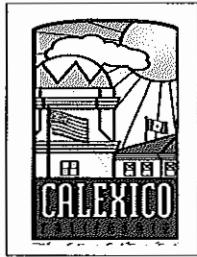


AGENDA  
ITEM  
**14**



# AGENDA STAFF REPORT

**DATE:** February 17, 2021

**TO:** Mayor and City Council

**APPROVED BY:** Miguel Figueroa, City Manager *MFK*

**PREPARED BY:** Carlos Campos, City Attorney

**SUBJECT:** Approve Cannabis Business Tax Revenue Usage

=====

**Recommendation:**

Review cannabis business tax revenue collected to date and take action on potential uses for this revenue.

**Background:**

In July 2018, the City Council adopted Resolution No. 2018-61, which placed a general tax measure ("Measure K") on the November 2018 ballot. Measure K sought to 1) establish a maximum limit on how much the City could tax cannabis businesses, and 2) authorize the City Council to establish tax rates that did not exceed the maximum limit.

The ballot question read as follows:

Shall the City of Calexico adopt an ordinance enacting a tax on cannabis businesses of up to \$25 per square foot of space utilized, and up to 15% of gross receipts from the sale of cannabis and related products, generating approximately \$700,000 annually for general City services, such as police and emergency response, parks, youth/senior services, and street repair, until ended by voters?

Voters overwhelmingly approved Measure K with nearly seventy four percent (74%) voting in favor of the proposed tax. Measure K is a "general tax". All revenue from this tax has been deposited into the City's General Fund.

**AGENDA  
ITEM  
14**

On October 2, 2019, the City Council adopted the current tax rates, as follows:

<b>Business Type</b>	<b>Staff recommended rate</b>
Cultivation of Mature Plants	\$16 per square foot of canopy space utilized
Manufacturing	3% of gross receipts
Distribution	No tax
Testing	No tax
Retail (incl. delivery & microbusinesses)	10% of gross receipts

**Discussion:**

The City has collected \$46,627.93 in 2018, \$2,248.71 in 2019, and \$99,012.59 in 2020 for a total of \$147,889.23 in cannabis tax revenue to date. As noted above, the tax is a general tax. General tax revenues can be used for unrestricted general revenue. This means that the funds can be used locally to fund general municipal services in Calexico. For example, and as suggested in the ballot question, police and emergency response, parks, youth/senior services, and/or street repair.

The purpose of this agenda item is for the City Council to discuss and take action on on potential uses of the cannabis business tax revenue.

**Fiscal Impact:**

There will be a \$147,889.23 impact to the Revenue Fund.

**Coordinated With:**

City Attorney's Office.

**Attachment(s):**

None.