



# City of Rialto

## Legislation Details (With Text)

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For Economic Development Committee [January 30, 2019]

TO: Honorable Economic Development Committee Members

APPROVAL: Robb R. Steel, Interim City Administrator

FROM: Fred Galante, City Attorney

Receive and File Report Regarding Cannabis Revenue Projections for California Cities.

### **BACKGROUND:**

Attached is a revised cannabis revenue spreadsheet illustrating projected revenues from Cannabis operations for cities in California. While we were able to gather at least partial information from a number of cities by consulting online sources such as city budgets, CAFRs, ballot materials and news articles incorporating PRA requests, our firm's opinion is that the information available at this point is not sufficiently comprehensive to support a reliable comparison of projected vs. actual revenues from local cannabis legalization.

### **ANALYSIS/DISCUSSION:**

The lack of sufficient information is primarily due to the fact that cities have only been allowed under state law to permit recreational cannabis uses since January 1, 2018. Given the time necessary to establish permitting regulations, fees, application processes, etc., even cities that had adopted cannabis business taxes prior to January 1, 2018 did not begin generating actual revenues until well into 2018, and few if any have yet reached full "build out" of their budding cannabis industries. Furthermore, most cannabis business taxes were not even adopted until the November 2018 election. Because cities have not been generating recreational cannabis revenue for a full fiscal year, formal reports containing this information are not yet available. Additionally, Cities frequently don't separate revenue raised from cannabis sources from other sources in their financial reporting documents (for instance, CAFRs will often lump cannabis sales tax revenue figures with sales tax revenue figures generally, or will lump cannabis business permit fee figures together with business permit fees generally). As such, while there are plenty of projections available, there are rarely

corresponding actual revenue numbers available.

Notwithstanding the above, other sources cited in the spreadsheet indicate that if a conclusion must be drawn based on the information available to date, it is that local cannabis revenues have in most cases not yet lived up to expectations. We know this is true of state cannabis revenues, which got off to an extremely disappointing start in the first half of 2018 but seem to be recovering to some extent [See <https://mjbizdaily.com/californias-q3-marijuana-tax-revenues-signal-ongoing-mj-business-turbulence/>].

It is likely that in 6 months or a year, there will be much more information publicly available. Until then, a better course of action may be to consult with the finance directors of the various cities we represent that have permitted cannabis regarding their experiences to date (e.g. Perris, Carson, Arvin, and King City). However, like cities statewide, most of these cities' cannabis programs are still in their fledgling stages.

**FINANCIAL IMPACT:**

None.

**RECOMMENDATION:**

Receive and File Report Regarding Cannabis Revenue Projections for California Cities.