CITY OF ADELANTO CITY ATTORNEY'S IMPARTIAL ANALYSIS OF BALLOT MEASURE S

(Update to Cannabis Business Tax)

Measure S was placed on the ballot by the Adelanto City Council and, if approved by a majority of Adelanto voters, will amend the Municipal Code to update the local tax on cannabis/marijuana businesses operating within the City. Measure S is a tax measure only. It does not amend the City's existing cannabis regulations or authorize new or additional types of cannabis businesses to operate in the City.

On November 8, 2016, Adelanto voters approved Measure "R", which established a maximum 5% gross receipts tax on all cannabis businesses operating within the City. During 2017, the City Council adopted several ordinances to implement Measure "R". These ordinances established an alternative voluntary contribution system by which a cannabis cultivator who meets certain criteria may be exempted from the gross receipts tax. The voluntary contribution is currently set at \$5 per square foot of facility space. Qualifying cannabis cultivators are eligible for a one-time reduced contribution of \$4.25 per square foot for this year.

If approved, Measure S would revise the City's tax rates on cannabis businesses as follows:

- Establish a maximum rate of \$5.00 per square foot rate of space utilized in connection with cannabis cultivation or nursery, as defined in the Measure; and
- Maintain the 5% maximum gross receipts tax on all other cannabis businesses operating within the City (manufacturing, processing, testing, wholesale distribution, retail sale, and customer delivery). "Gross receipts" is defined to include any money, in-kind contributions, exchange of property, or any other items of value received by the business for these cannabis operations.

Measure S authorizes the City Council to set the actual tax rates, provided that the rates do not exceed the voter-approved maximum rates set by Measure S.

Measure S would be a "general tax". All revenue from this tax would be deposited into the City's General Fund and could be used for general City operations and services, including police enforcement, emergency response, parks, youth and senior services, and street repair. Pursuant to State Law, a "general tax" requires approval by a majority of the City's voters voting at an election.

The City currently permits commercial cannabis nurseries, cultivation, manufacturing, testing, distribution, transportation and dispensaries to operate within its jurisdiction, subject to the issuance of a City commercial cannabis permit and a Conditional Use Permit or a Minor Conditional Use Permit. If approved, Measure S would apply the tax on all cannabis businesses currently operating in the City. The tax would also apply to any other cannabis businesses that may be allowed in the future by amendments to State law or the Adelanto Municipal Code. As noted above, Measure S would not change or expand the number or types of cannabis businesses currently allowed in the City. If approved, Measure S is anticipated to raise approximately \$2,500,000 annually.

A "yes" vote on Measure S will approve updates to the cannabis business tax.

A "no" vote on Measure S will not approve updates to the cannabis business tax.

The above statement is an impartial analysis of Measure S. If you desire a copy of the ordinance or measure, please call the City Clerk's office at (760) 246-2300 and a copy will be mailed at no cost to you.

Ruben Duran, City Attorney