RESOLUTION NO. <u>RES-2017-042</u>

RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA ROSA APPROVING ARGUMENT IN SUPPORT OF BALLOT MEASURE TO ENACT AN ORDINANCE OF THE CITY OF SANTA ROSA ADDING CHAPTER 6-10 TO THE SANTA ROSA CITY CODE AND AMENDING CHAPTER 6-04 OF THE SANTA ROSA CITY CODE TO IMPOSE A CANNABIS INDUSTRY TAX ON CANNABIS BUSINESSES OPERATING IN SANTA ROSA

WHEREAS, the City of Santa Rosa has responsibly and proactively managed its finances and its taxpayer dollars through transparent budget and decision-making processes and recently enacted Measures O and N to ensure the City's fiscal stability by updating budget formulas and extend locally-enacted funding; and

WHEREAS, on November 5, 1996, the California voters enacted Proposition 215 to legalize medical use of cannabis, and in October 2015, the Governor signed into law the Medical Marijuana Regulation and Safety Act (now known as the Medical Cannabis Regulation and Safety Act or MCRSA), establishing a state licensing framework and authorizing local regulation of the medical cannabis industry; and

WHEREAS, for the past year, the City of Santa Rosa's Medical Cannabis Policy Sub-Committee has been working with cannabis industry stakeholders to develop comprehensive policies to regulate those in the medical cannabis industry in a way that supports the region's small, locally-operated providers without overburdening that new market; and

WHEREAS, as these policy discussions continue, on November 8, 2016, California voters enacted Proposition 64 to legalize adult recreational use of cannabis and to allow businesses that support such cannabis use to operate legally, subject to regulations imposed by state and local public entities; and

WHEREAS, the permitting and support of this industry, in association with the earlier passage of Proposition 215, and the recent enactment of MCRSA and passage of Proposition 64, has significant cost implications for the City of Santa Rosa due to the substantial costs to the City of adopting and implementing regulations to govern this new industry, enforcing those regulations, ensuring public safety, addressing environmental concerns, providing economic development services, and providing other related services, totaling over $1,000,000 annually; and

WHEREAS, the City must identify a funding source to support regulation of the industry while not adversely impacting the general fund in order to maintain consistent funding and financial stability for essential services such as police and fire protection, 911 emergency response times, streets and road maintenance, affordable housing, gang prevention, recreational programs and other general city services; and

WHEREAS, the City's existing general business tax ordinance, which generally levies a limited business tax on all businesses operating in Santa Rosa, is insufficient to generate the volume of revenue needed to pay the City's costs of allowing the new and unique cannabis industry to operate in Santa Rosa; and

WHEREAS, nearly 50 other California jurisdictions – typically in collaboration with cannabis businesses – have enacted local measures to impose a general tax on cannabis business for the privilege of operating within the local jurisdiction; and

WHEREAS, such business taxes are imposed on cannabis businesses, and not directly on cannabis users or consumers; and

WHEREAS, adopting such a local cannabis industry business tax measure in the City of Santa Rosa will benefit residents of the City by ensuring that cannabis businesses contribute reasonably and fairly to paying for the costs associated with allowing this emerging industry to operate in Santa Rosa while allowing the City to continue to maintain stable funding for essential City services and continued quality of life; and

WHEREAS, the City recognizes the volatility of the newly-legalized cannabis market and will therefor set limited initial tax rates to balance the financial needs of the City and the desire of the City to support and encourage the industry to engage in the regulated market; and

WHEREAS, such a measure will provide locally-controlled revenue that cannot be taken by the State; and

WHEREAS, such a measure will help to maintain the City's long-term financial stability, with public oversight and annual fiscal reviews; and

WHEREAS, the City of Santa Rosa wishes to continue its policy engagement and discussions with stakeholders and the public about how cannabis businesses operating in Santa Rosa should be regulated, while acting quickly and decisively to address any significant financial disruptions or impact to the City's General Fund and provision of services to Santa Rosa citizens; and

WHEREAS, on February 14, 2017, in anticipation of the possible cannabis tax ballot measure and in accordance with Elections Code sections 9282 through 9287, the Council (a) authorized the appointment of a Council ad hoc subcommittee to draft the argument in support of the measure, subject to approval by the full Council, and (b) authorized the ad hoc committee to prepare and submit, without need for further Council approval, a rebuttal argument, if needed.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Santa Rosa hereby resolves:

1. An argument for the proposed measure has been prepared by an ad hoc committee of the City Council, in the form attached hereto as Exhibit A. The

Council hereby approves the language of that argument and authorizes its submission to the qualified voters of the City in accordance with sections 9282 through 9287 of the California Elections Code.

2. The Council ad hoc subcommittee is hereby authorized to prepare and submit to the qualified voters of the City a rebuttal argument, if needed, in accordance with the provisions of Section 9285(a) of the California Elections Code.

IN COUNCIL DULY PASSED this 14th day of March, 2017.

AYES: (7) Mayor Coursey, Vice Mayor Tibbetts, Council Members Combs, Olivares, Rogers, Sawyer, Schwedhelm

NOES: (0)

ABSENT: (0)

ABSTAIN: (0)

ATTEST: _____   APPROVED: _____
               City Clerk   Mayor

APPROVED AS TO FORM:

_____
   Interim City Attorney

Exhibit A – Proposed Ballot Measure