



DATE: February 17, 2021

TO: Council Budget & Finance Committee

FROM: Director of Finance

SUBJECT: Cannabis Revenue / Unfunded Liability Referral

RECOMMENDATION

That the Committee reviews and discusses the Council referral from Councilmember Wahab that was presented to the Council Budget & Finance Committee on October 21, 2020.

SUMMARY

This report is a review of a Council referral submitted on October 13, 2020. The Council referral requests that an agenda item be created to discuss funding Hayward's debt and investment in economic development through the use of Cannabis Tax revenue.

This report provides an overview of the referral recommendation that the Committee may consider for recommendation to the full City Council for further review and consideration. The referral recommends funding debt service and investment in economic development by prioritizing the use of revenue generated by the City's Cannabis Tax.

BACKGROUND

City policies are routinely reviewed by both the Council Budget and Finance Committee, as well as the full City Council. Policy reviews typically include discussion focused on standard best practices, and the long-term needs of both the organization and community.

On April 17, 2019, the Committee reviewed and discussed the City's One-Time Use of Funds Policy¹. The Committee recommended policy amendments to provide clear guidelines on the use of one-time revenue. The Committee developed well defined designations for the use of one-time revenues to fund the City's unfunded liabilities, build General Fund Reserves, programming for capital infrastructure needs, funds for emerging needs, and designation of funds for economic development needs. The policy also outlines that receipt of one-time revenues of \$1,000,000 or more, or those above the previously established Council thresholds be brought to Council for designation. The Committee recommended policy amendments that were presented to the full City Council for consideration and were adopted as part of the FY

¹ Council Budget and Finance Committee meeting on April 17, 2019 - <https://hayward.legistar.com/LegislationDetail.aspx?ID=3920697&GUID=2DADE33D-8FD7-4876-BDA9-81E125CC03D4&Options=&Search=>

2020 Operating Budget adoption process. The table below outlines the designation as approved by the City Council.

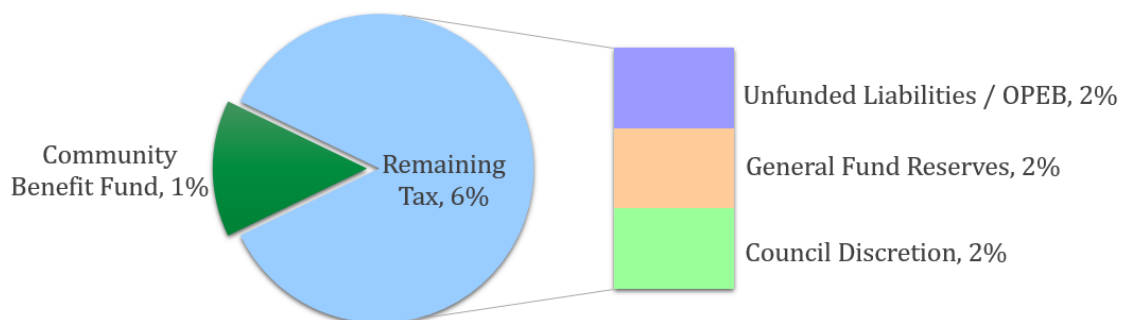
%	Designation
50%	95% would be allocated to fund the City's unfunded liabilities 5% would be allocated to build General Fund Reserves
50%	70% would be programmed for capital infrastructure needs 20% would be appropriated for emerging needs 10% or up to \$1M would be appropriated for economic development needs

On October 13, 2020, the Hayward City Council received a Council referral to consider the establishment of a policy to prioritize revenue generated by the City's Cannabis Tax. The referral requests the development and implementation of a policy to establish designations related to the use of revenue generated by the City's Cannabis Tax.

DISCUSSION

Attachment II provides the original referral memorandum for the Committee's reference, which asks the Council to establish a policy to prioritize and designate revenues generated by the 7% Cannabis Tax. The graph below provides a visual presentation of the recommendation outlined in the referral.

Graph 1: Prioritization of Revenue Generated by Cannabis Tax



The referral further indicates that if the General Fund Reserves are at the required policy level (20% today) of the General Funds, 1% will still be added to the General Fund Reserves. Any remainder should have the consideration between paying down debt further and investing in the City's Economic Development efforts.

Staff's understanding is that the referral requests having this policy added to the existing Council policies regarding use of revenues and one time funds.

ECONOMIC IMPACT

There is no economic impact associated with this report as it is informational only.

FISCAL IMPACT

There are no direct fiscal impacts associated with this report as it is informational only. For the Committee's reference, the Cannabis tax generated \$2,984 in revenue during FY 2020 and \$95,168 in revenue to date during FY 2021.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Organizational Health. This item is not specifically related to a project currently identified in the Strategic Roadmap.

PUBLIC CONTACT

The contents and topics of this agenda item have been discussed at Committee meetings on April 17, 2019 and October 21, 2020. The policy mentioned in the Background section above was also adopted by Council at the May 21, 2019 meeting at the time the City adopted its FY 2020 Operating Budget. The agenda for this item was posted in compliance with the California Brown Act.

NEXT STEPS

Staff will proceed with direction and recommendations made by the Committee.

Prepared by: Nicole Gonzales, Deputy Director of Finance

Recommended by: Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager