A G E N D A

CITY OF SEASIDE
CITY COUNCIL/SUCCESSOR
AGENCY TO REDEVELOPMENT
AGENCY OF THE CITY OF SEASIDE

JOINT SPECIAL MEETING
Council Chamber
440 Harcourt Avenue
Thursday, February 2, 2017
5:30 PM

PLEASE TURN OFF YOUR CELL PHONES UPON ENTERING THE MEETING

1. CALL TO ORDER

Ralph Rubio	Mayor/Chair
Dennis Alexander	Mayor Pro Tem/Vice Chair
Jason Campbell	Council/Agency Member
David R. Pacheco	Council/Agency Member
Kayla Jones	Council/Agency Member

2. PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENT

Members of the public wishing to address the City Council or Agency Board on matters within the jurisdiction of the City of Seaside, but not on this agenda, may do so during the Public Comment period for up to three minutes. Public Comments on specific agenda items are heard under that item. For the public record, please state your name.

4. CONSENT AGENDA

A. APPROVE THE MINUTES FROM THE JANUARY 19, 2017 MEETING

PURPOSE: To review and approve the minutes.

RECOMMENDATION: Approval.

B. APPROVE AND FILE SUCCESSOR AGENCY CHECKS

PURPOSE: It is requested that the Successor Agency Board approve and file the accounts payable and wired payments made during the period of December 24, 2016 through January 24, 2017. In addition, approval of the payroll and benefits checks, direct deposits and wired payments related to the periods of January 5 and 19, 2017 is requested. Total Accounts Payable and Payroll for the above referenced period is $6,645.38.

RECOMMENDATION: It is recommended that the Successor Agency Board approve and file the attached checks.

C. **ACCEPT AND FILE THE CASH AND INVESTMENT REPORT FOR SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE QUARTER ENDING DECEMBER 31, 2016**

PURPOSE: Accept and file the Successor Agency of the Redevelopment Agency of the City December 31, 2016.

RECOMMENDATION: Accept and file report.

5. **CLOSED SESSION**

A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE 54957.6 - CONFERENCE WITH LABOR NEGOTIATORS**

Agency Negotiators: Craig Malin, City Manager; Roberta Greathouse, Human Resources Director; Donna Williamson, Labor Negotiator

Employee Organizations:

1. Seaside Police Officers' Association
2. Seaside City Employees' Association
3. Seaside Managers and Supervisory Employees' Association
4. Confidential Employees
5. Executive Managers

B. **CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9**

1. Keep Fort Ord Wild VS. City of Seaside Case Number 16Cv003795
2. LandWatch Monterey County VS. City of Seaside (Real Party: Monterey Downs, LLC) Case Number 16CV003793

C. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (c) - POTENTIAL LITIGATION**

Conference with legal counsel regarding the potential initiation of litigation (one potential case).

6. **STUDY SESSION**

A. **CONDUCT A DISCUSSION AND STUDY SESSION ON POLICY OPTIONS REGARDING MEDICAL AND ADULT MARIJUANA**

PURPOSE: To review policy options as it pertains to medical and adult marijuana in the City of Seaside.

RECOMMENDATION: That the City Council receive a presentation, discuss and provide direction to staff.

7. ADJOURNMENT

Next Regularly Scheduled Meeting:
February 16, 2017
Seaside City Hall
5:30 PM

The City of Seaside is committed to providing accessible facilities and accommodating people with disabilities in all of its services programs and activities. If special considerations are needed by any person to fully participate in this meeting, they are asked to contact the City Clerk at 899-6707 no fewer than two business days prior to the meeting to allow reasonable arrangements. The City Council chamber is equipped with a portable microphone and assisted listening devices are available at all meetings.

City Council Meetings that are held in the City Council Chambers are broadcast live to all Seaside residents on Comcast Channel 25 and U-verse Channel 99. Meetings are also available through live streaming at:
http://cvp.telvue.com/player?id=T01629&video=52314&noplaylistskin=1&width=400&height=300
Videos of past meetings are available on demand through the City's website: http://www.ci.seaside.ca.us

Agenda-related writings or documents provided during public meetings are available for public inspection during the meeting or from the office of the City Clerk. This agenda is posted in compliance with California Government Code Section 54954.2(a) or Section 54956.

DRAFT MINUTES

CITY OF SEASIDE	JOINT SPECIAL MEETING
CITY COUNCIL/ SUCCESSOR	COUNCIL CHAMBER
AGENCY TO THE	Thursday, January 19, 2017
REDEVELOPMENT AGENCY	5:30 PM

1. **CALL TO ORDER**

Mayor Rubio called the meeting to order at 5:30 P

CITY COUNCIL/SUCCESSOR AGENCY TO REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

PRESENT: Alexander, Campbell, Pacheco, Rubio
ABSENT: Jones

2. **PLEDGE OF ALLEGIANCE**

3. **PUBLIC COMMENT**

There were no requests to speak.

4. **CONSENT AGENDA**

On motion by Council Member Alexander and seconded by Council Member Jason Campbell and passed by the following vote the City Council approved the consent agenda as presented.

RESULT:	**Approved**
MOVER:	Council Member Dennis Alexander
SECONDER:	Council Member Jason Campbell
AYES:	Ralph Rubio, Dennis Alexander, Jason Campbell, Dave Pacheco
NOES:	None
ABSENT:	Kayla Jones

A. **APPROVE MINUTES FROM JANUARY 5, 2017 MEETING**

Action: Approved

5. **CLOSED SESSION**

The City Council adjourned to Closed session at 5:04 PM.

A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE 54957.6 - CONFERENCE WITH LABOR NEGOTIATORS**

Agency Negotiators: Craig Malin, City Manager; Roberta Greathouse, Human Resources Director; Donna Williamson, Labor Negotiator

Employee Organizations:

1. Seaside Police Officers' Association
2. Seaside City Employees' Association
3. Seaside Managers and Supervisory Employees' Association
4. Confidential Employees

Executive Managers

B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO GOVERNMENT CODE SECTION 54956.8:

Seaside Resort Development 1 McClure Way Negotiator for the City: Craig Malin, City Manager, Under Negotiation: Disposition and Development Agreement Terms

C. CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9

1. Keep Fort Ord Wild VS. City of Seaside Case Number 16Cv003795
2. LandWatch Monterey County VS. City of Seaside (Real Party: Monterey Downs, LLC) Case Number 16CV003793

D. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (c) - POTENTIAL LITIGATION

Conference with legal counsel regarding the potential initiation of litigation (one potential case).

6. ADJOURNMENT

The City Council reconvened to open session at 6:32 PM and there were no announcements for the public. The meeting was adjourned.

Respectfully submitted,

______________________________	______________________________
Lesley Milton-Rerig, City Clerk	**Ralph Rubio, Mayor**

CITY OF SEASIDE
STAFF REPORT

Item No.: 4.B.

TO:	Successor Agency to the Redevelopment Agency of the City of Seaside
FROM:	Craig Malin, City Manager
BY:	Daphne Hodgson, Deputy City Manager Administrative Services
DATE:	February 2, 2017
SUBJECT:	**APPROVE AND FILE SUCCESSOR AGENCY CHECKS**

PURPOSE

It is requested that the Successor Agency Board approve and file the accounts payable and wired payments made during the period of December 24, 2016 through January 24, 2017. In addition, approval of the payroll and benefits checks, direct deposits and wired payments related to the periods of January 5 and 19, 2017 is requested. Total Accounts Payable and Payroll for the above referenced period is $6,645.38.

RECOMMENDATION

It is recommended that the Successor Agency Board approve and file the attached checks.

BACKGROUND

In accordance with Government Code Section 37208, at each Agency meeting the Board is provided a listing of the payroll and general checks issued since the last report so that is can inspect and confirm these checks. Each purchase had been reviewed and approved by the department making the purchase at the time of procurement. The invoice has been reviewed by the Finance Department prior to payment to ensure that it conforms to the approved budget.

Therefore, in accordance with Government Code Section 37208 the above referenced, and linked, list of checks conforms to the approved budget and has been paid. These checks are submitted to the Agency Board for inspection and confirmation.

There were no checks that exceeded $10,000 between December 24, 2016 and January 24, 2017 for Successor Agency related expenses.

The Checks report is available on the City's website here:

http://www.ci.seaside.ca.us/194/Check-Draft-Register

FISCAL IMPACT

No fiscal impact.

ATTACHMENTS

Reviewed for Submission to the
City Council by:

Craig Malin, City Manager

CITY OF SEASIDE
STAFF REPORT

Item No.: 4.C.

TO: Successor Agency to the Redevelopment Agency of the City of Seaside

FROM: Craig Malin, City Manager

BY: Daphne Hodgson, Deputy City Manager Administrative Services

DATE: February 2, 2017

SUBJECT: **ACCEPT AND FILE THE CASH AND INVESTMENT REPORT FOR SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE QUARTER ENDING DECEMBER 31, 2016**

PURPOSE

Accept and file the Successor Agency of the Redevelopment Agency of the City December 31, 2016.

RECOMMENDATION

Accept and file report.

BACKGROUND

Section 53646 of the California State Government code requires the fiscal officer to prepare a quarterly report detailing the Agency's cash and investments. The Successor Agency of the Redevelopment Agency of the City of Seaside Investment Policy requires a quarterly report.

As of December 31, 2016, $2,258,707.23 or approximately 12% of the portfolio is Successor Agency Funds.

FISCAL IMPACT

No fiscal impact.

ATTACHMENTS

1. Attachment A Summary of Pooled Cash and Investment as of December 31, 2016

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2. Attachment B Cash and Investment Detail as of December 31, 2016
3. Attachment C Cash and Investment Activity Report as of October 1 through December 31, 2016
4. LAIF Program Description
5. LAIF Performance Report Quarter Ended December 31, 2016
6. LAIF Average Monthly Effective Yields
7. LAIF Interest Rates

Reviewed for Submission to the
City Council by:

Craig Malin, City Manager

ATTACHMENT A

CITY OF SEASIDE
SUMMARY OF POOLED CASH AND INVESTMENTS
AS OF DECEMBER 31, 2016

DESCRIPTION	INSTITUTION	VALUATION	AMOUNT
LAIF - City Funds	State Treasurer	Market	$ 10,934,864.01
General Checking	Rabobank	Market	$ 1,157,833.91
Money Market	Rabobank	Market	$ 5,157,080.87
York Tail Claims	Bank of America	Market	$ 38,950.05
Bond 2014 Reserve account	US Bank	Market	$ 729,264.39
Bond 2006 Reserve & Installment accounts	US Bank	Market	$ 465,423.17
Pension Obligation Bond Program Reserve account	Wells Fargo Bank	Market	$ 513,189.36
		Total	**$ 18,996,605.76**

I hereby certify that sufficient investment liquidity and anitcipated revenues are available to meet the City's and the Agency's aniticipated expenditure requirements for the next six months.
(California Code Section 53646)

Investments in this report meet the requirements of the City of Seaside's Investment Policy.

Respectfully submitted,

Craig Malin
City Manager

ATTACHMENT B

CITY OF SEASIDE
CASH AND INVESTMENT REPORT - DETAIL AS OF
DECEMBER 31, 2016

	Yield	Book Value	% of Total	Market Value
Investments				
State Treasurer LAIF	**0.55%**	**10,934,864.01**	**54.58%**	**10,934,864.01**
Checking Account				
Rabobank - General Checking	**0.00%**	**1,157,833.91**	**5.78%**	**1,157,833.91**
Rabobank - Money Market	**0.20%**	**5,157,080.87**	**25.74%**	**5,157,080.87**
Bank of America-York Checking	**0.00%**	**40,000.00**	**0.20%**	**38,950.05**
US Bank - Redevelopment Agency Merged Area Refunding 2014 Bonds				
Installment Payment, Reserve	**0.00%**	**1,753,330.51**	**8.75%**	**729,264.39**
				-
US Bank - Golf Course 2006 Bonds				
Installment Payment, Reserve	**0.03%**	**339,550.00**	**1.69%**	**465,423.17**
Wells Fargo Bank				
Pension Obligation Bond Program Reserve Account	**0.00%**	**651,283.41**	**3.25%**	**513,189.36**
Total Cash and Investments		**20,033,942.71**	**100.00%**	**18,996,605.76**

CITY OF SEASIDE
CASH AND INVESTMENT ACTIVITY REPORT AS OF
SEPTEMBER 30, 2016 THROUGH DECEMBER 31, 2016

INSTITUTION	ACCOUNT STATUS	BEGINNING BALANCE	DEPOSITED	EXPENDED or TRANSFERRED	INTEREST EARNED	ENDING BALANCE
INVESTMENTS						
LAIF - City	OPEN	$ 6,423,543.51	4,500,000.00		11,320.50	$ 10,934,864.01
CHECKING ACCOUNT						
Rabobank - General Checking	OPEN	$ 1,203,883.44	14,656,603.46	14,702,652.99		$ 1,157,833.91
Rabobank, Money Market	OPEN	$ 5,454,631.25	2,402,449.62	2,700,000.00		$ 5,157,080.87
York Tail Claims	OPEN	$ 40,000.00	18,573.88	19,623.83		$ 38,950.05
BOND RESERVE ACCOUNT - HELD BY TRUSTEES						
Bond 2014 Accounts - Reserve, Interest	OPEN	$ 729,264.39	-	-	-	$ 729,264.39
Bond 2006 Accounts - Reserve, Installment	OPEN	$ 339,743.83	125,584.57	-	94.77	$ 465,423.17
Wells F Pension Obligation Bond Prog-Reserve Acct.	OPEN	$ 651,283.41	-	138,094.05	-	$ 513,189.36
		$ 14,842,349.83	**21,703,211.53**	**17,560,370.87**	**11,415.27**	**$ 18,996,605.76**

LOCAL AGENCY INVESTMENT FUND

Program Description

The Local Agency Investment Fund (LAIF), is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts and it continues today under Treasurer John Chiang's administration. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code.

This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office investment staff at no additional cost to the taxpayer. This in-house management team is comprised of civil servants who have each worked for the State Treasurer's Office for an average of 20 years.

The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The State Treasurer, as Chairman, or his designated representative appoints two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any county, city or local district or municipal corporation of this state.

The term of each appointment is two years or at the pleasure of the appointing authority.

All securities are purchased under the authority of Government Code Section 16430 and 16480.4. The State Treasurer's Office takes delivery of all securities purchased on a delivery versus payment basis using a third party custodian. All investments are purchased at market and a market valuation is conducted monthly.

Additionally, the PMIA has Policies, Goals and Objectives for the portfolio to make certain that our goals of Safety, Liquidity and Yield are not jeopardized and that prudent management prevails. These policies are formulated by Investment Division staff and reviewed by both the PMIB and the LIAB on an annual basis.

The State Treasurer's Office is audited by the Bureau of State Audits on an annual basis and the resulting opinion is posted to the State Treasurer's Office website following its publication. The Bureau of State Audits also has a continuing audit process throughout the year. All investments and LAIF claims are audited on a daily basis by the State Controller's Office as well as an in-house audit process involving three separate divisions.

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This Section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency."

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. This Section states that "the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year."

The LAIF has grown from 293 participants and $468 million in 1977 to 2,461 participants and $21.6 billion at the end of December 2016.

JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
12/19/16	0.72	0.68	179
12/20/16	0.72	0.68	180
12/21/16	0.72	0.68	179
12/22/16	0.73	0.68	179
12/23/16	0.73	0.68	185
12/24/16	0.73	0.68	185
12/25/16	0.73	0.68	185
12/26/16	0.73	0.68	185
12/27/16	0.73	0.68	180
12/28/16	0.73	0.68	173
12/29/16	0.73	0.68	176
12/30/16	0.74	0.68	172
12/31/16	0.74	0.68	171
01/01/17	0.74	0.74	171
01/02/17	0.74	0.74	171
01/03/17	0.74	0.74	181
01/04/17	0.74	0.74	184
01/05/17	0.75	0.74	186
01/06/17	0.75	0.74	186
01/07/17	0.75	0.74	186
01/08/17	0.75	0.74	186
01/09/17	0.75	0.74	185
01/10/17	0.75	0.74	185
01/11/17	0.75	0.74	187
01/12/17	0.75	0.74	186
01/13/17	0.75	0.75	186
01/14/17	0.75	0.75	186
01/15/17	0.75	0.75	186
01/16/17	0.75	0.75	186
01/17/17	0.75	0.75	182
01/18/17	0.75	0.75	181

*Daily yield does not reflect capital gains or losses

View Prior Month Daily Rates

LAIF Performance Report

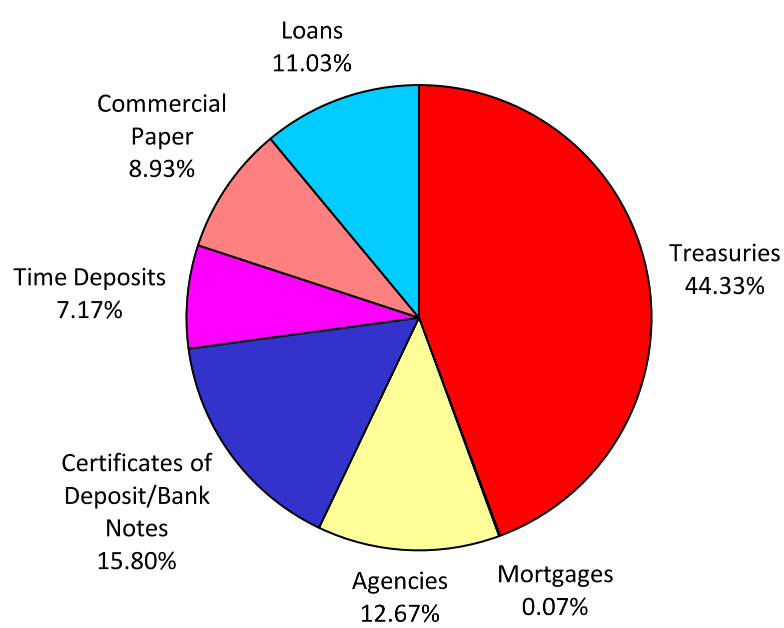
Quarter Ending 12/31/16

Apportionment Rate:	0.68%
Earnings Ratio:	0.00001851848158529
Fair Value Factor:	0.999423823
Daily:	0.74%
Quarter to Date:	0.68%
Average Life:	171

PMIA Average Monthly Effective Yields

Dec 2016	0.719%
Nov 2016	0.678%
Oct 2016	0.654%

Pooled Money Investment Account Portfolio Composition 12/31/16 $73.7 billion



Based on data available as of 1/18/2017

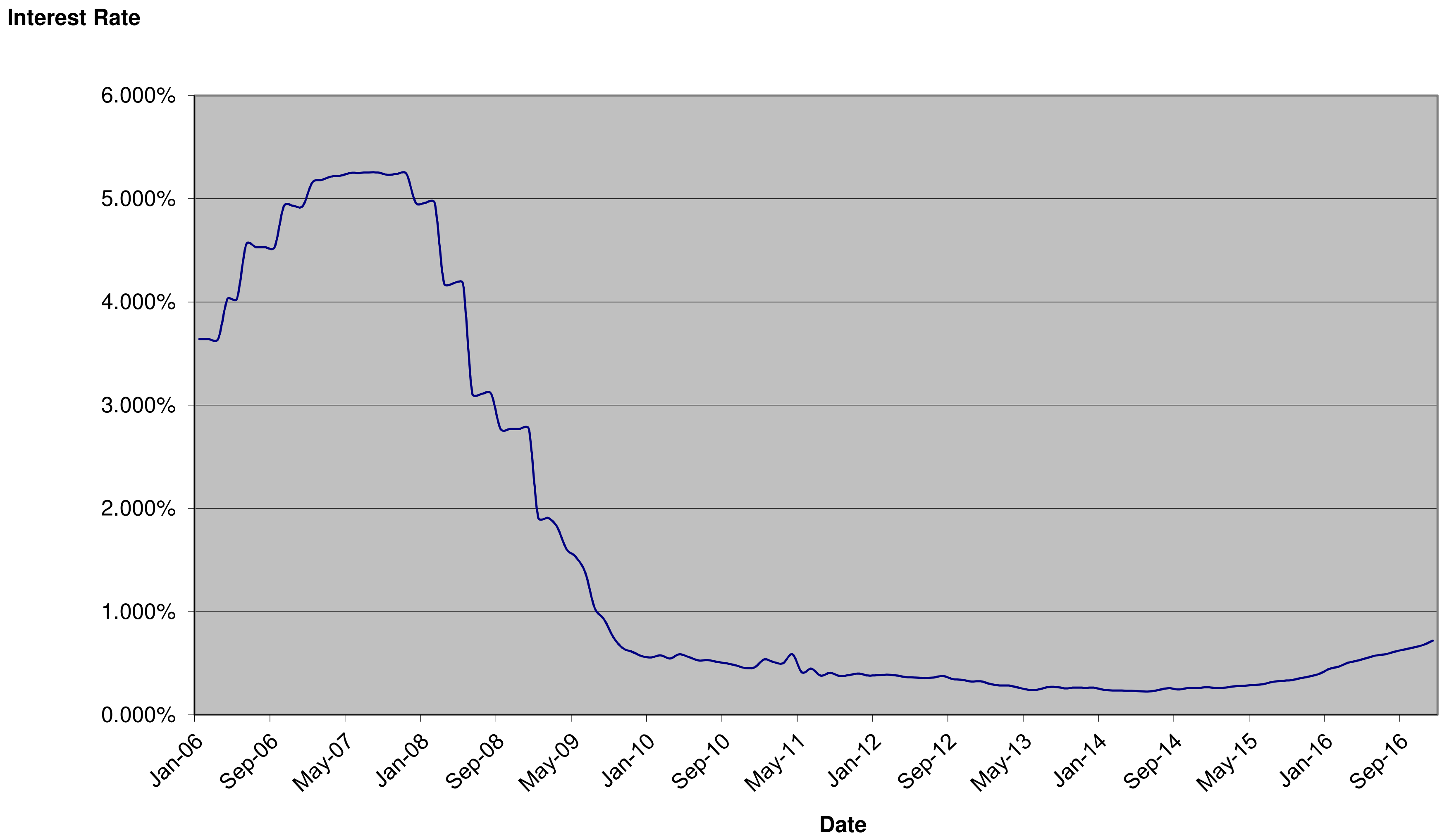
California State Treasurer
John Chiang

POOLED MONEY INVESTMENT ACCOUNT

PMIA Average Monthly Effective Yields

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.090	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771	1.890	2.003	2.134
2005	2.264	2.368	2.542	2.724	2.856	2.967	3.083	3.179	3.324	3.458	3.636	3.808
2006	3.955	4.043	4.142	4.305	4.563	4.700	4.849	4.946	5.023	5.098	5.125	5.129
2007	5.156	5.181	5.214	5.222	5.248	5.250	5.255	5.253	5.231	5.137	4.962	4.801
2008	4.620	4.161	3.777	3.400	3.072	2.894	2.787	2.779	2.774	2.709	2.568	2.353
2009	2.046	1.869	1.822	1.607	1.530	1.377	1.035	0.925	0.750	0.646	0.611	0.569
2010	0.558	0.577	0.547	0.588	0.560	0.528	0.531	0.513	0.500	0.480	0.454	0.462
2011	0.538	0.512	0.500	0.588	0.413	0.448	0.381	0.408	0.378	0.385	0.401	0.382
2012	0.385	0.389	0.383	0.367	0.363	0.358	0.363	0.377	0.348	0.340	0.324	0.326
2013	0.300	0.286	0.285	0.264	0.245	0.244	0.267	0.271	0.257	0.266	0.263	0.264
2014	0.244	0.236	0.236	0.233	0.228	0.228	0.244	0.260	0.246	0.261	0.261	0.267
2015	0.262	0.266	0.278	0.283	0.290	0.299	0.320	0.330	0.337	0.357	0.374	0.400
2016	0.446	0.467	0.506	0.525	0.552	0.576	0.588	0.614	0.634	0.654	0.678	0.719

HISTORICAL LAIF INTEREST RATES



CITY OF SEASIDE
STAFF REPORT

Item No.: 6.A.

TO: Successor Agency to the Redevelopment Agency of the City of Seaside

BY: Craig Malin, City Manager

DATE: February 2, 2017

SUBJECT: **CONDUCT A DISCUSSION AND STUDY SESSION ON POLICY OPTIONS REGARDING MEDICAL AND ADULT MARIJUANA**

PURPOSE

To review policy options as it pertains to medical and adult marijuana in the City of Seaside.

RECOMMENDATION

That the City Council receive a presentation, discuss and provide direction to staff.

BACKGROUND

In 1996, medicinal marijuana became legal in California. In 2016, the Adult Use of Marijuana Act (AUMA, or Proposition 64) passed with 57% of the vote statewide, and 68% in Seaside. Proposition 64 legalized the nonmedical use of marijuana by persons 21 years of age or older, personal cultivation of up to six marijuana plants and created a state regulatory and licensing system for commercial cultivation, testing and distribution of nonmedical marijuana. State licensing of nonmedical marijuana is expected to begin in early 2018.

An AUMA FAQ and summary prepared by the League of California Cities is attached for reference purposes. Note that substantial restrictions on smoking marijuana remain, including a prohibition on smoking in a public place or where smoking tobacco is prohibited, within 1,000 feet of a school, day care or youth center or while driving or riding in a vehicle.

Locally, Del Ray Oaks, Santa Cruz, San Francisco and Oakland are among the cities which have permitted dispensaries for medical marijuana. Presently, Seaside residents with prescriptions for medical marijuana cannot fill their prescriptions in Seaside. In filling their prescriptions in some other community, they are both inconvenienced and pay taxes which could otherwise stay in Seaside. With the passage of Proposition 64, the future state regulations regarding nonmedical marijuana and the pressing need to diversify city revenues, revisiting marijuana regulations in the City is appropriate.

Central questions for the Council to provide direction to staff include:

#1) Allowing & Regulating Medical Marijuana Dispensaries

Cities have broad authority to adopt and enforce ordinances regulating or completely prohibiting marijuana businesses. They can adopt zoning and sign regulations for such businesses and standards with regard to health and safety, security, environmental protections and worker protections. Before staff undertakes the substantial amount of work necessary to draft zoning and other regulatory ordinances and process those ordinances through public review processes including the Planning Commission, direction on two threshold questions is appropriate:

1.a. Should an ordinance allowing and regulating a medical marijuana dispensary in Seaside be drafted for public review?

Staff recommends an ordinance be drafted.

1.b. If an ordinance is drafted, should it permit more than one and less than some number of dispensaries, consistent with the regulations ultimately adopted?

Staff recommends allowing more than one but not more than three.

#2) Allowing & Regulating Personal Indoor or Outdoor Cultivation

The AUMA allows for personal indoor cultivation of not more than six plants, consistent with any "reasonable regulation". These regulations can include permits, with appropriate fees to underwrite the costs of inspections. Given potential health and safety concerns related to indoor residential cultivation which may exceed the allowed number of plants and / or the electrical and ventilation capacities of dwellings, staff recommends developing a permit and inspection process, with permit fees calibrated to the cost of permit processing and inspections.

Given the lack of land designated for agricultural use within the General Plan, staff further recommends outdoor cultivation be limited to personal garden, non-commercial scale, with not more than four mature plants permitted within a rear yard garden, not closer than twenty feet to any property line. Staff recommends outdoor cultivation also be regulated through a low cost permit process, with basic review to assure the planting area is not closer than twenty feet to a property line, and does not exceed the number of allowed mature plants.

Should staff prepare personal indoor and outdoor cultivation regulations and permit processes consistent with the preceding?

Staff recommends doing so.

#3) Allowing & Regulating Non-Dispensary Businesses, Laboratories and Commercial Indoor Cultivation / Manufacturing

As the State prepares to license commercial operations in early 2018, the City should enact regulations for non-dispensary businesses, laboratories and commercial indoor cultivation / manufacturing in advance of State licensing, to be certain any State license that may be issued is subject to local regulations. These regulations are recommended to permit non-dispensary retail businesses to co-locate within the medical dispensaries (subject to forthcoming zoning and other regulatory ordinances), and otherwise permit indoor cultivation / manufacturing and laboratories connected to the business of medical and adult marijuana use within the City.

Should staff proceed with drafting regulations for non-dispensary businesses, laboratories and commercial indoor cultivation / manufacturing?

Staff recommends doing so.

#4) Taxation of Commercial Marijuana (medical and nonmedical)

In addition to permitting fees adequate to cover the costs of permit processing and inspections, the addition of legal medical and adult marijuana use to the local economy allows for taxation of the product. The State will be imposing a 15% excise tax on the gross retail sales of marijuana products, along with cultivation taxes and sales and use taxes on non-medical marijuana. It intends to allocate the excise tax in the following manner; 60% to youth programs, substance abuse education, prevention and treatment, 20% to environmental cleanup and remediation and 20% to reduce DUI and negative health impacts of marijuana legalization.

The sales and use tax on non-medical marijuana, combined with the relative ease of obtaining a prescription for medical marijuana, is such that medical marijuana will likely remain a substantial portion of the commercial marijuana market. Establishing appropriate tax policy for medical and non-medical marijuana thus requires care in: 1) recognizing the inherent cost-advantage of medical marijuana, 2) establishing regionally competitive tax rates given current and expected future market competition and, 3) developing a plan for revenue and allocation which may receive support by Seaside voters.

Business License Taxes are a form of excise tax that may be approved by a majority vote as a general tax or by 2/3 vote for a special tax, directed to a specific purpose (or purposes). Should the City Council determine to move forward with a ballot initiative in June of this year, the tax would have to be a special tax, unless the City Council declares an emergency by unanimous vote.

As a starting point for discussion, staff recommends allocating business license taxes from marijuana to the following categories of expenditure; 1) 25% to public safety, 2) 25% for capital improvements, 3) 25% for youth empowerment and, 4) 25% for general fund purposes. Public safety expenditures could include additional police officers and fire fighters, capital expenditures could include road and park improvements, youth empowerment could include continuation of the youth violence prevention program after the State grant expires, recreation improvements and initiation of the Seaside Scholars scholarship program with CSUMB this year (in advance of the Main Gate projects coming online).

Final decisions regarding proposed tax rates, designation as a special tax or general tax and allocations to specific programs or projects all require expert review, and thus staff recommends retaining The Lew Edwards Group in an effort to present final recommendations to the City Council, in expectation of placing a tax initiative on the ballot in June of 2017.

Should staff proceed with tasks necessary to place final recommendations on a potential Business License Tax before the City Council, such that the matter may be placed before voters in June of 2017?

Staff recommends doing so.

FISCAL IMPACT

Within an annual range of $250,000 - $1,500,000, based on preliminary estimates and depending on final City Council and electorate decisions, and market conditions.

ATTACHMENTS

1. League of California Cities Jan. 9, 2017 FAQ
2. League of California Cities Jan. 11, 2017 Briefing Powerpoint

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Reviewed for Submission to the
City Council by:

Craig Malin, City Manager

January 9, 2017

Frequently Asked Questions (FAQs)

Adult Use of Marijuana Act[1]

Proposition 64

Question#1: When does the AUMA take effect?

Answer: The AUMA took effect November 9, 2016, the day after the election. But note, the AUMA requires a state license to engage in commercial nonmedical marijuana activity. Licensing authorities are required to begin issuing licenses by January 1, 2018 and the League anticipates that the issuance of licenses will not occur much in advance of January 1, 2018. Thus, the AUMA provisions legalizing commercial nonmedical marijuana activity will not become operational until the state begins issuing licenses (likely in late-2017). The AUMA provisions legalizing personal use and cultivation of nonmedical marijuana took effect November 9, 2016.

Question #2: Can private individuals cultivate nonmedical marijuana at home beginning November 9, 2016?

Answer: Yes, within a private residence by a person 21 years and older for personal use. The AUMA provides that local governments can reasonably regulate, but cannot ban the personal indoor cultivation of up to six nonmedical marijuana plants per private residence. This includes cultivation in a greenhouse that is on the property of the residence but not physically part of the home, as long as it is fully enclosed, secure, and not visible from a public space. Because this activity is not subject to state licensing requirements, individuals may engage in personal indoor cultivation beginning November 9, 2016, unless a city enacts an ordinance imposing a reasonable regulatory scheme that would preclude them from doing so before complying with the city's regulatory requirements.

Local governments may regulate or ban all personal outdoor cultivation. However, the AUMA includes language purporting to repeal any ordinance that bans personal outdoor

[1] Please consult your City Attorney before taking action to implement the AUMA. The answers to these FAQs may be different in your city based upon your municipal code, regulations, and policies. The answers do not constitute legal advice from the League of California Cities®.

cultivation upon the California Attorney General's determination that nonmedical use of marijuana is lawful under federal law.

<u>Question #3:</u> Is there a limitation on the number of marijuana plants that can be cultivated within a single residence?

> **Answer:** Yes. Not more than six living plants may be planted, cultivated, harvested, dried, or processed within a single private residence, or upon the grounds of that private residence, at one time. A "residence" is defined as a house, an apartment unit, a mobile home, or other similar dwelling. No matter how many persons over 21 years of age are living in a "residence," only 6 living plants may be cultivated at one time. (Health & Safety § 11362.2(b)(3).)

<u>Question #4:</u> Can a landlord ban the cultivation/smoking of marijuana on his or her property?

> **<u>Answer:</u>** Yes. An individual or private entity may prohibit or restrict personal possession, smoking, and cultivation of marijuana on the individual's or entity's privately owned property. A state or local government agency also may prohibit or restrict such activities on property owned, leased, or occupied by the state or local government. (Health & Safety §§ 11362.45(g) and (h).)

<u>Question # 5</u>: Can a city ban personal indoor cultivation in all leased or multi-unit residences within the city?

> **<u>Answer:</u>** No. A city cannot prohibit personal indoor cultivation of marijuana in all leased or multi-unit residences within the city. However, because cities may reasonably regulate personal indoor cultivation, a city might be able to condition permit approval for personal indoor cultivation in a leased residence on the applicant receiving permission from his or her landlord.

<u>Question # 6:</u> Does a city's ban on commercial cultivation, personal outdoor cultivation, or retail sales of marijuana or marijuana products make it ineligible for state grant monies for law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of Prop 64?

> **<u>Answer:</u>** Yes. If a city bans commercial cultivation, or personal outdoor cultivation, or retail sales of marijuana or marijuana products, it is ineligible to receive state grant monies funded through the new state excise taxes that take effect on January 1, 2018. (Revenue and Taxation Code § 34019(e)(3)(D).)

<u>Question #7</u>: What does the AUMA say about possession, transporting, purchasing or giving away of non-medical marijuana?

> **<u>Answer</u>**: A person 21 years of age or older may possess, process, transport, purchase or give away to persons 21 years of age or older not more than 28.5 grams of marijuana in the non-concentrated form and not more than 8 grams of marijuana in a concentrated

form including marijuana products. If the AUMA passes, these activities will be lawful under state law and cannot be prohibited under local law.

Question #8: Do cities that ban or regulate medical marijuana businesses need to update their ordinances to include nonmedical marijuana?

> **Answer:** Yes. The AUMA prohibits state licensing authorities from issuing a license to a commercial nonmedical marijuana business if operation of the business violates a local ordinance of the jurisdiction in which the business will operate. This means that a city wishing to adopt business or land use regulations prohibiting or regulating commercial nonmedical marijuana businesses must adopt an ordinance prior to the date the state begins issuing licenses, which the League anticipates will be in late 2017.[2]

Question #9: Can cities be confident that a permissive zoning code, by itself, provides sufficient protection against nonmedical marijuana businesses setting up shop without local approval?

> **Answer:** No. It is unlikely that cities will succeed in arguing that nonmedical marijuana land uses are prohibited by permissive zoning codes under the AUMA, because the AUMA does not contain the same protective language as the MMRSA with respect to permissive zoning. Therefore, cities that wish to ban all or some nonmedical marijuana activities should adopt express prohibitions, even if they operate under a permissive zoning code.

Question #10: Are cities at risk of losing the opportunity to impose bans on personal outdoor cultivation if they don't act until after the November election?

> **Answer:** No. A city may adopt an ordinance banning or regulating personal outdoor cultivation at any time.

Question #11: Are cities at risk of losing the opportunity to impose bans on nonmedical marijuana businesses, if they don't act until after the November election?

> **Answer:** No. However, if a city does not adopt an ordinance expressly banning or regulating nonmedical marijuana businesses before the state begins issuing state licenses nonmedical businesses, a state-licensed nonmedical marijuana business will be able to operate within its jurisdiction without local permission or permitting. This is due to a provision in the AUMA that provides that state licenses cannot be issued where the activity would violate a local ordinance. If a jurisdiction has no ordinance regulating nonmedical marijuana businesses, then the local regulatory scheme is silent on that type of activity, and the state can unilaterally issue a license under terms fully compliant with the AUMA. Cities may adopt an ordinance expressly banning or regulating such operations after the state begins to issue licenses, but it will be difficult to terminate the state licensee's operations until the state license is up for renewal. Therefore, the best practice is to adopt an ordinance before the state begins issuing state licenses.

[2] Please see Question #8 regarding the use of public roads for transportation and delivery.

Question #12: Can cities ban deliveries under the AUMA?

> **Answer:** Yes. Cities can ban deliveries within their territorial limits. However, cities cannot prevent the use of public roads for the delivery of marijuana. For example, if a licensed delivery company located in City A must travel on public roads through City B to make an authorized delivery in City C, City B cannot prohibit the licensed delivery company from travelling on public roads in City B to get to City C. In addition, cities may not prevent the use of public roads within its jurisdiction to transport nonmedical marijuana.

Question #13: What is the best way for cities to notify the state licensing agencies of their local ordinances that regulate and/or prohibit commercial non-medical marijuana activities within their jurisdictions?

> **Answer:** Unless the state licensing agencies indicate otherwise, cities should mail copies of their local ordinances that regulate or prohibit commercial nonmedical marijuana activities within their jurisdictions to the Department of Consumer Affairs, the Department of Food and Agriculture, and the Department of Public Health. Cities should regularly check each Department's website to ensure that this practice complies with any regulations the Departments may pass regarding notice of local ordinances. In addition, Cities should ensure that any updates or amendments to local ordinances that regulate or prohibit commercial nonmedical marijuana activities are promptly submitted to each Department.

Question #14: What are the rules regarding taxation under the AUMA? Is it true that marijuana can no longer be subject to sales tax?

> **Answer:** Under the AUMA, there is a 15% state excise tax on ***recreational*** marijuana, but ***medical*** marijuana is exempt from state and local sales tax altogether. The rationale is that marijuana consumed for truly medical purposes is no different from conventional pharmaceuticals, which are also exempt from federal, state, and local sales tax. However, other forms of excise tax may be levied on all marijuana, whether medical or recreational. For example, a cultivation tax, a manufacturing tax, or the most common, a business license tax may still be levied at the local level on any commercial marijuana activity. But note, because the AUMA levies a state excise tax of 15% on recreational marijuana, all local governments have reason to be concerned about the cumulative tax rate when local tax levies are added to that. For that reason, locals are encouraged to look at existing local taxes and to assess what marijuana-related revenue streams may be derived from those sources before levying additional taxes that are specific to marijuana.

Adult Use of Marijuana Act
Proposition 64
League of California Cities

Wednesday, January 11, 2017
2:00 p.m. – 4:30 p.m.

LEAGUE® OF CALIFORNIA CITIES

Presenters

Michael Coleman

Fiscal Policy Advisor, League of California Cities

Tim Cromartie

Legislative Representative, League of California Cities

Agenda

- **Summary of the AUMA**
- **Key Differences: AUMA vs. MMRSA**
- **Personal Use and Personal Cultivation**
- **State Licensing of Commercial Operations**
- **Local Regulation of Commercial Operations**
- **Taxation of Nonmedical Marijuana**
- **Proposition 64 and Taxation**
- **Allocation of Revenues**
- **Local Taxes and Fees**
- **State and Local Sales Tax Exemptions**
- **Local Policy Issues**

Summary

- Legalizes the nonmedical use of marijuana by persons 21 years of age and over and the personal cultivation of six marijuana plants
- Creates state regulatory and licensing system for the commercial cultivation, testing, and distribution of nonmedical marijuana, and the manufacturing of nonmedical marijuana products.
- Allows local governments to prohibit or regulate and license commercial nonmedical marijuana
- Takes effect November 9, 2016

Key Differences:
AUMA and the MMRSA

For purposes of local regulation, there are four key differences between the Adult Use of Marijuana Act and the Medical Marijuana Regulation and Safety Act.

1) **Focus:** The MMRSA regulates medical marijuana, while the AUMA regulates nonmedical marijuana.
2) **Taxation:** The MMRSA authorizes counties to impose excise taxes. The AUMA exempts medical marijuana from state and local sales tax. The AUMA imposes state taxes on the purchase and cultivation of non-medical marijuana. Local taxation of nonmedical marijuana is not pre-empted by the AUMA.

3) **Local Regulations:** Under the MMRSA and the AUMA, local governments may allow, regulate, or prohibit commercial marijuana businesses within their jurisdictions. This policy choice should be reflected in an ordinance that contains express language regarding marijuana land uses and business regulations.

4) **Personal Cultivation:** The MMRSA does not alter local governments' existing authority to prohibit all personal cultivation. Under the AUMA, locals can reasonably regulate but cannot ban indoor private indoor cultivation. Note: Local ability to regulate or prohibit *commercial* indoor cultivation remains intact even under the AUMA.

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Personal Use

- AGE: 21 years of age or older
- POSSESSION: Possess, process, transport, purchase, obtain, or give away 28.5 grams of non-concentrated non-medical marijuana, or 8 grams of concentrated marijuana products
- USE: Smoke or ingest marijuana or marijuana products
- CULTIVATION: Possess, plant, cultivate, harvest, dry or process up to 6 plants per residence for personal use

Restrictions on Personal Use

- No smoking in a public place (except where authorized locally)
- No smoking where smoking tobacco is prohibited
- No smoking within 1,000 feet of a school, day care center or youth center
- No smoking while driving or riding in a vehicle
- Cities may prohibit smoking and possession in buildings owned, leased, or occupied by the city
- Employers may maintain drug-free workplaces

Personal Cultivation

- Local governments may “reasonably regulate” but not prohibit personal <u>indoor</u> cultivation of up to 6 marijuana plants within a private residence.

- Includes cultivation within a greenhouse or other structure on the same parcel of property that is not visible from a public space.

- Local governments may regulate or prohibit personal <u>outdoor</u> cultivation.

Questions about Personal Use

- What are “reasonable regulations” on personal cultivation of 6 plants within a personal residence?
- Examples:
  - A local requirement for a residential cultivation permit, with an appropriate fee;
  - Requiring as a condition of the permit, that the permit holder agree to periodic inspections (upon appropriate notice), to ensure that cultivation is not:
    - In excess of the six-plant limit
    - Drawing more electrical power from the grid that the structure/house is designed to withstand, thereby causing a fire hazard
    - Presenting a health hazard such as mold accumulation
    - Using more water than is reasonably required to cultivate six plants
  - Express local regulations requiring cultivation to comply with the Fire Code, Building Code and reasonable limitations on the use of water

State Licensing Commercial Operations

- All nonmedical marijuana businesses must have a state license
- State license cannot be issued to an applicant whose operations would violate the provisions of any local ordinance or regulations
- State license will be valid for one year.
- Separate state license required for each business location.

Local regulation/prohibition Commercial Operations

- Cities and counties may adopt and enforce ordinances regulating or completely prohibiting state-licensed marijuana businesses (but may not prohibit use of public roads for deliveries in another jurisdiction).

- State standards are minimum standards. Cities and counties may establish additional standards, requirements and regulations regarding health and safety, environmental protection, testing, security, food safety, and worker protections.

Local regulation/prohibition Commercial Operations

- Proposition 64 does not require a city to enact a regulatory scheme or prohibition by certain date.
- League anticipates that State will not begin issuing licenses before January 1, 2018.
- If city prohibition or regulations in place before business applies for state license, state license either will not issue or be subject to local regulations.

Taxation of Nonmedical Marijuana

- 15% State excise tax of gross retail sales receipts.
- $9.25/dry-weight ounce on marijuana flowers State cultivation tax
- $2.75/dry-weight ounce on marijuana leaves State cultivation tax
- Marijuana cultivated for personal use is exempt from cultivation tax
- Medical marijuana is exempt from State/local sales tax
- Proposition 64 does not prevent cities and counties from imposing local taxes [except sales tax on medical marijuana]

Sales Taxes, Use Taxes, Excise Taxes

- **Excise Tax**: All taxes are either property taxes or excise taxes.
  - A property tax is a tax on the ownership of (real or personal) property and is triggered by the mere ownership of property.
  - An excise tax is a tax on the **privilege** of using or doing something with property.
  - Examples of local excise taxes include: business license tax; transient occupancy tax; parcel tax.
- **State and Local Sales and Use Tax**
  - The sales tax is a tax on the "privilege of selling tangible personal property at retail (R&T 6051).
  - The use tax is imposed on the storage, use or other consumption of tangible personal property purchased from a retailer (R&T 6201).

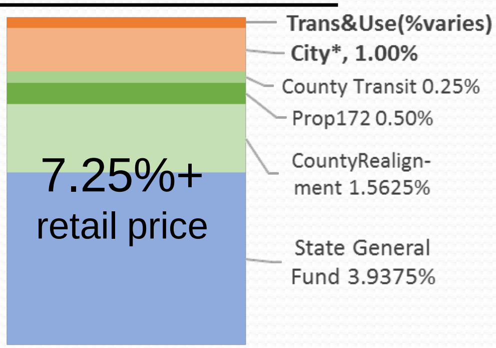
Prop. 64 and Taxation of Marijuana

- Adds a state excise tax of 15% on the privilege of purchasing marijuana at retail (Section 34011(a)). *Effective January 1, 1018*
- Adds an excise tax of $9.25/dry-weight ounce (flowers) and $2.75/dry-weight ounce leaves on the privilege of cultivating marijuana. *Effective January 1, 1018*
- Prop. 64 does not affect local governments' authority to impose taxes on medical or non-medical marijuana.
- Marijuana cultivated for personal use is exempt from cultivation tax.
- Medical marijuana is exempt from state/local sales tax. *Effective November 9, 1016*

Taxes and Fees on Marijuana
under Proposition 64

Applies to non-medical only

Sales and Use Tax



Effective November 9, 2016

Applies to medical and non-medical

State Marijuana Excise Tax

15%
gross receipts
of retail sale

State Cultivation Taxes

$9.25/oz flowers
$2.75/oz leaves

Effective January 1, 2018

*county if in unincorporated county

Allocation* of State Excise Taxes on Marijuana under Proposition 64

*may be altered by majority vote of the Legislature

60%
youth programs, substance abuse education, prevention and treatment

20%
environmental cleanup, remediation

20%
Reduce DUI, reduce negative health impacts re: marijuana legalization

- A city (or county) that bans cultivation, including outside personal cultivation, or the retail sale of marijuana, is not eligible for some grants.

Local Taxes and Fees on Marijuana

- Proposition 64: The new state excise taxes are "in addition to any other tax imposed by a city, county or city and county" (R&T 34021)
- New, increased, or extended local taxes require voter approval (2/3 for special tax; majority vote for general tax)
- The most common local excise tax is a **business license tax:**
  - Dispensing
  - Cultivation
  - Manufacturing
  - Transportation
- NOTE: Local governments' sales tax may not differ from Bradley-Burns Uniform Sales and Use Tax Law in either what is taxed or the rate of the tax.

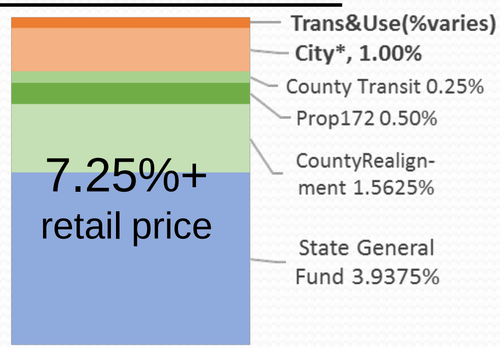
Local Taxes and Fees on Marijuana
Taxes vs. Fees

- **Business License Taxes** allow revenue to be appropriated for any municipal purpose unless the tax has been approved as a "special tax" for a specific purpose.
- **Business Regulatory Fees** may recover the reasonable regulatory costs for issuing licenses and permits, performing investigations, inspections, and audits and enforcing these regulations – and should be scaled appropriately.

Taxes and Fees on Marijuana under Proposition 64

Applies to non-medical only

Sales and Use Tax



Effective November 9, 2016

Applies to medical and non-medical

State Marijuana Excise Tax

15%
gross receipts
of retail sale

State Cultivation Taxes

$9.25/oz flowers
$2.75/oz leaves

Effective January 1, 2018

City* Marijuana Excise Tax

if enacted/approved by voters

XX%
gross receipts
or other basis

(not a sales tax)

City* Marijuana Business Regulatory Fee *if enacted*

To pay for regulation.
Limited to cost recovery.

*county if in unincorporated county

Exemptions from Taxation of Marijuana

- Prop. 64 exempts marijuana cultivated for personal use from the new state cultivation tax.
- Prop. 64 exempts medical marijuana from state/local sales tax.

  … but not state or local excise taxes.

State and Local Sales Tax Exemption

- Exempts medical marijuana sales to a patient (or primary caregiver) who has an identification card and a valid government-issued identification from state and local sales and use taxes:

  H & S 34011 (g). *The sales and use tax imposed by Part 1 of this division shall not apply to retail sales of medical cannabis, medical cannabis concentrate, edible medical cannabis products or topical cannabis as those terms are defined in Chapter 3.5 of Division 8 of the Business and Professions Code when a qualified patient (or primary caregiver for a qualified patient) provides* ***his or her card issued under Section 11362.71 of the Health and Safety Code*** *and a* ***valid government-issued identification card.***

- **NOTE:** A physician's recommendation is not sufficient but is required by Prop 64.

- Takes effect November 9, 2016.

State and Local Sales Tax Exemption

- State Department of Health Services required under existing law to establish voluntary program for issuance of identification cards to “qualified patients.”
- County health departments process applications and issue identification cards
- Prop. 64: All identification cards must be supported by a physician’s recommendation
- Prop. 64: Identification card application system/database may not contain personal information of qualified patients (unique user ID number)
- Prop. 64: County fees limited to $100 per application. Reimbursement from State is available.

State and Local Sales Tax Exemption

- State Board of Equalization, ***Tax Guide for Medical Cannabis Businesses***
  - intended for the industry but may be helpful to local governments.
  - http://www.boe.ca.gov/industry/medical_cannabis.html
- Statewide, the top five cities levying a sales tax on medical marijuana yield $6,158,000. (Source: HdL Companies)
- Offsetting sales tax revenue gain from sales of non-medical marijuana: unknown.
- Cities will first experience a reduction in revenues from this source for the fourth quarter of 2016 as of March 2017.

State and Local Sales Tax Exemption
Mitigating Sales Tax Revenue Losses

Engage with dispensaries and enforce the terms under which the sales tax exemption applies.

1) Patients who wish to claim the sales tax exemption must display a valid medical marijuana card and government-issued identification card.
2) The card should be issued by either the California Dept. of Health Services or your county's health department.
3) A physician's recommendation alone is not sufficient to obtain the sales tax exemption but is required in support of the application for a card.
4) Cities may wish to consider adopting a regulation requiring dispensaries to check for card compliance.

Loss of sales tax revenue from medical marijuana sales will be offset to some degree by sales tax revenue from non-medical marijuana sales.

Local policy issues

Does your city want to:

- Take steps to mitigate anticipated loss of sales tax revenue from medical marijuana in the short term?
- Enact business regulations of non-medical marijuana businesses?
- Require retailers of medical marijuana to enforce eligibility for medical marijuana sales tax exemption?
- Impose local taxes on marijuana?

Issues of Concern

- Local approval in licensing process
- Drugged driving, need for sobriety test
- Banking issues
- Taxation

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