

CITY AUDITOR'S IMPARTIAL FINANCIAL ANALYSIS OF MEASURE V

SUMMARY

Measure V creates new business tax categories that distinguish between "Medical cannabis businesses" and "Non-medical Cannabis Businesses". In addition, the proposed amendments authorizes the City of Oakland to amend the City's Business Tax Ordinance, Chapter 5.04 of the Oakland Municipal Code to (a) increase the business tax rate for Medical Cannabis Businesses from \$18 per \$1,000 of gross receipts to \$50 per \$1000 of gross receipts and (b) establish the business tax rate for "Non-Medical Cannabis Business Tax" which will be \$100.00 per \$1000 of gross receipts.

"Medical cannabis businesses" and "Non-medical Cannabis Businesses" activities include from planting, cultivation, harvesting, transporting, manufacturing, compounding, converting, processing, preparing, storing, packaging, wholesale, and retail sales of marijuana and its derivatives. However, Non-medical cannabis businesses are not conducted for medical conditions, but are otherwise authorized by state law.

In February 2004, the City of Oakland adopted Ordinance No. 12585 to permit the distribution of medical cannabis. However, the City Council did not create a separate business tax classification specifically for Cannabis businesses. As such, medical cannabis dispensaries were classified under the Retail Business Tax classification with a tax rate of \$1.20 per \$1,000 of gross receipts. In June 2009 voters authorized an increase in the business tax rate for cannabis businesses to \$18 per \$1,000 of gross receipts.

If this Measure is approved by a majority of voters, the new cannabis tax rate will be effective beginning January 1, 2011.

FINANCIAL IMPACT

In Calendar Year (CY) 2010, there were four cannabis dispensaries licensed with the City of Oakland. The total gross receipts from the dispensaries for CY 2010 were \$27,806,545. Under the current business tax rate of \$18 per \$1,000, projected business tax revenues from the dispensaries is \$500,518.

The new tax rate for cannabis facilities is estimated to generate \$889,809 in additional annual revenue based on the CY 2010 gross receipts totaling \$27,806,545, as shown in the table below.

Calendar Year	Projected Cannabis Business Gross Receipts	Annual Revenue based on \$18 per \$1,000 (A)	Annual Revenue based on \$50 per \$1,000 (B)	Estimated Increase in Revenue under Proposed Ordinance (B-A)
2010	\$27,806,545	\$500,518	\$1,390,327	\$889,809

The estimated increase in revenue will be deposited into the general fund for general fund purposes. The city may use the revenue from the tax for any legal municipal purpose, including but not limited to maintenance of vital services and facilities.

Based on our analysis of the data provided by City staff, the projected revenues for medical cannabis businesses appear reasonable. However, currently there is no sufficient data available to project revenues for Non-medical Cannabis Businesses.

We relied on the best data available at this time, however actual results may vary from our estimates.

s/COURTNEY A. RUBY, CPA
City Auditor