



REQUEST FOR COUNCIL ACTION

Title: Marijuana Revenue Certification

Preferred Agenda: June 23, 2020

Submitted By: Brandon Neish, Finance Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution X Motion _____ Roll Call _____ Other _____

Relevant Code/Policy: ORS 475B

Towards Council Goal: Goal 2: Be an effective and efficient government
Goal 3.2: Improve community safety, Police, community design, etc.

Attachments: Resolution No. 18 for 2020

Purpose of this RCA:

To certify the City complies sections of Oregon Revised Statutes (ORS) 475B related to marijuana production, processing, wholesale and retail sales.

Background/Context:

In 2014, Oregon voters decided to allow non-medical use of marijuana in the state of Oregon. Prior to this, only medical marijuana was allowed. After the passage of Measure 91, the state legislature passed, and the Governor signed, an emergency bill that allowed retail sales from dispensaries and required the OLCC to establish rules and taxing structures to support those sales. The result was a licensing structure managed by the OLCC and a 17% tax rate at the state level.

In 2016, the City of Sweet Home asked voters to establish a local tax on the sale of non-medical marijuana from dispensaries inside city limits. Ordinance 1251 established a 3% tax which is deposited into the General Fund.

A portion of the state proceeds are paid to cities which do not prohibit the sale of marijuana. For the coming fiscal year, the distribution of funds responsibility is shifting from the Oregon Department of Revenue to the Department of Administrative Services (DAS) which currently manages the State Revenue Sharing program. As such, an additional certification is necessary through Council Resolution to certify that the City allows marijuana in Sweet Home to receive a portion of the state's marijuana funds.

Certification of eligibility to receive State Revenue Sharing funds must be filed with the Department of Administrative Services (DAS) Operations Division by July 31.

The Challenge/Problem:

Will the City Council adopt Resolution No. 18 for 2020 certifying the city complies with ORS 475B.070, 475B.090, 475B.100 and 475B.105?

Stakeholders:

- State of Oregon – State law requires cities who wish to receive State Revenue Sharing funds (includes marijuana revenues) must certify they comply with various sections under ORS 475B to DAS by July 31.
- City of Sweet Home residents – Adopting this resolution ensures residents receive the taxes they pay when purchasing marijuana back as revenue for Sweet Home services.
- City of Sweet Home City Council – Adopting this resolution allows for diversification of revenue for the City and ensures state marijuana funds for the City of Sweet Home.
- City of Sweet Home City staff – Adoption of this resolution allows staff to continue operations in their departments.

Issues and Financial Impacts:

If Resolution No. 18 for 2020 is not heard by the public in the form of a public hearing nor adopted, the City will lose \$182,783 in resources resulting in budgetary reductions likely impacting service offerings.

Elements of a Stable Solution:

DAS has established a process for cities to request Marijuana State Revenue funds. Adoption of the included resolution complies with this new process and needs to be adopted by the City Council to ensure funding for the 2020-2021 fiscal year.

Options:

1. Do Nothing. Council could choose to move forward without adopting the resolution and forgoing marijuana State Revenue Sharing funds.
2. Adopt Resolution No. 18 for 2020.

Recommendation:

Staff recommends option 2, Adopt Resolution No. 18 for 2020. Inaction on this resolution results in the loss of \$182,783 in budgeted resources which would require matching reductions in expenses, transfers and/or contingencies. This puts the City at an increased financial risk (reducing contingencies) should unanticipated expenditures arise during the year or requires tough choices to be made regarding which programs will see cuts to their budgets.