



# Cathedral City

## Legislation Text

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File #: 2017-474, Version: 1

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***City Council***

**MEETING DATE: 11/29/2017**

**TITLE:**

**Resolution Establishing a Priority List for the Use of Cannabis Tax Revenues**

**FROM:**

Charlie McClendon, City Manager

**RECOMMENDATION:**

Staff recommends the City Council approve a resolution establishing priorities for the use of Cannabis tax revenues.

**BACKGROUND:**

Council has had several discussions in recent weeks regarding the uses and priorities for anticipated and potential cannabis tax revenue. Most recently Council discussed the topic on November 8 and asked staff to prepare a resolution outlining the priorities discussed. Cathedral City voters have approved taxes on all types of cannabis businesses in Cathedral City. During Fiscal Year 16-17 the various taxes raised \$449,961, a year during which only one business was open for the entire year. The adopted budget for FY 17-18 anticipates revenue of \$1.25 million from cannabis business and the FY 18-19 budget anticipates revenues of \$2.5 million. During those two years any excess cannabis revenues will need to be applied to projected shortages in other revenue sources anticipated due to declines in the general retail sector.

**DISCUSSION:**

During the discussion on November 8, 2017, Council identified some priorities for the use of cannabis tax revenues when it exceeds the amounts identified in the current biennial budget and as budgets are developed moving beyond the current biennium.

1. Financial Stability - revenues should first be applied to covering any budget imbalances so the strong financial position of the City can be maintained. This would include covering any declines in other revenue sources and maintaining necessary cash reserves according to adopted financial policies.
2. Public Safety - revenues should be used to enhance Public Safety in the community including

covering the costs to keep the recently authorized Firefighter/Paramedic positions once the grant funding expires, including required pension and benefit costs.

3. Economic Development - revenues should be used to cover the cost of Economic Development efforts to bring business and industry to Cathedral City including costs associated with providing necessary public infrastructure on the north side of I-10.

4. Reducing Future Pension and OPEB Liabilities - revenues should be used to establish and fund trust funds to reduce the on-going future costs of pension and OPEB liabilities, which will increase by as much as \$8 million over the next eight years.

5. Recreation Services for Youth and Seniors - revenues should be used to support the Cathedral City Senior Center, the Boys and Girls Club of Cathedral City and other programs to provide recreation opportunities to the residents of the community.

6. Code Enforcement - revenues should be used to support improved and expanded code enforcement to strengthen neighborhoods and support property values in the community.

7. Annual Review - Council should review budget priorities annually through the budget process and other periodic financial status updates.

As with any revenue source, Council makes the ultimate decision on how to apply the funds through the biennial budget process and any decisions made must reflect the overall performance of all City revenues, expenditure controls and other considerations to protect the financial position of the City.

**FISCAL IMPACT:**

There is no cost related to this resolution. Future budget decisions will require a fiscal analysis at the time.

**ATTACHMENTS:**

Resolution