



City Council Memorandum

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MEMORANDUM: July 22, 2016

AGENDA DATE: July 26, 2016

TO: Mayor and City Council

FROM: Susan A. Stanton, ICMA-CM
City Manager

TITLE: **A RESOLUTION SUBMITTING TO THE ELECTORS OF THE CITY AN ORDINANCE TO IMPLEMENT AN ANNUAL TAX ON: 1) MEDICAL AND NONMEDICAL MARIJUANA ON CULTIVATION, BASED ON SQUARE FOOTAGE, and 2) MEDICAL AND NONMEDICAL MARIJUANA ON DISPENSARIES, DELIVERIES, DISTRIBUTION, MANUFACTURING, TESTING LABS AND TRANSPORTATION, BASED ON GROSS RECEIPTS,**

BACKGROUND:

The City's current Business License Taxes does not include taxes on businesses engaged in the cultivation, delivery, dispensing, distribution, manufacturing, testing and transporting of medical marijuana plants or the production of the extracts or oils derived therefrom, collectively referred to the "cannabis" products. Like other cities in the Salinas Valley, the City desires to provide appropriate licensing for functions as a means of deriving revenue for the City in a manner consistent with State and local law.

Whenever an election is called by a City for the submission of any question, proposition, or office is consolidated with a statewide election, it must be appear upon the same ballot and the city must, at least 88 days prior to the date of the election, file with the Board of Supervisors, and a copy with the Elections Official, a resolution of its governing body requesting the consolidation, and setting forth the exact form of any question, proposition or office to be voted upon at the election, as it is to appear on the ballot, and upon such request, the Board of Supervisors may order the consolidation.

Resolution No. 2016-44 orders an election to be called and consolidated with the elections to be held on November 8, 2016 and requests that the Board of Supervisors of the County of Monterey to order such consolidation and to permit the Monterey Elections Department to provide any and all services necessary for conducting the election and agrees to pay for said services.

The purpose of the election is to submit to the voters a question related to the establishment of a commercial cannabis tax on the cultivation, dispensaries, delivery services, distribution, manufacturing, and transportation of medical and nonmedical marijuana as legalized by state and local law.

The proposed Measure questions will be:

Shall the City of Greenfield Municipal Code be amended to add a “Cannabis Business Tax” on cultivation, dispensaries, deliveries, distribution, manufacturing, nurseries, testing, and transportation of medical and nonmedical marijuana where legalized by state law; the cultivation tax shall not exceed (\$25.00) per square foot; a CPI maybe adjusted annually; all other cannabis activities shall be taxed at a rate not to exceed (10%); generating an estimated \$2 million annually with no termination date.

Approval of the proposed Resolution authorizes the City Attorney to prepare and submit an impartial analysis (not exceed five hundred (500 words) of the proposed measure by 5:00 p.m., August 18, 2016 showing the effect of the measure on the existing laws and the operation of the measure.

The proposed Resolution also provides that written arguments in favor or opposed to the measure may be prepared by the City Council, any member or members of the City Council so authorized by Council action, any individual voter who is eligible to vote on the measure, and bona fide association of citizens, or any combination of voters and associations. All arguments must be submitted to the City Clerk by 12:00 p.m. on August 18, 2016. No argument may exceed three hundred (300) words in length.

BUDGET AND FINANCIAL IMPACT:

The estimated cost of conducting this election is \$35,000 which also includes the election of two Councilmembers.

REVIEWED AND RECOMMENDED:

As required by Proposition 218 and governmental transparency, all taxes imposed by any local government shall be deemed to be either general taxes or special taxes. No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. This is not only required by law, but it is the right thing to do. The power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments as well in the establishment of Business License Taxes does

on any businesses engaged in the cultivation, delivery, dispensing, distribution, manufacturing, testing and transporting of medical marijuana plants or the production of the extracts or oils derived therefrom, collectively referred to as “cannabis” products.

It is important, however that the imposition of a tax on cannabis products is not misunderstood to be a referendum on whether the City **should or should not allow cannabis related business to locate in city limits**. The proposed question simply asks the voters if they want to approve a business tax on this industry to generate additional revenue to pay for the cost of city government. If the proposed business tax is not approved, the City would/could still collect the existing fees and taxes on a cannabis business in the same way it does any other business in town. In this respect it is imperative that there be no confusion what question is, and is not, being asked of voters to approve, or not approve, namely the imposition of a tax on cannabis products.

Nevertheless, conducting this election gives voters the opportunity, as required by law, to show if they support the taxation of the cannabis industry.

CONSEQUENT ACTION:

Passage of the proposed Resolution authorized the City Clerk publish notice of the measure in the Greenfield News and the Registrar of Voters to conduct the official canvass, commencing no later than November 10, 2016, and to provide the City with an Official Canvass and Statement of Voters. Based on all available information as of July 26, 2016, the California Environmental Quality Act (“CEQA”) Guidelines do not constitute a project under CEQA and therefore review under CEQA is not required.

POTENTIAL MOTION:

I MOVE TO APPROVE/DENY RESOLUTION #2016-66, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GREENFIELD SUBMITTING TO THE QUALIFIED ELECTORS OF THE CITY AT THE GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 8, 2016, AN ORDINANCE ADDING CHAPTER 5.10 -CANNABIS BUSINESS TAX TO TITLE 5- BUSINESS TAXES, LICENSES AND REGULATIONS OF THE CITY CODE TO IMPLEMENT AN ANNUAL TAX ON MEDICAL AND NONMEDICAL MARIJUANA WHERE LEGALIZED BY STATE LAW ON CULTIVATION, BASED ON SQUARE FOOTAGE, AND AN ANNUAL TAX ON MEDICAL AND NONMEDICAL MARIJUANA WHERE LEGALIZED BY STATE LAW ON DISPENSARIES, DELIVERIES, DISTRIBUTION, MANUFACTURING, TESTING LABS AND TRANSPORTATION, BASED ON GROSS RECEIPTS, FOR THE PURPOSE OF RAISING REVENUE TO FUND GENERAL MUNICIPAL SERVICES, AND PROVIDING STAFF WITH DIRECTION RELATED THERETO AND AUTHORIZE AND DIRECT THE CITY MANAGER TO ENTER INTO THE STANDARD “SERVICE AGREEMENT FOR THE PROVISION OF ELECTION SERVICES” BETWEEN THE CITY OF GREENFIELD AND THE MONTEREY COUNTY REGISTRAR OF VOTERS

