



## City of Needles, California Request for City Council Action

CITY COUNCIL  NPUA

Regular  Special

**Meeting Date:** September 28, 2021

**Title:** Create a new Electric Rate Stabilization Fund with Monies from the Marijuana Tax (at the request of Councilor Evans)

**Background:** Councilor Evans' request, "I understand that our staff does a great job keeping our electric rates to a minimum, especially during these times and the unforeseen issues that we have had to deal with concerning our purchase of power. I also understand our rates are lower than most. That being said, we are fortunate to have a unique situation in the City of Needles with the collection of cannabis excise tax. When the citizens of Needles welcomed this industry to town they were told that this would help lower our electric rates. Due to the recent unforeseen issues our rate payers just received more than a 50% increase on their electric rates smack dab in the middle of the hottest summer on record.

I believe we owe it to our rate payers to explore any and every alternative to meet their expectations. This is why I am bringing this proposal to council. I would like to propose that we move half of the Economic Development Fund and create a new Rate Stabilization Fund. We continue to feed 1% of the 10% cannabis tax into the Economic Development Fund and also start putting another 1% of the 10% cannabis tax to the new Rate Stabilization Fund. This Rate Stabilization Fund will be used to offset our power purchase and hopefully bring the rates down gradually and get them stabilized not only for the citizens but also all businesses. 8% of the cannabis tax will still be going to the general fund. And I also understand we have other funds to help offset the purchase of power, this will only help."

**Analysis:** On September 14 Council received a report that since the Economic Development Fund inception on March 12, 2019 approximately \$830,985 has been deposited into the Economic Development fund from the 10% of gross receipts Marijuana Tax revenue and \$343,567 has been allocated to help new non-cannabis businesses leaving a balance of \$487,418. Councilor Evans' proposal would create a new Rate Stabilization Fund in the General Fund and transfer \$243,709 into the new fund. Additionally the proposal would allocate on an ongoing basis 1% of the Marijuana Tax to the new Rate Stabilization Fund. Last year there was a grand total of \$4,573,688 received from the Marijuana Tax. If future years stay the same that would mean \$457,368 to the new fund. That amount will vary depending upon the Marijuana Tax income.

There are multiple programs to assist low and moderate homes with electric subsidies. This funding is dependent upon continued state authorization to levy this tax, and/or the effects of any federal legislation.



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Argument in Favor of this action: It would to provide an immediate infusion of \$243,709 in electric rate subsidies to lower the electric rates to all residents and businesses based upon their electric usage in addition to the \$1,450,000 already in the NPUA-Electrics It would also provide an ongoing funding source for subsidies in the future.to guard against future rate spikes.

Argument Against: By dedicating general fund reserves now for an unlimited time to a specific program limits the discretion of future Councils to direct money to projects or programs which may seem to be more important at that time.

This action to reallocate General Fund Reserves is within the authority of the City Council.

**Fiscal Impact:** Immediate transfer of \$243,709 of Economic Development funds to a new Rate Stabilization Fund and a long term commitment to transfer funding to subsidize electric rates If this year is any indication (no guarantee), the subsidy could be \$457,368 annually depending upon the Marijuana Tax revenue.

**Recommendation:** Determine if this matter should be scheduled for Council consideration at an upcoming agenda.

**Submitted By:**

City Management Review: Patrick J. Mary for Rick Daniels Date: 9/24/21

Approved: <input type="checkbox"/>	Not Approved: <input type="checkbox"/>	Tabled: <input type="checkbox"/>	Other: <input type="checkbox"/>
			Agenda Item: <u>14</u>