

Additional Revenue Options

City of Palm Springs

DRAFT

	<u>Projected Annual Revenue</u>
Transactional Cannabis Tax (tax all cannabis related transactions on products, growing, cultivation & testing to the full extent permitted by law)	TBD
Sales Tax - Add-On Sales Tax Additional 1/2% *	\$6,700,000
or Additional 1/4%	\$3,350,000
Utility User Tax - Raise rate to 6%	\$1,500,000
Documentary and Property Transfer Tax Rate - Increase total fee from \$1.10 / \$1,000 to \$2.20 / \$1,000 in value	\$1,500,000
Business License Tax (formalize by Prop 218 vote) Convert to sales & income basis	TBD
TOT - Raise rate by 1%	\$2,000,000
Fire District / Paramedic charge on every parcel in PS (\$165/parcel: 50% of \$16,170,000 / 49,140 parcels in PS)	\$8,085,000
Tribal Tourism / Casino Impacts Agreement to be renegotiated	TBD
Recreation Fees (requires formalized fee study) Residents & children of people working in PS (nominal increases)	TBD
Nonresidents -- cost recovery somewhere between 50% & 100%	TBD
Special Recordation Fee (on real estate documents) (Statutorily thru Assembly bill for entire County or only City) (G.C.27388)	TBD

* Available capacity in-process of being verified by City's Financial Advisor
and the City Attorney

ITEM NO. 4.A.



CITY COUNCIL STAFF REPORT

DATE: July 5, 2017

UNFINISHED BUSINESS

SUBJECT: *AD HOC* CITY COUNCIL SUBCOMMITTEE REPORTS, BALLOT INITIATIVES AND MEDICAL CANNABIS

FROM: David H. Ready, City Manager

BY: Edward Z. Kotkin, City Attorney

SUMMARY

The City Council *ad hoc* committees for ballot initiatives and medical cannabis have been in close communication with staff and legal counsel with respect to **(1)** addressing the significant budgetary challenges that will soon arise from the City meeting its continuing and increasing obligations to PERS retirees, and **(2)** ensuring that the City of Palm Springs provides an ideal environment for the evolution and growth of medical and other cannabis-related activities without compromising the City's capacity, based upon resources, to effectively regulate and also address community logistics with respect to those activities.

The Council is establishing its plan as to how to best address the municipal fiscal crisis that will arise from pension liability in several years absent aggressive intervention beforehand. The Council is considering how cuts in the fiscal year 2017-18 budget and new revenue streams will play a part in that plan. June 27, 2017 the law changed, and adult-use of cannabis is an imminent reality statewide. Staff is asking for the full Council's input, upon discussion with the subcommittees and staff, as to how staff and legal counsel should proceed with respect to potential ballot initiatives for November 2017 and the future beyond.

RECOMMENDATION:

Receive and file this report, and provide direction to the subcommittees and staff as to how the City should proceed with respect to desirable ballot initiatives and the evolution and growth of medical and adult-use cannabis activities in the City.

STAFF ANALYSIS:

Discussion of Taxes vis a vis Elections

General statewide elections take place on the first Tuesday in November, after the first Monday, in even-numbered years. General municipal elections are first Tuesday in November in odd-numbered years. There is always a “general election” in November in Palm Springs. Statewide elections can only be held during June and November of even-numbered years.

As for special elections, they can take place on the

- second Tuesday of April in an even-numbered year,
- first Tuesday after first Monday in March in odd-numbered years, or the
- first Tuesday after first Monday in June every year (can be consolidated with a general election), and first Tuesday after first Monday in November of every year (can be consolidated with a general election).

A “general tax” is a tax imposed for general governmental purposes. A tax is a “special tax” whenever expenditure of its revenues is limited to specific purposes; this is true even though there may be multiple specific purposes for which the revenues may be spent.

The Constitution requires that a local government imposing, extending, or increasing any “general tax” do so by majority vote of the electorate at an election consolidated with a regularly scheduled election when governing body members are elected. For Palm Springs, general taxes can only be voted upon on the first Tuesday in an odd-numbered year, 2017 being no exception. Special taxes, by contrast, can be approved by the electorate at any election, but must be approved by a two thirds ($\frac{2}{3}$) vote.

Cannabis Update Relevant to Discussion re a Potential Initiative

As the Council knows from its review of the staff report regarding the engagement of special counsel on its consent calendar, on June 27, 2017, the Governor signed SB 94 (“The Reconciliation Bill”), which will serve to reconcile the existing medical cannabis regulatory framework under the Medical Cannabis Regulation and Safety Act (MCRSA) with Proposition 64, the Adult-Use of Marijuana Act (AUMA). The Reconciliation Bill, also known as the “Medicinal and Adult-Use Cannabis Regulation and Safety Act” (“MAUCRSA”) provides a framework for the co-existence of licensing for adult-use (non-medical) and medical cannabis, eliminates prior restrictions on cross-licensure, provides for two (2) forms of taxation by the State of California (cultivation and excise), consolidates State authority over cannabis, and establishes that there are two (2) types of licenses, “A” licenses for adult use and “M” licenses for medical use. Testing and laboratory licenses are universal.

Businesses related to adult-use of cannabis will be legal in the State of California as of January 1, 2018. The subcommittee has directed that it is imperative that the City of Palm Springs remain a municipal leader in the field of cannabis regulation, and provide the best

possible platform from which cannabis businesses, whether medical and/or adult, whether existing or new, can continue, commence, and/or expand their operations, and prosper. In order to secure a permit/license from the State, our present and future cannabis businesses will need a local permit/license. This requirement will apply whether a business seeks an "A" or an "M" class permit/license, or both.

The subcommittee has directed that the City commence the review and issuance of medical cannabis business activities by parties beyond the City's six (6) permitted/licensed collectives/cooperatives as soon as possible. Depending upon the full Council's direction, staff can be prepared to do that by the beginning of next week. Staff requests the full Council's direction as to whether permit/license applications under Chapter 5.45 of the municipal code (*i.e.*, regarding medical cannabis business and activities beyond our existing approved collectives/cooperatives) should commence after or without a staff/Council screening process through which staff would rank applicants and present them to the Council for review and approval by the Council, with no permit being issued to any party without a Council approval. Staff has prepared a process for ranking and applicant approval by the Council whereby the Council could start considering applicants under Chapter 5.45 in October. Again, the alternative is simply accepting all applicants, subject to the significant protections and procedures already in the municipal code and required by State law.

In addition, staff will be presenting the Council with Chapter 5.55 of the Palm Springs Municipal Code to regulate adult use of cannabis at the July 19, 2017 meeting. Since the Council has decided to add a special meeting scheduled for July 26, 2017 to the calendar, second reading of the enacting ordinance can take place before the Council takes its August recess. Although it will be effective thirty (30) days after adoption, the permits issued pursuant to Chapter 5.55 will not be effective January 1, 2018. However, staff will begin accepting applications for adult-use permits as soon as Chapter 5.55 is effective. The subcommittee's direction has been to take all steps practicable to ensure that Palm Springs permit holders are "first in line" when the State begins issuing its permits. Considering and adopting Chapter 5.55 months before anyone can take advantage of the new State law keeps Palm Springs where the subcommittee has indicated it want the City to be – in leadership on this issue. In addition to Chapter 5.55, staff will present several cannabis-related zoning ideas to the Council on the nineteenth, and seek Council direction in that regard.

ALTERNATIVES:

None – staff and legal counsel merely seek Council direction. A failure to give direction at this time will prevent the staff from placing any ballot initiative on the ballot in November.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) DETERMINATION:

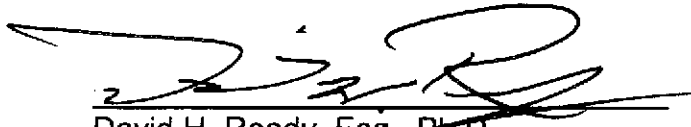
The direction staff and legal counsel seek is not a "project" for purposes of the California Environmental Quality Act (CEQA), as that term is defined by CEQA guidelines (Guidelines) section 15378. This direction is organizational or administrative activity by the City of Palm Springs in furtherance of its police power, and will not result in a direct or indirect physical change in the environment, per section 15378(b)(5) of the Guidelines.

FISCAL IMPACT:

Significant fiscal impacts may arise from the direction requested in this report. Staff is available to respond to questions in that regard.



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City Attorney



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City Manager