

Meeting Date: 2/9/2016

Report Type: Public Hearing

Report ID: 2016-00182

Title: Ordinance for Sacramento Children's Fund Ballot Measure (Noticed 01/29/2016; Passed for Publication 02/02/2016; Published 02/05/2016)

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, 1) pass an Ordinance a) adding Chapter 3.50 to the Sacramento City Code Relating to the creation of a Children's Fund; and b) amending Section 3.08.205 of, and adding Section 3.08.208 to, the Sacramento City Code Relating to Marijuana Business Operations Taxes; and 2) pass a Resolution approving ballot measure text for placement on the June 7, 2016 ballot.

Contact: Councilmember Jay Schenirer, District 5, (916) 808-7005

Presenter: Councilmember Jay Schenirer, District 5, (916) 808-7005

Department: Mayor/Council

Division: Council District 5

Dept ID: 01001011

Attachments:

1-Description/Analysis

2-City Manager Memo: Policy Implications of the Proposal for a Ballot Measure on Taxation of Medical Marijuana Cultivation and Manufacturing Dedicated to the Proposed Sacramento Children's Fund

3-Ordinance (Redline)

4-Ordinance (Clean)

5-Resolution

City Attorney Review

Approved as to Form

Michael W. Voss

2/4/2016 9:15:02 AM

Approvals/Acknowledgements

Department Director or Designee: Shirley Concolino - 2/3/2016 4:33:18 PM

Description/Analysis

Issue Detail: Ensuring a successful future for Sacramento requires that our children and youth are healthy, ready to learn and able to succeed in school, career and life. In addition, the City of Sacramento has a significant at-risk youth population and current City resources are inadequate to meet those needs. In fiscal year 2013/014 the City spent less than 1% of its General Fund resources on Sacramento's young people.

Policy Considerations: This proposal sponsored by Councilmember Schenirer to place a measure on the June 2016 ballot is scheduled for a public hearing on February 9. Since this item does not come from city staff, I, as City Manager, am offering comments and analysis. (Please see Memorandum as Attachment 02 - Policy Implications of the Proposal for a Ballot Measure on Taxation of Medical Marijuana Cultivation and Manufacturing Dedicated to the Proposed Sacramento Children's Fund).

In order to address these unmet needs, the City Council could place a measure on the June 2016 ballot to establish the Sacramento Children's Fund (Fund) to provide additional funding for children and youth services. This measure would add a five percent business operations tax (BOT) on businesses engaged in marijuana cultivation and manufacturing and exempt these functions of the marijuana industry from the existing four percent BOT that would be directed to the General Fund. The revenue generated by this initiative would be dedicated solely to the Fund for children and youth programs. Pursuant to state election law, this is considered a special tax in that it is dedicated to a particular program/service, and as such will require two-thirds voter approval. The next election for which the ballot measure is eligible is June 2016.

As proposed, the City could only use monies from the Fund for the following purposes:

- a. Services for children and youth, ages 0 – 24, including homeless and foster youth that promote the positive development of the whole child in school, career and life.
- b. Up to 10% of the Fund can be used for administration of the Fund and up to an additional 5% of the Fund can be used for evaluation of programs and services funded through the Sacramento Children's Fund.
- c. Community-based organizations and service providers who receive funding, through the Fund, to provide youth services or programming may also be eligible for technical assistance and capacity-building support through the Fund.
- d. Non-profits shall receive at least 70% of the portion of the Fund that is used for children and youth services. Such agencies shall be IRS-certified non-profit community-based organizations, City departments which serve children and youth in the City of Sacramento shall receive up to 30% of the portion of the Fund that is

used for children and youth services. The 70/30 split will be from funds remaining after administration and evaluation have been funded.

The City Manager will administer the children's fund consistent with the ordinance and prescribe procedures for that purpose, subject to City Council approval. Specific goals of the fund to be included in the procedures include but are not limited to:

- Ensuring that the City of Sacramento's children and youth are healthy, ready to learn, and able to succeed in school, career, and life;
- Focusing on the prevention of problems and on supporting positive outcomes of children and youth;
- Distribution of funds based on best practices, coordinated planning, and successful and innovative models in order to ensure maximum collective impact;
- Strengthen collaboration around shared outcomes among all service providers for children and youth, including collaboration among public agencies and non-profit organizations; and
- Fill gaps in services and leverage other resources whenever feasible.

Types of services that could be funded include:

- Early childhood education
- Before/after-school programs that support learning
- Summer programs that prevent summer learning loss
- Healthy living programs that include recreation, sports and nutrition education
- Cultural and arts programs
- Technology-focused programs
- Training, employment and job placement programs
- Youth empowerment and leadership development programs
- Youth violence and gang prevention programs
- Academic tutoring and educational enrichment (including financial literacy) programs
- Support for provider capacity-building

The procedures may provide that programs eligible for funding must be researched-based with evidence of past success. Programs must also align with a youth development framework to be adopted by the City.

The proposed language for the ballot measure is as follows:

City of Sacramento Children's Fund. To create a funding source dedicated to children and youth services, including homeless and foster youth, shall a 5% business operations tax on gross receipts of marijuana cultivation and manufacturing businesses be imposed, generating revenues potentially in the millions of dollars annually, to be used for children and youth services in the City of Sacramento?

Environmental Considerations: Not applicable.

Rationale for Recommendation: Creating a dedicated funding source for child and youth programming in the City of Sacramento is in the long-term interests of Sacramento's children, youth, and residents at-large. Increased funding for youth programming can reduce crime and truancy and improve student academic success. Improved academic success increases earnings potential over an individual's lifetime and can be a key to breaking the cycle of poverty.

Financial Considerations: It is estimated that the proposed increases could generate approximately \$5 million annually for children and youth programming. The City currently spends approximately 1% of General Fund dollars on youth services. Adoption of this measure as a special tax and requiring the maintenance of a base level of funding in the General Fund for these types of programs/services will limit Council's flexibility to provide funding for other Citywide program needs and/or respond to changing economic conditions should General Fund program reductions become necessary to balance the City's budget. Further, this proposal is not revenue neutral to the General Fund, as it will redirect the 4% BOT on cultivation and manufacturing that is already part of the BOT under current voter approved law.

Local Business Enterprise (LBE): Not applicable.


John F. Shirey
City Manager

City Hall
915 I Street, Fifth Floor
Sacramento, CA 95814-2604
916-808-5704

MEMORANDUM

DATE: February 9, 2016

TO: Mayor and City Council Members

FROM: John F. Shirey, City Manager 

SUBJECT: **Policy Implications of the Proposal for a Ballot Measure on Taxation of Medical Marijuana Cultivation and Manufacturing Dedicated to the Proposed Sacramento Children's Fund**

A proposal sponsored by Councilmember Schenirer to place a measure on the June 2016 ballot is scheduled for a public hearing on February 9. Since this item does not come from City staff, I am offering our comments and analysis.

Summary of Measure

This proposal would exempt businesses engaged in marijuana cultivation and manufacturing from the existing four percent business operations tax (BOT), currently directed to the General Fund, and replace it with a five percent BOT on marijuana cultivation and manufacturing to provide funding exclusively for children and youth services. The proposal requires 70% of the revenue to be provided to outside organizations. The proposal also requires maintenance of a base level of funding in the General Fund for these types of programs/services and no supplanting of those funds with money from the new tax revenue. Pursuant to state election law, this is considered a special tax as it is earmarked for a specific program/service, and as such, will require two-thirds voter approval.

Background

Until recent state legislation was enacted, all marijuana-related businesses except medical dispensaries were illegal in California. However, in anticipation of the legislation and eventual legalization of recreational marijuana, the City Council approved the four percent BOT for all marijuana-related businesses in 2010 which went into effect in July 2011. The expectation at the time was that these revenues would benefit the General Fund and be available to fund citywide programs and services, which could include programs that benefit children and youth.

Taking this new funding and placing it in a “lock box” does not reflect best practices related to prudent financial management of a city government. Adoption of this measure as a special tax and requiring the maintenance of a base level of funding in the General Fund for these types of programs/services will limit Council’s flexibility to provide funding for other citywide program needs and/or respond to changing economic conditions should General Fund program reductions become necessary to balance the City’s budget in future years. These revenues should be available citywide at the discretion of the City Council, and future city councils, to prioritize funding for programs and services as needed.

To clarify, the City does not currently collect the BOT on marijuana-related businesses with the exception of dispensaries. However, the proposal removes the previously approved four percent BOT on cultivation and manufacturing that is already part of the BOT under current voter-approved law and replaces it with a five percent BOT that is dedicated to the proposed Sacramento Children’s Fund. To redirect these resources is inconsistent with Council’s current adopted policy and guidelines relative to the identification of new revenues and achieving budget sustainability.

Budgeting Best Practices

The City Council has adopted Core Budget Policies and Budget Guidelines that require the Council to adopt a balanced budget, maintain a fiscally sustainable, balanced budget, and look for opportunities to proactively grow revenues. In that context, the Council asked for and received a five-year plan to close the projected budget deficit, the result of spending commitments growing faster than revenues, to regain structural stability in the General Fund. The anticipated existing BOT on marijuana businesses was identified as part of this strategy.

As presented to the Budget and Audit Committee on November 3, 2015, the fiscal reality is that current General Fund expenditure commitments are unsustainable as expenditures are forecast to outpace revenues beginning in fiscal year 2016/17. The City’s multi-year labor agreements coupled with growing pension and benefit costs are driving expenditure growth well in excess of revenue growth. The addition of new programs and services at a time when we may not be able to sustain current operations is inconsistent with Council’s adopted Budget Guidelines (Attachment 1). There is also the added uncertainty of the future of revenues from Measure U which is due to sunset in 2019.

5-YEAR GENERAL FUND FORECAST

\$ in 000s	FY16	FY17	FY18	FY19	FY20	FY21
Beginning Fund Balance	11,234	6,956				
Total Revenues/Other Sources	400,451	407,726	415,558	423,883	432,458	441,295
Total Expenditures	396,112	414,522	426,134	432,548	438,502	441,910
Priority Budget Initiatives <i>(one-time costs)</i>	8,038	-	-	-	-	-
FY2015/16 Approved Budget Balance	7,535	160	(10,576)	(8,665)	(6,044)	(615)
Labor Contract Adjustment ¹	579	1,998	2,564	3,280	3,280	3,280
Projected Fund Balance	6,956	(1,838)	(13,140)	(11,945)	(9,324)	(3,895)

¹Most of the City’s labor contracts will expire in June 2017. Growth related to subsequent contracts is not included in the forecast.

Council should act to ensure that the City's financial position is sustainable over the long-term. New program initiatives add to the demands on existing staff and limited General Fund resources. Budget sustainability requires that annual operating cost increases be held to a level at or below annual revenue growth and/or cutting or eliminating specific expenditures.

Administration of Funds

Should the Council vote to place the proposed initiative on the ballot and it is approved by the voters, I also recommend against creating a new department to manage the proposed Children's Services Fund. Creating a new department would increase administration and overhead expenses even if current programs and services were placed in a new department. As 70% of the funds proposed through the ballot measure would be for grants to outside organizations, the City's Parks and Recreation Department, traditionally the administrator of youth programs, should continue to manage them. The Department will soon have a new Director and I am confident that the newly reconstituted Department can capably manage all programs and contracts for youth services.

The Youth Services Division within the Department has been adversely affected over the last several years experiencing budget reductions that impeded program expansion and has reduced the level of services provided in communities throughout the city. Should the City Council decide to allocate more funding from the General Fund for youth services or from a new Children's Services Fund, the Division has already developed a plan to restore and grow children and youth services.

Budget Guidelines

Maintain a fiscally sustainable, balanced budget.

The Mayor and Council's priorities, based on community input, should drive the budget creation.

Continue a community-based budget process where city residents are engaged and educated on budget processes and provide feedback on budget priorities.

Look for ways to grow the reserve beyond its current goal of 10% of revenues.

All budget actions must be considered in a multi-year context, with new revenues not counted or spent until realized. One-time resources should be used for one-time needs, not ongoing expenses.

Do not make spending decisions in isolation. Avoid spending money on one-off projects or without looking at the big picture. Understand long-term consequences and opportunity costs.

Keep Council informed on the fiscal condition of the city and conduct continuous evaluations for efficiencies and effectiveness.

The City must consistently look for opportunities to proactively grow revenues instead of simply being reactive.

Make every effort to identify private financing or federal and state grant opportunities before using City resources. Pursue new and enhance existing revenue sources.

Before new expenditures are made, identify return on investments and impacts; fiscal and social benefits.

Address unfunded long-term liabilities.

Remain a full-service city.

ORDINANCE NO. 2016-xxx

Adopted by the Sacramento City Council

February __, 2016

AN ORDINANCE ADDING CHAPTER 3.50 TO THE SACRAMENTO CITY CODE RELATING TO THE CREATION OF A CHILDREN'S FUND; AND AMENDING SECTION 3.08.205 OF, AND ADDING SECTION 3.08.208 TO, THE SACRAMENTO CITY CODE RELATING TO MARIJUANA BUSINESS OPERATIONS TAXES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1

The City of Sacramento has an at-risk child and youth population. The poverty rate for children under 18 is 29%, compared to 24% for the County of Sacramento. In fiscal year 2014-15, the City spent less than one percent of the General Fund on children and youth services in efforts to address the needs of its younger residents. The City's current resources are inadequate to meet the needs of its children and youth.

SECTION 2

Chapter 3.50 is added to the Sacramento City Code to read as follows:

Chapter 3.50 CHILDREN'S FUND

3.50.010 Children's fund established.

There is established a special fund of the city to be known as the children's fund. All monies received pursuant to section 3.08.208 shall be deposited into the children's fund. The children's fund may also receive monies from other sources.

3.50.020 Purposes and limitations.

A. Monies deposited into the children's fund may be used for:

1. Services for children and youth, ages 0-24, including foster and homeless youth, which services promote the positive development of children and youth in their education, career, and life;
2. Technical assistance and capacity-building for children and youth service providers that receive monies from the children's fund;
3. City expenses related to the administration of the children's fund. No more than 10% of the annual deposits may be used for this purpose; and

Ordinance No.

Adopted on

4. Evaluation of the services funded by subsection A.1. No more than 5% of the annual deposits may be used for this purpose.

B. The following entities are eligible to receive funding pursuant to subsections A.1 and A.2:

1. City departments that provide services for children and youth; and

2. Tax-exempt organizations under United States Internal Revenue Code section 501(c)(3) that provide services to children and youth. These tax-exempt organizations shall receive at least 70% of the monies remaining after the appropriations under subsections A.3 and A.4.

3.50.030 Administration.

The city manager shall administer the children's fund consistent with this chapter and prescribe procedures for that purpose, subject to city council approval. The city shall appropriate monies from the children's fund according to its established planning and budget processes.

3.50.040 Annual evaluation.

Commencing on January 1, 2018, and annually thereafter, the city manager shall report to the city council on the status of activities undertaken with the children's fund. The city manager shall ensure services paid for by the children's fund are evaluated on a regular basis.

3.50.050 Non-replacement of existing city funding.

Monies from the children's fund shall not replace monies from the city's general fund allocated for children and youth services as of January 1, 2017, with the exception of monies required to match external program funding that was reduced or eliminated. Prior to March 1, 2017, the city manager shall perform a study to determine the amount of monies allocated children and youth services. In any year, the city's general fund contribution to children and youth services shall not be reduced more than the same percentage of reduction that is imposed on the city's net general fund budget for non-safety departments (which are all operating departments except police and fire).

3.50.060 Oversight committee.

Before January 1, 2017, the city council shall, by resolution, establish an oversight committee to review the revenue and expenditure of monies from the children's fund. The committee members' terms, qualifications, and duties, and the committee's scope of authority, shall be established by the resolution.

SECTION 3

Section 3.08.205 of the Sacramento City Code is amended to read as follows:

3.08.205 Marijuana businesses.

A. Every person engaged in a marijuana business shall pay an annual business operations tax as follows:

1. On and after July 1, 2011, four percent of each dollar of gross receipts for the reporting period.

2. Notwithstanding the tax rate imposed in subsection ~~(A.)(1)~~, the city council may, in its discretion, at any time by resolution implement any lower tax rate it deems appropriate, and may by resolution increase such tax rate from time to time, not to exceed the maximum rate established under subsection ~~(A.)(1)~~.

B. For purposes of this section, the following terms have the following meanings:

"Gross receipts" has the meaning as defined in ~~S~~section 3.08.020, as it pertains to the marijuana business' reporting period, and includes receipts from the sale of marijuana and from the sale of paraphernalia used for consuming marijuana and any other products, goods, or services sold or provided by the marijuana business.

"Marijuana" ~~or "Cannabis"~~ has the same meaning as "cannabis" as defined in California Health and Safety Code Section 11018 California Business and Professions Code section 19300.5.

"Marijuana business" means a business activity including, but not limited to, ~~planting, cultivation, harvesting,~~ transporting, ~~manufacturing, compounding, converting, processing, preparing,~~ storing, packaging, providing, or selling wholesale and/or retail sales of marijuana. A marijuana business includes any facility, building, structure or location, whether fixed, mobile, permanent, or temporary, where marijuana is made available, sold, given, distributed, or otherwise provided in accordance with California Health and Safety Code Ssection 11362.5 and Aarticle 2.5 of Echapter 6 of Ddivision 10 of the California Health and Safety Code (Health and Safety Codecommencing with

~~Section~~ 11362.7—~~et seq.~~). A marijuana business includes medical marijuana “cooperatives” and “collectives” that are established as not for profit businesses.

“Reporting period” means a year, quarter, or calendar month, as determined by the administrator.

C. The provisions of Section 3.08.210 do not apply to any marijuana business. Every marijuana business not having a fixed place of business within the city that engages in business within the city shall pay a business operations tax calculated pursuant to subsection A.1.

SECTION 4

Section 3.08.208 is added to the Sacramento City Code to read as follows:

3.08.208 Marijuana cultivation and manufacturing businesses—Children’s fund.

A. Every person engaged in a marijuana cultivation business or a marijuana manufacturing business shall pay an annual business operations tax as follows:

1. On and after January 1, 2017, five percent of each dollar of gross receipts for the reporting period, with all revenue deposited into the children’s fund established in chapter 3.50.

2. Notwithstanding the tax rate imposed in subsection A.1, the city council may, in its discretion, at any time by resolution implement any lower tax rate it deems appropriate, and may by resolution increase such tax rate from time to time, not to exceed the maximum rate established under subsection A.1.

B. For purposes of this section, the following terms have the following meanings:

“Gross receipts” has the meaning as defined in section 3.08.020, as it pertains to the business’ reporting period, and includes receipts from the sale or transfer of marijuana, and from any other products, goods, or services sold or provided by the marijuana cultivation business or marijuana manufacturing business.

“Marijuana” has the same meaning as “cannabis” as defined in California Business and Professions Code section 19300.5.

“Marijuana cultivation business” means a business involving the planting, growing, harvesting, drying, curing, grading, or trimming of marijuana. A marijuana cultivation business is not involved in the transportation, distribution, testing, dispensing, or delivery of marijuana. “Marijuana cultivation business” includes businesses that

cultivate marijuana to be used for medical and nonmedical purposes, and includes “cooperatives” and “collectives” that are established as not-for-profit businesses and for-profit businesses.

“Marijuana manufacturing business” means a business involving the producing, preparing, propagating, or compounding of manufactured marijuana, either directly or indirectly, or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis. A marijuana manufacturing business is not involved in the transportation, distribution, testing, dispensing, or delivery of marijuana. “Marijuana manufacturing business” includes businesses that manufacture marijuana to be used for medical and nonmedical purposes, and includes “cooperatives” and “collectives” that are established as not-for-profit businesses and for-profit businesses.

“Reporting period” means a year, quarter, or calendar month, as determined by the administrator.

C. The provisions of section 3.08.210 do not apply to any marijuana cultivation business or marijuana manufacturing business. Every marijuana cultivation business or marijuana manufacturing business not having a fixed place of business within the city that engages in business within the city shall pay a business operations tax calculated pursuant to subsection A.1.

SECTION 5

This ordinance shall take effect on January 1, 2017, but only if approved by two-thirds of the voters of the City of Sacramento voting in an election held before July 1, 2016.

SECTION 6

Adoption of this ordinance does not affect any administrative or civil prosecutions or proceedings brought or to be brought to enforce the provisions of Sacramento City Code chapter 3.08 as they existed prior to the effective date of this ordinance. The provisions of chapter 3.08, as they exist prior to the effective date of this ordinance, shall continue to be operative and effective with regard to any obligations or acts occurring prior to the effective date of this ordinance.

Adopted by the City of Sacramento City Council on _____ by the following vote:

Ayes:

Noes:

Ordinance No.

Adopted on

Abstain:

Absent:

MAYOR

Attest:

City Clerk

Passed for Publication:

Published:

Effective:

Ordinance No.

Adopted on

ORDINANCE NO. 2016-xxx

Adopted by the Sacramento City Council

February __, 2016

AN ORDINANCE ADDING CHAPTER 3.50 TO THE SACRAMENTO CITY CODE RELATING TO THE CREATION OF A CHILDREN'S FUND; AND AMENDING SECTION 3.08.205 OF, AND ADDING SECTION 3.08.208 TO, THE SACRAMENTO CITY CODE RELATING TO MARIJUANA BUSINESS OPERATIONS TAXES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1

The City of Sacramento has an at-risk child and youth population. The poverty rate for children under 18 is 29%, compared to 24% for the County of Sacramento. In fiscal year 2014-15, the City spent less than one percent of the General Fund on children and youth services in efforts to address the needs of its younger residents. The City's current resources are inadequate to meet the needs of its children and youth.

SECTION 2

Chapter 3.50 is added to the Sacramento City Code to read as follows:

Chapter 3.50 CHILDREN'S FUND

3.50.010 Children's fund established.

There is established a special fund of the city to be known as the children's fund. All monies received pursuant to section 3.08.208 shall be deposited into the children's fund. The children's fund may also receive monies from other sources.

3.50.020 Purposes and limitations.

A. Monies deposited into the children's fund may be used for:

1. Services for children and youth, ages 0-24, including foster and homeless youth, which services promote the positive development of children and youth in their education, career, and life;
2. Technical assistance and capacity-building for children and youth service providers that receive monies from the children's fund;
3. City expenses related to the administration of the children's fund. No more than 10% of the annual deposits may be used for this purpose; and

Ordinance No.

Adopted on

4. Evaluation of the services funded by subsection A.1. No more than 5% of the annual deposits may be used for this purpose.

B. The following entities are eligible to receive funding pursuant to subsections A.1 and A.2:

1. City departments that provide services for children and youth; and

2. Tax-exempt organizations under United States Internal Revenue Code section 501(c)(3) that provide services to children and youth. These tax-exempt organizations shall receive at least 70% of the monies remaining after the appropriations under subsections A.3 and A.4.

3.50.030 Administration.

The city manager shall administer the children's fund consistent with this chapter and prescribe procedures for that purpose, subject to city council approval. The city shall appropriate monies from the children's fund according to its established planning and budget processes.

3.50.040 Annual evaluation.

Commencing on January 1, 2018, and annually thereafter, the city manager shall report to the city council on the status of activities undertaken with the children's fund. The city manager shall ensure services paid for by the children's fund are evaluated on a regular basis.

3.50.050 Non-replacement of existing city funding.

Monies from the children's fund shall not replace monies from the city's general fund allocated for children and youth services as of January 1, 2017, with the exception of monies required to match external program funding that was reduced or eliminated. Prior to March 1, 2017, the city manager shall perform a study to determine the amount of monies allocated children and youth services. In any year, the city's general fund contribution to children and youth services shall not be reduced more than the same percentage of reduction that is imposed on the city's net general fund budget for non-safety departments (which are all operating departments except police and fire).

3.50.060 Oversight committee.

Before January 1, 2017, the city council shall, by resolution, establish an oversight committee to review the revenue and expenditure of monies from the children's fund. The committee members' terms, qualifications, and duties, and the committee's scope of authority, shall be established by the resolution.

SECTION 3

Section 3.08.205 of the Sacramento City Code is amended to read as follows:

3.08.205 Marijuana businesses.

A. Every person engaged in a marijuana business shall pay an annual business operations tax as follows:

1. On and after July 1, 2011, four percent of each dollar of gross receipts for the reporting period.

2. Notwithstanding the tax rate imposed in subsection A.1, the city council may, in its discretion, at any time by resolution implement any lower tax rate it deems appropriate, and may by resolution increase such tax rate from time to time, not to exceed the maximum rate established under subsection A.1.

B. For purposes of this section, the following terms have the following meanings:

"Gross receipts" has the meaning as defined in section 3.08.020, as it pertains to the marijuana business' reporting period, and includes receipts from the sale of marijuana and from the sale of paraphernalia used for consuming marijuana and any other products, goods, or services sold or provided by the marijuana business.

"Marijuana" has the same meaning as "cannabis" as defined in California Business and Professions Code section 19300.5.

"Marijuana business" means a business activity including, but not limited to, transporting, storing, packaging, providing, or selling wholesale and/or retail sales of marijuana. A marijuana business includes any facility, building, structure or location, whether fixed, mobile, permanent, or temporary, where marijuana is made available, sold, given, distributed, or otherwise provided in accordance with California Health and Safety Code section 11362.5 and article 2.5 of chapter 6 of division 10 of the California Health and Safety Code (commencing with section 11362.7). A marijuana business includes medical marijuana "cooperatives" and "collectives" that are established as not for profit businesses.

“Reporting period” means a year, quarter, or calendar month, as determined by the administrator.

C. The provisions of Section 3.08.210 do not apply to any marijuana business. Every marijuana business not having a fixed place of business within the city that engages in business within the city shall pay a business operations tax calculated pursuant to subsection A.1.

SECTION 4

Section 3.08.208 is added to the Sacramento City Code to read as follows:

3.08.208 Marijuana cultivation and manufacturing businesses—Children’s fund.

A. Every person engaged in a marijuana cultivation business or a marijuana manufacturing business shall pay an annual business operations tax as follows:

1. On and after January 1, 2017, five percent of each dollar of gross receipts for the reporting period, with all revenue deposited into the children’s fund established in chapter 3.50.

2. Notwithstanding the tax rate imposed in subsection A.1, the city council may, in its discretion, at any time by resolution implement any lower tax rate it deems appropriate, and may by resolution increase such tax rate from time to time, not to exceed the maximum rate established under subsection A.1.

B. For purposes of this section, the following terms have the following meanings:

“Gross receipts” has the meaning as defined in section 3.08.020, as it pertains to the business’ reporting period, and includes receipts from the sale or transfer of marijuana, and from any other products, goods, or services sold or provided by the marijuana cultivation business or marijuana manufacturing business.

“Marijuana” has the same meaning as “cannabis” as defined in California Business and Professions Code section 19300.5.

“Marijuana cultivation business” means a business involving the planting, growing, harvesting, drying, curing, grading, or trimming of marijuana. A marijuana cultivation business is not involved in the transportation, distribution, testing, dispensing, or delivery of marijuana. “Marijuana cultivation business” includes businesses that cultivate marijuana to be used for medical and nonmedical purposes, and includes “cooperatives” and “collectives” that are established as not-for-profit businesses and for-profit businesses.

Ordinance No.

Adopted on

"Marijuana manufacturing business" means a business involving the producing, preparing, propagating, or compounding of manufactured marijuana, either directly or indirectly, or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis. A marijuana manufacturing business is not involved in the transportation, distribution, testing, dispensing, or delivery of marijuana. "Marijuana manufacturing business" includes businesses that manufacture marijuana to be used for medical and nonmedical purposes, and includes "cooperatives" and "collectives" that are established as not-for-profit businesses and for-profit businesses.

"Reporting period" means a year, quarter, or calendar month, as determined by the administrator.

C. The provisions of section 3.08.210 do not apply to any marijuana cultivation business or marijuana manufacturing business. Every marijuana cultivation business or marijuana manufacturing business not having a fixed place of business within the city that engages in business within the city shall pay a business operations tax calculated pursuant to subsection A.1.

SECTION 5

This ordinance shall take effect on January 1, 2017, but only if approved by two-thirds of the voters of the City of Sacramento voting in an election held before July 1, 2016.

SECTION 6

Adoption of this ordinance does not affect any administrative or civil prosecutions or proceedings brought or to be brought to enforce the provisions of Sacramento City Code chapter 3.08 as they existed prior to the effective date of this ordinance. The provisions of chapter 3.08, as they exist prior to the effective date of this ordinance, shall continue to be operative and effective with regard to any obligations or acts occurring prior to the effective date of this ordinance.

Adopted by the City of Sacramento City Council on _____ by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Ordinance No.

Adopted on

MAYOR

Attest:

City Clerk

Passed for Publication:

Published:

Effective:

Ordinance No.

Adopted on

RESOLUTION NO. 2016-

Adopted by the Sacramento City Council

APPROVING BALLOT MEASURE TEXT TO BE SUBMITTED TO THE VOTERS IN A QUESTION RELATING TO A BUSINESS OPERATIONS TAX ON BUSINESSES ENGAGED IN MARIJUANA CULTIVATION AND MANUFACTURING WITH REVENUES TO BE USED FOR CHILDREN AND YOUTH SERVICES, TO BE INCLUDED WITH THE CONSOLIDATED PRIMARY MUNICIPAL ELECTION OF JUNE 7, 2016

BACKGROUND

- A. The City of Sacramento has a significant at-risk youth population and current City resources are inadequate to meet those needs.
- B. In fiscal year 2013/14, the City of Sacramento spent less than one percent of its General Fund resources on Sacramento's young people.
- C. To address these unmet needs, the City Council could place a measure on the June 2016 ballot to establish the Sacramento Children's Fund (Fund) to provide additional funding for children and youth services.
- D. This measure would add a five percent business operations tax (BOT) on businesses engaged in marijuana cultivation and manufacturing and exempt these functions of the marijuana industry from the existing four percent BOT that would be directed to the General Fund. The revenue generated by this initiative would be dedicated solely to the Fund for children and youth programs.
- E. Pursuant to state election law, this is considered a special tax in that it is dedicated to a particular program/service, and as such will require two-thirds voter approval.
- F. Creating a dedicated funding source for child and youth programming in the City of Sacramento is in the long-term interests of Sacramento's children, youth, and residents at-large.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

Section 1. That the City Council approves for submittal to the voters at the June 7, 2016 Primary Municipal Election the following question:

City of Sacramento Children's Fund. To create a funding source dedicated to children and youth services, including homeless and foster youth, shall a 5% business operations tax on gross receipts of marijuana cultivation and manufacturing businesses be imposed, generating revenues potentially in the millions of dollars annually, to be used for children and youth services in the City of Sacramento?