



CITY of CALABASAS

CITY COUNCIL AGENDA REPORT

DATE: JULY 28, 2020

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: RAY TAYLOR, INTERIM CITY MANAGER
SCOTT H. HOWARD, CONTRACT CITY ATTORNEY
MATTHEW T. SUMMERS, ASSISTANT CITY ATTORNEY
COLANTUONO HIGHSMITH & WHATLEY, PC

SUBJECT: ADOPTION OF RESOLUTION NO. 2020-1696, ADOPTING BALLOT LABEL FOR PROPOSED CANNABIS BUSINESSES GENERAL TAX

MEETING DATE: AUGUST 5, 2020

SUMMARY RECOMMENDATION:

Staff recommends the City Council adopt Resolution No. 2020-1696 adopting a ballot label for the proposed cannabis businesses gross receipts general tax submitted to the voters at the November 3, 2020, General Election. [Requires a 4/5 vote of all City Council Members.]

REPORT:

Background: On November 8, 2016, the Control, Regulate, & Tax Adult Use of Marijuana Act ("AUMA") was approved by California voters with the passage of Proposition 64. The AUMA permits local jurisdictions to regulate and/or ban adult use cannabis cultivation, distribution and delivery, transportation, manufacturing, testing laboratories, dispensaries, and microbusiness facilities.

Thereafter, the State legislature passed the Medicinal and Adult Use Cannabis Regulation & Safety Act, which created a comprehensive state licensing and

regulatory framework for the cultivation, manufacturing, testing laboratories, distribution, retail (storefront and non-storefront), and microbusinesses of both adult and medicinal use of cannabis.

Ballot Label for Cannabis Tax Measure: The ballot label is the description of the proposed tax that is stated on the ballot and included in the voter information guides. State law requires the ballot label to include the type, rate, duration, and estimated revenue from the proposed tax. (Elections Code § 13119.) After the City Council adopted Resolution 2020-1693, Council instructed staff to draft a revised ballot label for the cannabis tax measure. The ballot label must also be neutral and no more than 75 words. Staff recommends that the City Council closely review the proposed ballot label, as this is the language in the ballot itself reviewed by all voters. The revised proposed ballot label has 66 words and reads as follows:

Shall the measure imposing a City of Calabasas tax of up to 10% on cannabis businesses, without changing the City's existing prohibition on cannabis dispensaries, raising up to \$10,000 each year until voters decide otherwise, with additional revenue of up to \$300,000 per dispensary expected if the state or City ever allow cannabis dispensaries to operate in the City, to fund general City services, be adopted?

Election Process and Timing: To be on the November 2020 ballot, the Council would need to adopt the proposed ballot label Resolution and submit the ballot measure to the Los Angeles County Registrar of Voters 88 days before the date of the general election – August 7, 2020.

Fiscal Impact: Passage of the cannabis tax measure will result in increased revenue from the tax on gross receipts, initially an estimated no more than \$10,000 from taxes on deliveries into the City, and potentially significantly greater amounts if cannabis businesses are permitted to physically locate and operate within the City. The proposed tax measure does not permit dispensaries, instead further action by the state or City would be required to allow and regulate cannabis dispensaries. If a storefront dispensary were to operate in the City, staff estimates that it would result in up to \$300,000 in annual revenue, per dispensary, based on an estimated gross receipts of \$3 million for a typical cannabis dispensary and a 10 percent tax rate. These revenues may be spent on any lawful City purpose, as the proposed tax is a general tax.

With respect to actual election itself, staff estimates that based on costs incurred during the March 3, 2020, election, estimated cost for the November election and printing of a supplemental voter information guide will be approximately \$103,000, which is about \$3,000 higher than the \$100,000 budgeted amount.

Summary Recommendation: Staff recommends that the Council adopt Resolution No. 2020-1696, declaring the ballot label for the proposed cannabis businesses general tax previously submitted to the voters.

ATTACHMENT:

Resolution No. 2020-1696

-Its Exhibit A, Proposed Cannabis Tax Ordinance