



February 2, 2023

LAFCO

Please accept this public comment for consideration for the LAFCO meeting of February 2, 2023, pertaining to Agenda Item Number 1 – the City of Lompoc Proposal to Expand the Sphere of Influence for the Bailey Avenue Properties.

My name is Dean Albro, and I have lived in Lompoc for 47 years. I have worked for the City of Lompoc since 2012, where I have held multiple positions in the Finance Division, including Accounting and Revenue Manager, and Management Services/Finance Director, and I am currently the City Manager. I have a very high level of experience and expertise in analyzing Lompoc's economic makeup and developing and forecasting future revenues and expenditures for upcoming budgets.

In my tenure with the City of Lompoc, the City has undergone several financial challenges. As a result, for the year ending June 30, 2020, the City of Lompoc was ranked by the California State Auditor-Controllers Office as the 11<sup>th</sup> worst in overall financial condition and the absolute worst for general fund reserves in relation to over 450 cities in the entire state of California. These economic challenges limit the City's ability to provide essential services to residents.

The City of Lompoc has worked for years to implement several financial strategies to improve the City's financial condition and regain financial stability. Some of these strategies include implementing stronger investment strategies, paying off debt, restructuring pension obligations, and implementing new revenue streams. This process has taken more than a decade, but the City is slowly seeing financial improvements and has experienced budget surpluses in the most recent cycles. However, the root causes of the shortfalls are still present. Unless changes are enacted, those root causes will continue to impede the City's ability to provide essential services to residences and be problematic to the City's improvement in its economic condition in the future.

Following is an analysis of one of the major causes mentioned above. As you analyze the City's economics, it should be noted that the reason for the past budget deficits hasn't been attributed to pension obligations or the Great Recession. It stems from the lack of income the citizens earn. Lompoc has one of the lowest per capita income levels, at \$24,419, of all communities in Santa Barbara County<sup>1</sup>. The median household income (MHI) for Lompoc is \$60,234\*. Compared to the MHI of California as a whole of \$84,097\* (Lompoc's MHI is 40% lower) and Santa Maria's MHI of \$73,300 (Lompoc's is 22% lower). 19.4% of Lompoc citizens are living in poverty. Lompoc's poverty rate is 69% higher than in the state. As a result, Lompoc has one of the lowest per capita sales taxes and property tax revenue bases in the tri-county region (San Luis Obispo to Ventura). These revenues are essential for paying for basic services, primarily public safety services, and as a result, sufficient funding for public safety continues to be a difficult

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<sup>1</sup> \*United State Census data (in 2021 dollars)



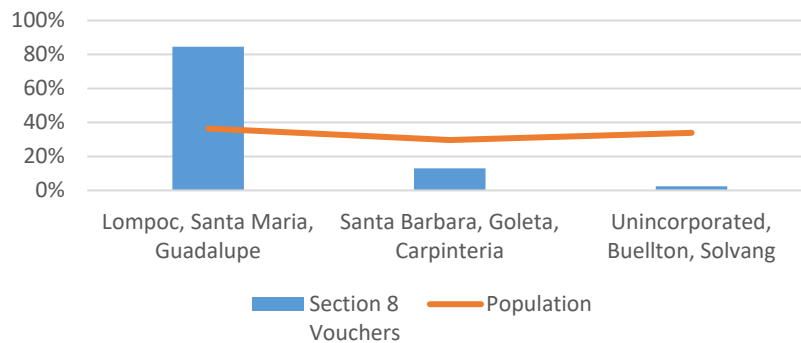
challenge to fund. The revenue shortfall is directly reflected in the number of police officers per capita. Compared to Santa Barbara and Santa Maria, there are 2 and 1.5 officers for every officer per capita in Lompoc.

**Justification for approving the City’s sphere of influence expansion:**

If you looked at Lompoc’s population in 1975, the year I moved to Lompoc, it had a population of approximately 24,000, compared to Santa Maria, with a population of about 35,000. Put up against today’s population, according to the State Department of Finance of January 1, 2022, Lompoc’s population is estimated at 43,834 (\*41,079 excluding inmates at the Federal Corrections Complex). Santa Maria’s population is now 109,910. This is a 215% increase over the same timeframe vs. 70% for Lompoc. Santa Maria’s more significant growth rate has been achieved primarily through larger annexations approved for Santa Maria than those approved for Lompoc. That growth rate has allowed the City of Santa Maria to expand its sales and property tax bases, mitigating the revenue drain caused by building more affordable homes. The large annexations approved for Santa Maria have allowed it to have an economically healthy mix of low-income, moderate-income, and above-moderate-income homes since 1975. Meanwhile, in Lompoc, the primary growth in the inventory of houses in the City of Lompoc has been limited to low-income households.

If you look at the recent population growth in the City of Lompoc. In that case, a significant proportion is attributable to the building of 1,385 low-income housing units by the Housing Authority of Santa Barbara County and the use of 33% of Santa Barbara County’s market-driven Section 8 voucher program here in Lompoc. That is 979 vouchers out of the 3,000 used countywide. This disproportional use of Section 8 vouchers is borne out by the fact that the City’s population only comprises 9.5% of the county’s total population. The total growth in Lompoc has mainly been attributed to income-restricted housing units, with few new homes being built for housing our work force, like police officers, firemen, and teachers. The only people currently able to live in Lompoc are homesteaders or voucher holders living in investor-purchased homes, which take advantage of the highly subsidized housing market. The graph below shows how 85% of the section 8 vouchers are used in Santa Maria, Lompoc, and Guadalupe, however those three cities only comprise 36% of the population.

Section 8 Vouchers - Population





If you were to apply this to the basic economic supply and demand curve, you would see that the heavily subsidized Section 8 vouchers and income-restricted units remove thousands of available homes from the market. It creates a much higher demand for the remaining homes and pushes the equilibrium between supply and demand to a much higher price point. The City’s workforce is now forced to live where the supply of homes is located, such as Santa Maria and the unincorporated areas. According to the Department of Finance, Santa Barbara County’s (unincorporated) population has grown 4.5% for FY 2021-22, while the cities populations went down an average of 2%, again shifting well-needed tax revenues for public services from the cities to the county. Recently there was a review of Lompoc City Employees, and it was noted that of employees earning more than \$75,000, only 42% live within the city limits of the City of Lompoc. That means 58% of City employees live outside the city limits, and their tax dollars support essential services for the City of Santa Maria, the County of Santa Barbara, and other jurisdictions rather than supporting services within the City of Lompoc.

The large shortage of moderate to above moderate-income housing is also reflected in the City’s California Department of Housing and Community Development (HCD) Regional Housing Needs Allocation (RHNA) numbers as follows:

<u>Very low</u>	<u>Low</u>	<u>Moderate</u>	<u>Above Moderate</u>	<u>Total</u>
199	314	373	1,509	2,396

The City’s RHNA numbers show that the City needs to build 79% more homes in the moderate to above-moderate income categories than for very-low and low-income categories. This is commonly referred to as the “missing middle” regarding the type of needed homes. In addition, this compares with the County as a whole, where the goal is approximately 60% more homes in the moderate to above-moderate income categories are needed showing the significant disparity between the City of Lompoc’s housing needs and the rest of the County’s housing needs.

Separately, the City of Lompoc was awarded and has been working on a grant from the Department of Defense with objectives to identify areas of improvement to help the mission for Vandenberg Space Force Base (VSFB). It was noted during the study that a lack of adequate housing in Lompoc is one of the base’s main concerns for effectively carrying out its mission. Previous economic impact studies indicate that VSFB generates \$4.6 billion to the local economy, one of the largest generators in the tri-county region.



In conclusion, the City of Lompoc will continue to see economic challenges unless changes are made to its underlying fiscal base. The number of low-income and subsidized voucher housing is disproportional to the population of the City to the County as a whole. With this Sphere of Influence approval, the City of Lompoc could plan to build additional affordable moderate to above-moderate-income housing to house the local workforce (the "missing middle" homes). This would allow the City of Lompoc to have a more balanced housing inventory (for all income levels) and, more importantly, allow for the generation of needed tax dollars in the local economy to provide for the delivery of essential services, primarily public safety. The City is in dire need of financially buildable land so that homes can be established that reflect the needs of our local workers.

I respectfully request that the LAFCO board approve the expansion of the City's Sphere of Influence for the Bailey Avenue Properties.

Thank you for your time,

A handwritten signature in black ink, appearing to read "Dean Albro".

**Dean Albro**

City Manager, City of Lompoc