

Memorandum

Date: June 9, 2021

To: The Honorable Board of Supervisors

From: Carol J. Huchingson, County Administrative Officer

Subject: Review of and Recommendation for Cannabis Tax Usage & Expenditure Policies & Procedures

Executive Summary:

Your Board previously directed the Cannabis Tax Ad Hoc Committee to meet and review the Cannabis Tax Usage & Expenditure Policies & Procedures (Cannabis Tax Policy). The committee has reviewed the current funding allocations and has set forth the following recommendations in the form of a revised Cannabis Tax Policy that is attached for your consideration. The substantive changes are highlighted below:

- 1) *Board of Supervisors Discretionary Fund* – The prior allocation of 7.5% would be adjusted to a \$500,000 fixed allocation. The \$500,000 allocation would be split evenly across the 5 districts. This resulting \$100,000 would be available to each Supervisor to spend wherever the greatest need exists within their district. The spending does not need to meet the criteria defined in any of the discussed categories.
- 2) *Cannabis Revenue Stabilization Fund* – The prior allocation of 15%, up to a maximum of \$2 million, has been adjusted to reflect whatever allocation would be necessary to achieve a balance equal to one year of expected ongoing expense. This provides for smoothing of potential revenue shortfalls and allows the aforementioned services to be fully funded without the need for cuts to services. Allocations to the Stabilization Fund would cease so long as a balance approximating ongoing expenses is achieved.
- 3) *Capital Improvement & Deferred Maintenance Fund* – This new category would be created with an allocation of \$1,000,000. Due to past funding shortfalls, there are many county facilities that are in need of necessary repairs and improvements. The \$1,000,000 allocation would allow these deferred actions to be addressed.

There is a one-time urgent expense that is recommended for inclusion to be paid out of cannabis taxes and that is to fund the abatement of abandoned vessel and lakebed structures. They have not been able to secure funding through other sources, and now the extremely low lake levels under the current drought conditions has led Water Resources to believe it is imperative to address these issues as soon as possible. Especially given the resumption of fishing tournaments and boating activity on Clear Lake, Water Resources believes they must move quickly to remove these worsening navigation hazards before any accidents or injuries occur. Therefore, a \$100,000 allocation to Water Resources has been included as part of the current recommended budget.

The remaining changes from the previous policy represent tentative percentage adjustments to the remaining allocations as a result of these changes and past board discussion. The committee recommends that the Board await the Road Map Task Force recommendations on its

intended community revitalization pilot project before further direction is given on how to allocate funding within these categories.

If not budgeted, fill in the blanks below only:

Estimated Cost: _____ Amount Budgeted: _____ Additional Requested: _____ Future Annual Cost: _____

Consistency with Vision 2028 and/or Fiscal Crisis Management Plan (check all that apply):

☐ Not applicable

☒ Well-being of Residents

☐ Public Safety

☒ Infrastructure

☐ *Technology Upgrades*

☒ Economic Development

☐ Disaster Recovery

☐ County Workforce

☐ *Revenue Generation*

☒ Community Collaboration

☐ Business Process Efficiency

☒ Clear Lake

☐ *Cost Savings*

If request for exemption from competitive bid in accordance with County Code Chapter 2 Sec. 2-38, fill in blanks below:

Which exemption is being requested?

How long has Agreement been in place?

When was purchase last rebid?

Reason for request to waive bid?

Recommended Action: Approve in concept recommended amendment to the Cannabis Tax Usage & Expenditure Policy.