



**City of Long Beach**  
*Working Together to Serve*

**Memorandum**

**Date:** March 24, 2015  
**To:** Mayor and Members of the City Council  
**From:** Patrick H. West, City Manager *T.H.W.*  
**Subject:** Medical Marijuana Information

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On February 10, 2015, the City Council directed staff to provide additional information pertaining to the proposed medical marijuana ordinance. The attached document summarizes the proposed ordinance and presents the outcomes of staff's research and analysis to date relating to the City Council's questions identified in the memo dated February 17, 2015.

As was noted in the aforementioned memo, some of the subject matter questions require substantial research. In those instances where the information is not yet available, staff has indicated a timeline for completion.

Also attached for your reference are the Council district maps, which have been updated to reflect 1,000 foot buffers from libraries and licensed childcare facilities, including preschools.

Please let me know if you require additional information.

PHW:gh

**Attachments**

cc. Charles Parkin City Attorney  
Douglas P. Haubert, City Prosecutor  
Laura L. Doud, City Auditor  
Tom Modica, Assistant City Manager  
Arturo Sanchez, Deputy City Manager  
Amy J. Bodek, Director of Development Services  
John Gross, Director of Financial Management  
Robert Luna, Chief of Police  
Kelly Colopy, Director of Health & Human Services  
Kendra Carney, Deputy City Attorney  
Lisa Lopez, Police Commander



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## **SUMMARY OF PROPOSED ORDINANCE**

In May 2010, the City Council adopted Long Beach Municipal Code (LBMC) Chapter 5.87 to permit and regulate medical marijuana businesses within the City of Long Beach. Under Chapter 5.87, a medical marijuana business could be a dispensary facility, a cultivation facility, or a combined dispensary-cultivation facility. Each medical marijuana business facility required a unique permit issued by the Department of Financial Management, and medical marijuana businesses could not locate in residential areas or near schools and parks. All marijuana sold at a medical marijuana business must have been grown within Long Beach, and all marijuana grown within Long Beach must have been sold at a medical marijuana business within Long Beach. The City administered this ordinance under a lottery system, and although there were nearly 40 lottery "winners," no permits were ever issued because of ongoing litigation.

In February 2012, the City Council repealed LBMC Chapter 5.87 and enacted LMBC Chapter 5.89, which banned all medical marijuana businesses within Long Beach.

The City Council is now considering a potential ordinance to repeal Chapter 5.89 and to permit and regulate medical marijuana businesses within the City. Under the proposed ordinance as recommended by the Planning Commission, a medical marijuana business could be a dispensary facility and a cultivation facility at separate locations or a combined dispensary-cultivation facility. Each medical marijuana business must include both a dispensary and a cultivation facility and would require a unique Conditional Use Permit issued by the Department of Development Services. Each medical marijuana business would also require a Long Beach business license and any other applicable licenses and permits, required by local, state, and federal laws. All facilities must be within the City of Long Beach, and each dispensary can only sell marijuana grown at its companion cultivation facility, which can only supply its companion dispensary.

Under the proposed ordinance, medical marijuana businesses can only locate in certain Commercial (dispensary only) and Industrial zones and cannot be near schools and parks. No more than 18 medical marijuana businesses may operate within Long Beach, but each Council District can have up to five (5) medical marijuana businesses. Only one (1) of these could be a stand-alone dispensary facility located in an allowed commercial zone. The remaining locations may be combined dispensary-cultivation facilities, stand-alone dispensary facilities, or cultivation facilities. As a result, a total of five (5) dispensaries may operate within a Council District, as long as four (4) of these operate in industrial zones.

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## SECTION 1: ENFORCEMENT AND REGULATION ISSUES

### 1.1 Distinguish between sanctioned and unsanctioned businesses as it relates to enforcement.

In the event the City Council institutes a new ordinance allowing medical marijuana businesses, "sanctioned" businesses will be those businesses that go through the City's entitlement process, receive a Conditional Use Permit (CUP), secure building permits, construct the improvements in accordance with all applicable codes and secure a business license. All other businesses would be considered "unsanctioned."

#### Sanctioned Businesses

Sanctioned businesses complying with City ordinances seem likely to generally run like a normal business with minimal normal enforcement issues and associated costs, except for tax reporting and collection. If the businesses do not comply with City Ordinances, they will likely have enforcement issues and costs similar to unsanctioned businesses. Sanctioned businesses in other cities have historically had significant costs associated with compliance with accurate reporting of taxes, tax collection, and associated audits. It is not clear yet whether these costs will be paid by the business, the City, or some combination. The high cost of reporting/audit is due to the businesses reporting in cash. This does not include any costs associated with required closed-loop system for the marijuana or its quality.

#### Unsanctioned Businesses

From past experience, we know that unsanctioned businesses will require time-consuming and expensive enforcement actions to pursue their closure. Based on Long Beach's experience and that of other cities, it is anticipated that there will be many more unsanctioned businesses than sanctioned ones. Other cities have seen a ratio of anywhere ranging from 3:1 to 7:1 of unsanctioned to sanctioned businesses. For the purpose of this report, the City will assume a ratio of 4:1. While previously unsanctioned businesses did not submit tax payments consistently, in the future, some may elect to pay taxes, but it is not clear whether there should be, or can, be any attempts to audit them.

Once it had been determined that an unsanctioned dispensary was operating, the Police Department would procure and serve a search warrant for the property. It would then work with the City Attorney's Office and Business Licensing to ensure the property owners that are leasing to the unsanctioned marijuana dispensaries are aware of its operations, as well as their own civil culpability should they allow that store to continue. Fines and liens may be levied against the operator and the property owner. Even then, our experience has shown it may take many months and substantial resources to shut down an unsanctioned business, and the number of unsanctioned businesses may very well exceed the City's capacity to enforce the ordinance.

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1.2	<p><b>Discuss the desirability and feasibility of creating a Police Department medical marijuana detail to specifically handle any investigations and issues arising from medical marijuana businesses.</b></p> <p>Should a regulatory ordinance be established, the Police Department will require a budgeted, full-time team to address complaints. At a minimum this team should be led by a Sergeant and consist of Detectives and administrative staff. A Sergeant is required because of policy requiring the presence of a supervisor at the service of a search warrant, in addition to the need for basic supervision. The detectives would conduct the necessary investigations. Administrative staff would work to produce evidence required to secure convictions for a felony filing of possession of marijuana for sale. They would also be tasked with assisting on case preparation, and such things as monitoring workload and criminal activity associated with a marijuana dispensary.</p> <p>Because it takes two years to bring on a new Police Officer, a new unit would necessarily take away from other existing Police Department operations (gangs, burglary, human trafficking, patrol, etc.).</p>
1.3	<p><b>Discuss the feasibility of tracking police and criminal activity associated with medical marijuana operations.</b></p> <p>While the Police Department has the ability to track calls for service at a specific address, calls for service for <u>any</u> ongoing issue may not list the actual address of the location in question. For example, the closest intersection, or even a nearby address with additional information, such as "across from 123 Main Street" may be used because persons calling our Communications Center may not know the actual address of the facility and use reference points or even their own address. Calls to 911 originating from the dispensary, itself, would obviously be tied to the address and, therefore, easily accessed; however, dispensaries rarely call police to report criminal activity.</p> <p>Additionally, any query into calls for service at a specific location must include a specific time frame. Because many of the marijuana dispensaries will not be permitted, staff is typically unaware of their actual start date. Some calls for service may not be identified as being related to a dispensary for some time. Subsequent calls for service reports will miss these calls for service.</p> <p>It is widely known in the law enforcement profession that there is an absolute correlation between drug use and property crime. However, this correlation may not be demonstrable. For example, an auto burglary that occurs miles away from a dispensary, but that was committed by a person looking to get money to pay for marijuana (medical or otherwise) will not be tied to any particular dispensary.</p> <p>The Police Department has recently made modifications to its Records Management System that will enable them to capture more of these incidents and increase their ability to address to them.</p>

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## 1.4 Provide information regarding the City Prosecutor's role in prosecution of unsanctioned businesses.

As a general matter, the City Prosecutor's Office prosecutes: (1) cases that are referred by Business Licensing (usually after they have contacted the business operator and tried to get them to register), and (2) cases that come after a police officer or other enforcement officer issues a citation for court, which could be, for example, a person peddling door-to-door without a license, or selling food from a cart on the street without a permit.

Since the City never got to the point of issuing permits or licenses to any dispensaries, all of the cases handled by the City Prosecutor's Office dealt with dispensaries that were not permitted or licensed. When 5.87 was passed, the City Prosecutor's Office only went after those dispensaries that never even went through the permitting process. The City Prosecutor's Office did not pursue those dispensary operators that won the lottery and were told by the City they would get a permit eventually. Although unpermitted, these operators had a compelling defense – that the only reason they were unpermitted was because the City had not issued permits. Later, when 5.89 was adopted, all dispensaries became “unsanctioned,” though no enforcement action was taken against the dispensaries that went through the lottery process until six months after the ordinance was passed since the City Council adopted a 6-month grace period for those dispensaries.

A criminal case for violation of City code carries up to six months in jail and \$1,000 fine. When a case is presented to the City Prosecutor's Office, it is reviewed to determine if a crime occurred, if the person accused committed the crime, if there is enough admissible evidence to prove the accused committed the crime, and other things that are related to whether a case should be filed criminally. While criminal prosecution is a powerful enforcement remedy, it is also a difficult one since prosecutors have to prove the case “beyond a reasonable doubt.” This requires a lot of evidence, and a unanimous jury verdict. Additionally, the City Prosecutor's Office does not have discovery tools available to civil attorneys. For example, they cannot take depositions and force people to give statements. Defendants are not required to answer questions (and typically do not answer, upon advice of their attorneys) because they have a Constitutional right not to incriminate themselves in a criminal case. Thus, the primary focus of the City Prosecutor's Office in criminal medical marijuana cases has been, and will be, to close the dispensary and make sure the defendant does not participate in another dispensary at another location.

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1.5	<p><b>Provide additional information regarding the security requirements for medical marijuana businesses.</b></p> <p>Since marijuana is a Schedule One controlled substance, is in high demand, and is highly profitable, the following are the Police Department's recommendations regarding security requirements for a marijuana dispensary:</p> <ul style="list-style-type: none"><li>• <u>Video Surveillance System</u> – Digital video recorders operated on a network so recording occurs offsite. This prevents a person from destroying video evidence after removing the surveillance system during commission of a crime. Like any video surveillance system, the recordings should be made in high definition. Color video is highly desirable. Systems should be compliant with Long Beach Common Operating Picture (LBCOP) requirements and should be retained for a minimum of 30 days, as is the norm for other businesses. Cameras should adequately cover all entries/exits to the facility, all point of sale areas, entries/exits to secure internal areas, and any location inside the store where money is handled or stored.</li><li>• <u>Security Alarm</u> – All points of entry to the facility should be alarmed to include glass breakage on windows and points of entry on rooftops. Motion sensors should be maintained in the interior of the facility and the system should automatically notify an alarm company of any detected security breach.</li><li>• <u>Panic Buttons</u> – Manually activated panic alarms should be maintained by employees. Panic alarms should be directly connected to a security company that monitors the alarms and notifies police when an activation occurs.</li><li>• <u>Security guards</u> – Security guard services should be contracted through an independent security company, and not be an employee of the dispensary. The Police Department has seen numerous situations where the security guard “worked” for the dispensary in exchange for marijuana. Such a person is not as interested in providing real security as they are in obtaining marijuana. At times, the Police Department encountered security guards that were not licensed and that did not conform to security guard requirements listed in the Business and Professions Code.</li></ul>
1.6	<p><b>Research methods of tracking and monitoring the yield of medical marijuana from cultivation to sale to ensure that all medical marijuana sold within Long Beach is grown within Long Beach.</b></p> <p>Sections 21.XX.050 and 21.XX.110 of the proposed ordinance (actual numbers to be assigned upon ordinance adoption) require dispensaries to install and utilize “seed to sale” tracking systems to track the cultivation and eventual distribution of marijuana within the City. There are multiple companies that provide seed to sale tracking mechanisms. For example, a Google search results many seed to sale websites, the first three of which are BioTrackTHC, Quantum 9 Atlas Software, and Agrisoft Seed to Sale Software. Staff will investigate these tracking systems further and will report its findings by <u>June 1, 2015</u>.</p>

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1.7	<p><b>Provide information on specific point-of-sale software to track sales and auditing methods to ensure that medical marijuana businesses do not underreport sales.</b></p> <p>Point of sale equipment is only one way to track sales and ensure proper reporting of taxes. It is unlikely to be sufficient. Other methods could include cameras, various levels of auditing, and external control reviews. This area is one of many being reviewed by an outside consultant and additional information will be available by <u>June 1, 2015</u>.</p>
1.8	<p><b>Provide relevant financial penalties and penalties impacting permit renewals for businesses that underreport sales.</b></p> <p>As with any business, the State Board of Equalization (BOE) has the ability to investigate, audit, and impose financial penalties on a business that is believed to have underreported sales. It is not known if the BOE would treat sanctioned medical marijuana businesses any differently. This area is one of many being reviewed by an outside consultant and additional information will be available by <u>June 1, 2015</u>.</p>
1.9	<p><b>Provide information on how the City intends to test medical marijuana for organic content levels and provide information to the public regarding the safety of medical marijuana establishments.</b></p> <p>The proposed ordinance currently requires that product be tested in a lab meeting certain specifications, but does not currently require the City to do any testing as this is infeasible. The Health Department does not currently have the infrastructure, nor the resources, to conduct the requested testing in the City's Lab and it is beyond the scope and function of the Department to evaluate the purity, potency, or dosage of commercially produced pharmaceuticals. Pharmaceutical testing is generally performed by the FDA or State Food and Drug Branch, but they do not test marijuana. Any requirement for the testing of medical marijuana as to organic content and safety would be relegated to a third-party provider. If such a requirement is implemented, the Health Department would need to rely on a third-party testing agency for any testing and certification of the product. Such an agency could be employed by the City or the individual marijuana vendor. If the City Council desires that the City of Long Beach test marijuana, staff could return with a study.</p>
1.10	<p><b>Research the possibility of developing a visible grading system to inform patients of the health and safety standards of medical marijuana facilities and their products.</b></p> <p>Unlike the County of Los Angeles, the City, through its Health Department, does not currently issue letter grades to establishments where inspections occur. Long Beach went through a lengthy and detailed community process to establish the system that is utilized today. Additionally, the Health Department has not been in the business of regulating marijuana in the areas of edibles, THC levels, chemicals, dosages, etc. If the City Council were interested in this, the Health Department would bring on the appropriate consultants to guide us through this process and develop a budget for whatever new division/positions would be needed to implement this requirement.</p>



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1.11	<p><b>Research a marijuana equivalent intoxication level and relevant penalties for residents operating vehicles under the influence of marijuana.</b></p> <p>Like with alcohol, driving a car under the influence of marijuana, or any other drug, is illegal. Unlike alcohol, however, there is no concentration level of THC in the blood where a person is presumed to be under the influence. A person charged with driving under the influence of marijuana would be arrested pursuant to section 23152 or 23153 of the California Vehicle Code. To be convicted of driving under the influence of marijuana, a prosecutor would have to show a person was, as a result of having consumed marijuana, physically or mentally impaired so as to not be able to safely operate a motor vehicle.</p> <p>Testing equipment has existed for quite some time to test blood alcohol concentration, but similar equipment for testing THC is relatively new. However, there is not really a need for such testing equipment since there is no law specifying a presumptive minimum for marijuana intoxication. There is debate surrounding a scientific correlation between THC levels in the blood and a person being "under the influence." This is because some studies have shown THC can remain in the blood for quite some time after the effects of the drug have gone.</p> <p>The current assessment method of someone's impairment is to establish if marijuana was, in fact, recently consumed, via personal observation, smell, admission, etc., and then document performance on a standardized field sobriety test. An even better assessment would be the above, coupled with an examination conducted by a certified Drug Recognition Expert (DRE). Currently the Police Department has only a few certified Drug Recognition Experts; more would be needed.</p> <p>The second portion of this question asked about relevant penalties for driving under the influence of marijuana. Again, driving under the influence of marijuana is already illegal and penalties are assessed via the California Vehicle Code. This crime is a misdemeanor crime unless injury is caused to any other person or a person is convicted of a fourth driving under the influence offense in a 10-year period. There are license suspensions imposed by the DMV that are independent of the courts.</p>
1.12	<p><b>Research the requirement of posting the photos of fraudulent medical marijuana ID holders to medical marijuana businesses.</b></p> <p>The Medical Marijuana Identification Card (MMIC) system was created by the State under the Medical Marijuana Protection Act of 2003. There is no requirement that an MMIC be obtained in order to obtain medical marijuana, and few people do actually obtain one. An individual can go to any number of doctors that advertise as being "marijuana doctors" and get a marijuana recommendation. The Medical Board of California has jurisdiction over those who issue marijuana recommendations. Thus, it is not believed that the practice of posting fraudulent MMIC holders would be particularly effective. That said, the City Prosecutor currently operates a "Johns exposed" program posting photos of those convicted of soliciting prostitution, and such a program for marijuana would probably be best reviewed in that Office.</p>

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## SECTION 2: LEGAL ISSUES

### 2.1 Review the possibility of including a local hire requirement or incentive for medical marijuana businesses.

State law allows only a "primary caregiver" to provide marijuana to a patient if the patient is unable to obtain it or cultivate it himself. A primary caregiver is defined by case law as someone who consistently provides for a patient's housing, health, and safety. Dispensaries merely require patients to complete a form summarizing designating the business owner as their primary caregiver and then offering marijuana in exchange for cash "donations" which is legally problematic. The City should not interfere with this tenuous relationship further by making any sort of requirement or offering an incentive relating to local hire.

### 2.2 Identify the legal issues associated with restricting or not restricting the sale of medical marijuana to City residents only.

This is a very complicated legal issue and requires additional time for a thorough response. A response is anticipated by June 1, 2015.

### 2.3 Provide justification of why the proposed ordinance is more restrictive than the previous ordinance adopted by the City Council in 2010.

Based on prior experiences of the various City departments involved in the regulation of medical marijuana dispensaries, every aspect of the current draft ordinance is more restrictive and/or thorough than the City's previous ordinance. The location restrictions, zoning requirements, audits, tracking, seed to sale systems, security required, point system incentives, testing, and labeling requirements all exceed the prior attempt to regulate these locations. Given the huge negative impact of unsanctioned businesses experienced by the community when the 2010 ordinance was adopted, these requirements were designed to reduce potential nuisance issues that could arise.

For example, the previous ordinance was contained in Chapter 5 of the LMBC, which does not address zoning districts. That allowed dispensaries to be located anywhere within the City, subject to buffers, without regard to compatibility with adjacent land uses. The current draft ordinance resides in Title 21, Zoning Code, of the LBMC. This allows for the thoughtful placement of this type of use in appropriate zones. The current draft ordinance proposes that dispensaries be allowed only in the CHW and CCA zoning districts. This zoning district typically allows more variety of land uses, is more auto-oriented and more likely to be on a transit route, and has a larger separation from adjacent residential neighborhoods. The current draft ordinance also restricts cultivation to industrial areas in order to reduce potential nuisance issues, such as large amounts of deliveries, potential odors from the cultivation operations, etc.

In addition, the previous ordinance did not require a security plan, audits, cultivation limits on quantity or location, or packaging. Due to the increase in crime associated with the dispensary locations during the previous ordinance, as well as safety issues with

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edible products and unpermitted cultivation construction, the new draft ordinance seeks to better regulate the elements of a dispensary.

## SECTION 3: PERMITTING AND ZONING

### 3.1 Review the local cultivation requirement and research if other cities have enacted such requirements.

There are several cities in California that regulate or ban cultivation within their jurisdictions. However, it does not appear there are any cities that currently require marijuana distributed within the city to be cultivated there as well.

It is important to reiterate the primary reasons for the local cultivation requirement:

- Such a requirement strengthens the City's ability to accurately track "seed to sale" since the City could inspect the facilities for compliance and/or to ensure they meet the standards required by the ordinance. Without this requirement, the City loses the ability to do this.
- Allowing cultivation outside of the City promotes black market activity and makes it much easier for dispensaries to open and it is likely we would see more frequent illegal dispensaries popping up throughout all areas of the City.
- When cultivation is not regulated there is increased potential for diversion. Diversion occurs when there is an inability to track product amounts and sales dollars. Failing to control where product is grown, and who the growers sell to, will prevent the City from collecting all potential revenue and cause potential reporting irregularities to occur. There is no way to validate how much product is being purchased by a dispensary and in turn sold to medical patients. Without knowing that incoming product amount and outgoing purchase price the potential exists for some product to be diverted to some other market.
- The transportation of marijuana for sale is inherently dangerous, and the requirement to cultivate in the City is a safety measure. Between 2010 and 2013, the Police Department investigated shootings, robberies, and a fire caused by an incendiary device all related to marijuana dispensaries. The Police Department requested this element of the ordinance originally in 2010, and has continued to prefer the requirement as a means to limit the amount of marijuana being brought into the City for sale by other entities.

It is anticipated that Long Beach's revenue experience will differ from the revenue experiences of other California cities that do not have local cultivation requirements.

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3.2	<p><b>Examine the requirement of both cultivation and dispensary sites being leased at the time of application and provide a recommended direction to the City Council.</b></p> <p>There is no requirement for cultivation or dispensary sites to have executed leases prior to receiving land use entitlements. All requests for land use entitlements simply require the acknowledgement or approval of the property owner. This process prevents individuals from planning and entitling a project on private property without the owners' knowledge. This requirement does not extend beyond having the owner's permission. It does not require a business to have executed a lease. This is standard practice across all types of businesses and is not a requirement unique to the medical marijuana industry.</p> <p>Staff is not comfortable making a recommendation to change this practice for two reasons: (1) eliminating the requirement for property owner consent opens the City up to liability from unscrupulous businesses who plan and pull permits for a property not under their ownership; and (2) getting involved in negotiations between a proposed tenant and an owner could lead to charges of tortious interference.</p>
3.3	<p><b>Review the square footage limits of cultivation sites and dispensaries and provide recommended sizes based on the experience of other cities.</b></p> <p>The proposed ordinance sets forth general maximum square footage requirements related to cultivation sites and dispensary sites. These requirements were determined through a combination of reviewing general inventories of available spaces throughout the City; analyzing the square footage requirements based on the projected number of patients being served by each dispensary; and, based on past negative experience dealing with cultivation sites that were larger than the sizes recommended, which resulted in significant fire/life safety concerns and nuisance activities.</p> <p>Additional research on the square footage limits employed by other cities will be conducted and will be reported to the City Council by <u>June 1, 2015</u>.</p>
3.4	<p><b>With regards to permit scoring and renewals, consider additional bonus points for previously vetted and successful lottery applicants and additional penalty points for those that did not close in a timely fashion.</b></p> <p>The draft ordinance provides an additional point to applicants who were previously successful lottery applicants in the City's 2010 process. The number may be increased should the Council decide to provide further consideration to these operators. However, adding a penalty for those applicants who did not previously close in a timely fashion would cancel out the additional incentive. Because of lawsuits, none of the prior applicants was ever able to obtain a permit, and thus were never fully "vetted." And, those who had been successful in the lottery, remained open well past the six months allotted. No dispensary closed in a timely fashion.</p> <p>It should also be noted that many of the successful lottery applicants have changed their affiliation so the same individuals are not involved and/or have abandoned their original location.</p>

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3.5	<p><b>With regards to renewals, consider the impact of allowing law-abiding operators to expand their businesses during the permit renewal process.</b></p> <p>The size restrictions are contained in the ordinance and would need to be amended to increase the allowable square footage of an operation. However, increased square footage has the potential to create additional impacts to the adjacent neighborhood if the maximum allowable size is not defined up front. For example, if a dispensary moved into an existing location with limited parking, and then wished to expand its operation, the parking impact would be exacerbated, perhaps having a spillover effect into the adjacent neighborhood. Expanding the operation may also require additional costly renovations due to increased occupancy loads, etc.</p> <p>Further, as part of the renewal process, the City would need to consider the parking impact and the initial footprint, as well as impacts from delivery vehicles, additional foot traffic, etc. It is unlikely most storefront dispensaries would choose to expand; instead, it is likely that the businesses would only request to increase the size of the cultivation area. This is a policy decision that is best to consider after a sufficient time has passed to determine the need for greater cultivation within the City, and the City's ability to effectively enforce the ordinance.</p>
3.6	<p><b>Provide justification of the five-year time period for the permit.</b></p> <p>The City of San Diego imposes five-year review limitations on some conditional use permits, including CUPs for medical marijuana dispensaries. This will allow the City to revisit the issue and impose or alter conditions if necessary. Due to Long Beach's previous experience, the many unknowns relating to the operation of medical marijuana businesses and the related impact on the local community, as well as the ever-changing law pertaining to this industry, a five-year permit provides the City some flexibility to ensure the needs of the community are met and that the City can adapt to keep pace with the developing industry.</p>
3.7	<p><b>Provide updated maps, depicting new buffer zones for libraries and commercially licensed early child care facilities.</b></p> <p>Updated maps are provided for City Council review. The maps were updated to reflect 1,000' buffers from libraries, including the site of the new North Library, and licensed childcare facilities, including preschools. The State Department of Social Services categorizes day care uses based upon the age of a child, mental health, and the number of children cared for. They are categorized into child care centers-preschool, family child care home, child care center-school age, child care center-infants, child care center-mental ill, and small family child care home. The revised maps include all centers (infant, school age, mental ill, and preschool). There are over 100 day care centers citywide.</p> <p>The addition of this land use category reduced the availability of commercial zoning districts where dispensaries are allowed in Council districts 2, 4, 5, 7, 8 and 9.</p>

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<b>SECTION 4: REVENUE MANAGEMENT</b>	
<b>4.1</b>	<b>Provide information on payment receipt and management issues.</b>  While there is no guarantee, it is expected that payment of taxes by sanctioned (and possibly unsanctioned) medical marijuana businesses could result in significant amounts of cash arriving periodically at City Hall. This presents a potential security risk, and additional workload. There are many ways to address this risk, some very expensive. Cost and approach may also depend on the volume of business and the amount of the payments. This area is one of many being reviewed by an outside consultant and the Police Department. Additional information will be available by <u>June 1, 2015</u> . However, subject to additional review, it is currently expected that payment will be received at a cashier window and that process will require additional cashiering staff, additional armed security, and additional armored courier services on an ongoing basis, along with some onetime costs for cameras, cash counters, etc.
<b>4.2</b>	<b>Research methods of accepting payments from medical marijuana businesses.</b>  Payment is expected in cash at this time, but the Financial Management Department is reviewing potential options in conjunction with their consultant. Results of this review will be provided by <u>June 1, 2015</u> .
<b>4.3</b>	<b>Identify any additional security measures required.</b>  Please refer to 4.1.
<b>4.4</b>	<b>Describe how payments accepted from medical marijuana businesses will be received by the City's bank.</b>  After a review of experience in other cities, it is not anticipated there will be any issue with banks accepting the City's daily deposits, which will include the medical marijuana tax payments. The Financial Management Department has not discovered any issues in banks accepting payments from local governments regulating medical marijuana.
<b>4.5</b>	<b>Describe the appropriate methods of tracking and auditing the sales of medical marijuana businesses to ensure full tax payments.</b>  Please refer to 1.7.

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### SECTION 5: FISCAL IMPACT ANALYSIS AND STAFFING IMPACTS

**5.1 Prepare a fiscal impact analysis of medical marijuana on City revenues and operations.**

The Financial Management Department is working in conjunction with City departments and an independent consultant to calculate the fiscal impact of the potential medical marijuana ordinance on the City as a whole. We know additional personnel and/or enhanced overtime, would be necessary in several departments, including Police, Fire, City Attorney, City Prosecutor, Development Services, Financial Management, and possibly Health and the City Manager's Office. We also know there will be some revenue resulting from the implementation of a new ordinance. The full fiscal impact analysis will be provided by June 1, 2015. Specific information on research progress on both revenues and costs are provided in the following responses.

**5.2 Provide projections based on the allowable tax rates within the Long Beach Municipal Code.**

The Financial Management Department has engaged a consultant experienced in the regulation of medical marijuana to develop revenue projections based on the potential Long Beach ordinance. The consultant is researching revenue from benchmark cities in California, including Oakland, San Jose, and Sacramento, to develop realistic revenue projections for the City of Long Beach. The consultant is incorporating the specific features of the potential Long Beach system, such as the closed loop system and allowable tax rates, to develop revenue projections. Because of the time needed to identify and hire a consultant with the expertise on the subject matter and the time needed for the consultant to conduct a thorough and accurate analysis, it is expected that the projection will be available June 1, 2015.

**5.3 Consult with cities with legal collectives and the California State Board of Equalization to help calculate revenue projections.**

As stated earlier, the Financial Management Department's consultant is engaging with California cities with existing medical marijuana regulatory systems and with the California State Board of Equalization to develop accurate revenue projections.

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5.4	<p><b>Project estimated costs associated with administering services related to sanctioned medical marijuana businesses and enforcement operations for expected unsanctioned businesses. These projections will include estimates for additional staff, support services, and relevant materials costs for the Police Department, Fire Department, City Prosecutor, City Attorney, Department of Development Services, and Department of Financial Management. If projections indicate a deficit in the medical marijuana budget, staff will provide an estimate of any General Fund subsidy needed to sustain City services to ensure public safety and efficient regulation. If projections indicate a surplus in the medical marijuana budget, staff will provide an estimate of any surplus that could be allocated to public safety departments or other departments, at the City Council's discretion.</b></p> <p>The Financial Management Department is working with departments and in collaboration with a consultant to determine the potential revenues and costs of the proposed City ordinance on medical marijuana. The Department will provide a fiscal impact report of the proposed ordinance on the City of the Long Beach, including the named departments above as well as the Health Department and City Manager's Office, which would also be impacted by the proposed ordinance, by <u>June 1, 2015</u>.</p> <p>Both one-time costs and ongoing costs related to staff, support services, and materials, along with estimated revenue projections will be provided. Initial research indicates that benchmark cities employ a total of 7-10 FTEs to regulate medical marijuana, including planning, permitting, oversight, litigation, and a base level of enforcement activities. If it is the City Council's desire that the City have a very aggressive program to deal with unsanctioned businesses, a more significant number of employees will need to be added. The California cities that currently have ordinances are not as aggressive to unsanctioned businesses as Long Beach was under its previous ordinance.</p>
5.5	<p><b>Investigate how other cities that permit medical marijuana manage both surpluses and deficits and provide the City Council with the results of their investigation.</b></p> <p>The Financial Management Department's consultant is currently engaged to review revenues and expenditures associated with medical marijuana in other California cities. Their analysis will be ready <u>June 1, 2015</u>.</p>
5.6	<p><b>Provide a fiscal impact analysis, broken down department by department, estimating the costs of enforcing the City's existing medical marijuana ban.</b></p> <p>The Financial Management Department has requested records and estimates of enforcement costs incurred to date from relevant departments. A calculation of costs will be provided by <u>June 1, 2015</u>.</p>



## Requested Medical Marijuana Information

March 24, 2015

<b>5.7</b>	<b>Provide time estimates based on the current resources available for the City's implementation of a potential medical marijuana ordinance.</b>
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		<p>The City does not currently have the resources to successfully implement and manage a medical marijuana ordinance. If an ordinance were adopted without additional resources, the City would experience the same types of problems encountered with the prior ordinance, perhaps to an even greater degree. Further, even if additional resources were found, there would need to be a minimum of a one-year preparation period as staff would need to be hired through Civil Service. Additionally, the Police Department would need to decide which current enforcement operations would be reduced to provide a marijuana enforcement detail. Also, consultants would need to be interviewed and hired, and appropriate policies and procedures would need to be developed to be fully prepared for the ordinance implementation. The estimated costs related to staff, support services, and materials required to support an ordinance, along with estimated revenue projections, will be provided by <u>June 1, 2015</u>.</p>
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