



Merced, California Next Steps and Strategies for Successful Implementation of Cannabis-Related Health and Safety Regulations

Presented by:

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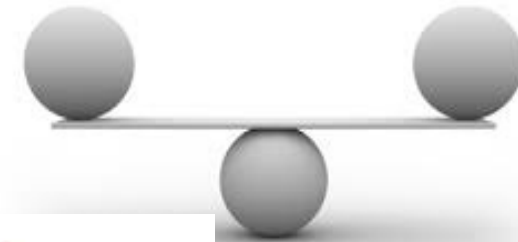
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Introduction

- SCI Consulting Group
- Neil Hall, Cannabis Group Leader
- Arcelia Herrera, Senior Consultant

- Overview
- Interactive
- Unbiased
- Questions and Answers



Medical Cannabis Goals for the City of Merced

- Identify Community Preferences
 - Revenue
 - Regulation
 - Accessibility
- Comply With State Law
 - MCRSA – AB 243, AB 266, SB 643, SB 837
 - Encourage and Protect Sustainable Cannabis Businesses
 - Reasonable Regulations
 - Reasonable Fees



Dynamic History of Cannabis in US

- Medical & Industrial use of Cannabis until 1937...

- Post Prohibition attitude changes

Harry Anslinger



Bureau of Prohibition

Federal Bureau of Narcotics



- Marihuana Tax Act of 1937

(This Ban was Opposed by American Medical Association)



Illegal Cannabis in US

- Boggs Act of 1951
- Narcotics Control Act of 1956
 - First-time cannabis possession with no stamp tax:
 - 2 – 10 years
 - Up to \$20,000 fine
- Controlled Substances Act of 1970
 - Schedule 1 classification



"Legalization" of Cannabis in US



- The Cole Memo (2013)
 - 8 criteria to maintain State's right to control
- The Rohrabacher-Farr Amendment (2014)
 - Prevents funding for the DOJ or DEA to use arresting or prosecuting patients, caregivers, and businesses that are acting in compliance with state medical marijuana laws
- U.S vs. McIntosh (2016)
 - 9th Circuit Court of Appeals reaffirms Rorabacher-Farr



Recent History of Cannabis in California

- 1996 - Proposition 215
 - Authorized medical cannabis use
- 2015 - The Medical Marijuana Regulation and Safety Act
 - Three bills co-joined AB 243, AB 266, SB 643
 - Now known as "*MERSA*"
 - Provides needed structure and clarity
 - Allows for local control
 - SB 837 MCRSA
- 2016 - Proposition 64
 - Known as the "*AUMA*"
 - Authorized non-medical cannabis use



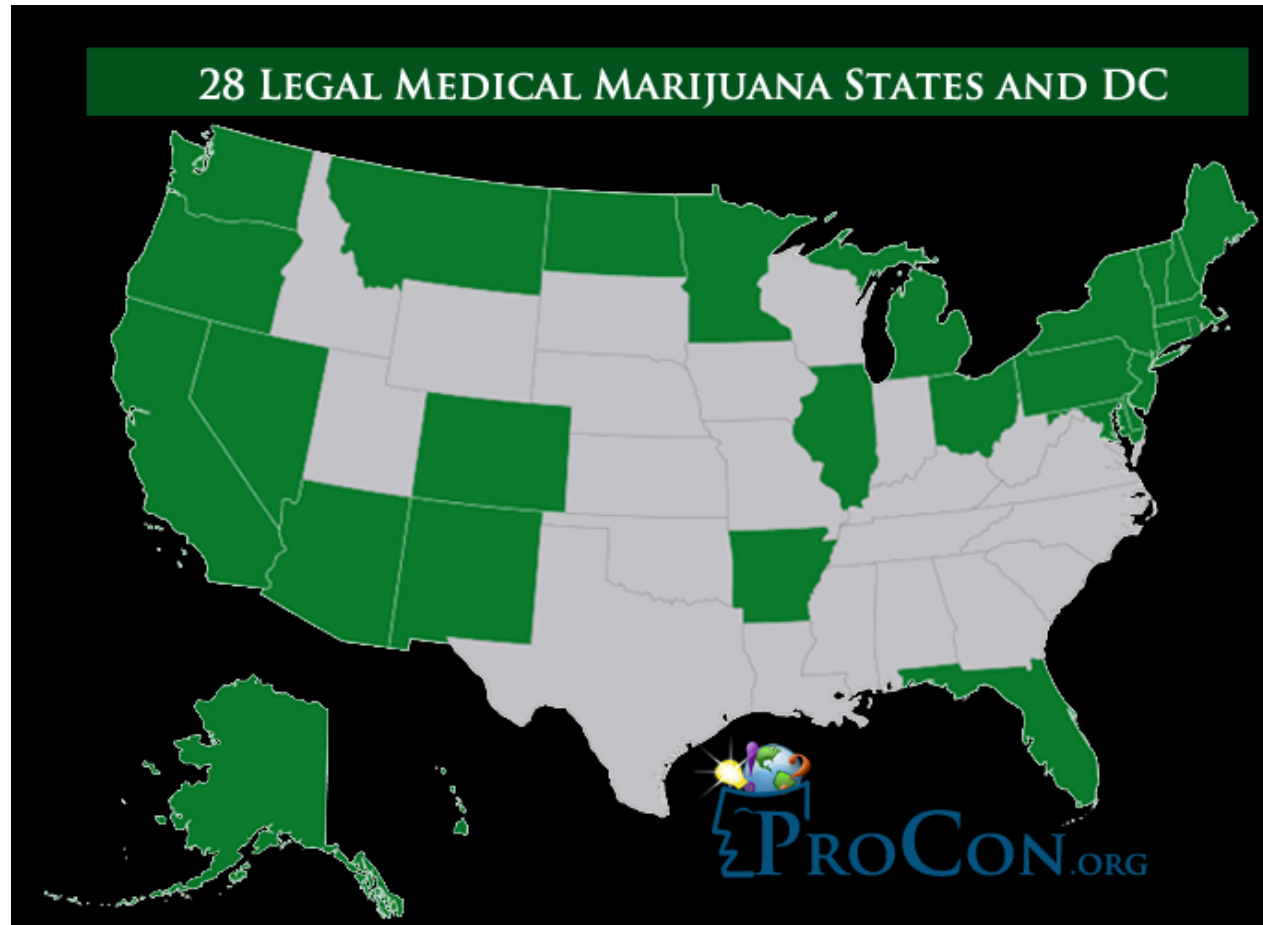


Some MCRSA highlights

- Provides much-needed regulatory structure to medical cannabis industry!
 - Defines regulatory roles and license types
 - Prevents vertical integration to avoid monopolization of market
 - Allows “for profit” cannabis activity
 - Requires implementation of “seed to sale” tracking
 - Requires testing with specific requirements
 - (Prohibits testing facilities from holding any other license type)
 - Creates Bureau of Medical Cannabis Regulation within Department of Consumer Affairs
 - Licenses to be issued by 2018
 - Allows local taxation, health and safety regulations and fee
 - Disallows local sales tax

19316. (a) *Pursuant to Section 7 of Article XI of the California Constitution, a city, county, or city and county may adopt ordinances that establish additional standards, requirements, and regulations...*

Current State Situation



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Growing Support: Proposition 64 Voting Results

- Statewide – 57.1%
- Proposition 64 local voting results:
 - Merced County = 50.5% Yes
 - City of Merced = 55.8% Yes

Some Common Vocabulary

MERSA = Medical = Prop 215

Prop 64 = AUMA = Non-Medical = Recreational



6 Key Elements of Cannabis Implementation

1. Community Research and Outreach (*Meetings & Surveys*)
2. Health and Safety Regulations (*Ordinance*)
3. Marketplace Selections (*Application process*)
4. Full Cost Recovery (*Application, CUP & Regulatory Fees*)
5. Revenue (*Taxation Ballot Measure*)
6. Monitoring and Compliance (*As Defined by Ordinance*)



The Big Three of the Cannabis Industry

Retail and Delivery



Cultivation



Manufacturing



...and the Supporting Activities

Testing



Distribution



Transporting



1. Community Research and Outreach

- Introduce cannabis to council and community
- Engage Stakeholders
 - Electeds, law enforcement, finance, planning, public works, etc.
 - School leaders, church leaders, advocates, business leaders, etc.
- Determine
 - Local health and safety priorities
 - Taxation rate
- Community meetings



2. Drafting Health and Safety Regulations

- “The Ordinance”
- Local and unique
- Address local health and safety priorities
- Ensure State and Federal (Cole memo) compliance
- Consider business sustainability
- Dovetail with Prop 64



3. Application Process and Processing

- Pre-Registration
- Application - by license type
- Fixed number versus zoning
- Application selection choices
 - First Come - First Served
 - Lottery
- Application Selection Optimal Attributes
 - Local
 - Prior experience
 - Locations
 - Size
 - Other



4. Fees for Full Cost Recovery

- Full cost recovery of all agency costs
 - Staffing, processing, review, inspection, background checks, video monitoring, etc.
- Conduct Proposition 26-compliant fee study
- Collect:
 - Application fees
 - Conditional use permit fees
 - Renewal fees
 - Annual business license fees



5. Taxation for General Fund Revenue

- General fund enhancement through taxation
- Requires balloted tax measure
- Tax Methodology
 - Gross receipts
 - Square footage
 - Inventory weight
 - other
- Collections issues



6. Monitoring and Compliance



- Inspect financial records
- Track and trace verification
- Randomly test product
- Inspect labeling
- Inspect premises
- Video monitoring
- Community communications
 - Complaints
 - Violation reports
 - Answer questions



City of Merced - Timeline for Success

<u>TENTATIVE DATE</u>	<u>TASKS TO BE COMPLETED</u>	<u>RESPONSIBLE</u>
April 17	<ol style="list-style-type: none"> 1. Kick-Off No. 2 – Staff/Department Heads 2. As needed meetings with Council Members and Mayor 3. Prop 64 discussion – Basic presentation to Council 	SCI
Apr/May	Field trip – Harborside, testing lab and nursery (if possible)	CITY STAFF / SCI
Apr 25	Initial outreach materials: FAQs, informational, etc. to City	CITY STAFF / SCI
May 9	<ol style="list-style-type: none"> 1.) Stakeholder Meeting 2.) Community Meeting 	SCI
Jun 1	Draft CUP process plan & draft regulatory fees to City for review Draft regulations (Ordinance) to City for review	SCI
July 10	<ol style="list-style-type: none"> 3.) Stakeholder Meeting 4.) Public Meeting 	CITY STAFF/SCI
Aug 7	Set dates for public hearing	CITY COUNCIL
Aug 15	Application plan and packet to City for review	SCI
Aug 21	1 st reading – public hearing	CITY COUNCIL
Sept 5	2 nd reading – public hearing	CITY COUNCIL
Sept 6	Application plan and packet approved by City	CITY STAFF
Oct 1	Open pre-registration	CITY STAFF
Oct 15	Applications are available	CITY STAFF
Dec 18	Issuance of all four licenses	CITY STAFF/SCI



Questions and Answers

