclusively to road and pavement maintenance and associated sidewalk and storm drain improvements. Consistent with the City Council's direction, revenues would not be used for staff salaries, engineering overhead, or general administrative costs. The ordinance also authorizes the use of revenues as local matching funds to leverage federal, state, and regional transportation grants, including programs such as Measure A, thereby increasing the City's ability to secure outside funding.

The tax rate would be 0.5%, and would be in effect for fifteen years.

The measure must be approved by two-thirds (66.67%) of the voters at the election in order to be adopted.

The proposed measure is a special tax because the revenue generated is deposited into a special fund for street maintenance purposes and is not available for any other purpose.

In reviewing the draft ordinance, staff recommends the City Council give particular attention to the following:

- a. Section 3.56.160 contains the allowable uses of the tax revenues. Please review to ensure it meets the City Council's intent.
- b. Section 3.56.160(A)(5) allows use of tax revenues for storm drain and roadway drainage improvements "when directly related to street, road, alley, or sidewalk maintenance, repair, or reconstruction projects". Does the City Council want to keep that language or allow storm drain and roadway drainage work unrelated to a street repair/maintenance project? Staff can provide examples of such projects.
- c. Section 3.56.150 makes the City Council an Oversight Committee to review the expenditures of revenues generated by the tax and to make the results of such review publicly available. If the City Council wishes, an alternative option is to create a Citizen Oversight Committee. Keep in mind, however, that for a special sales tax, state law already requires the City Manager to annually file a report with the City Council publicly disclosing the amount of funds collected and expended and the status of any project required or authorized to be funded. (Government Code section 50075.3.)

- d. Section 3.56.240 allows the City Council to reduce the rate of the tax any time they wish, without going to the voters. Please decide whether that should be allowed.

Fiscal Impact:

The 0.5% special sales tax is estimated to generate approximately \$3.75 million per year, with slight adjustments for inflation, over its 15 year term. As the economy in Lompoc expands, there is the opportunity for this tax revenue to grow with it.

The cost to place the ballot measure on the June 2, 2026, primary election is estimated at \$60,000. The funding will need come from the General Fund and will require additional appropriations to the budget.

Conclusion:

The proposed special transactions and use tax ordinance provides a dedicated and transparent funding source to address the City's street repair and maintenance needs. Based on the City Council's direction from January 6, 2026, staff recommends proceeding with introduction of the ordinance as the first step in placing the measure on the June 2, 2026, election ballot.

Respectfully submitted,

Christie Donnelly, Management Services Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Jeff Malawy, City Attorney

Dean Albro, City Manager

Attachment: Ordinance No. 1741(26)