

# CALLING SPECIAL ELECTION FOR JUNE 5, 2018 FOR COMMERCIAL CANNABIS BUSINESS TAX



City Council Meeting—February 20, 2018

Kim Espinosa, Planning Manager

John Tresidder, Assistant City Clerk

# ACKNOWLEDGEMENTS

- Thank You to Merced's "Team Cannabis":

- SCI Consulting
  - Neil Hall
  - Arcelia Herrera
  - John Bliss
- City Manager Steve Carrigan
- Assistant City Manager Stephanie Dietz
- Assistant City Attorney Kim Flores
- Director of Development Services Scott McBride
- Acting Police Chief Chris Goodwin
- Planning Manager Kim Espinosa ☺
- Planning & GIS Staff
  - Michael Hren
  - Julie Nelson
  - Michael Machado
- Everyone Else Who Contributed



# OVERVIEW OF TONIGHT'S MEETING

- Overview of Proposed Commercial Cannabis Business Tax Ordinance
- Next Steps for Ballot Measure
- Public Comment
- City Council Action



# MERCED CANNABIS TAX GOALS

- Proposed New Tax would Generate New Revenue for Police, Fire, and Parks/Recreation Services Exclusively, and Not for Regulation
- Cannabis Regulatory Fees (adopted in Dec 2017) would cover full cost of inspections, etc.
- Designed to Optimize Revenue, but also:
  - Discourage black market
  - Make us competitive with other jurisdictions
  - Address dynamic market place



# CANNABIS TAX APPROACH



- Council to consider a tax ordinance
  - Levied Only on the seller of goods or service providers
  - Levied on all steps in the supply chain
  - Will not affect local sales, state taxes, property tax rates, etc.
  - Does not replace business license tax




# CANNABIS TAX MEASURES IN CA

Voting Date	Results
November 2017 (General)	7 passed, no fails – 66.2% to 82.2%
June 2017 (Special)	1 passed, no others – 79.2%
November 2016 (General)	39 passed, 1 fail – 51% to 83.1%
November 2016 (Special)	1 fail, no others – 62.6%
June 2016 (General)	3 passed, 1 fail – 65.2% to 81.7%

# PROPOSED MERCED CANNABIS TAX


<u>I. Retail</u>		
		<b>Gross Receipts</b>
	Medical	Maximum Rate of: 7%, Initial: 4%
		<b>Gross Receipts</b>
	Non-Medical	Maximum Rate of: 10%, Initial: 7%

# PROPOSED MERCED CANNABIS TAX




II. Manufacturing				
				Per Square Feet
		Medical and/or Non-Medical		Max rate of: \$25.00 \$7.00 Initial
* Applies to actual manufacturing floor/area, excludes bathrooms, hallways, etc.				



# PROPOSED MERCED CANNABIS TAX

<u>III. Cultivation</u>		Hybrid (The Greater Of)	
<u>Indoor</u>	Gross Receipts OR	Square Feet**	
Medical and/or Non-Medical	Max rate of: 10%, Initial: 4%	Max rate of: \$25.00, Initial: \$7.00	
<u>Nurseries</u>	Square Feet**		
Medical and/or Non-Medical	Max rate of: \$4.00 Initial: \$0.50		
<p>** Should be based on cultivation area (where any cultivation activities take place as defined by State) and excludes hallway, break rooms, etc.</p>			

# PROPOSED MERCED CANNABIS TAX

IV. Distribution		Hybrid (The Greater Of)	
		Gross Receipts OR	Square Feet
	Medical and/or Non-Medical	Max rate of: 10%, Initial: 2%	Max rate of: \$5.00, Initial: \$1.00
V. Testing			
			Square Feet
	Medical and/or Non-Medical		Max rate of: \$1.00 Initial: \$0.25

# SUMMARY--MERCED CANNABIS TAX

Cannabis Business	Maximum Tax Rate	Initial Tax Rate
Retail--Medical	7% of Gross Receipts	4% of Gross Receipts
Retail—Non-Medical	10% of Gross Receipts	7% of Gross Receipts
Manufacturing	\$25 per Square Foot	\$7 per Square Foot
Cultivation--Indoor	10% of Gross Receipts OR \$25 per Square Foot (Whichever is Greater)	4% of Gross Receipts OR \$7 per Square Foot (Whichever is Greater)
Cultivation--Nurseries	\$4 per Square Foot	\$0.50 per Square Foot
Distribution	10% of Gross Receipts OR \$5 per Square Foot (Whichever is Greater)	2% of Gross Receipts OR \$1 per Square Foot (Whichever is Greater)
Testing	\$1 per Square Foot	\$0.25 per Square Foot

# TIMELINE FOR A JUNE BALLOT

- **February 2018**

- February 20, 2018 – City Council consideration of language for Tax Ordinance/Adoption of Resolutions regarding Special Election
- February 27, 2018 – Last day to submit ballot question, full tax text, and impartial analysis to the Registrar of Voters

- **March 2018**

- Organize non-governmental campaign committee
- March 14, 2018 – Deadline to amend or withdraw a measure
- Public information on Measure (Continues through Election)

- **April 2018**

- April 6, 2018 – Ballot mailing begins

- **June 2018**

- Community vote on June 5, 2018

# DO'S & DON'T'S FOR CAMPAIGNS

- According to the California Fair Political Practices Commission (FPPC):
  - The City is NOT allowed to “advocate” or “unambiguously urge a particular result in an election”
    - “Magic Words” of Advocacy include: “Vote For”, “Elect”, “Support”, “Cast Your Ballot”, “Vote Against”, “Defeat”, “Reject”, or “Sign Petitions For.”
  - “Campaign-related newsletters or mass mailings (over 200) shall not be sent at public expense.”
  - Public Funds would be any payment or use of staff time exceeding \$50.
  - Campaign-Related Materials include bumper stickers, billboards, door-to-door canvassing, and mass media advertising
  - The City can provide “materials that are a fair presentation of facts serving only an informational purpose.” The Information should be “objective and non-partisan”, “moderate in tone” and “may not urge voters how to vote.” The language cannot be “argumentative” or “inflammatory.”



# NON-CITY CAMPAIGN COMMITTEE

- A Single City Council Member can Volunteer to Organize an Independent Committee on behalf of the Measure with NO use of City funds or City staff to put together information on the Measure.
- However, there will likely be FPPC Reporting requirements **IF:**
  - The Committee accepts Contributions of \$2,000 or more
  - Makes Independent Expenditures of \$1000 or more
  - Makes Contributions of \$10,000 or more.
- Rule of Thumb – City Can Only Educate, No Efforts to Lobby
- Independent Campaign Committee Can Lobby, However



# CITY COUNCIL ACTION

After public comment, adopt a motion:

- A. Adopting **Resolution #2018-10** (Calling Special Election on June 5, 2018)
- B. Adopting **Resolution #2018-11** (Consolidating Special Election with Statewide Direct Primary)
- C. Adopting a **Categorical Exemption** (Environmental Review #18-12)
- D. Approving the Form and Content of the **Proposed Tax Ordinance**
- E. Directing the City Manager/City Clerk and City Attorney to execute appropriate documents
- F. Approving a **supplemental appropriation** from the General Fund, unreserved, unencumbered Fund Balance in the amount of **\$35,000** to cover the cost of the special election.

# QUESTIONS



# PUBLIC COMMENT

