

AGENDA
RIO DELL CITY COUNCIL
REGULAR MEETING – 6:30 P.M.
TUESDAY, MAY 3, 2016
CITY COUNCIL CHAMBERS
675 WILDWOOD AVENUE, RIO DELL

WELCOME . . . By your presence in the City Council Chambers, you are participating in the process of representative government. Copies of this agenda, staff reports and other material available to the City Council are available at the City Clerk's office in City Hall, 675 Wildwood Avenue. Your City Government welcomes your interest and hopes you will attend and participate in Rio Dell City Council meetings often.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Office of the City Clerk at (707) 764-3532. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.

THE TYPE OF COUNCIL BUSINESS IS IDENTIFIED IMMEDIATELY AFTER EACH TITLE IN BOLD CAPITAL LETTERS

A. CALL TO ORDER

B. ROLL CALL

C. PLEDGE OF ALLEGIANCE

D. CEREMONIAL MATTERS

E. PUBLIC PRESENTATIONS

This time is for persons who wish to address the Council on any matter not on this agenda and over which the Council has jurisdiction. As such, a dialogue with the Council or staff is not intended. Items requiring Council action not listed on this agenda may be placed on the next regular agenda for consideration if the Council directs, unless a finding is made by at least 2/3rds of the Councilmembers present that the item came up after the agenda was posted and is of an urgency nature requiring immediate action. Please limit comments to a maximum of 3 minutes.

F. CONSENT CALENDAR

The Consent Calendar adopting the printed recommended Council action will be enacted with one vote. The Mayor will first ask the staff, the public, and the Council members if there is anyone who wishes to address any matter on the Consent Calendar. The matters removed from the Consent Calendar will be considered individually in the next section, "SPECIAL CALL ITEMS".

1) 2016/0503.01 - Approve Minutes of the April 19, 2016 Regular Meeting (ACTION) 1

G. ITEMS REMOVED FROM THE CONSENT CALENDAR

H. SPECIAL PRESENTATIONS/STUDY SESSIONS

I. SPECIAL CALL ITEMS/COMMUNITY AFFAIRS

- 1) 2016/0503.01 - Overview of the Medical Marijuana Regulations and Safety Act (MMRSA) and adoption of proposed or modified Hearing schedule/calendar related to Ordinance No. 342-2016 Medical Marijuana Commercial Land Use Regulations (DISCUSSION/POSSIBLE ACTION)

16

- 2) 2016/0503.02 - Review of Draft FY 2016-2017 Operating and Capital Budget (DISCUSSION/POSSIBLE ACTION)

65

J. ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS

K. REPORTS/STAFF COMMUNICATIONS

1. City Manager
2. Chief of Police
3. Finance Director
4. Community Development Director

L. COUNCIL REPORTS/COMMUNICATIONS

M. ADJOURNMENT

*The next regular meeting will be on May 17, 2016
at 6:30 p.m. in City Hall Council Chambers*

**RIO DELL CITY COUNCIL
REGULAR MEETING
APRIL 19, 2016
MINUTES**

The regular meeting of the Rio Dell City Council was called to order at 6:30 p.m. by Mayor Wilson.

ROLL CALL: Present: Mayor Wilson, Mayor Pro Tem Johnson, Councilmembers
Garnes, Marks and Thompson

Others Present: City Manager Knopp, Finance Director Woodcox, Chief of Police
Hill, and City Clerk Dunham

Absent: Community Development Director Caldwell, Water/Roadways
Superintendent Jensen and Wastewater Superintendent
Chicora (excused)

PUBLIC PRESENTATIONS

Chuck Schager from Eel River Disposal Co. announced there will be a free Car Seat Recycling event on Saturday, April 23rd in conjunction with Fortuna High School and said car seats can be dropped off at the Fortuna High School parking lot anytime between 11 a.m. and 2 p.m.

CONSENT CALENDAR

Councilmember Thompson asked that Item 4, *Resolution 1294-2016 Approving the Solid Waste, Organic Materials and Recycling Franchise Agreement with Eel River Disposal* be removed from the consent calendar and placed under Special Call Items for separate discussion and/or action.

Motion was made by Johnson/Garnes to approve the consent calendar including approval of minutes of the April 5, 2016 regular meeting; approval of the Budget Calendar for adoption of the FY 2016-2017 City of Rio Dell Operating and Capital Budget; and authorizing the Mayor to sign the response to the 2013-2014 Grand Jury Report. Motion carried 5-0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Approve Resolution No. 1294-2016 Approving the Solid Waste, Organic Materials and Recycling Franchise Agreement with Eel River Disposal

Councilmember Thompson referred to Section 1.06.01, *Recycling Exclusive Rights* under the proposed franchise agreement where it states in part "Other than recyclable material placed at curbside, this Agreement in no way prevents or regulates the right of others to collect recyclables or operate a recycling collection facility with the City limits.

Rick Powell from Eel River Disposal explained that this particular language is common in franchise agreements and that it was in the prior agreement. He said what it means is that the City has the right to recycle materials with another facility and it does not take away the right of others to open a recycling collection facility in the City.

Councilmember Thompson then referred to Section 1.06.04, Alternative Disposal Facility and wanted the Council to understand that by sending the City's solid waste to Eel River Disposal, the City gets a break in the cost and it would cost \$35/ton more to go to the HWMA transfer station in Eureka.

Rick Powell explained the only way this would happen is if they defaulted on the agreement or there was for example, a fire at the transfer station but if that were to happen, they would likely petition the City of Fortuna to arrange for an alternate location.

Councilmember Thompson referred to Section 2.02.07.05 related to liquidation damages in the event of a material breach of contract by Eel River Disposal and said he thought the \$100.00 per day should perhaps be \$100.00 per day *or actual cost to the City*. He said he talked to Rick Powell about it and he explained there are other areas in the agreement to protect the City so it wasn't necessary to amend the language.

Rick Powell stated that ERD has served the City since 1967 and has never defaulted on an agreement.

Councilmember Thompson then referred to Exhibit A-1 of the agreement and said at the last Humboldt Waste Management Authority (HWMA) meeting; they passed their budget so the HWMA fees will be included and that the fee schedule will be reformatted to make it easier to understand. He said the HWMA fees and ERD fees need to be on the same page. He noted that when the new HWMA contract comes in, the City will see a change in their fees due to closure of the Cummings landfill and having all of the fees on the same page will make it easier to understand.

Mayor Wilson asked if HWMA fees are expected to go down; Councilmember Thompson said they will stay the same but there will a reallocation of fees.

Mayor Wilson asked Councilmember Thompson to provide the Council with an update at the time of renewal of the HWMA contract.

Rick Powell pointed out that during the term of the agreement, ERD will submit quarterly reports in a format approved by the City and that HWMA fees are a direct pass-thru to the City in which ERD has no control of.

Mayor Pro Tem Johnson stated that locking in the franchise agreement for 10 years is a big step and thanked staff and ERD for their efforts in putting it together.

Rick Powell said Eel River Disposal Co. appreciates the opportunity to continue providing services to the City of Rio Dell.

Motion was made by Garnes/Thompson to approve Resolution No. 1294-2016 *Approving the Solid Waste, Organic Materials and Recycling Franchise Agreement with Eel River Disposal Co., Inc.* Motion carried 5-0.

SPECIAL PRESENTATIONS

Presentation by R. J. Riccardi, CPA on the FY 2014-2015 Audit

Finance Director Woodcox stated the 2014-2015 audit is complete and introduced Michael O'Connell who was present to provide an overview.

Mr. O'Connell provided a brief overview of the audit and reported the City received a clean unqualified opinion which is the best opinion.

He reported overall total assets of \$33.5 million and a total net position of \$24.5 million for the year ending June 30, 2015. He pointed out that total expenditures exceeded total revenues by \$230,000 but the City's net position was still strong.

Mayor Wilson asked if there was anything that stood out regarding the amount overspent.

Mr. O'Connell explained there was nothing in particular that stood out and said part of the reason had to do with the timing of grant reimbursements.

He thanked the finance staff for their hard work in putting together the reports and other documentation for the audit.

SPECIAL CALL ITEMS/COMMUNITY AFFAIRS

Authorize the City Manager to Extend Engagement of Auditing Firm of R. J. Riccardi, CPA's to complete the FY 2015-2016 Audit

Finance Director Woodcox provided a staff report and said the firm of R.J. Riccardi, CPA's has been performing the City's financial statement audits for the past four (4) years and staff is recommending the City Council authorize the City Manager to sign an engagement letter for an additional year to complete the 2015-2016 audit. She said staff will then go through the Request for Proposal (RFP) process for auditing services for subsequent audits to make sure fees are competitive.

Motion was made by Thompson/Garnes authorizing the City Manager to extend the engagement of auditing firm R.J. Riccardi, CPA's to complete the FY 2015-2016 audit. Motion carried 5-0.

Discussion of potential Public Hearing dates regarding Medical Marijuana Commercial Land Use Regulations, Section 17.30.195 of the Rio Dell Municipal Code (RDMC)

City Manager Knopp provided a brief staff report and said as the Council is aware the Planning Commission has conducted five (5) public hearings regarding potential Medical Marijuana Commercial Land Use Regulations and concluded their review of the draft regulations at their meeting of April 12, 2016.

He said staff hopes to expedite the review process by the City Council in order to allow enough time to place a tax initiative on the November ballot, while at the same time giving the ordinance its full due diligence.

The proposed Council public hearing schedule would begin on May 3, 2016 followed by a Special meeting on May 10, 2016 with potential adoption of the ordinance on May 17, 2016.

Mayor Pro Tem Johnson stated that the April 5, 2016 City Manager Update to the Council indicated that Dr. Donald Baird had agreed to come to the June 7, 2016 Council meeting to discuss Medical Marijuana and pointed out that this is after potential adoption of the ordinance.

City Manager Knopp stated that Dr. Baird was unable to commit to an earlier date.

Mayor Pro Tem Johnson commented that he would really like to hear what Dr. Baird has to say before taking action on the ordinance.

City Manager Knopp said staff could possibly search for another doctor that would be willing to come sooner and if it is the desire of the Council, the item could be continued.

Councilmember Thompson read a statement to become part of the record (attached to these minutes) and said he believes the City should table the Commercial Marijuana Land Use Ordinance until certain issues have been addressed. He identified six (6) issues/concerns and a summary of those issues included:

- Children in Crisis and the drug problems for the Rio Dell school children suggesting the City join together with the school and develop a ballot initiative to help fund counseling and other programs to help children in crisis.
- Investigate the allegations to staff printed in The Humboldt Consequential
- Address the letter from Tim Cromartie stating that with passage of AB 21 that cities are now free to craft local cultivation regulations at their leisure
- Suggested waiting until the State Legislature has finished making their laws which could possible take away some of the City's rights or funding

- The future of Rio Dell is a question that all citizens should vote on and passage of Commercial Marijuana Land Use regulations should be placed on the ballot before any action is taken by the City Council.
- Never in the history of Rio Dell has the City Council taken an action that 50 years down the road could prove to be this devastating to the community.

Councilmember Garnes argued that medical marijuana is legal by the State so to say that it will destroy the City because the Council wants to enforce laws versus what everyone knows is going on in the black market doesn't make sense. She pointed out that the idea is to make it legal so people in the black market can come in under the legal side of it.

She said it isn't so much about personal opinions but allowing illegal businesses the opportunity to operate legally. She said to create this idea that by following laws and trying to enforce laws that have already been implemented by the State will hurt children will actually protect children. She added that to say the Council is in fact trying to destroy the City and the children is a thought; not a reality. She said the reality is that there is a lot of marijuana in the black market now that can get into the hands of children. She said the Council has known before that it is going on and not brought in a doctor to talk about it from the medical aspect. She added that the City has the opportunity to move forward economically and put money in the General Fund and do things like fixing the streets or other things that as a community simply can't afford. She said the City Council can't ask citizens for one more dollar to fix the streets or anything else.

She said this approach to marijuana is legitimate, it's legal so to just keep pushing it down the line for some reason she doesn't understand is not reasonable.

She referred to the article in Sunset magazine naming Arcata, who has been in the medicinal marijuana business for 10 years, as a runner up for one of the best places to live. She said she is not saying that it is the best for Rio Dell but it is legal so why not look for a legal avenue to help the City economically without raising rates or taxes.

She pointed out that Palco Pharmacy has been robbed at gunpoint twice and asked why the City would not want to bring it into the community legally. She stated that by regulating it and making sure it is done legally and responsibly, the Council will be looking out for the children rather than ruining their lives.

Councilmember Marks stated that his hope is that citizens attend the public hearings so the Council can hear their opinions.

Mayor Wilson commented that he attended a Redwood Region Economic Development Commission (RREDC) meeting where the economic development director of Eureka spoke

on marijuana and the legislation is much more complex than he realized with regard to putting responsible controls on it. He said it's no secret that he is not a big fan of marijuana but one thing he realized from the meeting on marijuana held at the school is that there comes a place when he has to put his personal opinion aside and look at what's going on in the community.

He said that it seems the schedule for approval of the regulations is aggressive and although he would like to start the dialog, he doesn't know that he is ready to introduce the ordinance. He pointed out that there is real potential for Rio Dell to benefit and get a handle on the illegal activity. He said that a lot of the legislation is good such as people will no longer be able to simply go to a doctor that issues 215 cards but will be required to go to their primary physician to obtain the card.

He stated that the City Council needs to fully understand the regulations being proposed and suggested the introduction of the ordinance be delayed until there is a clear understanding.

Mayor Pro Tem Johnson stated that the Planning Commission had five (5) meetings and spent probably 10-15 hours on discussion of the Commercial Medical Marijuana Land Use regulations. As such, he said the City Council has a lot of catching up to do. He commented that Councilmember Marks attended all five (5) meetings and he attended three (3) and he still is not comfortable with making a decision.

He said one thing to remember is that the Council is only voting on Medical Marijuana Land Use regulations; not on Recreational Marijuana regulations. He suggested the Council google the subject to become better educated on the issues and said if it weren't for the fact that it only includes medical marijuana, he doesn't think there would be a chance of the City Council passing it. He said that's why he wants to hear the medical opinion by a doctor before voting on the ordinance. He said everyone has a medical marijuana success story and understands that not all marijuana has a psycho-active effect.

Mayor Wilson called for public comment on the issue.

James Bidwell representing Al's Community Place addressed the Council and said their business is a collective to provide medical marijuana to patients. He offered to provide a list of patients and their medical needs. He said Rio Dell could become "weed country" like Napa is "wine country."

Sharon Wolfe stated that she attended all of the Planning Commission meetings and they were very well attended. She noted that all five (5) sessions are available online at riodelltimes.com and on the Access Humboldt channels.

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Tim Stack stated that he started attending City Council meetings during the water rate hearings and saw the power point presentation on marijuana. He said he has smoked marijuana for 45 years and it has helped his medical condition. He commented that what is being proposed makes sense and having highly regulated dispensaries is a good idea.

He noted that when he lived in San Jose, a person could basically pay \$30 and get a 215 card.

He said he personally feels that marijuana is a plant and should be allowed to be grown like tomatoes or any other plant. He commented that with strict regulations, everyone will be run out of business except for the large growers.

Kathleen Kemp said she attended the last Planning Commission meeting and can't believe how much she learned about marijuana. She said she has also watched a lot of documentaries on medical marijuana and appreciates that the City Council wants more information before approving medical marijuana regulations. She commented that it would have been a good idea for Councilmember Thompson to have attended the Planning Commission meetings to become more educated.

Councilmember Thompson held up a photo of his adopted granddaughter and said her biological mother, who did drugs is dead and the child is dealing with all kinds of problems because of marijuana and other drugs. He said the issue of marijuana legalization is all about money and not lives.

He commented that the letter that was published in the Humboldt Consequential and sent to Council and staff needs to be addressed to make sure the accusations against staff are false. He said it is the Council's responsibility to follow up when accusations are made against any staff person.

City Manager Knopp agreed to follow up on the accusations.

Councilmember Thompson suggested a fund be set up to protect children and said kids come to school smelling like marijuana and teachers have to clear the classroom to get the smell out. He said parents with 215 cards smoke in the home with their kids present and by age 12, the kids are addicted. He said his fear is that the use of marijuana will spread like cancer.

Mayor Pro Tem Johnson said with regard to the proposed hearing calendar, he would like to hear from a doctor early on and if the Council is not up to speed, to continue discussions before moving forward with adoption of the ordinance.

Mayor Wilson said he would like to delay the introduction and first reading of the ordinance on May 3rd until the Council has more information.

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Councilmember Marks agreed.

Councilmember Garnes stated that she would be okay with introduction of the ordinance on May 3rd or May 17th.

The consensus of the Council was to have initial discussions and an overview of the Medical Marijuana Regulations and Safety Act (MMRSA) on May 3rd followed by introduction of the ordinance on May 17th with potential second reading and adoption on June 7, 2016.

Mayor Wilson said he would appreciate the information and backup materials presented to Council as soon as possible and as Mayor Pro Tem stated, the Council needs to make a strong effort to educate themselves on the issues.

Councilmember Thompson said according to the League of California Cities (LOCC), there are a lot of legislative bills being introduced related to marijuana including one that would place a 10% excise tax on marijuana. He said he would like to have a spokesperson from the LOCC, perhaps Tim Cromartie make a presentation at one of the Council meetings.

The consensus of the Council was that the City Manager tries to get Mr. Cromartie or other experts on the subject to attend a meeting.

Discuss Measure Z Application and authorize Mayor and Council to sign letter to Humboldt County Board of Supervisors

City Manager Knopp provided a staff report and said on March 30, 2016 the Measure Z Advisory Committee forwarded recommendations to the County Administrative Office for the consideration of the Board of Supervisors. He explained the list was broken up into three (3) categories and the recommendations on the primary list alone, exceeded available funding by over \$600,000.

He said the City had submitted two (2) requests; one for continuation of the part-time clerical support in the Police Department, and another for a full-time Community Services Officer (CSO), neither of which made the primary list.

He said based on the new information, he would advise the Council moving in a different direction which is to withdraw the request for the CSO position and advocate for continuance of the funding for the part-time clerical support position. He said if the Council is in agreement, he is recommending that the letter be signed by the Mayor and all Councilmembers.

City Manager Knopp said it is important to know that the Measure Z revenues generated in Rio Dell total approximately \$84,000 and the requested funding to continue the position is

only around \$34,000. He also pointed out that it was the advocacy of the Board of Supervisors last year that made it possible for the City to get the position funded last year.

Consensus of the Council was to move forward with the request for funding as recommended.

ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS

Second Reading (by title only) and Adoption of Ordinance No. 344-2016 Establishing an Alternate Planning Commissioner and annually appointing a Chairperson and Vice-Chairperson

City Manager Knopp provided a brief staff report and said the ordinance was introduced at the April 5, 2016 meeting and is before the Council at this time for its second reading and adoption.

A public hearing was open to receive public comment on the proposed ordinance.

There being no public comment, the public hearing closed.

Motion was made by Johnson/Thompson to conduct the second reading (by title only) and adopt Ordinance No. 344-2016 amending Section 2.60.020(1) of the Rio Dell Municipal Code (RDMC) to establish an Alternate Planning Commissioner position and amending Section 2.60.030(3) of the RDMC to annually appoint a Chairperson and Vice-Chairperson, and directing the City Clerk to post the Ordinance adoption summary. Motion carried 5-0.

Approve Resolution No. 1293-2016 Establishing Water Rates for Recreational Vehicle (R.V.) Spaces

City Manager Knopp provided a staff report and said as requested by the Council; staff met with representatives of local mobile home and R.V. parks to discuss water rates and is returning to Council at this time with a proposed resolution.

He said historically mobile home and R.V. parks received adjustments for water with the most recent adjustment providing a base charge of 65% of the normal base charge for R.V. spaces. He said the water rates established under Resolution No. 1281-2015 eliminated water adjustments for R.V. spaces.

He said staff consulted with a rate specialist and believes there is a basis for water charges to be adjusted for R.V. spaces under the present rate structure to make the rates more equitable. He noted that this is similar to the "Dinsmore Zone" which was identified as a separate service area. He said in the case of the Dinsmore Zone, an additional surcharge was warranted; in the case of R.V. parks, the continuation of the past practice of an adjustment is justified.

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Staff pointed out that under Prop 218, the process is only required if rates are raised and in this case, no rates will be raised.

City Manager Knopp explained that eligibility for the base rate reduction will be based on certain terms and conditions and said a park must have at least 20% of their total spaces dedicated as R.V. spaces to receive the 65% of the base rate for R.V. spaces. Also, water consumption must average less than 90% of the average residential water consumption to maintain eligibility for this rate and there is no base rate waiver for unoccupied R.V. spaces.

He said in the past, there was a self-certification process whereby the mobile home park manager would report to the City each month the number of occupied spaces. He said there is no basis for that provision and recommended it be eliminated.

Mayor Pro Tem Johnson asked if the current billing software is set up to handle the rate schedule as proposed.

Finance Director Woodcox indicated that it could be programmed to reflect the new rate schedule.

Councilmember Thompson asked for clarification that R.V. spaces would only be charged 35% of the base rate for all RV spaces.

City Manager Knopp explained that the base rate would be adjusted by 35% so they would be charged 65% of the base charge whether the space is occupied or not.

A public hearing was open to receive public comment on the proposed resolution.

Jim Rutherford, a spokesperson for the Rio Dell Mobile Park addressed the Council and asked the City Council to consider reducing the 65% base charge to 50%.

He said he did research on what other jurisdictions charge for R.V. spaces and said the base charges range from 20% to 50% of the normal base charge. He said agencies did studies to determine the difference in water usage between a normal residence and an R.V., and one study showed that R.V.'s use an average of 17% of a normal residence.

He noted that Humboldt Community Services District charges 50% of the base rate for both water and sewer and said 65% is not reasonable.

He pointed out that R.V.'s are required to have pressure reducers which reduce water flows by 50%.

He said he is not suggesting the current \$40.06 base rate be reduced for everything but to recognize the difference between water usage for R.V.'s and a normal residence. He said the 65% suggested rate is arbitrary and even if everything else stays the same, the base rate for R.V. spaces should be not more than 50%.

Mr. Rutherford asked why 20% of the spaces in a mobile home park must be dedicated for R.V. spaces to qualify for the base rate adjustment and suggested that language be eliminated from the resolution.

He said establishing special rates for specific categories is not new and pointed out the motel in Rio Dell only pays 22% of the normal base rate.

He asked for Council's consideration to reduce the recommended 65% base rate to 50% for all dedicated R.V. spaces.

Thelma Maddox, owner of the Rio Dell Mobile Park addressed the Council and said in the past they did not have to pay for unoccupied mobile home or R.V. spaces. She said there used to be a lot of loggers occupying the R.V. spaces and each year that number has decreased. She said for the past 5 years, there have been 4-5 empty spaces and pointed out that an R.V. has to come and stay for 6 days just for her to break even on expenses.

She stated that she is not arguing that the water rates are too high but to recognize the difference between a single family residence and an R.V. when it comes to water usage. She said under the new proposed rate structure, she would only save \$140/month on a \$4,200 bill.

Councilmember Thompson questioned the number of spaces in her park and if the R.V. spaces can be converted to regular mobile home spaces.

Thelma Maddox said she currently has 39 spaces; 10 of which are dedicated R.V. spaces. She said the R.V. spaces are too small to be converted as they will only accommodate units up to 37 feet.

Mayor Pro Tem Johnson stated that he has had an R.V. for 43 years and can take a 1 gallon shower whereas; his wife takes a 20 gallon shower so an average shower is probably around 10 gallons. He said while traveling around he has taken advantage of washing down his R.V. at a park so there were times when they only used 10 gallons of water a day; other times they may have used 200 gallons. The point he was trying to make was that there can be a huge variance in water usage for an R.V.

Thelma commented that she doesn't allow R.V.'s to be washed down in her park in promoting water conservation.

Mayor Wilson commented that City government is pretty fascinating starting with the whole concept of water and sewer rates. He said he still doesn't think the rates are always equitable.

He said by reducing the 65% rate to 50%, they would only see a \$400 reduction in their monthly bill and pointed out that the high bill is contributed mostly to the sewer rate rather than the water rate.

He said if the 50% would make them happy, he would suggest giving it to them.

Thelma Maddox commented that what would make her happy is to get 50% reduction on both water and sewer. She also stated that she doesn't agree with being charged for empty spaces.

Mayor Wilson said if they want to encourage R.V.'s to come in, they need to have R.V. spaces; if they don't they might as well put in park benches.

Thelma Maddox commented that she has owned the mobile home park for 28 years and has put in a lot of improvements. If she is forced to pay for empty spaces, she won't be able to do any improvements.

Mayor Wilson said he would agree to the 50% rate for water and although it is a separate agenda item, he would like to look at the sewer rates at another time.

Motion was made by Thompson/Wilson to adopt Resolution No. 1293-2016 *Amending Resolution No. 1281-2015 and restating Water Fees and Charges for Water Customers Pursuant to Section 13.05 of the Rio Dell Municipal Code (RDMC)* as amended to include a base reduction of 50%. Motion carried 5-0.

Mayor Wilson commented that there are other issues related to sewer rates that need to be addressed such as how the average water consumption is established for new customers as well as other items and said he would like the Council to take another look at the sewer ordinance to make sure those rates are equitable.

Mayor Pro Tem Johnson stated that he would prefer not getting involved with another Prop 218 process but is not opposed to having a candid discussion on sewer rates at the beginning of the next fiscal year.

City Manager Knopp noted that if the Council wants to delve deeper into the sewer rates, the City would need to contract with a rate specialist and pointed out that the City saved \$25,000 - \$35,000 by using Rural Community Assistance Corporation (RCAC) over a rate consulting firm to do the last water rate study.

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He said in moving forward with potential marijuana land use regulations, employee contract negotiations and other current projects, staff would recommend referring consideration of sewer rate amendments back to Bartle Wells Associates or some other water/sewer rate consultant to help guide the Council on these issues.

He said the intent of using RCAC for the water rate study was to keep water rates down and save taxpayers money. He pointed out that part of the reason for the water rates being as high as they are is because the City is comprised of 95% residential customers.

Mayor Wilson clarified that the issues in the ordinance he was referring to are not Prop 218 issues. He agreed to write out his concerns and present them to the City Council at a subsequent meeting so they can look at the ordinance and consider some minor tweaking. He said he is not suggesting to go out and hire a consultant to fix something that is really not that complicated and said he is withdrawing his request at this time and will bring the matter forward at a later time.

Councilmember Garnes asked if there is a reason for starting to charge for empty mobile home and R.V. spaces.

City Manager Knopp explained the current rate structure was recommended by RCAC and said there is a fixed base charge established for every water connection then a volumetric charge for actual usage. He added that there is no basis for self-certification of occupied spaces.

Mayor Wilson said there are two (2) mobile home parks in the City with R.V. spaces, both of which are reputable and he has no problem trusting their word. He said the City doesn't always do the right thing or make the best decisions and there is nothing wrong with taking a second look.

City Manager Knopp pointed out that the City Attorney changed the language in the resolution and that a mobile home park could sell to someone who may not be honest.

Councilmember Thompson commented that historically the City has brought in specialists to look at facts in studies and come up with recommendations to the Council. He said there is really no pattern for the City to follow and the bottom line is that there is a certain amount of money needed to operate and maintain the system which dictates the rates.

REPORTS/STAFF COMMUNICATIONS

City Manager Knopp reported on recent activities and events and distributed a written City Manager update. He presented a list of times for touring the marijuana dispensary in Arcata; announced the date for the Annual Spring Clean-Up as May 7th; reported staff will

be issuing a newsletter by the end of the month and will include information on proposed marijuana regulations; said work continues on the new City website and email system; and noted over the next couple of months, staff's time will be consumed mostly with the budget; employee contract negotiations and potential changes in land use regulations related to cannabis.

Mayor Wilson stated that he would like to tour the Arcata dispensary but due to his work schedule will not be able to do so and asked if the new email system will be able to forward City emails to personal emails. Staff indicated that it will have that capability.

Finance Director Woodcox stated that she had nothing to report at this time.

COUNCIL REPORTS/COMMUNICATIONS

Mayor Wilson reported on his attendance at the Redwood Region Economic Development Commission (RREDC) meeting and said the City of Eureka has a whole department devoted to promoting business and they gave a presentation on marijuana which showed him how big this issue really is.

Councilmember Marks commented that he was approached by someone interested in placing a sculpture in the median and he informed him that the Rio Dell Sculpture Committee would need to consider the request.

Mayor Wilson suggested Community Development Director Caldwell, as Chairperson of the Sculpture Committee schedule a meeting of the Sculpture Committee.

ADJOURNMENT

Motion was made by Johnson/Garnes to adjourn the meeting at 8:40 p.m. to the May 3, 2016 regular meeting. Motion carried 5-0.

Frank Wilson, Mayor

Attest:

Karen Dunham, City Clerk

Medical Marijuana land use.

I believe that the city should table this zoning Ordinance until the following items have been addressed. Contrary to what was stated in the Rio Dell-Scotia chamber of commerce news letter the city does not need to do this ordinance to maintain future control of medical marijuana.

(A) 2013-2014 Grand Jury report Children in crisis.

I spoke with our Rio Dell school superintendent Leslie Yale about the future for our school children and the drug problem for the Rio Dell school children. The city should join together with the school and develop a ballot initiate to help fund counseling and other help for children in crisis funded by any future drug sales.

(B) The letter of accusation on this ordinance that was sent to me by The Humboldt Consequential.

(C) The Feb 26 letter from Tim Cromartie stating that with the passage of AB 21 on Feb 3rd that the cities are now free to craft local cultivation regulations at their leisure.

(D) What happens in the legislature and the city zoning will change forever the future of Rio Dell. Will we just become another drug filled city or a city where people want to come and enjoy the surrounding beauty and great weather. We need to wait until the legislatures have finished making their laws which could possible take away some of the city rights or funds as they have done to other funding sources, the property tax that was taken from the county has destroy county funds for the roads is one example.

(E) The question of the future of Rio Dell is a question that all the citizens of Rio Dell should vote on and we should place it on the ballot before we take any actions on zoning. We should put this to a vote of the people in Nov. and not push for a vote that may in the end be a very bad Ordinance.


(F) Never in our history has the city been looking at taking an action that fifty years down the road could prove to be devastating to the population.


675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532



For Meeting of: May 3, 2016

To: City Council

From: Kevin Caldwell, Community Development Director 

Through: Kyle Knopp, City Manager 

Date: April 27, 2016

Subject: Overview of the Medical Marijuana Regulations and Safety Act

Recommendation:

That the City Council:

1. Receive staff's report regarding an overview of the Medical Marijuana Regulations and Safety Act; and
2. Open the public hearing, receive public input and deliberate; and
3. Direct staff to introduce Ordinance No. 342-2016 establishing Section 17.30.195 of Title 17 of the Rio Dell Municipal Code relating to the Commercial Cultivation, Processing, Manufacturing and Distribution of Cannabis for Medical Use at the Council meeting of May 17, 2015; and
4. Adopt the proposed or modified Hearing schedule/calendar.

Background and Discussion

At the Council meeting of April 19, 2016 the Council requested an overview of the Medical Marijuana Regulations and Safety Act (MMRSA).

Medical Marijuana Commercial Land Use Regulations Council Staff Report May 3, 2016

On October 9, 2015 Governor Brown approved the Medical Marijuana Regulations and Safety Act (MMRSA), a package of three bills enacted by the legislature on September 11, 2015, AB 243, AB 266 and SB 643. The MMRSA provides for comprehensive, concurrent regulation and licensing by state and local governments of medical marijuana as an agricultural product, including its cultivation, processing, testing, manufacture, distribution, transportation, dispensing, and delivery.

The three bills comprising the Medical Marijuana Regulation and Safety Act are summarized below:

AB 243 (Wood) regulates marijuana cultivation and provides a regulatory structure specifically to address environmental impacts.

- Places the Department of Food and Agriculture (DFA) in charge of licensing and regulation of indoor and outdoor cultivation sites. Creates a Medical Cannabis Cultivation Program within the department.
- Mandates the Department of Pesticide Regulation (DPR) to develop standards for pesticides in marijuana cultivation, and maximum tolerances for pesticides and other foreign object residue.
- Mandates the Department of Public Health to develop standards for production and labeling of all edible medical cannabis products.
- Assign joint responsibility to DFA, Department of Fish and Wildlife, and the State Water Resources Control Board (SWRCB) to prevent illegal water diversion associated with marijuana cultivation from adversely affecting California fish population.
- Specifies that DPR, in consultation with SWRCB, is to develop regulations for application of pesticides in all cultivation.
- Specifies various types of cultivation licenses.
- Directs the multi-agency task force headed by the Department of Fish and Wildlife and the SWRCB to expand its existing enforcement efforts to a statewide level to reduce adverse impacts of marijuana cultivation, including environmental impacts such as illegal discharge into waterways and poisoning of marine life and habitats.

AB 266 (Bonta, Cooley, Jones-Sawyer, Lackey and Wood) contains the critical local control provisions and most of the core provisions of the regulatory structure, headed by the Department of Consumer Affairs.

- Protects local control as it establishes a statewide regulatory scheme, headed by Bureau of Medical Marijuana Regulation (BMMR) within the Department of Consumer Affairs (DCA).
- Provides for dual licensing: state will issue licenses, and local governments will issue permits or licenses to operate marijuana businesses, according to local ordinances. State licenses will be issued beginning in January 2018.
- Revocation of a local license or permit will unilaterally terminate the ability of the business to operate in that jurisdiction.
- Expressly protects local licensing practices, zoning ordinances, and local constitutional police power.
- Caps total cultivation for a single licensee at four acres statewide, subject to local ordinances.
- Requires local jurisdictions that wish to prevent delivery services from operating within their borders to enact an ordinance affirmatively banning this activity.
- Specifies that DCA will issue the following licenses: Dispensary, Distributor, Transport, and Special Dispensary Status for licensees who have a maximum of three dispensaries. Specifies various sub-categories of licensees (indoor cultivation, outdoor cultivation, etc.)
- Limits cross-licensing to holding a single state license in up to two separate license categories, as specified. Prohibits medical marijuana licensees from also holding licenses to sell alcohol.
- Requires establishment of uniform health and safety standards, testing standards, and security requirements at dispensaries and during transport of the product.
- Specifies a standard for certification of testing labs, and specified minimum testing requirements. Prohibits testing lab operators from being licensees in any other category, and from holding a financial or ownership interest in any other category of licensed business.
- Includes a labor peace agreement under which unions agree not to engage in strikes, work stoppages, etc. and employers agree to provide unions reasonable access to employees for the purpose of organizing them. Specifies that such an agreement does not mandate a particular method of election.
- Provides for civil penalties for unlicensed activity, and specifies that applicable criminal penalties under existing law will continue to apply.

- Specifies that patients and primary caregivers are exempt from the state licensing requirement, and provides that their information is not to be disclosed and is confidential under the California Public Records Act.
- Phases out the existing model of marijuana cooperatives and collectives one year after DCA announces that state licensing has begun.

SB 643 (McGuire) contains critical provisions on criteria for state licensing, including disqualifying felonies. It also regulates physicians making medical marijuana recommendations and requires digital seed-to-sale or track-and-trace program for marijuana, similar to that employed for agricultural products.

- Directs California Medical Board to prioritize investigation of excessive recommendations by physicians.
- Requires that only the patient's attending physician may recommend medical marijuana.
- Imposes fines (\$5000.00) vs. physicians for violating prohibition against having a financial interest in a marijuana business.
- Recommendation for cannabis without a prior examination constitutes unprofessional conduct.
- Imposes restrictions on advertising for physician recommendations.
- Provides that licenses may be denied for any past criminal conviction that is substantially related to the operation of a medical marijuana enterprise. All felony convictions involving trafficking in controlled substances, all serious or violent felonies, and all felony convictions involving fraud, deceit or embezzlement are deemed to be substantially related offenses.
- Places Department of Food and Agriculture in charge of cultivation regulations and licensing, and requires a track and trace program.
- Codifies dual licensing (state license and local license or permit).
- Places DPR in charge of pesticide regulation; DPH in charge of production and labeling of edibles.
- Upholds local power to levy fees and taxes.

The Medical Marijuana Regulation and Safety Act is significant for local jurisdictions because it:

- Protects local control by requiring that all marijuana businesses have a local permit or license – in addition to a state license.
- Provides public safety by providing mandatory minimum statewide security requirements and specifying criteria for state licensing, including disqualifying felonies;
- Protects public health with mandatory minimum statewide health and safety standards, backed up by mandatory product testing; and
- Ensures patient safety with quality assurance protocols requiring random sample testing by certified laboratories for all medical marijuana sold in California.

State License Types

AB 243 has established ten (10) State cultivator license types issued by the Department of Food and Agriculture.

- **Type 1, “Specialty Outdoor”**, for outdoor cultivation using no artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises.
- **Type 1A, “Specialty Indoor”**, for indoor cultivation using exclusively artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises.
- **Type 1B, “Specialty Mixed-Light”**, for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of less than or equal to 5,000 square feet of total canopy size on one premises.
- **Type 2, “Small Outdoor”**, for outdoor cultivation using no artificial lighting between 5001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- **Type 2A, “Small Indoor”**, for indoor cultivation using exclusively artificial lighting between 5001 and 10,000 square feet, inclusive, of total canopy size on one premises.

- **Type 2B, "Small Mixed-Light"**, for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 5001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- **Type 3, "Outdoor"**, for outdoor cultivation using no artificial lighting from 10,001 square feet to one acre inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.
- **Type 3A, "Indoor"**, for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.
- **Type 3B, "Mixed Light"**, for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.
- **Type 4, "Nursery"**, for cultivation for cultivation of medical cannabis solely as a nursery. Type 4 licensees may transport live plants.
- **Type 6, "Manufacturing Level 1"**, for manufacturing sites that produce medical cannabis products using nonvolatile solvents.
- **Type 7, "Manufacturing Level 2"**, for manufacturing sites that produce medical cannabis products using volatile (i.e. butane, hexane, ethanol, etc.) solvents. This process will be regulated at a higher level. The State Department of Public Health shall limit the number of licenses of this type.
- **Type 8, "Testing"**, Testing licensees shall have their facilities licensed according to the regulations set forth in Section 19341 et. seq. of the Business and Professions Code. A testing licensee shall not hold a license in another license and shall not own or have ownership interest in any other license type.
- **Type 10, "Dispensary; General"**, Dispensaries are facilities where medical cannabis, medical cannabis products, or devices for the use of medical cannabis or medical cannabis products are offered either individually or in any combination, for retail sale,

including an establishment that delivers, pursuant to express authorization by local ordinance, medical cannabis and medical cannabis products as part of a retail sale. Only one retail site is allowed and no other licenses are allowed under the Type 10 license.

- **Type 10A, "Dispensary; No More Than 3 Retail Sites"**, A Type 10A dispensary licensee may apply for other licenses in an effort to be vertically integrated, which is required in some cities. And even though a dispensary may obtain a cultivator and/or manufacturing license, it must first transport all cannabis through a distributor and testing licensee before it re-enters the dispensary (if the grow is located in the same place) for sale.
- **Type 11, "Distribution"**, A distributor is a person permitted to engage in the business of purchasing, medical cannabis from a licensed cultivator, or medical cannabis products from a licensed manufacturer, for sale to a licensed dispensary.
- **Type 12, "Transporter"**, Transporters will be prohibited from having a cultivator, manufacturer, or any other license by the state, except for a distributor license, which a transporter may hold.

AB 2516 "Cottage Cannabis Farmers" Bill

As some Council members are aware, Assemblyman Jim Wood recently introduced the "Cottage Cannabis Farmers" bill, AB 2516 which will create a new cannabis cultivator license for "micro farmers". This new license, Type 1C, is for farmers/cultivators with 2,500 square feet or less of total canopy for outdoor cultivation or a maximum canopy of 500 square feet for indoor cultivation. The Department of Food and Agriculture will develop regulations specific to these smaller operations.

AB 2243 Assemblyman Jim Wood's Proposed Excise Tax

Assemblyman Jim Wood has introduced AB 2243, which is a proposed excise tax on medical cannabis. Assemblyman Wood recently said, "An excise tax will ensure the revenue stays in the communities where the cannabis is grown. Our goal is to create resources to manage the environmental and public safety problems we are battling."

The bill would levy a \$9.25 per ounce tax on cannabis flowers, a \$2.75 per ounce tax on cannabis leaves and a \$1.25 tax on immature cannabis plants from nurseries. Current estimates from the Board of Equalization project the tax to generate upwards of \$77 million annually. How the funds should be distributed has been hotly contested, currently the bill would designate 30% to the Natural Resources Agency to fund a grant program for environmental cleanup and restoration on public and private lands, 30% to local law enforcement, 30% to fund the multiagency Watershed Enforcement Team, and the final 10% would go for research of the medical marijuana industry.

It should be noted that the Board of Equalization reported approximately \$720 million dollars in medical cannabis sales and approximately \$63 million dollars in taxes for 2015.

Local Taxes

State law, Section 19320(d) of the Business and Professions Code, is very clear that it allows local jurisdictions to impose sales, excise and business taxes on the cannabis industry. Many jurisdictions throughout the State generate significant revenues by taxing the industry. Staff's intent in recommending the proposed Commercial Medical Marijuana Land Use Ordinance is not only to develop an effective regulatory program, but also to stimulate the local economy. In addition, to creating local jobs and increasing the property tax base with new development, staff is recommending that if the Ordinance is approved that the Council direct staff to prepare a tax initiative to be placed on the November ballot. Staff has had preliminary discussions with the County Election Department and they have suggested getting the ballot measure to them by July 5, 2016.

Apparently there are different options for imposing taxes on cannabis related activities. Staff is currently looking into the various taxing options. Below is one possible option. Based on in house discussions and discussions with potential business owners (stakeholders), staff believes the following and revenue estimates may be reasonable.

| Use Type | Tax Rate | Estimated Amount | Potential Annual Revenue |
|--------------------------------------|---|-----------------------------------|--------------------------|
| Cultivation | \$1.00 per square foot | 100,000 square feet | \$100,000 |
| Processing - Flowers | \$1.00 per ounce (\$16.00 per pound) | 160,000 ounces (10,000 pounds) | \$160,000 |
| Processing - Leaves | \$.25 per ounce (\$4.00 per pound) | 320,000 ounces (20,000 pounds) | \$80,000 |
| Extraction | \$.50 per gram | 1,500,000 grams | \$750,000 |
| Edibles | \$.50 per item | 5,000 items | \$2,500 |
| Nursery Plants | \$.50 per plant | 100,000 plants | \$50,000 |
| Laboratories | 5% of testing fee. | \$50,000 in fees | \$2,500 |
| Dispensary Sales | 5% | \$50,000 sales | \$2,500 |
| Estimate of Potential Revenue | | | \$1,147,500 |

Of course the estimate of potential revenue is just that, an estimate. If the estimated revenue is only 25% of \$1,147,500, it would still be about \$285,000 annually.

Recommended Hearing Schedule

Because there are a number of stakeholders and interested parties who are from outside the area, staff believes as a courtesy to those stakeholders and those in the community that may only be interested in certain aspects (i.e. cultivations, processing, manufacturing, labs and

dispensaries) of the industry, staff recommends that the Council adopt a Hearing Schedule. Below is a suggested schedule:

Recommended Hearing Schedule

| Issue/Topic | Suggested Date: |
|---|------------------------|
| Introduction of Ordinance No. 342-2016 and Discussion of Cultivation Recommendations. | May 17, 2016 |
| Discussion of Concentrate and Edible Manufacturing Recommendations. | June 7, 2016 |
| Discussion of Labs and Dispensaries, Second Reading Approval and Adoption of Ordinance No. 342-2016 or Not. | June 21, 2016 |

Attachment 1: Copies of the Medical Marijuana Regulations and Safety Act, AB 243, AB 266 and SB 643.

**AB-243 Medical marijuana. (2015-2016)****Assembly Bill No. 243****CHAPTER 688**

An act to add Article 6 (commencing with Section 19331), Article 13 (commencing with Section 19350), and Article 17 (commencing with Section 19360) to Chapter 3.5 of Division 8 of the Business and Professions Code, to add Section 12029 to the Fish and Game Code, to add Sections 11362.769 and 11362.777 to the Health and Safety Code, and to add Section 13276 to the Water Code, relating to medical marijuana, and making an appropriation therefor.

[Approved by Governor October 09, 2015. Filed with Secretary of State
October 09, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

AB 243, Wood. Medical marijuana.

Existing law, the Compassionate Use Act of 1996, an initiative measure enacted by the approval of Proposition 215 at the November 5, 1996, statewide general election, authorizes the use of marijuana for medical purposes. Existing law enacted by the Legislature requires the establishment of a program for the issuance of identification cards to qualified patients so that they may lawfully use marijuana for medical purposes, and requires the establishment of guidelines for the lawful cultivation of marijuana grown for medical use. Existing law provides for the licensure of various professions by boards or bureaus within the Department of Consumer Affairs. Existing law, the Sherman Food, Drug, and Cosmetic Law, provides for the regulation of food, drugs, devices, and cosmetics, as specified. A violation of that law is a crime.

This bill would require the Department of Food and Agriculture, the Department of Pesticide Regulation, the State Department of Public Health, the Department of Fish and Wildlife, and the State Water Resources Control Board to promulgate regulations or standards relating to medical marijuana and its cultivation, as specified. The bill would also require various state agencies to take specified actions to mitigate the impact that marijuana cultivation has on the environment. By requiring cities, counties, and their local law enforcement agencies to coordinate with state agencies to enforce laws addressing the environmental impacts of medical marijuana cultivation, and by including medical marijuana within the Sherman Act, the bill would impose a state-mandated local program.

This bill would require a state licensing authority to charge each licensee under the act a licensure and renewal fee, as applicable, and would further require the deposit of those collected fees into an account specific to that licensing authority in the Medical Marijuana Regulation and Safety Act Fund, which this bill would establish. This bill would impose certain fines and civil penalties for specified violations of the Medical Marijuana Regulation and Safety Act, and would require moneys collected as a result of these fines and civil penalties to be deposited into the Medical Cannabis Fines and Penalties Account, which this bill would establish within the fund. Moneys in the fund and each account of the fund would be available upon appropriation of the Legislature.

This bill would authorize the Director of Finance to provide an initial operating loan from the General Fund to the Medical Marijuana Regulation and Safety Act Fund of up to \$10,000,000, and would appropriate \$10,000,000 from the Medical Marijuana Regulation and Safety Act Fund to the Department of Consumer Affairs to begin the activities of the bureau.

This bill would provide that its provisions are severable.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

This bill would become operative only if AB 266 and SB 643 of the 2015–16 Regular Session are enacted and take effect on or before January 1, 2016.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 6 (commencing with Section 19331) is added to Chapter 3.5 of Division 8 of the Business and Professions Code, to read:

Article 6. Licensed Cultivation Sites

19331. The Legislature finds and declares all of the following:

(a) The United States Environmental Protection Agency has not established appropriate pesticide tolerances for, or permitted the registration and lawful use of, pesticides on cannabis crops intended for human consumption pursuant to the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.).

(b) The use of pesticides is not adequately regulated due to the omissions in federal law, and cannabis cultivated in California for California patients can and often does contain pesticide residues.

(c) Lawful California medical cannabis growers and caregivers urge the Department of Pesticide Regulation to provide guidance, in absence of federal guidance, on whether the pesticides currently used at most cannabis cultivation sites are actually safe for use on cannabis intended for human consumption.

19332. (a) The Department of Food and Agriculture shall promulgate regulations governing the licensing of indoor and outdoor cultivation sites.

(b) The Department of Pesticide Regulation, in consultation with the Department of Food and Agriculture, shall develop standards for the use of pesticides in cultivation, and maximum tolerances for pesticides and other foreign object residue in harvested cannabis.

(c) The State Department of Public Health shall develop standards for the production and labeling of all edible medical cannabis products.

(d) The Department of Food and Agriculture, in consultation with the Department of Fish and Wildlife and the State Water Resources Control Board, shall ensure that individual and cumulative effects of water diversion and discharge associated with cultivation do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability.

(e) The Department of Food and Agriculture shall have the authority necessary for the implementation of the regulations it adopts pursuant to this chapter. The regulations shall do all of the following:

(1) Provide that weighing or measuring devices used in connection with the sale or distribution of medical cannabis are required to meet standards equivalent to Division 5 (commencing with Section 12001).

(2) Require that cannabis cultivation by licensees is conducted in accordance with state and local laws related to land conversion, grading, electricity usage, water usage, agricultural discharges, and similar matters. Nothing in this chapter, and no regulation adopted by the department, shall be construed to supersede or limit the authority of the State Water Resources Control Board, regional water quality control boards, or the Department of Fish and Wildlife to implement and enforce their statutory obligations or to adopt regulations to protect water quality, water supply, and natural resources.

(3) Establish procedures for the issuance and revocation of unique identifiers for activities associated with a cannabis cultivation license, pursuant to Article 8 (commencing with Section 19337). All cannabis shall be labeled with the unique identifier issued by the Department of Food and Agriculture.

(4) Prescribe standards, in consultation with the bureau, for the reporting of information as necessary related to unique identifiers, pursuant to Article 8 (commencing with Section 19337).

(f) The Department of Pesticide Regulation, in consultation with the State Water Resources Control Board, shall promulgate regulations that require that the application of pesticides or other pest control in connection with the indoor or outdoor cultivation of medical cannabis meets standards equivalent to Division 6 (commencing with Section 11401) of the Food and Agricultural Code and its implementing regulations.

(g) State cultivator license types issued by the Department of Food and Agriculture include:

(1) Type 1, or "specialty outdoor," for outdoor cultivation using no artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises, or up to 50 mature plants on noncontiguous plots.

(2) Type 1A, or "specialty indoor," for indoor cultivation using exclusively artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises.

(3) Type 1B, or "specialty mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of less than or equal to 5,000 square feet of total canopy size on one premises.

(4) Type 2, or "small outdoor," for outdoor cultivation using no artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

(5) Type 2A, or "small indoor," for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

(6) Type 2B, or "small mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

(7) Type 3, or "outdoor," for outdoor cultivation using no artificial lighting from 10,001 square feet to one acre, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

(8) Type 3A, or "indoor," for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

(9) Type 3B, or "mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

(10) Type 4, or "nursery," for cultivation of medical cannabis solely as a nursery. Type 4 licensees may transport live plants.

19333. An employee engaged in commercial cannabis cultivation activity shall be subject to Wage Order 4-2001 of the Industrial Welfare Commission.

SEC. 2. Article 13 (commencing with Section 19350) is added to Chapter 3.5 of Division 8 of the Business and Professions Code, to read:

Article 13. Funding

19350. Each licensing authority shall establish a scale of application, licensing, and renewal fees, based upon the cost of enforcing this chapter, as follows:

(a) Each licensing authority shall charge each licensee a licensure and renewal fee, as applicable. The licensure and renewal fee shall be calculated to cover the costs of administering this chapter. The licensure fee may vary depending upon the varying costs associated with administering the various regulatory requirements of this chapter as they relate to the nature and scope of the different licensure activities, including, but not limited to,

the track and trace program required pursuant to Section 19335, but shall not exceed the reasonable regulatory costs to the licensing authority.

(b) The total fees assessed pursuant to this chapter shall be set at an amount that will fairly and proportionately generate sufficient total revenue to fully cover the total costs of administering this chapter.

(c) All license fees shall be set on a scaled basis by the licensing authority, dependent on the size of the business.

(d) The licensing authority shall deposit all fees collected in a fee account specific to that licensing authority, to be established in the Medical Marijuana Regulation and Safety Act Fund. Moneys in the licensing authority fee accounts shall be used, upon appropriation of the Legislature, by the designated licensing authority for the administration of this chapter.

19351. (a) The Medical Marijuana Regulation and Safety Act Fund is hereby established within the State Treasury. Moneys in the fund shall be available upon appropriation by the Legislature. Notwithstanding Section 16305.7 of the Government Code, the fund shall include any interest and dividends earned on the moneys in the fund.

(b) (1) Funds for the establishment and support of the regulatory activities pursuant to this chapter shall be advanced as a General Fund or special fund loan, and shall be repaid by the initial proceeds from fees collected pursuant to this chapter or any rule or regulation adopted pursuant to this chapter, by January 1, 2022. Should the initial proceeds from fees not be sufficient to repay the loan, moneys from the Medical Cannabis Fines and Penalties Account shall be made available to the bureau, by appropriation of the Legislature, to repay the loan.

(2) Funds advanced pursuant to this subdivision shall be appropriated to the bureau, which shall distribute the moneys to the appropriate licensing authorities, as necessary to implement the provisions of this chapter.

(3) The Director of Finance may provide an initial operating loan from the General Fund to the Medical Marijuana Regulation and Safety Act Fund that does not exceed ten million dollars (\$10,000,000).

(c) Except as otherwise provided, all moneys collected pursuant to this chapter as a result of fines or penalties imposed under this chapter shall be deposited directly into the Medical Marijuana Fines and Penalties Account, which is hereby established within the fund, and shall be available, upon appropriation by the Legislature to the bureau, for the purposes of funding the enforcement grant program pursuant to subdivision (d).

(d) (1) The bureau shall establish a grant program to allocate moneys from the Medical Cannabis Fines and Penalties Account to state and local entities for the following purposes:

(A) To assist with medical cannabis regulation and the enforcement of this chapter and other state and local laws applicable to cannabis activities.

(B) For allocation to state and local agencies and law enforcement to remedy the environmental impacts of cannabis cultivation.

(2) The costs of the grant program under this subdivision shall, upon appropriation by the Legislature, be paid for with moneys in the Medical Cannabis Fines and Penalties Account.

(3) The grant program established by this subdivision shall only be implemented after the loan specified in this section is repaid.

19352. The sum of ten million dollars (\$10,000,000) is hereby appropriated from the Medical Marijuana Regulation and Safety Act Fund to the Department of Consumer Affairs to begin the activities of the Bureau of Medical Marijuana Regulation. Funds appropriated pursuant to this section shall not include moneys received from fines or penalties.

SEC. 3. Article 17 (commencing with Section 19360) is added to Chapter 3.5 of Division 8 of the Business and Professions Code, to read:

Article 17. Penalties and Violations

19360. (a) A person engaging in cannabis activity without a license and associated unique identifiers required by this chapter shall be subject to civil penalties of up to twice the amount of the license fee for each violation, and the department, state or local authority, or court may order the destruction of medical cannabis associated with

that violation. Each day of operation shall constitute a separate violation of this section. All civil penalties imposed and collected pursuant to this section shall be deposited into the Marijuana Production and Environment Mitigation Fund established pursuant to Section 31013 of the Revenue and Taxation Code.

(b) If an action for civil penalties is brought against a licensee pursuant to this chapter by the Attorney General, the penalty collected shall be deposited into the General Fund. If the action is brought by a district attorney or county counsel, the penalty collected shall be paid to the treasurer of the county in which the judgment was entered. If the action is brought by a city attorney or city prosecutor, the penalty collected shall be paid to the treasurer of the city or county in which the judgment was entered. If the action is brought by a city attorney and is adjudicated in a superior court located in the unincorporated area or another city in the same county, the penalty shall be paid one-half to the treasurer of the city in which the complaining attorney has jurisdiction and one-half to the treasurer of the county in which the judgment is entered.

(c) Notwithstanding subdivision (a), criminal penalties shall continue to apply to an unlicensed person or entity engaging in cannabis activity in violation of this chapter, including, but not limited to, those individuals covered under Section 11362.7 of the Health and Safety Code.

SEC. 4. Section 12029 is added to the Fish and Game Code, to read:

12029. (a) The Legislature finds and declares all of the following:

(1) The environmental impacts associated with marijuana cultivation have increased, and unlawful water diversions for marijuana irrigation have a detrimental effect on fish and wildlife and their habitat, which are held in trust by the state for the benefit of the people of the state.

(2) The remediation of existing marijuana cultivation sites is often complex and the permitting of these sites requires greater department staff time and personnel expenditures. The potential for marijuana cultivation sites to significantly impact the state's fish and wildlife resources requires immediate action on the part of the department's lake and streambed alteration permitting staff.

(b) In order to address unlawful water diversions and other violations of the Fish and Game Code associated with marijuana cultivation, the department shall establish the watershed enforcement program to facilitate the investigation, enforcement, and prosecution of these offenses.

(c) The department, in coordination with the State Water Resources Control Board, shall establish a permanent multiagency task force to address the environmental impacts of marijuana cultivation. The multiagency task force, to the extent feasible and subject to available Resources, shall expand its enforcement efforts on a statewide level to ensure the reduction of adverse impacts of marijuana cultivation on fish and wildlife and their habitats throughout the state.

(d) In order to facilitate the remediation and permitting of marijuana cultivation sites, the department shall adopt regulations to enhance the fees on any entity subject to Section 1602 for marijuana cultivation sites that require remediation. The fee schedule established pursuant to this subdivision shall not exceed the fee limits in Section 1609.

SEC. 5. Section 11362.769 is added to the Health and Safety Code, to read:

11362.769. Indoor and outdoor medical marijuana cultivation shall be conducted in accordance with state and local laws related to land conversion, grading, electricity usage, water usage, water quality, woodland and riparian habitat protection, agricultural discharges, and similar matters. State agencies, including, but not limited to, the State Board of Forestry and Fire Protection, the Department of Fish and Wildlife, the State Water Resources Control Board, the California regional water quality control boards, and traditional state law enforcement agencies shall address environmental impacts of medical marijuana cultivation and shall coordinate, when appropriate, with cities and counties and their law enforcement agencies in enforcement efforts.

SEC. 6. Section 11362.777 is added to the Health and Safety Code, to read:

11362.777. (a) The Department of Food and Agriculture shall establish a Medical Cannabis Cultivation Program to be administered by the secretary, except as specified in subdivision (c), shall administer this section as it pertains to the cultivation of medical marijuana. For purposes of this section and Chapter 3.5 (commencing with Section 19300) of the Business and Professions Code, medical cannabis is an agricultural product.

(b) (1) A person or entity shall not cultivate medical marijuana without first obtaining both of the following:

(A) A license, permit, or other entitlement, specifically permitting cultivation pursuant to these provisions, from the city, county, or city and county in which the cultivation will occur.

(B) A state license issued by the department pursuant to this section.

(2) A person or entity shall not submit an application for a state license issued by the department pursuant to this section unless that person or entity has received a license, permit, or other entitlement, specifically permitting cultivation pursuant to these provisions, from the city, county, or city and county in which the cultivation will occur.

(3) A person or entity shall not submit an application for a state license issued by the department pursuant to this section if the proposed cultivation of marijuana will violate the provisions of any local ordinance or regulation, or if medical marijuana is prohibited by the city, county, or city and county in which the cultivation is proposed to occur, either expressly or otherwise under principles of permissive zoning.

(c) (1) Except as otherwise specified in this subdivision, and without limiting any other local regulation, a city, county, or city and county, through its current or future land use regulations or ordinance, may issue or deny a permit to cultivate medical marijuana pursuant to this section. A city, county, or city and county may inspect the intended cultivation site for suitability prior to issuing a permit. After the city, county, or city and county has approved a permit, the applicant shall apply for a state medical marijuana cultivation license from the department. A locally issued cultivation permit shall only become active upon licensing by the department and receiving final local approval. A person shall not cultivate medical marijuana prior to obtaining both a permit from the city, county, or city and county and a state medical marijuana cultivation license from the department.

(2) A city, county, or city and county that issues or denies conditional licenses to cultivate medical marijuana pursuant to this section shall notify the department in a manner prescribed by the secretary.

(3) A city, county, or city and county's locally issued conditional permit requirements must be at least as stringent as the department's state licensing requirements.

(4) If a city, county, or city and county does not have land use regulations or ordinances regulating or prohibiting the cultivation of marijuana, either expressly or otherwise under principles of permissive zoning, or chooses not to administer a conditional permit program pursuant to this section, then commencing March 1, 2016, the division shall be the sole licensing authority for medical marijuana cultivation applicants in that city, county, or city and county.

(d) (1) The secretary may prescribe, adopt, and enforce regulations relating to the implementation, administration, and enforcement of this part, including, but not limited to, applicant requirements, collections, reporting, refunds, and appeals.

(2) The secretary may prescribe, adopt, and enforce any emergency regulations as necessary to implement this part. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare.

(3) The secretary may enter into a cooperative agreement with a county agricultural commissioner to carry out the provisions of this chapter, including, but not limited to, administration, investigations, inspections, licensing and assistance pertaining to the cultivation of medical marijuana. Compensation under the cooperative agreement shall be paid from assessments and fees collected and deposited pursuant to this chapter and shall provide reimbursement to the county agricultural commissioner for associated costs.

(e) (1) The department, in consultation with, but not limited to, the Bureau of Medical Marijuana Regulation, the State Water Resources Control Board, and the Department of Fish and Wildlife, shall implement a unique identification program for medical marijuana. In implementing the program, the department shall consider issues, including, but not limited to, water use and environmental impacts. In implementing the program, the department shall ensure that:

(A) Individual and cumulative effects of water diversion and discharge associated with cultivation do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability.

(B) Cultivation will not negatively impact springs, riparian wetlands, and aquatic habitats.

(2) The department shall establish a program for the identification of permitted medical marijuana plants at a cultivation site during the cultivation period. The unique identifier shall be attached at the base of each plant. A unique identifier, such as, but not limited to, a zip tie, shall be issued for each medical marijuana plant.

(A) Unique identifiers will only be issued to those persons appropriately licensed by this section.

(B) Information associated with the assigned unique identifier and licensee shall be included in the trace and track program specified in Section 19335 of the Business and Professions Code.

(C) The department may charge a fee to cover the reasonable costs of issuing the unique identifier and monitoring, tracking, and inspecting each medical marijuana plant.

(D) The department may promulgate regulations to implement this section.

(3) The department shall take adequate steps to establish protections against fraudulent unique identifiers and limit illegal diversion of unique identifiers to unlicensed persons.

(f) (1) A city, county, or city and county that issues or denies licenses to cultivate medical marijuana pursuant to this section shall notify the department in a manner prescribed by the secretary.

(2) Unique identifiers and associated identifying information administered by a city or county shall adhere to the requirements set by the department and be the equivalent to those administered by the department.

(g) This section does not apply to a qualified patient cultivating marijuana pursuant to Section 11362.5 if the area he or she uses to cultivate marijuana does not exceed 100 square feet and he or she cultivates marijuana for his or her personal medical use and does not sell, distribute, donate, or provide marijuana to any other person or entity. This section does not apply to a primary caregiver cultivating marijuana pursuant to Section 11362.5 if the area he or she uses to cultivate marijuana does not exceed 500 square feet and he or she cultivates marijuana exclusively for the personal medical use of no more than five specified qualified patients for whom he or she is the primary caregiver within the meaning of Section 11362.7 and does not receive remuneration for these activities, except for compensation provided in full compliance with subdivision (c) of Section 11362.765. For purposes of this section, the area used to cultivate marijuana shall be measured by the aggregate area of vegetative growth of live marijuana plants on the premises. Exemption from the requirements of this section does not limit or prevent a city, county, or city and county from regulating or banning the cultivation, storage, manufacture, transport, provision, or other activity by the exempt person, or impair the enforcement of that regulation or ban.

SEC. 7. Section 13276 is added to the Water Code, to read:

13276. (a) The multiagency task force, the Department of Fish and Wildlife and State Water Resources Control Board pilot project to address the Environmental Impacts of Cannabis Cultivation, assigned to respond to the damages caused by marijuana cultivation on public and private lands in California, shall continue its enforcement efforts on a permanent basis and expand them to a statewide level to ensure the reduction of adverse impacts of marijuana cultivation on water quality and on fish and wildlife throughout the state.

(b) Each regional board shall, and the State Water Resources Control Board may, address discharges of waste resulting from medical marijuana cultivation and associated activities, including by adopting a general permit, establishing waste discharge requirements, or taking action pursuant to Section 13269. In addressing these discharges, each regional board shall include conditions to address items that include, but are not limited to, all of the following:

- (1) Site development and maintenance, erosion control, and drainage features.
- (2) Stream crossing installation and maintenance.
- (3) Riparian and wetland protection and management.
- (4) Soil disposal.
- (5) Water storage and use.
- (6) Irrigation runoff.
- (7) Fertilizers and soil.
- (8) Pesticides and herbicides.

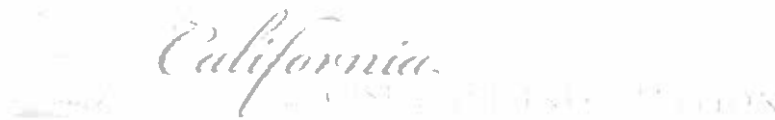
- (9) Petroleum products and other chemicals.
- (10) Cultivation-related waste.
- (11) Refuse and human waste.
- (12) Cleanup, restoration, and mitigation.

SEC. 8. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 9. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution for certain costs that may be incurred by a local agency or school district because, in that regard, this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

However, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 10. This measure shall become operative only if both Assembly Bill 266 and Senate Bill 643 of the 2015-16 Regular Session are enacted and become operative.

**AB-266 Medical marijuana. (2015-2016)****Assembly Bill No. 266****CHAPTER 689**

An act to amend Sections 27 and 101 of, to add Section 205.1 to, and to add Chapter 3.5 (commencing with Section 19300) to Division 8 of, the Business and Professions Code, to amend Section 9147.7 of the Government Code, to amend Section 11362.775 of the Health and Safety Code, to add Section 147.5 to the Labor Code, and to add Section 31020 to the Revenue and Taxation Code, relating to medical marijuana.

[Approved by Governor October 09, 2015. Filed with Secretary of State October 09, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

AB 266, Bonta. Medical marijuana.

(1) Existing law, the Compassionate Use Act of 1996, an initiative measure enacted by the approval of Proposition 215 at the November 5, 1996, statewide general election, authorizes the use of marijuana for medical purposes. Existing law enacted by the Legislature requires the establishment of a program for the issuance of identification cards to qualified patients so that they may lawfully use marijuana for medical purposes, and requires the establishment of guidelines for the lawful cultivation of marijuana grown for medical use. Existing law provides for the licensure of various professions by boards or bureaus within the Department of Consumer Affairs. Existing law, the Sherman Food, Drug, and Cosmetic Law, provides for the regulation of food, drugs, devices, and cosmetics, as specified. A violation of that law is a crime.

This bill, among other things, would enact the Medical Marijuana Regulation and Safety Act for the licensure and regulation of medical marijuana and would establish within the Department of Consumer Affairs the Bureau of Medical Marijuana Regulation, under the supervision and control of the Director of Consumer Affairs. The bill would require the director to administer and enforce the provisions of the act.

This bill would also require the Board of Equalization, in consultation with the Department of Food and Agriculture, to adopt a system for reporting the movement of commercial cannabis and cannabis products.

This bill would impose certain fines and civil penalties for specified violations of the act, and would require moneys collected as a result of these fines and civil penalties to be deposited into the Medical Cannabis Fines and Penalties Account.

(2) Under existing law, certain persons with identification cards, who associate within the state in order collectively or cooperatively to cultivate marijuana for medical purposes, are not solely on the basis of that fact subject to specified state criminal sanctions.

This bill would repeal these provisions upon the issuance of licenses by licensing authorities pursuant to the Medical Marijuana Regulation and Safety Act, as specified, and would instead provide that actions of licensees with the relevant local permits, in accordance with the act and applicable local ordinances, are not offenses subject to arrest, prosecution, or other sanction under state law.

(3) This bill would provide that its provisions are severable.

(4) Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

(5) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(6) The bill would provide that it shall become operative only if SB 643 and AB 243 of the 2015-16 Regular Session are also enacted and become operative.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 27 of the Business and Professions Code is amended to read:

27. (a) Each entity specified in subdivisions (c), (d), and (e) shall provide on the Internet information regarding the status of every license issued by that entity in accordance with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code) and the Information Practices Act of 1977 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil Code). The public information to be provided on the Internet shall include information on suspensions and revocations of licenses issued by the entity and other related enforcement action, including accusations filed pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) taken by the entity relative to persons, businesses, or facilities subject to licensure or regulation by the entity. The information may not include personal information, including home telephone number, date of birth, or social security number. Each entity shall disclose a licensee's address of record. However, each entity shall allow a licensee to provide a post office box number or other alternate address, instead of his or her home address, as the address of record. This section shall not preclude an entity from also requiring a licensee, who has provided a post office box number or other alternative mailing address as his or her address of record, to provide a physical business address or residence address only for the entity's internal administrative use and not for disclosure as the licensee's address of record or disclosure on the Internet.

(b) In providing information on the Internet, each entity specified in subdivisions (c) and (d) shall comply with the Department of Consumer Affairs' guidelines for access to public records.

(c) Each of the following entities within the Department of Consumer Affairs shall comply with the requirements of this section:

(1) The Board for Professional Engineers, Land Surveyors, and Geologists shall disclose information on its registrants and licensees.

(2) The Bureau of Automotive Repair shall disclose information on its licensees, including auto repair dealers, smog stations, lamp and brake stations, smog check technicians, and smog inspection certification stations.

(3) The Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation shall disclose information on its licensees and registrants, including major appliance repair dealers, combination dealers (electronic and appliance), electronic repair dealers, service contract sellers, and service contract administrators.

(4) The Cemetery and Funeral Bureau shall disclose information on its licensees, including cemetery brokers, cemetery salespersons, cemetery managers, crematory managers, cemetery authorities, crematories, cremated remains disposers, embalmers, funeral establishments, and funeral directors.

(5) The Professional Fiduciaries Bureau shall disclose information on its licensees.

(6) The Contractors' State License Board shall disclose information on its licensees and registrants in accordance with Chapter 9 (commencing with Section 7000) of Division 3. In addition to information related to licenses as specified in subdivision (a), the board shall also disclose information provided to the board by the Labor Commissioner pursuant to Section 98.9 of the Labor Code.

(7) The Bureau for Private Postsecondary Education shall disclose information on private postsecondary

institutions under its jurisdiction, including disclosure of notices to comply issued pursuant to Section 94935 of the Education Code.

(8) The California Board of Accountancy shall disclose information on its licensees and registrants.

(9) The California Architects Board shall disclose information on its licensees, including architects and landscape architects.

(10) The State Athletic Commission shall disclose information on its licensees and registrants.

(11) The State Board of Barbering and Cosmetology shall disclose information on its licensees.

(12) The State Board of Guide Dogs for the Blind shall disclose information on its licensees and registrants.

(13) The Acupuncture Board shall disclose information on its licensees.

(14) The Board of Behavioral Sciences shall disclose information on its licensees, including licensed marriage and family therapists, licensed clinical social workers, licensed educational psychologists, and licensed professional clinical counselors.

(15) The Dental Board of California shall disclose information on its licensees.

(16) The State Board of Optometry shall disclose information regarding certificates of registration to practice optometry, statements of licensure, optometric corporation registrations, branch office licenses, and fictitious name permits of its licensees.

(17) The Board of Psychology shall disclose information on its licensees, including psychologists, psychological assistants, and registered psychologists.

(d) The State Board of Chiropractic Examiners shall disclose information on its licensees.

(e) The Structural Pest Control Board shall disclose information on its licensees, including applicators, field representatives, and operators in the areas of fumigation, general pest and wood destroying pests and organisms, and wood roof cleaning and treatment.

(f) The Bureau of Medical Marijuana Regulation shall disclose information on its licensees.

(g) "Internet" for the purposes of this section has the meaning set forth in paragraph (6) of subdivision (f) of Section 17538.

SEC. 2. Section 101 of the Business and Professions Code is amended to read:

101. The department is comprised of the following:

(a) The Dental Board of California.

(b) The Medical Board of California.

(c) The State Board of Optometry.

(d) The California State Board of Pharmacy.

(e) The Veterinary Medical Board.

(f) The California Board of Accountancy.

(g) The California Architects Board.

(h) The Bureau of Barbering and Cosmetology.

(i) The Board for Professional Engineers and Land Surveyors.

(j) The Contractors' State License Board.

(k) The Bureau for Private Postsecondary Education.

(l) The Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation.

(m) The Board of Registered Nursing.

- (n) The Board of Behavioral Sciences.
- (o) The State Athletic Commission.
- (p) The Cemetery and Funeral Bureau.
- (q) The State Board of Guide Dogs for the Blind.
- (r) The Bureau of Security and Investigative Services.
- (s) The Court Reporters Board of California.
- (t) The Board of Vocational Nursing and Psychiatric Technicians.
- (u) The Landscape Architects Technical Committee.
- (v) The Division of Investigation.
- (w) The Bureau of Automotive Repair.
- (x) The Respiratory Care Board of California.
- (y) The Acupuncture Board.
- (z) The Board of Psychology.
- (aa) The California Board of Podiatric Medicine.
- (ab) The Physical Therapy Board of California.
- (ac) The Arbitration Review Program.
- (ad) The Physician Assistant Committee.
- (ae) The Speech-Language Pathology and Audiology Board.
- (af) The California Board of Occupational Therapy.
- (ag) The Osteopathic Medical Board of California.
- (ah) The Naturopathic Medicine Committee.
- (ai) The Dental Hygiene Committee of California.
- (aj) The Professional Fiduciaries Bureau.
- (ak) The State Board of Chiropractic Examiners.
- (al) The Bureau of Real Estate.
- (am) The Bureau of Real Estate Appraisers.
- (an) The Structural Pest Control Board.
- (ao) The Bureau of Medical Marijuana Regulation.
- (ap) Any other boards, offices, or officers subject to its jurisdiction by law.

SEC. 3. Section 205.1 is added to the Business and Professions Code, to read:

205.1. Notwithstanding subdivision (a) of Section 205, the Medical Marijuana Regulation and Safety Act Fund is a special fund within the Professions and Vocations Fund, and is subject to subdivision (b) of Section 205.

SEC. 4. Chapter 3.5 (commencing with Section 19300) is added to Division 8 of the Business and Professions Code, to read:

CHAPTER 3.5. Medical Marijuana Regulation and Safety act
Article 1. Definitions

19300. This act shall be known and may be cited as the Medical Marijuana Regulation and Safety Act.

19300.5. For purposes of this chapter, the following definitions shall apply:

- (a) "Accrediting body" means a nonprofit organization that requires conformance to ISO/IEC 17025 requirements and is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement for Testing.
- (b) "Applicant," for purposes of Article 4 (commencing with Section 19319), means the following:
 - (1) Owner or owners of a proposed facility, including all persons or entities having ownership interest other than a security interest, lien, or encumbrance on property that will be used by the facility.
 - (2) If the owner is an entity, "owner" includes within the entity each person participating in the direction, control, or management of, or having a financial interest in, the proposed facility.
 - (3) If the applicant is a publicly traded company, "owner" means the chief executive officer or any person or entity with an aggregate ownership interest of 5 percent or more.
- (c) "Batch" means a specific quantity of medical cannabis or medical cannabis products that is intended to have uniform character and quality, within specified limits, and is produced according to a single manufacturing order during the same cycle of manufacture.
- (d) "Bureau" means the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs.
- (e) "Cannabinoid" or "phytocannabinoid" means a chemical compound that is unique to and derived from cannabis.
- (f) "Cannabis" means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from marijuana. "Cannabis" also means marijuana as defined by Section 11018 of the Health and Safety Code as enacted by Chapter 1407 of the Statutes of 1972. "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this chapter, "cannabis" does not mean "industrial hemp" as defined by Section 81000 of the Food and Agricultural Code or Section 11018.5 of the Health and Safety Code.
- (g) "Cannabis concentrate" means manufactured cannabis that has undergone a process to concentrate the cannabinoid active ingredient, thereby increasing the product's potency. An edible medical cannabis product is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.
- (h) "Caregiver" or "primary caregiver" has the same meaning as that term is defined in Section 11362.7 of the Health and Safety Code.
- (i) "Certificate of accreditation" means a certificate issued by an accrediting body to a licensed testing laboratory, entity, or site to be registered in the state.
- (j) "Chief" means Chief of the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs.
- (k) "Commercial cannabis activity" includes cultivation, possession, manufacture, processing, storing, laboratory testing, labeling, transporting, distribution, or sale of medical cannabis or a medical cannabis product, except as set forth in Section 19319, related to qualifying patients and primary caregivers.
- (l) "Cultivation" means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.
- (m) "Delivery" means the commercial transfer of medical cannabis or medical cannabis products from a dispensary, up to an amount determined by the bureau to a primary caregiver or qualified patient as defined in Section 11362.7 of the Health and Safety Code, or a testing laboratory. "Delivery" also includes the use by a dispensary of any technology platform owned and controlled by the dispensary, or independently licensed under this chapter, that enables qualified patients or primary caregivers to arrange for or facilitate the commercial transfer by a licensed dispensary of medical cannabis or medical cannabis products.

- (n) "Dispensary" means a facility where medical cannabis, medical cannabis products, or devices for the use of medical cannabis or medical cannabis products are offered, either individually or in any combination, for retail sale, including an establishment that delivers, pursuant to express authorization by local ordinance, medical cannabis and medical cannabis products as part of a retail sale.
- (o) "Dispensing" means any activity involving the retail sale of medical cannabis or medical cannabis products from a dispensary.
- (p) "Distribution" means the procurement, sale, and transport of medical cannabis and medical cannabis products between entities licensed pursuant to this chapter.
- (q) "Distributor" means a person licensed under this chapter to engage in the business of purchasing medical cannabis from a licensed cultivator, or medical cannabis products from a licensed manufacturer, for sale to a licensed dispensary.
- (r) "Dried flower" means all dead medical cannabis that has been harvested, dried, cured, or otherwise processed, excluding leaves and stems.
- (s) "Edible cannabis product" means manufactured cannabis that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum. An edible medical cannabis product is not considered food as defined by Section 109935 of the Health and Safety Code or a drug as defined by Section 109925 of the Health and Safety Code.
- (t) "Fund" means the Medical Marijuana Regulation and Safety Act Fund established pursuant to Section 19351.
- (u) "Identification program" means the universal identification certificate program for commercial medical cannabis activity authorized by this chapter.
- (v) "Labor peace agreement" means an agreement between a licensee and a bona fide labor organization that, at a minimum, protects the state's proprietary interests by prohibiting labor organizations and members from engaging in picketing, work stoppages, boycotts, and any other economic interference with the applicant's business. This agreement means that the applicant has agreed not to disrupt efforts by the bona fide labor organization to communicate with, and attempt to organize and represent, the applicant's employees. The agreement shall provide a bona fide labor organization access at reasonable times to areas in which the applicant's employees work, for the purpose of meeting with employees to discuss their right to representation, employment rights under state law, and terms and conditions of employment. This type of agreement shall not mandate a particular method of election or certification of the bona fide labor organization.
- (w) "Licensing authority" means the state agency responsible for the issuance, renewal, or reinstatement of the license, or the state agency authorized to take disciplinary action against the license.
- (x) "Cultivation site" means a facility where medical cannabis is planted, grown, harvested, dried, cured, graded, or trimmed, or that does all or any combination of those activities, that holds a valid state license pursuant to this chapter, and that holds a valid local license or permit.
- (y) "Manufacturer" means a person that conducts the production, preparation, propagation, or compounding of manufactured medical cannabis, as described in subdivision (ae), or medical cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages medical cannabis or medical cannabis products or labels or relabels its container, that holds a valid state license pursuant to this chapter, and that holds a valid local license or permit.
- (z) "Testing laboratory" means a facility, entity, or site in the state that offers or performs tests of medical cannabis or medical cannabis products and that is both of the following:
 - (1) Accredited by an accrediting body that is independent from all other persons involved in the medical cannabis industry in the state.
 - (2) Registered with the State Department of Public Health.
- (aa) "Transporter" means a person issued a state license by the bureau to transport medical cannabis or medical cannabis products in an amount above a threshold determined by the bureau between facilities that have been issued a state license pursuant to this chapter.
- (ab) "Licensee" means a person issued a state license under this chapter to engage in commercial cannabis

activity.

(ac) "Live plants" means living medical cannabis flowers and plants, including seeds, immature plants, and vegetative stage plants.

(ad) "Lot" means a batch, or a specifically identified portion of a batch, having uniform character and quality within specified limits. In the case of medical cannabis or a medical cannabis product produced by a continuous process, "lot" means a specifically identified amount produced in a unit of time or a quantity in a manner that ensures its having uniform character and quality within specified limits.

(ae) "Manufactured cannabis" means raw cannabis that has undergone a process whereby the raw agricultural product has been transformed into a concentrate, an edible product, or a topical product.

(af) "Manufacturing site" means a location that produces, prepares, propagates, or compounds manufactured medical cannabis or medical cannabis products, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, and is owned and operated by a licensee for these activities.

(ag) "Medical cannabis," "medical cannabis product," or "cannabis product" means a product containing cannabis, including, but not limited to, concentrates and extractions, intended to be sold for use by medical cannabis patients in California pursuant to the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the Health and Safety Code. For the purposes of this chapter, "medical cannabis" does not include "industrial hemp" as defined by Section 81000 of the Food and Agricultural Code or Section 11018.5 of the Health and Safety Code.

(ah) "Nursery" means a licensee that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of medical cannabis.

(ai) "Permit," "local license," or "local permit" means an official document granted by a local jurisdiction that specifically authorizes a person to conduct commercial cannabis activity in the local jurisdiction.

(aj) "Person" means an individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit and includes the plural as well as the singular number.

(ak) "State license," "license," or "registration" means a state license issued pursuant to this chapter.

(al) "Topical cannabis" means a product intended for external use. A topical cannabis product is not considered a drug as defined by Section 109925 of the Health and Safety Code.

(am) "Transport" means the transfer of medical cannabis or medical cannabis products from the permitted business location of one licensee to the permitted business location of another licensee, for the purposes of conducting commercial cannabis activity authorized pursuant to this chapter.

19300.7. License classifications pursuant to this chapter are as follows:

(a) Type 1 = Cultivation; Specialty outdoor; Small.

(b) Type 1A = Cultivation; Specialty indoor; Small.

(c) Type 1B = Cultivation; Specialty mixed-light; Small.

(d) Type 2 = Cultivation; Outdoor; Small.

(e) Type 2A = Cultivation; Indoor; Small.

(f) Type 2B = Cultivation; Mixed-light; Small.

(g) Type 3 = Cultivation; Outdoor; Medium.

(h) Type 3A = Cultivation; Indoor; Medium.

(i) Type 3B = Cultivation; Mixed-light; Medium.

(j) Type 4 = Cultivation; Nursery.

(k) Type 6 = Manufacturer 1.

- (l) Type 7 = Manufacturer 2.
- (m) Type 8 = Testing.
- (n) Type 10 = Dispensary; General.
- (o) Type 10A = Dispensary; No more than three retail sites.
- (p) Type 11 = Distribution.
- (q) Type 12 = Transporter.

Article 2. Administration

19302. There is in the Department of Consumer Affairs the Bureau of Medical Marijuana Regulation, under the supervision and control of the director. The director shall administer and enforce the provisions of this chapter.

19303. Protection of the public shall be the highest priority for the bureau in exercising its licensing, regulatory, and disciplinary functions under this chapter. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

19304. The bureau shall make and prescribe reasonable rules as may be necessary or proper to carry out the purposes and intent of this chapter and to enable it to exercise the powers and duties conferred upon it by this chapter, not inconsistent with any statute of this state, including particularly this chapter and Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For the performance of its duties, the bureau has the power conferred by Sections 11180 to 11191, inclusive, of the Government Code.

19305. Notice of any action of the licensing authority required by this chapter to be given may be signed and given by the director or an authorized employee of the department and may be made personally or in the manner prescribed by Section 1013 of the Code of Civil Procedure.

19306. (a) The bureau may convene an advisory committee to advise the bureau and licensing authorities on the development of standards and regulations pursuant to this chapter, including best practices and guidelines to ensure qualified patients have adequate access to medical cannabis and medical cannabis products. The advisory committee members shall be determined by the chief.

(b) The advisory committee members may include, but not be limited to, representatives of the medical marijuana industry, representatives of medical marijuana cultivators, appropriate local and state agencies, appropriate local and state law enforcement, physicians, environmental and public health experts, and medical marijuana patient advocates.

19307. A licensing authority may make or cause to be made such investigation as it deems necessary to carry out its duties under this chapter.

19308. For any hearing held pursuant to this chapter, the director, or a licensing authority, may delegate the power to hear and decide to an administrative law judge. Any hearing before an administrative law judge shall be pursuant to the procedures, rules, and limitations prescribed in Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

19309. In any hearing before a licensing authority pursuant to this chapter, the licensing authority may pay any person appearing as a witness at the hearing at the request of the licensing authority pursuant to a subpoena, his or her actual, necessary, and reasonable travel, food, and lodging expenses, not to exceed the amount authorized for state employees.

19310. The department may on its own motion at any time before a penalty assessment is placed into effect and without any further proceedings, review the penalty, but such review shall be limited to its reduction.

Article 3. Enforcement

19311. Grounds for disciplinary action include:

- (a) Failure to comply with the provisions of this chapter or any rule or regulation adopted pursuant to this

chapter.

(b) Conduct that constitutes grounds for denial of licensure pursuant to Chapter 3 (commencing with Section 490) of Division 1.5.

(c) Any other grounds contained in regulations adopted by a licensing authority pursuant to this chapter.

(d) Failure to comply with any state law, except as provided for in this chapter or other California law.

19312. Each licensing authority may suspend or revoke licenses, after proper notice and hearing to the licensee, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action. The disciplinary proceedings under this chapter shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director of each licensing authority shall have all the powers granted therein.

19313. Each licensing authority may take disciplinary action against a licensee for any violation of this chapter when the violation was committed by the licensee's agent or employee while acting on behalf of the licensee or engaged in commercial cannabis activity.

19313.5. Upon suspension or revocation of a license, the licensing authority shall inform the bureau. The bureau shall then inform all other licensing authorities and the Department of Food and Agriculture.

19314. All accusations against licensees shall be filed by the licensing authority within five years after the performance of the act or omission alleged as the ground for disciplinary action; provided, however, that the foregoing provision shall not constitute a defense to an accusation alleging fraud or misrepresentation as a ground for disciplinary action. The cause for disciplinary action in such case shall not be deemed to have accrued until discovery, by the licensing authority, of the facts constituting the fraud or misrepresentation, and, in such case, the accusation shall be filed within five years after such discovery.

19315. (a) Nothing in this chapter shall be interpreted to supersede or limit existing local authority for law enforcement activity, enforcement of local zoning requirements or local ordinances, or enforcement of local permit or licensing requirements.

(b) Nothing in this chapter shall be interpreted to require the Department of Consumer Affairs to undertake local law enforcement responsibilities, enforce local zoning requirements, or enforce local licensing requirements.

(c) Nothing in this chapter shall be interpreted to supersede or limit state agencies from exercising their existing enforcement authority under the Fish and Game Code, the Water Code, the Food and Agricultural Code, or the Health and Safety Code.

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 for local licenses and permits for commercial cannabis activity. Any standards, requirements, and regulations regarding health and safety, testing, security, and worker protections established by the state shall be the minimum standards for all licensees statewide.

(b) For facilities issued a state license that are located within the incorporated area of a city, the city shall have full power and authority to enforce this chapter and the regulations promulgated by the bureau or any licensing authority, if delegated by the state. Notwithstanding Sections 101375, 101400, and 101405 of the Health and Safety Code or any contract entered into pursuant thereto, or any other law, the city shall further assume complete responsibility for any regulatory function relating to those licensees within the city limits that would otherwise be performed by the county or any county officer or employee, including a county health officer, without liability, cost, or expense to the county.

(c) Nothing in this chapter, or any regulations promulgated thereunder, shall be deemed to limit the authority or remedies of a city, county, or city and county under any provision of law, including, but not limited to, Section 7 of Article XI of the California Constitution.

19317. (a) The actions of a licensee, its employees, and its agents that are (1) permitted pursuant to both a state license and a license or permit issued by the local jurisdiction following the requirements of the applicable local ordinances, and (2) conducted in accordance with the requirements of this chapter and regulations adopted pursuant to this chapter, are not unlawful under state law and shall not be an offense subject to arrest,

prosecution, or other sanction under state law, or be subject to a civil fine or be a basis for seizure or forfeiture of assets under state law.

(b) The actions of a person who, in good faith, allows his or her property to be used by a licensee, its employees, and its agents, as permitted pursuant to both a state license and a local license or permit following the requirements of the applicable local ordinances, are not unlawful under state law and shall not be an offense subject to arrest, prosecution, or other sanction under state law, or be subject to a civil fine or be a basis for seizure or forfeiture of assets under state law.

19318. (a) A person engaging in commercial cannabis activity without a license required by this chapter shall be subject to civil penalties of up to twice the amount of the license fee for each violation, and the court may order the destruction of medical cannabis associated with that violation in accordance with Section 11479 of the Health and Safety Code. Each day of operation shall constitute a separate violation of this section. All civil penalties imposed and collected pursuant to this section by a licensing authority shall be deposited into the Medical Cannabis Fines and Penalties Account established pursuant to Section 19351.

(b) If an action for civil penalties is brought against a licensee pursuant to this chapter by the Attorney General on behalf of the people, the penalty collected shall be deposited into the Medical Cannabis Fines and Penalties Account established pursuant to Section 19351. If the action is brought by a district attorney or county counsel, the penalty collected shall be paid to the treasurer of the county in which the judgment was entered. If the action is brought by a city attorney or city prosecutor, the penalty collected shall be paid to the treasurer of the city or city and county in which the judgment was entered. If the action is brought by a city attorney and is adjudicated in a superior court located in the unincorporated area or another city in the same county, the penalty shall be paid one-half to the treasurer of the city in which the complaining attorney has jurisdiction and one-half to the treasurer of the county in which the judgment is entered.

(c) Notwithstanding subdivision (a), criminal penalties shall continue to apply to an unlicensed person engaging in commercial cannabis activity in violation of this chapter, including, but not limited to, those individuals covered under Section 11362.7 of the Health and Safety Code.

Article 4. Licensing

19320. (a) Licensing authorities administering this chapter may issue state licenses only to qualified applicants engaging in commercial cannabis activity pursuant to this chapter. Upon the date of implementation of regulations by the licensing authority, no person shall engage in commercial cannabis activity without possessing both a state license and a local permit, license, or other authorization. A licensee shall not commence activity under the authority of a state license until the applicant has obtained, in addition to the state license, a license or permit from the local jurisdiction in which he or she proposes to operate, following the requirements of the applicable local ordinance.

(b) Revocation of a local license, permit, or other authorization shall terminate the ability of a medical cannabis business to operate within that local jurisdiction until the local jurisdiction reinstates or reissues the local license, permit, or other required authorization. Local authorities shall notify the bureau upon revocation of a local license. The bureau shall inform relevant licensing authorities.

(c) Revocation of a state license shall terminate the ability of a medical cannabis licensee to operate within California until the licensing authority reinstates or reissues the state license. Each licensee shall obtain a separate license for each location where it engages in commercial medical cannabis activity. However, transporters only need to obtain licenses for each physical location where the licensee conducts business while not in transport, or any equipment that is not currently transporting medical cannabis or medical cannabis products, permanently resides.

(d) In addition to the provisions of this chapter, local jurisdictions retain the power to assess fees and taxes, as applicable, on facilities that are licensed pursuant to this chapter and the business activities of those licensees.

(e) Nothing in this chapter shall be construed to supersede or limit state agencies, including the State Water Resources Control Board and Department of Fish and Wildlife, from establishing fees to support their medical cannabis regulatory programs.

19321. (a) The Department of Consumer Affairs, the Department of Food and Agriculture, and the State Department of Public Health shall promulgate regulations for implementation of their respective responsibilities in the administration of this chapter.

(b) A license issued pursuant to this section shall be valid for 12 months from the date of issuance. The license shall be renewed annually. Each licensing authority shall establish procedures for the renewal of a license.

(c) Notwithstanding subdivision (a) of Section 19320, a facility or entity that is operating in compliance with local zoning ordinances and other state and local requirements on or before January 1, 2018, may continue its operations until its application for licensure is approved or denied pursuant to this chapter. In issuing licenses, the licensing authority shall prioritize any facility or entity that can demonstrate to the authority's satisfaction that it was in operation and in good standing with the local jurisdiction by January 1, 2016.

(d) Issuance of a state license or a determination of compliance with local law by the licensing authority shall in no way limit the ability of the City of Los Angeles to prosecute any person or entity for a violation of, or otherwise enforce, Proposition D, approved by the voters of the City of Los Angeles on the May 21, 2013, ballot for the city, or the city's zoning laws. Nor may issuance of a license or determination of compliance with local law by the licensing authority be deemed to establish, or be relied upon, in determining satisfaction with the immunity requirements of Proposition D or local zoning law, in court or in any other context or forum.

Article 5. Medical Marijuana Regulation

19326. (a) A person other than a licensed transporter shall not transport medical cannabis or medical cannabis products from one licensee to another licensee, unless otherwise specified in this chapter.

(b) All licensees holding cultivation or manufacturing licenses shall send all medical cannabis and medical cannabis products cultivated or manufactured to a distributor, as defined in Section 19300.5, for quality assurance and inspection by the Type 11 licensee and for a batch testing by a Type 8 licensee prior to distribution to a dispensary. Those licensees holding a Type 10A license in addition to a cultivation license or a manufacturing license shall send all medical cannabis and medical cannabis products to a Type 11 licensee for presale inspection and for a batch testing by a Type 8 licensee prior to dispensing any product. The licensing authority shall fine a licensee who violates this subdivision in an amount determined by the licensing authority to be reasonable.

(c) (1) Upon receipt of medical cannabis or medical cannabis products by a holder of a cultivation or manufacturing license, the Type 11 licensee shall first inspect the product to ensure the identity and quantity of the product and then ensure a random sample of the medical cannabis or medical cannabis product is tested by a Type 8 licensee prior to distributing the batch of medical cannabis or medical cannabis products.

(2) Upon issuance of a certificate of analysis by the Type 8 licensee that the product is fit for manufacturing or retail, all medical cannabis and medical cannabis products shall undergo a quality assurance review by the Type 11 licensee prior to distribution to ensure the quantity and content of the medical cannabis or medical cannabis product, and for tracking and taxation purposes by the state. Licensed cultivators and manufacturers shall package or seal all medical cannabis and medical cannabis products in tamper-evident packaging and use a unique identifier, as prescribed by the Department of Food and Agriculture, for the purpose of identifying and tracking medical cannabis or medical cannabis products. Medical cannabis and medical cannabis products shall be labeled as required by Section 19347. All packaging and sealing shall be completed prior to medical cannabis or medical cannabis products being transported or delivered to a licensee, qualified patient, or caregiver.

(3) This section does not limit the ability of licensed cultivators, manufacturers, and dispensaries to directly enter into contracts with one another indicating the price and quantity of medical cannabis or medical cannabis products to be distributed. However, a Type 11 licensee responsible for executing the contract is authorized to collect a fee for the services rendered, including, but not limited to, costs incurred by a Type 8 licensee, as well as applicable state or local taxes and fees.

(d) Medical cannabis and medical cannabis products shall be tested by a registered testing laboratory, prior to retail sale or dispensing, as follows:

(1) Medical cannabis from dried flower shall, at a minimum, be tested for concentration, pesticides, mold, and other contaminants.

(2) Medical cannabis extracts shall, at a minimum, be tested for concentration and purity of the product.

(3) This chapter shall not prohibit a licensee from performing on-site testing for the purposes of quality assurance of the product in conjunction with reasonable business operations. On-site testing by the licensee shall not be certified by the State Department of Public Health.

(e) All commercial cannabis activity shall be conducted between licensees, when these are available.

19327. (a) A licensee shall keep accurate records of commercial cannabis activity.

(b) All records related to commercial cannabis activity as defined by the licensing authorities shall be maintained for a minimum of seven years.

(c) The bureau may examine the books and records of a licensee and inspect the premises of a licensee as the licensing authority or a state or local agency deems necessary to perform its duties under this chapter. All inspections shall be conducted during standard business hours of the licensed facility or at any other reasonable time.

(d) Licensees shall keep records identified by the licensing authorities on the premises of the location licensed. The licensing authorities may make any examination of the records of any licensee. Licensees shall also provide and deliver copies of documents to the licensing agency upon request.

(e) A licensee or its agent, or employee, that refuses, impedes, obstructs, or interferes with an inspection of the premises or records of the licensee pursuant to this section has engaged in a violation of this chapter.

(f) If a licensee or an employee of a licensee fails to maintain or provide the records required pursuant to this section, the licensee shall be subject to a citation and fine of thirty thousand dollars (\$30,000) per individual violation.

19328. (a) A licensee may only hold a state license in up to two separate license categories, as follows:

(1) Type 1, 1A, 1B, 2, 2A, or 2B licensees may also hold either a Type 6 or 7 state license.

(2) Type 6 or 7 licensees, or a combination thereof, may also hold either a Type 1, 1A, 1B, 2, 2A, or 2B state license.

(3) Type 6 or 7 licensees, or a combination thereof, may also hold a Type 10A state license.

(4) Type 10A licensees may also hold either a Type 6 or 7 state license, or a combination thereof.

(5) Type 1, 1A, 1B, 2, 2A, or 2B licensees, or a combination thereof, may also hold a Type 10A state license.

(6) Type 10A licensees may apply for Type 1, 1A, 1B, 2, 2A, or 2B state license, or a combination thereof.

(7) Type 11 licensees shall apply for a Type 12 state license, but shall not apply for any other type of state license.

(8) Type 12 licensees may apply for a Type 11 state license.

(9) A Type 10A licensee may apply for a Type 6 or 7 state license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or combination of licenses thereof, no more than four acres of total canopy size of cultivation by the licensee is occurring throughout the state during the period that the respective licenses are valid. All cultivation pursuant to this section shall comply with local ordinances. This paragraph shall become inoperative on January 1, 2026.

(b) Except as provided in subdivision (a), a person or entity that holds a state license is prohibited from licensure for any other activity authorized under this chapter, and is prohibited from holding an ownership interest in real property, personal property, or other assets associated with or used in any other license category.

(c) (1) In a jurisdiction that adopted a local ordinance, prior to July 1, 2015, allowing or requiring qualified businesses to cultivate, manufacture, and dispense medical cannabis or medical cannabis products, with all commercial cannabis activity being conducted by a single qualified business, upon licensure that business shall not be subject to subdivision (a) if it meets all of the following conditions:

(A) The business was cultivating, manufacturing, and dispensing medical cannabis or medical cannabis products on July 1, 2015, and has continuously done so since that date.

(B) The business has been in full compliance with all applicable local ordinances at all times prior to licensure.

(C) The business is registered with the State Board of Equalization.

(2) A business licensed pursuant to paragraph (1) is not required to conduct all cultivation or manufacturing within the bounds of a local jurisdiction, but all cultivation and manufacturing shall have commenced prior to July 1, 2015, and have been in full compliance with applicable local ordinances.

(d) This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

19329. A licensee shall not also be licensed as a retailer of alcoholic beverages pursuant to Division 9 (commencing with Section 23000).

19330. This chapter and Article 2 (commencing with Section 11357) and Article 2.5 (commencing with Section 11362.7) of Chapter 6 of Division 10 of the Health and Safety Code shall not interfere with an employer's rights and obligations to maintain a drug and alcohol free workplace or require an employer to permit or accommodate the use, consumption, possession, transfer, display, transportation, sale, or growth of cannabis in the workplace or affect the ability of employers to have policies prohibiting the use of cannabis by employees and prospective employees, or prevent employers from complying with state or federal law.

Article 7. Licensed Distributors, Dispensaries, and Transporters

19334. (a) State licenses to be issued by the Department of Consumer Affairs are as follows:

(1) "Dispensary," as defined in this chapter. This license shall allow for delivery pursuant to Section 19340.

(2) "Distributor," for the distribution of medical cannabis and medical cannabis products from manufacturer to dispensary. A Type 11 licensee shall hold a Type 12, or transporter, license and register each location where product is stored for the purposes of distribution. A Type 11 licensee shall not hold a license in a cultivation, manufacturing, dispensing, or testing license category and shall not own, or have an ownership interest in, a facility licensed in those categories other than a security interest, lien, or encumbrance on property that is used by a licensee. A Type 11 licensee shall be bonded and insured at a minimum level established by the licensing authority.

(3) "Transport," for transporters of medical cannabis or medical cannabis products between licensees. A Type 12 licensee shall be bonded and insured at a minimum level established by the licensing authority.

(4) "Special dispensary status" for dispensers who have no more than three licensed dispensary facilities. This license shall allow for delivery where expressly authorized by local ordinance.

(b) The bureau shall establish minimum security requirements for the commercial transportation and delivery of medical cannabis and products.

(c) A licensed dispensary shall implement sufficient security measures to both deter and prevent unauthorized entrance into areas containing medical cannabis or medical cannabis products and theft of medical cannabis or medical cannabis products at the dispensary. These security measures shall include, but not be limited to, all of the following:

(1) Preventing individuals from remaining on the premises of the dispensary if they are not engaging in activity expressly related to the operations of the dispensary.

(2) Establishing limited access areas accessible only to authorized dispensary personnel.

(3) Storing all finished medical cannabis and medical cannabis products in a secured and locked room, safe, or vault, and in a manner as to prevent diversion, theft, and loss, except for limited amounts of cannabis used for display purposes, samples, or immediate sale.

(d) A dispensary shall notify the licensing authority and the appropriate law enforcement authorities within 24 hours after discovering any of the following:

(1) Significant discrepancies identified during inventory. The level of significance shall be determined by the bureau.

(2) Diversion, theft, loss, or any criminal activity involving the dispensary or any agent or employee of the dispensary.

(3) The loss or unauthorized alteration of records related to cannabis, registered qualifying patients, primary caregivers, or dispensary employees or agents.

(4) Any other breach of security.

Article 9. Delivery

19340. (a) Deliveries, as defined in this chapter, can only be made by a dispensary and in a city, county, or city and county that does not explicitly prohibit it by local ordinance.

(b) Upon approval of the licensing authority, a licensed dispensary that delivers medical cannabis or medical cannabis products shall comply with both of the following:

(1) The city, county, or city and county in which the licensed dispensary is located, and in which each delivery is made, do not explicitly by ordinance prohibit delivery, as defined in Section 19300.5.

(2) All employees of a dispensary delivering medical cannabis or medical cannabis products shall carry a copy of the dispensary's current license authorizing those services with them during deliveries and the employee's government-issued identification, and shall present that license and identification upon request to state and local law enforcement, employees of regulatory authorities, and other state and local agencies enforcing this chapter.

(c) A county shall have the authority to impose a tax, pursuant to Article 11 (commencing with Section 19348), on each delivery transaction completed by a licensee.

(d) During delivery, the licensee shall maintain a physical copy of the delivery request and shall make it available upon request of the licensing authority and law enforcement officers. The delivery request documentation shall comply with state and federal law regarding the protection of confidential medical information.

(e) The qualified patient or primary caregiver requesting the delivery shall maintain a copy of the delivery request and shall make it available, upon request, to the licensing authority and law enforcement officers.

(f) A local jurisdiction shall not prevent carriage of medical cannabis or medical cannabis products on public roads by a licensee acting in compliance with this chapter.

Article 10. Licensed Manufacturers and Licensed Laboratories

19341. The State Department of Public Health shall promulgate regulations governing the licensing of cannabis manufacturers and testing laboratories. Licenses to be issued are as follows:

(a) "Manufacturing level 1," for manufacturing sites that produce medical cannabis products using nonvolatile solvents.

(b) "Manufacturing level 2," for manufacturing sites that produce medical cannabis products using volatile solvents. The State Department of Public Health shall limit the number of licenses of this type.

(c) "Testing," for testing of medical cannabis and medical cannabis products. Testing licensees shall have their facilities licensed according to regulations set forth by the division. A testing licensee shall not hold a license in another license category of this chapter and shall not own or have ownership interest in a facility licensed pursuant to this chapter.

19342. (a) For the purposes of testing medical cannabis or medical cannabis products, licensees shall use a licensed testing laboratory that has adopted a standard operating procedure using methods consistent with general requirements for the competence of testing and calibration activities, including sampling, using standard methods established by the International Organization for Standardization, specifically ISO/IEC 17020 and ISO/IEC 17025 to test medical cannabis and medical cannabis products that are approved by an accrediting body that is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement.

(b) An agent of a licensed testing laboratory shall obtain samples according to a statistically valid sampling method for each lot.

(c) A licensed testing laboratory shall analyze samples according to either of the following:

(1) The most current version of the cannabis inflorescence monograph published by the American Herbal Pharmacopoeia.

(2) Scientifically valid methodology that is demonstrably equal or superior to paragraph (1), in the opinion of the accrediting body.

(d) If a test result falls outside the specifications authorized by law or regulation, the licensed testing laboratory

shall follow a standard operating procedure to confirm or refute the original result.

(e) A licensed testing laboratory shall destroy the remains of the sample of medical cannabis or medical cannabis product upon completion of the analysis.

19343. A licensed testing laboratory shall not handle, test, or analyze medical cannabis or medical cannabis products unless the licensed testing laboratory meets all of the following:

(a) Is registered by the State Department of Public Health.

(b) Is independent from all other persons and entities involved in the medical cannabis industry.

(c) Follows the methodologies, ranges, and parameters that are contained in the scope of the accreditation for testing medical cannabis or medical cannabis products. The testing lab shall also comply with any other requirements specified by the State Department of Public Health.

(d) Notifies the State Department of Public Health within one business day after the receipt of notice of any kind that its accreditation has been denied, suspended, or revoked.

(e) Has established standard operating procedures that provide for adequate chain of custody controls for samples transferred to the licensed testing laboratory for testing.

19344. (a) A licensed testing laboratory shall issue a certificate of analysis for each lot, with supporting data, to report both of the following:

(1) Whether the chemical profile of the lot conforms to the specifications of the lot for compounds, including, but not limited to, all of the following:

(A) Tetrahydrocannabinol (THC).

(B) Tetrahydrocannabinolic Acid (THCA).

(C) Cannabidiol (CBD).

(D) Cannabidiolic Acid (CBDA).

(E) The terpenes described in the most current version of the cannabis inflorescence monograph published by the American Herbal Pharmacopoeia.

(F) Cannabigerol (CBG).

(G) Cannabinol (CBN).

(H) Any other compounds required by the State Department of Public Health.

(2) That the presence of contaminants does not exceed the levels that are the lesser of either the most current version of the American Herbal Pharmacopoeia monograph or the State Department of Public Health. For purposes of this paragraph, contaminants includes, but is not limited to, all of the following:

(A) Residual solvent or processing chemicals.

(B) Foreign material, including, but not limited to, hair, insects, or similar or related adulterant.

(C) Microbiological impurity, including total aerobic microbial count, total yeast mold count, *P. aeruginosa*, *aspergillus* spp., *s. aureus*, aflatoxin B1, B2, G1, or G2, or ochratoxin A.

(D) Whether the batch is within specification for odor and appearance.

(b) Residual levels of volatile organic compounds shall be below the lesser of either the specifications set by the United States Pharmacopoeia (U.S.P. Chapter 467) or those set by the State Department of Public Health.

19345. (a) Except as provided in this chapter, a licensed testing laboratory shall not acquire or receive medical cannabis or medical cannabis products except from a licensed facility in accordance with this chapter, and shall not distribute, sell, deliver, transfer, transport, or dispense medical cannabis or medical cannabis products, from which the medical cannabis or medical cannabis products were acquired or received. All transfer or transportation shall be performed pursuant to a specified chain of custody protocol.

(b) A licensed testing laboratory may receive and test samples of medical cannabis or medical cannabis products from a qualified patient or primary caregiver only if he or she presents his or her valid recommendation for cannabis for medical purposes from a physician. A licensed testing laboratory shall not certify samples from a qualified patient or caregiver for resale or transfer to another party or licensee. All tests performed by a licensed testing laboratory for a qualified patient or caregiver shall be recorded with the name of the qualified patient or caregiver and the amount of medical cannabis or medical cannabis product received.

(c) The State Department of Public Health shall develop procedures to ensure that testing of cannabis occurs prior to delivery to dispensaries or any other business, specify how often licensees shall test cannabis and that the cost of testing shall be borne by the licensed cultivators, and require destruction of harvested batches whose testing samples indicate noncompliance with health and safety standards promulgated by the State Department of Public Health, unless remedial measures can bring the cannabis into compliance with quality assurance standards as promulgated by the State Department of Public Health.

(d) The State Department of Public Health shall establish a licensing fee, and laboratories shall pay a fee to be licensed. Licensing fees shall not exceed the reasonable regulatory cost of the licensing activities.

19347. (a) Prior to delivery or sale at a dispensary, medical cannabis products shall be labeled and in a tamper-evident package. Labels and packages of medical cannabis products shall meet the following requirements:

(1) Medical cannabis packages and labels shall not be made to be attractive to children.

(2) All medical cannabis product labels shall include the following information, prominently displayed and in a clear and legible font:

(A) Manufacture date and source.

(B) The statement "SCHEDULE I CONTROLLED SUBSTANCE."

(C) The statement "KEEP OUT OF REACH OF CHILDREN AND ANIMALS" in bold print.

(D) The statement "FOR MEDICAL USE ONLY."

(E) The statement "THE INTOXICATING EFFECTS OF THIS PRODUCT MAY BE DELAYED BY UP TO TWO HOURS."

(F) The statement "THIS PRODUCT MAY IMPAIR THE ABILITY TO DRIVE OR OPERATE MACHINERY. PLEASE USE EXTREME CAUTION."

(G) For packages containing only dried flower, the net weight of medical cannabis in the package.

(H) A warning if nuts or other known allergens are used.

(I) List of pharmacologically active ingredients, including, but not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD), and other cannabinoid content, the THC and other cannabinoid amount in milligrams per serving, servings per package, and the THC and other cannabinoid amount in milligrams for the package total.

(J) Clear indication, in bold type, that the product contains medical cannabis.

(K) Identification of the source and date of cultivation and manufacture.

(L) Any other requirement set by the bureau.

(M) Information associated with the unique identifier issued by the Department of Food and Agriculture pursuant to Section 11362.777 of the Health and Safety Code.

(b) Only generic food names may be used to describe edible medical cannabis products.

Article 14. Reporting

19353. Beginning on March 1, 2023, and on or before March 1 of each following year, each licensing authority shall prepare and submit to the Legislature an annual report on the authority's activities and post the report on the authority's Internet Web site. The report shall include, but not be limited to, the following information for the previous fiscal year:

(a) The amount of funds allocated and spent by the licensing authority for medical cannabis licensing, enforcement, and administration.

- (b) The number of state licenses issued, renewed, denied, suspended, and revoked, by state license category.
- (c) The average time for processing state license applications, by state license category.
- (d) The number and type of enforcement activities conducted by the licensing authorities and by local law enforcement agencies in conjunction with the licensing authorities or the bureau.
- (e) The number, type, and amount of penalties, fines, and other disciplinary actions taken by the licensing authorities.

19354. The bureau shall contract with the California Marijuana Research Program, known as the Center for Medicinal Cannabis Research, authorized pursuant to Section 11362.9 of the Health and Safety Code, to develop a study that identifies the impact that cannabis has on motor skills.

Article 15. Privacy

19355. (a) Information identifying the names of patients, their medical conditions, or the names of their primary caregivers received and contained in records kept by the office or licensing authorities for the purposes of administering this chapter are confidential and shall not be disclosed pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), except as necessary for authorized employees of the State of California or any city, county, or city and county to perform official duties pursuant to this chapter, or a local ordinance.

(b) Information identifying the names of patients, their medical conditions, or the names of their primary caregivers received and contained in records kept by the bureau for the purposes of administering this chapter shall be maintained in accordance with Chapter 1 (commencing with Section 123100) of Part 1 of Division 106 of the Health and Safety Code, Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code, and other state and federal laws relating to confidential patient information.

(c) Nothing in this section precludes the following:

- (1) Employees of the bureau or any licensing authorities notifying state or local agencies about information submitted to the agency that the employee suspects is falsified or fraudulent.
 - (2) Notifications from the bureau or any licensing authorities to state or local agencies about apparent violations of this chapter or applicable local ordinance.
 - (3) Verification of requests by state or local agencies to confirm licenses and certificates issued by the regulatory authorities or other state agency.
 - (4) Provision of information requested pursuant to a court order or subpoena issued by a court or an administrative agency or local governing body authorized by law to issue subpoenas.
- (d) Information shall not be disclosed by any state or local agency beyond what is necessary to achieve the goals of a specific investigation, notification, or the parameters of a specific court order or subpoena.

SEC. 5. Section 9147.7 of the Government Code is amended to read:

9147.7. (a) For the purpose of this section, "eligible agency" means any agency, authority, board, bureau, commission, conservancy, council, department, division, or office of state government, however denominated, excluding an agency that is constitutionally created or an agency related to postsecondary education, for which a date for repeal has been established by statute on or after January 1, 2011.

(b) The Joint Sunset Review Committee is hereby created to identify and eliminate waste, duplication, and inefficiency in government agencies. The purpose of the committee is to conduct a comprehensive analysis over 15 years, and on a periodic basis thereafter, of every eligible agency to determine if the agency is still necessary and cost effective.

(c) Each eligible agency scheduled for repeal shall submit to the committee, on or before December 1 prior to the year it is set to be repealed, a complete agency report covering the entire period since last reviewed, including, but not limited to, the following:

- (1) The purpose and necessity of the agency.
- (2) A description of the agency budget, priorities, and job descriptions of employees of the agency.

- (3) Any programs and projects under the direction of the agency.
- (4) Measures of the success or failures of the agency and justifications for the metrics used to evaluate successes and failures.
- (5) Any recommendations of the agency for changes or reorganization in order to better fulfill its purpose.
- (d) The committee shall take public testimony and evaluate the eligible agency prior to the date the agency is scheduled to be repealed. An eligible agency shall be eliminated unless the Legislature enacts a law to extend, consolidate, or reorganize the eligible agency. No eligible agency shall be extended in perpetuity unless specifically exempted from the provisions of this section. The committee may recommend that the Legislature extend the statutory sunset date for no more than one year to allow the committee more time to evaluate the eligible agency.
- (e) The committee shall be comprised of 10 members of the Legislature. The Senate Committee on Rules shall appoint five members of the Senate to the committee, not more than three of whom shall be members of the same political party. The Speaker of the Assembly shall appoint five members of the Assembly to the committee, not more than three of whom shall be members of the same political party. Members shall be appointed within 15 days after the commencement of the regular session. Each member of the committee who is appointed by the Senate Committee on Rules or the Speaker of the Assembly shall serve during that committee member's term of office or until that committee member no longer is a Member of the Senate or the Assembly, whichever is applicable. A vacancy on the committee shall be filled in the same manner as the original appointment. Three Assembly Members and three Senators who are members of the committee shall constitute a quorum for the conduct of committee business. Members of the committee shall receive no compensation for their work with the committee.
- (f) The committee shall meet not later than 30 days after the first day of the regular session to choose a chairperson and to establish the schedule for eligible agency review provided for in the statutes governing the eligible agencies. The chairperson of the committee shall alternate every two years between a Member of the Senate and a Member of the Assembly, and the vice chairperson of the committee shall be a member of the opposite house as the chairperson.
- (g) This section shall not be construed to change the existing jurisdiction of the budget or policy committees of the Legislature.
- (h) This section shall not apply to the Bureau of Medical Marijuana Regulation.

SEC. 6. Section 11362.775 of the Health and Safety Code is amended to read:

11362.775. (a) Subject to subdivision (b), qualified patients, persons with valid identification cards, and the designated primary caregivers of qualified patients and persons with identification cards, who associate within the State of California in order collectively or cooperatively to cultivate cannabis for medical purposes, shall not solely on the basis of that fact be subject to state criminal sanctions under Section 11357, 11358, 11359, 11360, 11366, 11366.5, or 11570.

(b) This section shall remain in effect only until one year after the Bureau of Medical Marijuana Regulation posts a notice on its Internet Web site that the licensing authorities have commenced issuing licenses pursuant to the Medical Marijuana Regulation and Safety Act (Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code), and is repealed upon issuance of licenses.

SEC. 7. Section 147.5 is added to the Labor Code, to read:

147.5. (a) By January 1, 2017, the Division of Occupational Safety and Health shall convene an advisory committee to evaluate whether there is a need to develop industry-specific regulations related to the activities of facilities issued a license pursuant to Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code.

(b) By July 1, 2017, the advisory committee shall present to the board its findings and recommendations for consideration by the board. By July 1, 2017, the board shall render a decision regarding the adoption of industry-specific regulations pursuant to this section.

SEC. 8. Section 31020 is added to the Revenue and Taxation Code, to read:

31020. The board, in consultation with the Department of Food and Agriculture, shall adopt a system for reporting the movement of commercial cannabis and cannabis products throughout the distribution chain. The system shall not be duplicative of the electronic database administered by the Department of Food and Agriculture specified in Section 19335 of the Business and Professions Code. The system shall also employ secure packaging and be capable of providing information to the board. This system shall capture, at a minimum, all of the following:

- (a) The amount of tax due by the designated entity.
- (b) The name, address, and license number of the designated entity that remitted the tax.
- (c) The name, address, and license number of the succeeding entity receiving the product.
- (d) The transaction date.
- (e) Any other information deemed necessary by the board for the taxation and regulation of marijuana and marijuana products.

SEC. 9. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 10. The Legislature finds and declares that Section 4 of this act, which adds Section 19355 to the Business and Professions Code, thereby imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

The limitation imposed under this act is necessary for purposes of compliance with the federal Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. Sec. 1320d et seq.), the Confidentiality of Medical Information Act (Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code), and the Insurance Information and Privacy Protection Act (Article 6.6 (commencing with Section 791) of Part 2 of Division 1 of the Insurance Code).

SEC. 11. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 12. This act shall become operative only if Senate Bill 643 and Assembly Bill 243 of the 2015–16 Regular Session are also enacted and become operative.

**SB-643 Medical marijuana. (2015-2016)****Senate Bill No. 643****CHAPTER 719**

An act to amend Sections 144, 2220.05, 2241.5, and 2242.1 of, to add Sections 19302.1, 19319, 19320, 19322, 19323, 19324, and 19325 to, to add Article 25 (commencing with Section 2525) to Chapter 5 of Division 2 of, and to add Article 6 (commencing with Section 19331), Article 7.5 (commencing with Section 19335), Article 8 (commencing with Section 19337), and Article 11 (commencing with Section 19348) to Chapter 3.5 of Division 8 of, the Business and Professions Code, relating to medical marijuana.

[Approved by Governor October 09, 2015. Filed with Secretary of State
October 09, 2015.]

LEGISLATIVE COUNSEL'S DIGEST

SB 643, McGuire. Medical marijuana.

(1) Existing law, the Compassionate Use Act of 1996, an initiative measure enacted by the approval of Proposition 215 at the November 6, 1996, statewide general election, authorizes the use of marijuana for medical purposes. Existing law enacted by the Legislature requires the establishment of a program for the issuance of identification cards to qualified patients so that they may lawfully use marijuana for medical purposes, and requires the establishment of guidelines for the lawful cultivation of marijuana grown for medical use. Existing law provides for the licensure of various professions by the Department of Consumer Affairs. Existing law, the Sherman Food, Drug, and Cosmetic Law, provides for the regulation of food, drugs, devices, and cosmetics, as specified. A violation of that law is a crime.

This bill would, among other things, set forth standards for a physician and surgeon prescribing medical cannabis and require the Medical Board of California to prioritize its investigative and prosecutorial resources to identify and discipline physicians and surgeons that have repeatedly recommended excessive cannabis to patients for medical purposes or repeatedly recommended cannabis to patients for medical purposes without a good faith examination, as specified. The bill would require the Bureau of Medical Marijuana to require an applicant to furnish a full set of fingerprints for the purposes of conducting criminal history record checks. The bill would prohibit a physician and surgeon who recommends cannabis to a patient for a medical purpose from accepting, soliciting, or offering any form of remuneration from a facility licensed under the Medical Marijuana Regulation and Safety Act. The bill would make a violation of this prohibition a misdemeanor, and by creating a new crime, this bill would impose a state-mandated local program.

This bill would require the Governor, under the Medical Marijuana Regulation and Safety Act, to appoint, subject to confirmation by the Senate, a chief of the Bureau of Medical Marijuana Regulation. The act would require the Department of Consumer Affairs to have the sole authority to create, issue, renew, discipline, suspend, or revoke licenses for the transportation and storage, unrelated to manufacturing, of medical marijuana, and would authorize the department to collect fees for its regulatory activities and impose specified duties on this department in this regard. The act would require the Department of Food and Agriculture to administer the provisions of the act related to, and associated with, the cultivation, and transportation of, medical cannabis and would impose specified duties on this department in this regard. The act would require the State Department of Public Health to administer the provisions of the act related to, and associated with, the manufacturing and

testing of medical cannabis and would impose specified duties on this department in this regard.

This bill would authorize counties to impose a tax upon specified cannabis-related activity.

This bill would require an applicant for a state license pursuant to the act to provide a statement signed by the applicant under penalty of perjury, thereby changing the scope of a crime and imposing a state-mandated local program.

This bill would set forth standards for the licensed cultivation of medical cannabis, including, but not limited to, establishing duties relating to the environmental impact of cannabis and cannabis products. The bill would also establish state cultivator license types, as specified.

(2) This bill would provide that its provisions are severable.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

(4) Existing constitutional provisions require that a statute that limits the right of access to the meeting of public bodies or the writings of public bodies or the writings of public officials and agencies be adopted with finding demonstrating the interest protected by the limitation and the need for protecting that interest. The bill would make legislative findings to that effect.

(5) The bill would become operative only if AB 266 and AB 243 of the 2015-16 Regular Session are enacted and take effect on or before January 1, 2016.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 144 of the Business and Professions Code is amended to read:

144. (a) Notwithstanding any other provision of law, an agency designated in subdivision (b) shall require an applicant to furnish to the agency a full set of fingerprints for purposes of conducting criminal history record checks. Any agency designated in subdivision (b) may obtain and receive, at its discretion, criminal history information from the Department of Justice and the United States Federal Bureau of Investigation.

(b) Subdivision (a) applies to the following:

- (1) California Board of Accountancy.
- (2) State Athletic Commission.
- (3) Board of Behavioral Sciences.
- (4) Court Reporters Board of California.
- (5) State Board of Guide Dogs for the Blind.
- (6) California State Board of Pharmacy.
- (7) Board of Registered Nursing.
- (8) Veterinary Medical Board.
- (9) Board of Vocational Nursing and Psychiatric Technicians.
- (10) Respiratory Care Board of California.
- (11) Physical Therapy Board of California.

- (12) Physician Assistant Committee of the Medical Board of California.
 - (13) Speech-Language Pathology and Audiology and Hearing Aid Dispenser Board
 - (14) Medical Board of California.
 - (15) State Board of Optometry.
 - (16) Acupuncture Board.
 - (17) Cemetery and Funeral Bureau.
 - (18) Bureau of Security and Investigative Services.
 - (19) Division of Investigation.
 - (20) Board of Psychology.
 - (21) California Board of Occupational Therapy.
 - (22) Structural Pest Control Board.
 - (23) Contractors' State License Board.
 - (24) Naturopathic Medicine Committee.
 - (25) Professional Fiduciaries Bureau.
 - (26) Board for Professional Engineers, Land Surveyors, and Geologists.
 - (27) Bureau of Medical Marijuana Regulation.
- (c) For purposes of paragraph (26) of subdivision (b), the term "applicant" shall be limited to an initial applicant who has never been registered or licensed by the board or to an applicant for a new licensure or registration category.

SEC. 2. Section 2220.05 of the Business and Professions Code is amended to read:

2220.05. (a) In order to ensure that its resources are maximized for the protection of the public, the Medical Board of California shall prioritize its investigative and prosecutorial resources to ensure that physicians and surgeons representing the greatest threat of harm are identified and disciplined expeditiously. Cases involving any of the following allegations shall be handled on a priority basis, as follows, with the highest priority being given to cases in the first paragraph:

- (1) Gross negligence, incompetence, or repeated negligent acts that involve death or serious bodily injury to one or more patients, such that the physician and surgeon represents a danger to the public.
 - (2) Drug or alcohol abuse by a physician and surgeon involving death or serious bodily injury to a patient.
 - (3) Repeated acts of clearly excessive prescribing, furnishing, or administering of controlled substances, or repeated acts of prescribing, dispensing, or furnishing of controlled substances without a good faith prior examination of the patient and medical reason therefor. However, in no event shall a physician and surgeon prescribing, furnishing, or administering controlled substances for intractable pain consistent with lawful prescribing, including, but not limited to, Sections 725, 2241.5, and 2241.6 of this code and Sections 11159.2 and 124961 of the Health and Safety Code, be prosecuted for excessive prescribing and prompt review of the applicability of these provisions shall be made in any complaint that may implicate these provisions.
 - (4) Repeated acts of clearly excessive recommending of cannabis to patients for medical purposes, or repeated acts of recommending cannabis to patients for medical purposes without a good faith prior examination of the patient and a medical reason for the recommendation.
 - (5) Sexual misconduct with one or more patients during a course of treatment or an examination.
 - (6) Practicing medicine while under the influence of drugs or alcohol.
- (b) The board may by regulation prioritize cases involving an allegation of conduct that is not described in subdivision (a). Those cases prioritized by regulation shall not be assigned a priority equal to or higher than the priorities established in subdivision (a).

(c) The Medical Board of California shall indicate in its annual report mandated by Section 2312 the number of temporary restraining orders, interim suspension orders, and disciplinary actions that are taken in each priority category specified in subdivisions (a) and (b).

SEC. 3. Section 2241.5 of the Business and Professions Code is amended to read:

2241.5. (a) A physician and surgeon may prescribe for, or dispense or administer to, a person under his or her treatment for a medical condition dangerous drugs or prescription controlled substances for the treatment of pain or a condition causing pain, including, but not limited to, intractable pain.

(b) No physician and surgeon shall be subject to disciplinary action for prescribing, dispensing, or administering dangerous drugs or prescription controlled substances in accordance with this section.

(c) This section shall not affect the power of the board to take any action described in Section 2227 against a physician and surgeon who does any of the following:

(1) Violates subdivision (b), (c), or (d) of Section 2234 regarding gross negligence, repeated negligent acts, or incompetence.

(2) Violates Section 2241 regarding treatment of an addict.

(3) Violates Section 2242 or 2525.3 regarding performing an appropriate prior examination and the existence of a medical indication for prescribing, dispensing, or furnishing dangerous drugs or recommending medical cannabis.

(4) Violates Section 2242.1 regarding prescribing on the Internet.

(5) Fails to keep complete and accurate records of purchases and disposals of substances listed in the California Uniform Controlled Substances Act (Division 10 (commencing with Section 11000) of the Health and Safety Code) or controlled substances scheduled in the federal Comprehensive Drug Abuse Prevention and Control Act of 1970 (21 U.S.C. Sec. 801 et seq.), or pursuant to the federal Comprehensive Drug Abuse Prevention and Control Act of 1970. A physician and surgeon shall keep records of his or her purchases and disposals of these controlled substances or dangerous drugs, including the date of purchase, the date and records of the sale or disposal of the drugs by the physician and surgeon, the name and address of the person receiving the drugs, and the reason for the disposal or the dispensing of the drugs to the person, and shall otherwise comply with all state recordkeeping requirements for controlled substances.

(6) Writes false or fictitious prescriptions for controlled substances listed in the California Uniform Controlled Substances Act or scheduled in the federal Comprehensive Drug Abuse Prevention and Control Act of 1970.

(7) Prescribes, administers, or dispenses in violation of this chapter, or in violation of Chapter 4 (commencing with Section 11150) or Chapter 5 (commencing with Section 11210) of Division 10 of the Health and Safety Code.

(d) A physician and surgeon shall exercise reasonable care in determining whether a particular patient or condition, or the complexity of a patient's treatment, including, but not limited to, a current or recent pattern of drug abuse, requires consultation with, or referral to, a more qualified specialist.

(e) Nothing in this section shall prohibit the governing body of a hospital from taking disciplinary actions against a physician and surgeon pursuant to Sections 809.05, 809.4, and 809.5.

SEC. 4. Section 2242.1 of the Business and Professions Code is amended to read:

2242.1. (a) No person or entity may prescribe, dispense, or furnish, or cause to be prescribed, dispensed, or furnished, dangerous drugs or dangerous devices, as defined in Section 4022, on the Internet for delivery to any person in this state, without an appropriate prior examination and medical indication, except as authorized by Section 2242.

(b) Notwithstanding any other provision of law, a violation of this section may subject the person or entity that has committed the violation to either a fine of up to twenty-five thousand dollars (\$25,000) per occurrence pursuant to a citation issued by the board or a civil penalty of twenty-five thousand dollars (\$25,000) per occurrence.

(c) The Attorney General may bring an action to enforce this section and to collect the fines or civil penalties

authorized by subdivision (b)

(d) For notifications made on and after January 1, 2002, the Franchise Tax Board, upon notification by the Attorney General or the board of a final judgment in an action brought under this section, shall subtract the amount of the fine or awarded civil penalties from any tax refunds or lottery winnings due to the person who is a defendant in the action using the offset authority under Section 12419.5 of the Government Code, as delegated by the Controller, and the processes as established by the Franchise Tax Board for this purpose. That amount shall be forwarded to the board for deposit in the Contingent Fund of the Medical Board of California.

(e) If the person or entity that is the subject of an action brought pursuant to this section is not a resident of this state, a violation of this section shall, if applicable, be reported to the person's or entity's appropriate professional licensing authority.

(f) Nothing in this section shall prohibit the board from commencing a disciplinary action against a physician and surgeon pursuant to Section 2242 or 2525.3.

SEC. 5. Article 25 (commencing with Section 2525) is added to Chapter 5 of Division 2 of the Business and Professions Code, to read:

Article 25. Recommending Medical Cannabis

2525. (a) It is unlawful for a physician and surgeon who recommends cannabis to a patient for a medical purpose to accept, solicit, or offer any form of remuneration from or to a facility issued a state license pursuant to Chapter 3.5 (commencing with Section 19300) of Division 8, if the physician and surgeon or his or her immediate family have a financial interest in that facility.

(b) For the purposes of this section, "financial interest" shall have the same meaning as in Section 650.01.

(c) A violation of this section shall be a misdemeanor punishable by up to one year in county jail and a fine of up to five thousand dollars (\$5,000) or by civil penalties of up to five thousand dollars (\$5,000) and shall constitute unprofessional conduct.

2525.1. The Medical Board of California shall consult with the California Marijuana Research Program, known as the Center for Medicinal Cannabis Research, authorized pursuant to Section 11362.9 of the Health and Safety Code, on developing and adopting medical guidelines for the appropriate administration and use of medical cannabis.

2525.2. An individual who possesses a license in good standing to practice medicine or osteopathy issued by the Medical Board of California or the Osteopathic Medical Board of California shall not recommend medical cannabis to a patient, unless that person is the patient's attending physician, as defined by subdivision (a) of Section 11362.7 of the Health and Safety Code.

2525.3. Recommending medical cannabis to a patient for a medical purpose without an appropriate prior examination and a medical indication constitutes unprofessional conduct.

2525.4. It is unprofessional conduct for any attending physician recommending medical cannabis to be employed by, or enter into any other agreement with, any person or entity dispensing medical cannabis.

2525.5. (a) A person shall not distribute any form of advertising for physician recommendations for medical cannabis in California unless the advertisement bears the following notice to consumers:

NOTICE TO CONSUMERS: The Compassionate Use Act of 1996 ensures that seriously ill Californians have the right to obtain and use cannabis for medical purposes where medical use is deemed appropriate and has been recommended by a physician who has determined that the person's health would benefit from the use of medical cannabis. Recommendations must come from an attending physician as defined in Section 11362.7 of the Health and Safety Code. Cannabis is a Schedule I drug according to the federal Controlled Substances Act. Activity related to cannabis use is subject to federal prosecution, regardless of the protections provided by state law.

(b) Advertising for attending physician recommendations for medical cannabis shall meet all of the requirements in Section 651. Price advertising shall not be fraudulent, deceitful, or misleading, including statements or

advertisements of bait, discounts, premiums, gifts, or statements of a similar nature.

SEC. 6. Section 19302.1 is added to the Business and Professions Code, to read:

19302.1. (a) The Governor shall appoint a chief of the bureau, subject to confirmation by the Senate, at a salary to be fixed and determined by the director with the approval of the Director of Finance. The chief shall serve under the direction and supervision of the director and at the pleasure of the Governor.

(b) Every power granted to or duty imposed upon the director under this chapter may be exercised or performed in the name of the director by a deputy or assistant director or by the chief, subject to conditions and limitations that the director may prescribe. In addition to every power granted or duty imposed with this chapter, the director shall have all other powers and duties generally applicable in relation to bureaus that are part of the Department of Consumer Affairs.

(c) The director may employ and appoint all employees necessary to properly administer the work of the bureau, in accordance with civil service laws and regulations.

(d) The Department of Consumer Affairs shall have the sole authority to create, issue, renew, discipline, suspend, or revoke licenses for the transportation, storage unrelated to manufacturing activities, distribution, and sale of medical marijuana within the state and to collect fees in connection with activities the bureau regulates. The bureau may create licenses in addition to those identified in this chapter that the bureau deems necessary to effectuate its duties under this chapter.

(e) The Department of Food and Agriculture shall administer the provisions of this chapter related to and associated with the cultivation of medical cannabis. The Department of Food and Agriculture shall have the authority to create, issue, and suspend or revoke cultivation licenses for violations of this chapter. The State Department of Public Health shall administer the provisions of this chapter related to and associated with the manufacturing and testing of medical cannabis.

SEC. 7. Section 19319 is added to the Business and Professions Code, to read:

19319. (a) A qualified patient, as defined in Section 11362.7 of the Health and Safety Code, who cultivates, possesses, stores, manufactures, or transports cannabis exclusively for his or her personal medical use but who does not provide, donate, sell, or distribute cannabis to any other person is not thereby engaged in commercial cannabis activity and is therefore exempt from the licensure requirements of this chapter.

(b) A primary caregiver who cultivates, possesses, stores, manufactures, transports, donates, or provides cannabis exclusively for the personal medical purposes of no more than five specified qualified patients for whom he or she is the primary caregiver within the meaning of Section 11362.7 of the Health and Safety Code, but who does not receive remuneration for these activities except for compensation in full compliance with subdivision (c) of Section 11362.765 of the Health and Safety Code, is exempt from the licensure requirements of this chapter.

SEC. 8. Section 19320 is added to the Business and Professions Code, to read:

19320. (a) Licensing authorities administering this chapter may issue state licenses only to qualified applicants engaging in commercial cannabis activity pursuant to this chapter. Upon the date of implementation of regulations by the licensing authority, no person shall engage in commercial cannabis activity without possessing both a state license and a local permit, license, or other authorization. A licensee shall not commence activity under the authority of a state license until the applicant has obtained, in addition to the state license, a license or permit from the local jurisdiction in which he or she proposes to operate, following the requirements of the applicable local ordinance.

(b) Revocation of a local license, permit, or other authorization shall terminate the ability of a medical cannabis business to operate within that local jurisdiction until the local jurisdiction reinstates or reissues the local license, permit, or other required authorization. Local authorities shall notify the bureau upon revocation of a local license. The bureau shall inform relevant licensing authorities.

(c) Revocation of a state license shall terminate the ability of a medical cannabis licensee to operate within California until the licensing authority reinstates or reissues the state license. Each licensee shall obtain a separate license for each location where it engages in commercial medical cannabis activity. However, transporters only need to obtain licenses for each physical location where the licensee conducts business while

not in transport, or any equipment that is not currently transporting medical cannabis or medical cannabis products, permanently resides.

(d) In addition to the provisions of this chapter, local jurisdictions retain the power to assess fees and taxes, as applicable, on facilities that are licensed pursuant to this chapter and the business activities of those licensees.

(e) Nothing in this chapter shall be construed to supersede or limit state agencies, including the State Water Resources Control Board and Department of Fish and Wildlife, from establishing fees to support their medical cannabis regulatory programs.

SEC. 9. Section 19322 is added to the Business and Professions Code, to read:

19322. (a) A person or entity shall not submit an application for a state license issued by the department pursuant to this chapter unless that person or entity has received a license, permit, or authorization by a local jurisdiction. An applicant for any type of state license issued pursuant to this chapter shall do all of the following:

(1) Electronically submit to the Department of Justice fingerprint images and related information required by the Department of Justice for the purpose of obtaining information as to the existence and content of a record of state or federal convictions and arrests, and information as to the existence and content of a record of state or federal convictions and arrests for which the Department of Justice establishes that the person is free on bail or on his or her own recognizance, pending trial or appeal.

(A) The Department of Justice shall provide a response to the licensing authority pursuant to paragraph (1) of subdivision (p) of Section 11105 of the Penal Code.

(B) The licensing authority shall request from the Department of Justice subsequent notification service, as provided pursuant to Section 11105.2 of the Penal Code, for applicants.

(C) The Department of Justice shall charge the applicant a fee sufficient to cover the reasonable cost of processing the requests described in this paragraph.

(2) Provide documentation issued by the local jurisdiction in which the proposed business is operating certifying that the applicant is or will be in compliance with all local ordinances and regulations.

(3) Provide evidence of the legal right to occupy and use the proposed location. For an applicant seeking a cultivator, distributor, manufacturing, or dispensary license, provide a statement from the owner of real property or their agent where the cultivation, distribution, manufacturing, or dispensing commercial medical cannabis activities will occur, as proof to demonstrate the landowner has acknowledged and consented to permit cultivation, distribution, manufacturing, or dispensary activities to be conducted on the property by the tenant applicant.

(4) If the application is for a cultivator or a dispensary, provide evidence that the proposed location is located beyond at least a 600-foot radius from a school, as required by Section 11362.768 of the Health and Safety Code.

(5) Provide a statement, signed by the applicant under penalty of perjury, that the information provided is complete, true, and accurate.

(6) (A) For an applicant with 20 or more employees, provide a statement that the applicant will enter into, or demonstrate that it has already entered into, and abide by the terms of a labor peace agreement.

(B) For the purposes of this paragraph, "employee" does not include a supervisor.

(C) For purposes of this paragraph, "supervisor" means an individual having authority, in the interest of the licensee, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them or to adjust their grievances, or effectively to recommend such action, if, in connection with the foregoing, the exercise of that authority is not of a merely routine or clerical nature, but requires the use of independent judgment.

(7) Provide the applicant's seller's permit number issued pursuant to Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code or indicate that the applicant is currently applying for a seller's permit.

(8) Provide any other information required by the licensing authority.

(9) For an applicant seeking a cultivation license, provide a statement declaring the applicant is an "agricultural employer," as defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act of 1975 (Part 3.5 (commencing with Section 1140) of Division 2 of the Labor Code), to the extent not prohibited by law.

(10) For an applicant seeking licensure as a testing laboratory, register with the State Department of Public Health and provide any information required by the State Department of Public Health.

(11) Pay all applicable fees required for licensure by the licensing authority.

(b) For applicants seeking licensure to cultivate, distribute, or manufacture medical cannabis, the application shall also include a detailed description of the applicant's operating procedures for all of the following, as required by the licensing authority:

- (1) Cultivation.
- (2) Extraction and infusion methods.
- (3) The transportation process.
- (4) Inventory procedures.
- (5) Quality control procedures.

SEC. 10. Section 19323 is added to the Business and Professions Code, to read:

19323. (a) The licensing authority shall deny an application if either the applicant or the premises for which a state license is applied do not qualify for licensure under this chapter.

(b) The licensing authority may deny the application for licensure or renewal of a state license if any of the following conditions apply:

(1) Failure to comply with the provisions of this chapter or any rule or regulation adopted pursuant to this chapter, including but not limited to, any requirement imposed to protect natural resources, instream flow, and water quality pursuant to subdivision (a) of Section 19332.

(2) Conduct that constitutes grounds for denial of licensure pursuant to Chapter 2 (commencing with Section 480) of Division 1.5.

(3) A local agency has notified the licensing authority that a licensee or applicant within its jurisdiction is in violation of state rules and regulation relating to commercial cannabis activities, and the licensing authority, through an investigation, has determined that the violation is grounds for termination or revocation of the license. The licensing authority shall have the authority to collect reasonable costs, as determined by the licensing authority, for investigation from the licensee or applicant.

(4) The applicant has failed to provide information required by the licensing authority.

(5) The applicant or licensee has been convicted of an offense that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, except that if the licensing authority determines that the applicant or licensee is otherwise suitable to be issued a license and granting the license would not compromise public safety, the licensing authority shall conduct a thorough review of the nature of the crime, conviction, circumstances, and evidence of rehabilitation of the applicant, and shall evaluate the suitability of the applicant or licensee to be issued a license based on the evidence found through the review. In determining which offenses are substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, the licensing authority shall include, but not be limited to, the following:

(A) A felony conviction for the illegal possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance.

(B) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of the Penal Code.

(C) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of the Penal Code.

(D) A felony conviction involving fraud, deceit, or embezzlement.

(6) The applicant, or any of its officers, directors, or owners, is a licensed physician making patient

recommendations for medical cannabis pursuant to Section 11362.7 of the Health and Safety Code.

(7) The applicant or any of its officers, directors, or owners has been subject to fines or penalties for cultivation or production of a controlled substance on public or private lands pursuant to Section 12025 or 12025.1 of the Fish and Game Code.

(8) The applicant, or any of its officers, directors, or owners, has been sanctioned by a licensing authority or a city, county, or city and county for unlicensed commercial medical cannabis activities or has had a license revoked under this chapter in the three years immediately preceding the date the application is filed with the licensing authority.

(9) Failure to obtain and maintain a valid seller's permit required pursuant to Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code.

SEC. 11. Section 19324 is added to the Business and Professions Code, to read:

19324. Upon the denial of any application for a license, the licensing authority shall notify the applicant in writing. Within 30 days of service of the notice, the applicant may file a written petition for a license with the licensing authority. Upon receipt of a timely filed petition, the licensing authority shall set the petition for hearing. The hearing shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director of each licensing authority shall have all the powers granted therein.

SEC. 12. Section 19325 is added to the Business and Professions Code, to read:

19325. An applicant shall not be denied a state license if the denial is based solely on any of the following:

(a) A conviction or act that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made for which the applicant or licensee has obtained a certificate of rehabilitation pursuant to Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 of the Penal Code.

(b) A conviction that was subsequently dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the Penal Code.

SEC. 13. Article 6 (commencing with Section 19331) is added to Chapter 3.5 of Division 8 of the Business and Professions Code, to read:

Article 6. Licensed Cultivation Sites

19331. The Legislature finds and declares all of the following:

(a) The United States Environmental Protection Agency has not established appropriate pesticide tolerances for, or permitted the registration and lawful use of, pesticides on cannabis crops intended for human consumption pursuant to the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.).

(b) The use of pesticides is not adequately regulated due to the omissions in federal law, and cannabis cultivated in California for California patients can and often does contain pesticide residues.

(c) Lawful California medical cannabis growers and caregivers urge the Department of Pesticide Regulation to provide guidance, in absence of federal guidance, on whether the pesticides currently used at most cannabis cultivation sites are actually safe for use on cannabis intended for human consumption.

19332. (a) The Department of Food and Agriculture shall promulgate regulations governing the licensing of indoor and outdoor cultivation sites.

(b) The Department of Pesticide Regulation, in consultation with the Department of Food and Agriculture, shall develop standards for the use of pesticides in cultivation, and maximum tolerances for pesticides and other foreign object residue in harvested cannabis.

(c) The State Department of Public Health shall develop standards for the production and labeling of all edible medical cannabis products.

(d) The Department of Food and Agriculture, in consultation with the Department of Fish and Wildlife and the State Water Resources Control Board, shall ensure that individual and cumulative effects of water diversion and

discharge associated with cultivation do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability.

(e) The Department of Food and Agriculture shall have the authority necessary for the implementation of the regulations it adopts pursuant to this chapter. The regulations shall do all of the following:

(1) Provide that weighing or measuring devices used in connection with the sale or distribution of medical cannabis are required to meet standards equivalent to Division 5 (commencing with Section 12001).

(2) Require that cannabis cultivation by licensees is conducted in accordance with state and local laws related to land conversion, grading, electricity usage, water usage, agricultural discharges, and similar matters. Nothing in this chapter, and no regulation adopted by the department, shall be construed to supersede or limit the authority of the State Water Resources Control Board, regional water quality control boards, or the Department of Fish and Wildlife to implement and enforce their statutory obligations or to adopt regulations to protect water quality, water supply, and natural resources.

(3) Establish procedures for the issuance and revocation of unique identifiers for activities associated with a cannabis cultivation license, pursuant to Article 8 (commencing with Section 19337). All cannabis shall be labeled with the unique identifier issued by the Department of Food and Agriculture.

(4) Prescribe standards, in consultation with the bureau, for the reporting of information as necessary related to unique identifiers, pursuant to Article 8 (commencing with Section 19337).

(f) The Department of Pesticide Regulation, in consultation with the State Water Resources Control Board, shall promulgate regulations that require that the application of pesticides or other pest control in connection with the indoor or outdoor cultivation of medical cannabis meets standards equivalent to Division 6 (commencing with Section 11401) of the Food and Agricultural Code and its implementing regulations.

(g) State cultivator license types issued by the Department of Food and Agriculture include:

(1) Type 1, or "specialty outdoor," for outdoor cultivation using no artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises, or up to 50 mature plants on noncontiguous plots.

(2) Type 1A, or "specialty indoor," for indoor cultivation using exclusively artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises.

(3) Type 1B, or "specialty mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of less than or equal to 5,000 square feet of total canopy size on one premises.

(4) Type 2, or "small outdoor," for outdoor cultivation using no artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

(5) Type 2A, or "small indoor," for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

(6) Type 2B, or "small mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

(7) Type 3, or "outdoor," for outdoor cultivation using no artificial lighting from 10,001 square feet to one acre, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

(8) Type 3A, or "indoor," for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

(9) Type 3B, or "mixed-light," for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

(10) Type 4, or "nursery," for cultivation of medical cannabis solely as a nursery. Type 4 licensees may transport live plants.

19332.5. (a) Not later than January 1, 2020, the Department of Food and Agriculture in conjunction with the bureau, shall make available a certified organic designation and organic certification program for medical marijuana, if permitted under federal law and the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), and Article 7 (commencing with Section 110810) of Chapter 5 of Part 5 of Division 104 of the Health and Safety Code.

(b) The bureau may establish appellations of origin for marijuana grown in California.

(c) It is unlawful for medical marijuana to be marketed, labeled, or sold as grown in a California county when the medical marijuana was not grown in that county.

(d) It is unlawful to use the name of a California county in the labeling, marketing, or packaging of medical marijuana products unless the product was grown in that county.

19333. An employee engaged in commercial cannabis cultivation activity shall be subject to Wage Order 4-2001 of the Industrial Welfare Commission.

SEC. 14. Article 7.5 (commencing with Section 19335) is added to Chapter 3.5 of Division 8 of the Business and Professions Code, to read:

Article 7.5. Unique Identifier and Track and Trace Program

19335. (a) The Department of Food and Agriculture, in consultation with the bureau, shall establish a track and trace program for reporting the movement of medical marijuana items throughout the distribution chain that utilizes a unique identifier pursuant to Section 11362.777 of the Health and Safety Code and secure packaging and is capable of providing information that captures, at a minimum, all of the following:

(1) The licensee receiving the product.

(2) The transaction date.

(3) The cultivator from which the product originates, including the associated unique identifier, pursuant to Section 11362.777 of the Health and Safety Code.

(b) (1) The Department of Food and Agriculture shall create an electronic database containing the electronic shipping manifests which shall include, but not be limited to, the following information:

(A) The quantity, or weight, and variety of products shipped.

(B) The estimated times of departure and arrival.

(C) The quantity, or weight, and variety of products received.

(D) The actual time of departure and arrival.

(E) A categorization of the product.

(F) The license number and the unique identifier pursuant to Section 11362.777 of the Health and Safety Code issued by the licensing authority for all licensees involved in the shipping process, including cultivators, transporters, distributors, and dispensaries.

(2) (A) The database shall be designed to flag irregularities for all licensing authorities in this chapter to investigate. All licensing authorities pursuant to this chapter may access the database and share information related to licensees under this chapter, including social security and individual taxpayer identifications notwithstanding Section 30.

(B) The Department of Food and Agriculture shall immediately inform the bureau upon the finding of an irregularity or suspicious finding related to a licensee, applicant, or commercial cannabis activity for investigatory purposes.

(3) Licensing authorities and state and local agencies may, at any time, inspect shipments and request documentation for current inventory.

(4) The bureau shall have 24-hour access to the electronic database administered by the Department of Food and Agriculture.

preparing, storing, providing, donating, selling, or distributing medical cannabis or medical cannabis products by a licensee operating pursuant to this chapter.

(2) The board of supervisors shall specify in the ordinance proposing the tax the activities subject to the tax, the applicable rate or rates, the method of apportionment, if necessary, and the manner of collection of the tax. The tax may be imposed for general governmental purposes or for purposes specified in the ordinance by the board of supervisors.

(3) In addition to any other method of collection authorized by law, the board of supervisors may provide for the collection of the tax imposed pursuant to this section in the same manner, and subject to the same penalties and priority of lien, as other charges and taxes fixed and collected by the county. A tax imposed pursuant to this section is a tax and not a fee or special assessment. The board of supervisors shall specify whether the tax applies throughout the entire county or within the unincorporated area of the county.

(4) The tax authorized by this section may be imposed upon any or all of the activities set forth in paragraph (1), as specified in the ordinance, regardless of whether the activity is undertaken individually, collectively, or cooperatively, and regardless of whether the activity is for compensation or gratuitous, as determined by the board of supervisors.

(b) A tax imposed pursuant to this section shall be subject to applicable voter approval requirements imposed by law.

(c) This section is declaratory of existing law and does not limit or prohibit the levy or collection of any other fee, charge, or tax, or a license or service fee or charge upon, or related to, the activities set forth in subdivision (a) as otherwise provided by law. This section shall not be construed as a limitation upon the taxing authority of a county as provided by law.

(d) This section shall not be construed to authorize a county to impose a sales or use tax in addition to the sales and use tax imposed under an ordinance conforming to the provisions of Sections 7202 and 7203 of the Revenue and Taxation Code.

SEC. 17. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 18. The Legislature finds and declares that Section 14 of this act, which adds Section 19335 to the Business and Professions Code, thereby imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

The limitation imposed under this act is necessary for purposes of compliance with the federal Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. Sec. 1320d et seq.), the Confidentiality of Medical Information Act (Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code), and the Insurance Information and Privacy Protection Act (Article 6.6 (commencing with Section 791) of Part 2 of Division 1 of the Insurance Code).

SEC. 19. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution for certain costs that may be incurred by a local agency or school district because, in that regard, this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.


However, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 20. This act shall become operative only if Assembly Bill 266 and Assembly Bill 243 of the 2015-16 Session are enacted and take effect on or before January 1, 2016.

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**CITY OF RIO DELL
STAFF REPORT
CITY COUNCIL AGENDA
May 3, 2016**

TO: Mayor and Members of the City Council
THROUGH: Kyle Knopp, City Manager
FROM: Brooke Woodcox, Finance Director 
DATE: May 3, 2016
SUBJECT: City of Rio Dell 2016-2017 Annual Budget – First Review

RECOMMENDATION

1. Receive the proposed 2016-2017 Annual Budget
2. Discuss the proposed 2016-2017 Annual Budget, obtain public input, and deliberate
3. Provide further direction on the FY 2016-2017 Annual Budget in preparation for the second presentation May 17, 2016 at the Council's regularly scheduled meeting

BACKGROUND AND DISCUSSION

An overview of the proposed FY 2016-2017 Annual Budget will be presented. This will be the first opportunity to discuss the budget, obtain public comment, and provide staff further direction. The Budget along with revisions will be presented for a second review on May 17, 2016 at the Council's regularly scheduled meeting. Final action is scheduled for June 7, 2016.

Highlights for this year's budget are as follows:

- 2016/17 Budgeted operating expenditures in comparison to FY 2015/16 have decreased (\$1,676)
- 2016/17 Budgeted revenues in comparison to FY 2015/16 have increased \$239,163 (Wells projects amounts not included)
- General fund budget shows increase in reserves of \$61,550 at 6/30/17

- Streets funds budget shows decrease in reserves of \$60,375 and ending reserve balance of \$171,532
- A decrease of 1 full-time employee from 17.8 in FY 2015/16 to 16.8 in FY 2016/17
- A budget surplus of \$246,446 (netting of all 2016/2017 revenues less expenditures for overall increase in fund balance reserves)

ATTACHMENTS:

Annual Budget - Summary (includes additional information on financial forecasting for the City's crucial issues in the general fund and streets funds)

A - Chart Comparison of Budgeted Expenditures by Major Funds

B - Chart Comparison of Budgeted Revenues (all funds)

C - Position Allocation Table

D - Compensation Schedule

E - Departmental Summaries

F - FY 2015/16 - FY 2016/17 City-wide Budget Comparison (by line item)

G - Graph estimating FY 2016/17 Gas Tax (HUTA) revenues

H - Assembly Bill 1591: Proposed Transportation Funding Summary

Also included:

2016/17 PRINTED BUDGET WORKSHEETS

Pages 1-29

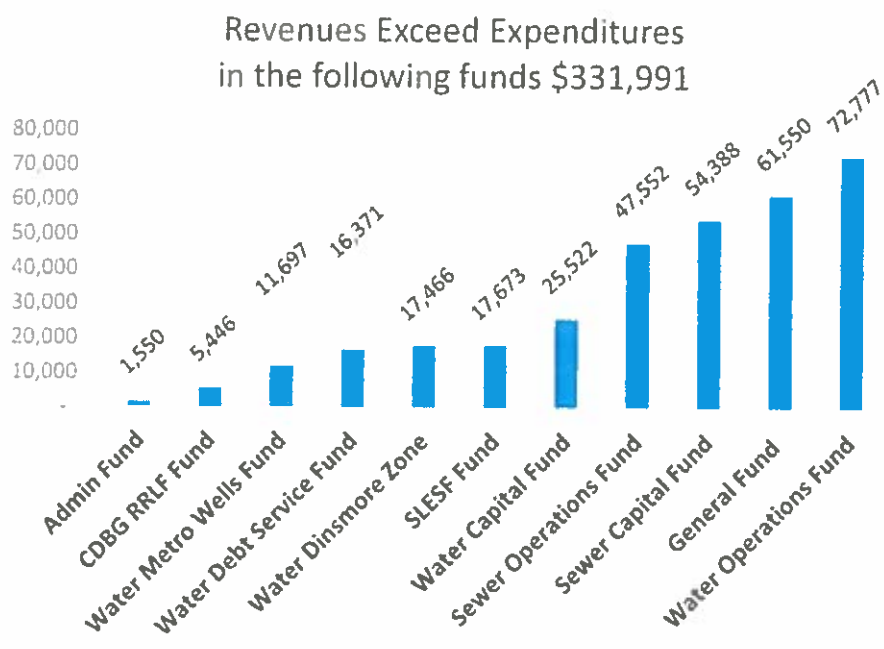
(marked in upper right hand corner; i.e. Page 1 of 29)

2016-2017 Annual Budget SUMMARY

Total appropriations for the proposed 2016-2017 Annual Budget are \$4,273,602. This amount is broken down into operating expenditures that make up \$2,533,714 (59%), capital outlay costs \$1,188,523 (28%), debt service \$478,000 (11%), pass-thru funds of \$53,365 (1%), and contingency funds totaling \$20,000. A schedule showing budgeted expenditures for the City's major funds compared to the prior year's budget (FY 2015/16) is included (**Attachment A**).

Revenues for the proposed 2016-2017 Annual Budget are estimated at \$4,520,048 and are made up of general fund revenues \$879,765 (19%), sewer revenues \$1,226,820 (27%), water revenues \$1,073,329 (24%), Metropolitan Wells grant funds \$964,994 (21%), Building fund \$32,901 (1%), SLESF fund \$100,000 (2%), Streets funds \$207,939 (5%), and miscellaneous restricted funds \$34,300 (1% Admin Veh., CDBG, Recycling Fund, Realignment Grant, and Solid Waste)). A schedule showing budgeted revenues for the City's funds compared to prior year's budgeted amounts (FY 2015/16) is included (**Attachment B**).

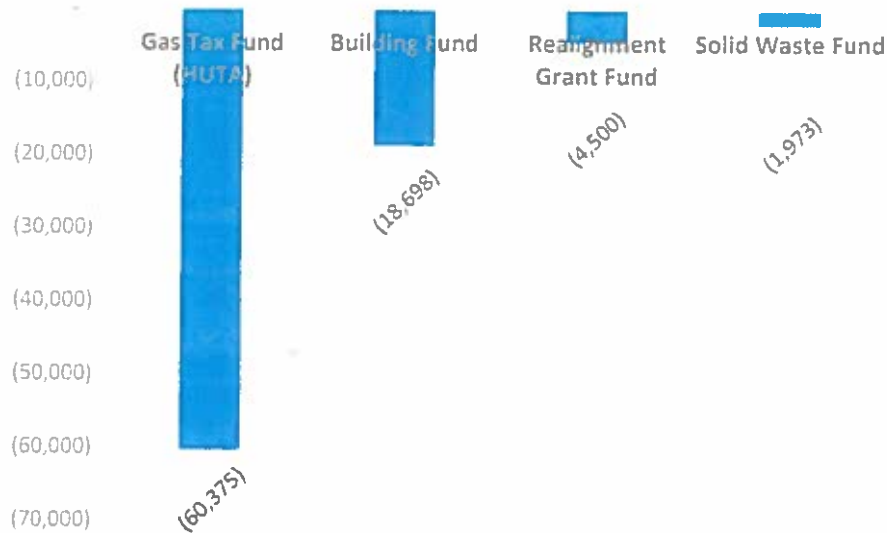
City-wide revenues less appropriations as proposed reflect a surplus of \$246,446. The surplus is due to **revenues exceeding expenditures**. The proposed budget shows reserve balances with increases (surpluses) at year end in the following funds: General fund \$61,550, water funds \$143,842, sewer funds \$101,940, SLESF fund \$17,673, Admin fund (vehicle) \$1,550, and CDBG \$5,446.



Decreases in reserve balances offset the surplus amounts and negatively affect fund balance reserves. Funds that show deficits are the building fund (\$18,698), realignment grant (\$4,500), solid waste fund (\$1,973), and gas tax HUTA fund (\$60,375). The deficits at year end in these funds are caused by **expenditures exceeding revenues**, which decreases reserve balances.

2016-2017 Annual Budget SUMMARY

Expenditures Exceed Revenues
in the following funds (\$85,545)



The 2016-2017 Proposed Annual Budget was budgeted with 16.8 full-time employees, a reduction in one position. The Utility Worker I/II position has been vacant for several months and wasn't included in the 2016/17 Annual Budget. The elimination of this position shows total salary and benefits savings of \$57,348 for Public Works.

A City-wide position allocation table is enclosed (**Attachment C**) along with the City's current compensation schedule (**Attachment D**). The allocated 16.8 positions is an integral part of the 2016/17 Annual budget.

Operating expenditures are made up of the City's various departments. Shown here are the City's departments with FY 2016/17 expenditure totals. Total operating expenditures as proposed are \$2,533,714.

| CITY OPERATIONS | | | | | | | | PUBLIC WORKS | | | | GRANT OPERATIONS | |
|-----------------|------------------|-----------------|----------|---------|------------------|----------|---------|---------------------------|----------------|------------------|---------------|------------------|----------------|
| Admin Cor | Building Dept | City Council | City Mgr | Finance | General Gov't | Planning | Police | Buildings & Grounds | Sewer Funds | Streets Funds | Water Dept | Recycle | Solid Waste |
| 1,250 | 56,768 | 14,279 | 283,629 | 368,437 | 29,789 | 66,911 | 639,529 | 48,986 | 488,666 | 148,745 | 375,753 | - | 10,973 |

Overall expenditures as proposed in the 2016/17 Annual Budget are \$1,672 lower than the previous fiscal year. Details by department are shown in **Attachment E**, and details by line item are shown in **Attachment F**.

2016-2017 Annual Budget SUMMARY

ADDITIONAL INFORMATION

The information that follows includes background information on the City's biggest challenges over the past two fiscal years (2014/15 and 2015/16) and budgetary forecasts for the challenges ahead.

The City has made significant progress since rolling out the budget two years ago for fiscal year 2014/15. The 2014/15 Annual Budget showed the City's future had several challenges such as the budgeted \$144,072 dip into the general fund reserves, the reality that the streets funds would be broke in three years, and water funds that were trending towards insolvency with \$146,687 budgeted out of reserves that year.

The financial picture was bleak enough back then that a position in the Finance Department was eliminated for a budgetary savings of \$63,446. The only way to have fully balanced the budget would have been through additional spending cuts resulting in a City-wide reorganization.

The past two fiscal year's have shown an unbalanced budget and this year is no exception since the streets funds are still underfunded. The reality is that a solution for the streets funds may be years away. The streets funds are balanced out of reserves this year as they have been two prior years in a row and without any changes budgetary forecasting shows their reserves to be depleted in 2018/19.

THE GENERAL FUND

| FY 2016/2017 | Est Beg Fund Balance | REVENUES | CITY OPERATIONS | | | | | | | BUC WORK | OTHER | | Source of (Uses) and Transfers | RESERVES | | |
|--------------|----------------------|-------------------------|-----------------|----------|---------|---------------|----------|---------|------------------------------|------------------|-------------|--------------|--------------------------------|---------------------------|----------------------|-------------------------|
| | | Total Projected Revenue | City Council | City Mgr | Finance | General Gov't | Planning | Police | BUC WORK Buildings & Grounds | Capital Projects | Contingency | Total Expend | | Change in Reserve Balance | Est End Fund Balance | Min 15% Reserve Balance |
| General Fund | 1,012,190 | 879,765 | 5,488 | 56,726 | 73,687 | 23,235 | 66,911 | 560,371 | 9,797 | 10,000 | 10,000 | 806,215 | 12,000 | 61,550 | 1,073,740 | 130,932 |

The proposed 2016/2017 Annual budget estimates the beginning fund balance for the general fund at \$1,012,190. Revenues, including Measure U, are budgeted at \$879,765 and appropriations are \$806,215, plus an additional \$12,000 in transfers (\$5,169 to the building fund and \$6,831 to the SLESF fund). The proposed budget shows the general fund reserve balance will be increased by \$61,550 for an estimated ending reserve balance of \$1,073,740.

BACKGROUND Two years ago the City began FY 2014/15 with a general fund reserve of \$1,230,995 and on June 30, 2015 that balance was \$1,082,324 for a total of \$148,671 spent out of reserves. The excess amount over budgeted appropriations amounts were approved through the budget amendment process with staff's requests to keep the terminated finance department position active throughout that fiscal year.

In November 2014 Measure U was passed bringing in an estimated \$160,000 each fiscal year for the next five years beginning in January 2014 and sun setting in December 2019. Final payment is expected in January 2020. Without Measure U reorganization was inevitable in 2014/15, and looking ahead without the passage of Measure U in 2019 reorganization will be need to be considered once again.

2016-2017 Annual Budget SUMMARY

Since fiscal year 2014/2015 the decline in the general fund reserve balance is estimated at approximately \$218,805 (18%) at June 30, 2016. Staff anticipates that the next few years will show a general fund reserve increase beginning with the proposed 2016/17 Annual Budget of \$61,550. This amount will be added to the reserve balance and begin an upward trend.

FORECAST The boost upwards for the general fund is seen as temporary since Measure U will expire if not reinstated in 2019. With the expiration of Measure U the City will be standing at a financial cliff where all the progress of the past two years will be brought to a halt. Budgetary forecasting shows that when Measure U stops completely in January 2020 general fund revenues will exceed expenditures by only \$16,000. The following year (2019/20) the deficit looks more like \$140,000 for the same City services as they are today. This doesn't include covering the deficit in the streets funds that year which, all things equal, is estimated to be \$83,500.

In 2019/20 departments that are funded out of the general fund will be addressing budgets cuts by 20% or more, depending on the current trends in sales tax revenues that continues to fall. Moreover, digital downloads, which aren't taxable in California, are increasing in sales numbers, further taking away from the sales tax that otherwise would have been collected through the sales of merchandise such as books, videos, and music CDs. Services are increasing, as well and aren't taxable.

The general fund is the City's only fund that discretion can be used in how these funds are spent. Strict budgeting is crucial when making spending choices now and in the future since the general fund is ultimately responsible to carry any deficits in all other funds. This includes the streets funds where fund balances are projected to be fully expended at about same time that Measure U expires. If nothing changes in five years (FY 2020-21) and the City continues on the same trajectory the fund balance in the streets will be zero, and the general fund balance after picking up all the shortfalls incurred for general fund and streets activities will see reserves below \$700,00.

Without any changes to alter their course the streets funds and the general fund will be severely restricted when the financial cliff appears in fiscal year 2020/21. All things equal, these two events in the course of two fiscal years will result in two possibilities: Either two or more positions will disappear, or City-wide, hours will be cut. Nevertheless, the overall impact will negatively affect City services and the City's streets won't be maintained near the already minimal levels that they are today.

THE STREETS FUNDS

| FY 2016/2017 | Est Beg Fund Balance | REVENUES | CITY OPERATIONS | | | PUBLIC WORKS | | OTHER | Total Expendit | Sources (Uses), and Transfers | RESERVES | | | Min 15% Reserve Balance |
|---------------------|----------------------------|-------------------------------|-----------------|-------------|---------|---------------------------|------------------|-----------------------------|-------------------|-------------------------------------|---------------------------------|----------------------------|--------|-------------------------------|
| | | Total Projected Revenue | City Council | City Mgr | Finance | Buildings & Grounds | Streets Funds | Pyrras & Debt Service | | | Change in Reserve Balance | Est End Fund Balance | | |
| Gas Tax Fund (HUTA) | 205,356 | 74,339 | 549 | 14,181 | 18,422 | 2,449 | 99,112 | - | 134,714 | (60,375) | (60,375) | 144,981 | 20,207 | |
| TDA Fund | 26,551 | 111,600 | 549 | 14,181 | 18,422 | 2,449 | 27,633 | 48,365 | 111,600 | (0) | - | 26,551 | 16,740 | |
| RSTP Funds | - | 22,000 | - | - | - | - | 22,000 | - | 22,000 | - | - | - | - | |
| | 231,907 | 207,939 | 1,099 | 28,363 | 36,844 | 4,899 | 148,745 | 48,365 | 268,314 | (60,375) | (60,375) | 171,532 | 36,947 | |

2016-2017 Annual Budget SUMMARY

The streets for FY 2016/17 have a total beginning fund balance of \$231,907 with revenues of \$207,939 and appropriations of \$268,314 for a decline in the reserve balance of \$60,375, which means that 23% of spending is funded out of reserves. Ending fund balances are estimated at \$171,532.

BACKGROUND The streets funds remain problematic for the City. When the budget was presented for FY 2014/15 streets funds showed expenditures exceeding revenues by \$122,773, which was to be drawn out of reserves. The budgeted forecasts presented in 2014/15 showed that reserves in the streets funds would be spent in three years' time. If that had been the case, the City would have had minimal funding for its streets department at the end of FY 2016/17. Streets would then be limited to annual revenue collections starting in 2017/18 if there hadn't been budgetary savings which bought an additional year. What's to come once reserves are depleted in 2018/19 will be a streets department with total revenue collections of approximately \$190,000. Pass thru funds of \$48,000 go towards public transportation leaving \$142,000 annual total spending for streets repairs and maintenance.

Until the state adopts a workable transportation plan expenditures will continue to exceed revenues in the streets funds. The Governor's newly proposed AB 1591 estimates annual revenues of \$17,885 for the City of Rio Dell (**Attachment G**). This doesn't make up for the Highway User's Tax Account (HUTA) annual revenues that are lost through improved fuel efficiencies. The trend towards renewable energy sources will continue and result in further declines in fuel tax revenue.

The streets department budget went from \$321,392 (26% funded out of reserves) in 2014/15 to \$268,314 (23% funded out of reserves) with the proposed 2016/2017 budget. Again, once reserves are emptied the streets department will have to subsist below minimal maintenance levels.

FORECAST The most important factor in all of this is that the general fund is the only fund that can be utilized to keep the streets maintained once revenues no longer meet expenditures and streets reserves are depleted in 2018/19. However, the general fund is facing its own crisis in FY 2019/20 if Measure U isn't passed again. City-wide within the next few years these two impending problems are the most prominent pitfalls seen in the entirety of a five year financial forecast of the City of Rio Dell.

WATER FUNDS

| FY 2016/2017 | Est Beg Fund Balance | REVENUES Total Projected Revenue | CITY OPERATIONS | | | PUBLIC WORKS | | | | OTHER | | Total Expendit | RESERVES | | Min. 15% Reserve Balance |
|-------------------------|----------------------|---|-----------------|----------|---------|---------------------|------------|---------------|------------|------------------|----------------------|----------------|---------------------------|----------------------|--------------------------|
| | | | City Council | City Mgr | Finance | Buildings & Grounds | Sewer Fund | Streets Funds | Water Dept | Capital Projects | Pymts & Debt Service | | Change in Reserve Balance | Est End Fund Balance | |
| Water Capital Fund | 117,763 | 194,051 | - | - | - | - | - | - | - | 168,529 | - | 168,529 | 25,322 | 143,285 | - |
| Water Metro Wells Fund | 5,296 | 11,697 | - | - | - | - | - | - | - | - | - | - | 11,697 | 16,993 | - |
| Water Dismore Zone | 7,278 | 17,466 | - | - | - | - | - | - | - | - | - | - | 17,466 | 24,744 | - |
| Water Restricted Res | 136,000 | - | - | - | - | - | - | - | - | - | - | - | - | 136,000 | - |
| Water Debt Service Fund | 68,000 | 152,371 | - | - | - | - | - | - | - | - | 136,000 | 136,000 | 16,371 | 84,371 | - |
| Water Operations Fund | 80,000 | 697,745 | 3,846 | 99,270 | 128,953 | 17,145 | - | - | 375,753 | - | - | 624,968 | 72,777 | 152,777 | 101,797 |
| | 414,337 | 1,073,329 | 3,846 | 99,270 | 128,953 | 17,145 | - | - | 375,753 | 168,529 | 136,000 | 929,497 | 143,832 | 558,169 | 101,797 |

2016-2017 Annual Budget SUMMARY

The water funds have a total estimated beginning fund balance of \$414,337 with anticipated revenues of \$1,073,329 and budgeted appropriations of \$929,497. This reflects a positive increase in reserve balances across the water funds of \$143,832. This is a positive step towards replacement of aging infrastructure, some of which has been in use for over 60 years.

BACKGROUND Revenues in the water funds for FY 2014/15 were budgeted at \$752,284 and appropriations at \$898,971. This meant a dip into water fund reserves of \$146,687. In addition, the water curtailment in July 2014 prompted water conservation efforts and began a continual reduction in revenues. Due to decreasing revenues Public Works also curtailed spending in order to offset the losses. In 2015/16 revenues still hadn't recuperated and the budgeted decline in reserve balances went steeper (\$163,616) with revenues budgeted at \$696,030 and appropriations budgeted at \$859,646. The 2015/16 Annual Budget showed emptied reserves by June 30, 2016.

Nevertheless, there were positive events happening in the water funds despite that reserves were falling. While residents were limited to 50 gallons per person per day a viable solution opened up should the water curtailment be prolonged for an unmanageable amount of time since this crisis would cause the water funds to become insolvent in a shorter period of time. The Metropolitan Wells project, whose funding had originally been slated to go towards a pipeline connecting Scotia and Rio Dell water systems, was approved as an emergency water source. This funding allowed the City to collect a back-log of expenditures beginning from January 2014 through June 2015 for a total of \$194,000. This amount, plus \$100,000 in 2015/16 from SHN Engineering through the Infiltration Gallery litigation process positively affected reserves. During 2014/15 there had also been budgeted operations savings of \$164,880. So despite revenue declines these financial events led to an increase in the overall reserve balance in the water funds at the end of 2014/15 of \$123,335.

The rise in reserves in the water funds were only a temporary fix and the City undertook a major obstacle towards financial stability beginning in May 2015 and culminating in December 2015 with the passage of a water rate increase. Even though the water's capital funds had increased their reserve amount a water rate increase was still needed since \$394,000 in revenues were restricted to the Wells and the Infiltration Gallery. Operational activities would have been cut by 27% if a rate change hadn't occurred.

The financial events over the course of the past two fiscal years in the water funds have led to a fully funded restricted reserve of \$136,000, a requirement of the current financial agreement with the State Water Resources Control Board. The water rate increase also means that the average water bill meets median household income (MHI) guidelines. In other words the City has aligned itself with the current requirements for funding already in place and future funding of replacement of aging infrastructure.

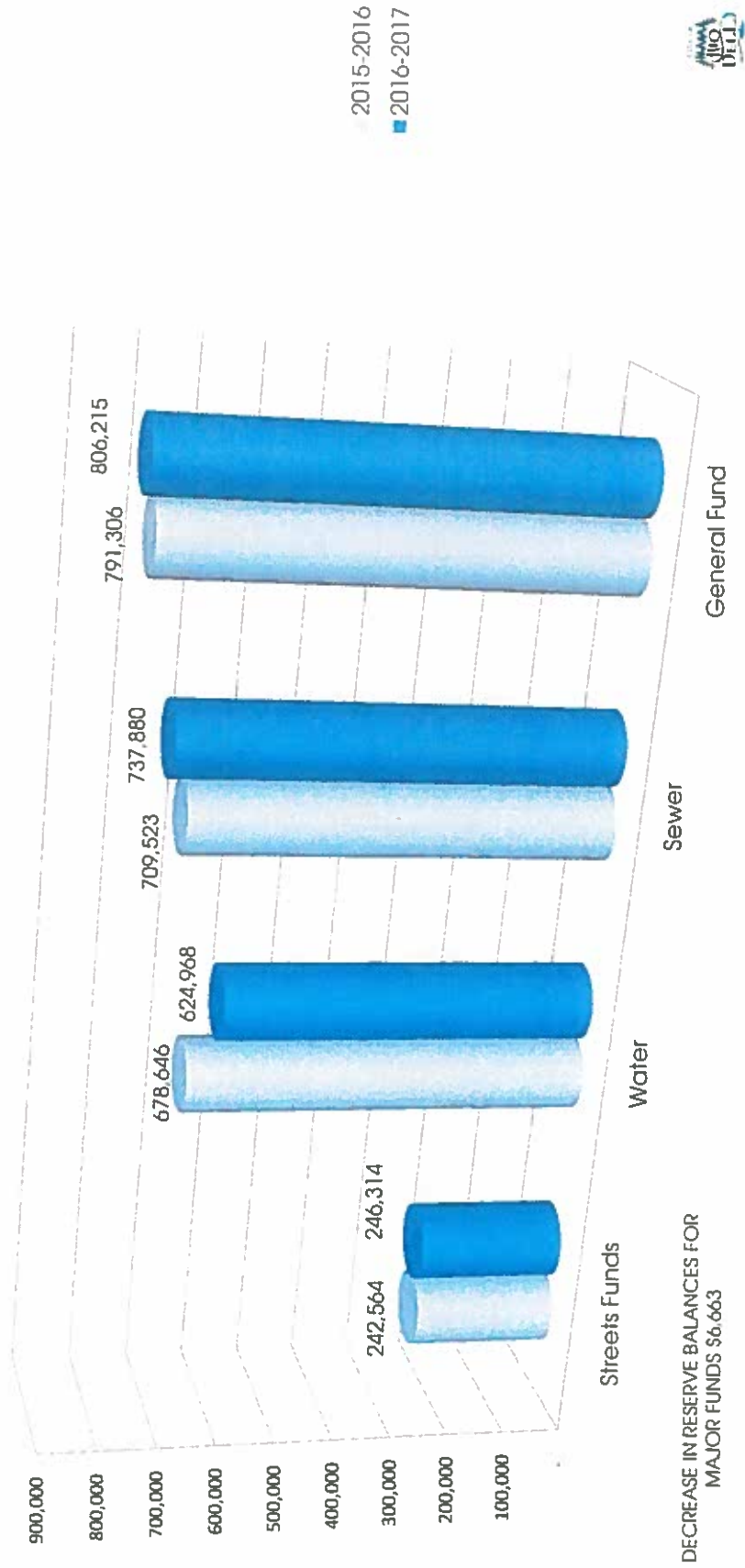
FORECAST The water funds budget for FY 2016/17 Annual Budget shows \$143,832 more revenues than appropriations. This includes \$133,529 that's been budgeted as the City's matching portion for the Well's project.

Short term obligations (1 year or less) in the water funds consist of operation costs (\$624,968), the City's portion of the well project (\$133,529) and the debt service payment (\$136,000). Long-term

2016-2017 Annual Budget SUMMARY

costs consist of on-going annual operational and debt service payments along with capital costs for improvements to the City's main system and the Dinsmore Zone. With improvements debt service will climb and be extended for additional years into the future. The Metropolitan Wells will require on-going maintenance and repairs, as will the City's main systems that deliver safe, clean water on a daily basis. The costs to maintain all of the City's water systems at this point are sound, and progressing towards future sustainability.

Comparison of Budgeted Expenditures by Major Funds
FY 2015/2016 - \$2,422,039
FY 2016/2017 - \$2,415,376

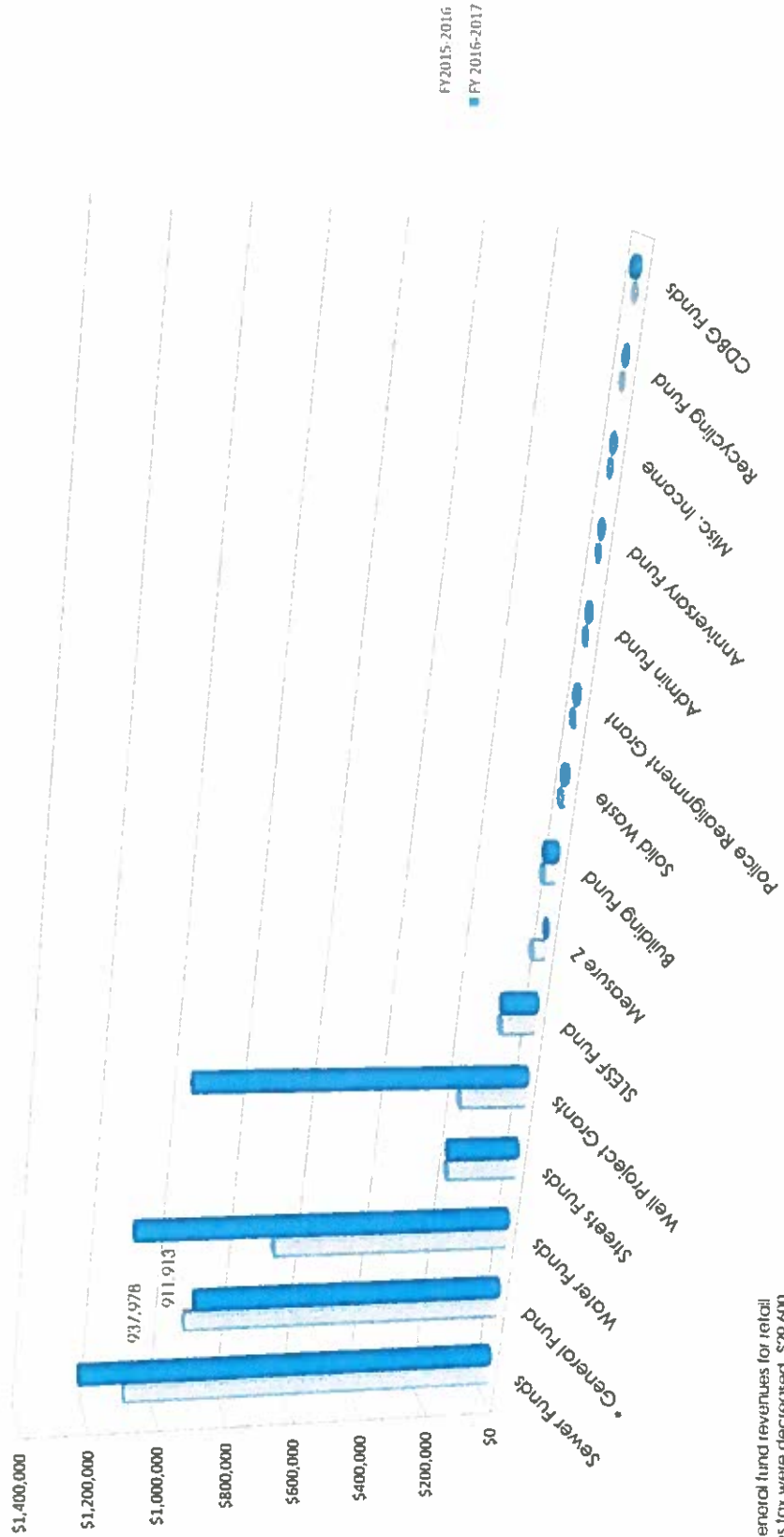




Comparison of Budgeted Revenues (all funds)

FY 2015-2016 - \$3,317,891

FY 2016-2017 - \$4,520,048



* General fund revenues for retail sales tax were decreased \$29,600



POSITION ALLOCATION TABLE

ATTACHMENT – C

| JOB TITLE | FULL TIME EMPLOYEES BY FISCAL YEAR | | | | |
|-------------------------------------|---------------------------------------|--------------|--------------|--------------|--------------|
| | 2012 2013 | 2013 2014 | 2014 2015 | 2015 2016 | 2016 2017 |
| ACCOUNTANT I/II | 1 | 1 | -- | 1 | 1 |
| ADMINISTRATIVE ASSISTANT | -- | -- | -- | -- | -- |
| CHIEF OF POLICE | 1 | 1 | 1 | 1 | 1 |
| CITY CLERK | 1 | 1 | 1 | 1 | 1 |
| CITY MANAGER /PUBLIC WORKS DIRECTOR | 1 | 1 | 1 | 1 | 1 |
| COMMUNITY DEVELOPMENT DIRECTOR | 1 | 1 | 0.8 | 0.8 | 0.8 |
| FINANCE DIRECTOR | 1 | 1 | 1 | 1 | 1 |
| FISCAL ASSISTANT I/II | 1 | 1 | 1 | 1 | 1 |
| POLICE CORPORAL | -- | -- | -- | -- | -- |
| POLICE OFFICER | 3 | 3 | 3 | 3 | 3 |
| POLICE RECORDS TECHNICIAN | -- | -- | -- | -- | -- |
| POLICE SERGEANT | 1 | 1 | 1 | 1 | 1 |
| PUBLIC WORKS LEADMAN | -- | -- | -- | -- | -- |
| PW ADMINISTRATIVE TECHNICIAN | -- | -- | -- | -- | -- |
| SENIOR FISCAL ASSISTANT | 1 | 1 | 1 | 1 | 1 |
| UTILITY WORKER I/II | 3 | 3 | 3 | 3 | 2 |
| WATER/WASTEWATER PLANT OPERATOR | 1 | 1 | 1 | 1 | 1 |
| WASTEWATER SUPERINTENDENT | 1 | 1 | 1 | 1 | 1 |
| WATER & ROADWAYS SUPERINTENDENT | 1 | 1 | 1 | 1 | 1 |
| PUBLIC WORKS DIRECTOR | -- | -- | -- | -- | -- |
| ALLOCATED POSITIONS | 17.75 | 17.75 | 16.80 | 17.80 | 16.80 |



COMPENSATION SCHEDULE

ATTACHMENT – D

Peace Officers Association

| JOB TITLE | Salary Range | | | | |
|--------------------|--------------|--------|--------|--------|--------|
| | A | B | C | D | E |
| Police Officer | 41,823 | 43,078 | 44,370 | 45,701 | 47,072 |
| Police Corporal | 46,005 | 47,385 | 48,807 | 50,271 | 51,779 |
| Records Technician | 32,660 | 33,640 | 34,649 | 35,688 | 36,759 |
| Sergeant | 50,606 | 52,124 | 53,688 | 55,298 | 56,957 |

Rio Dell Employee's Association

| JOB TITLE | Salary Range | | | | |
|------------------------------------|--------------|--------|--------|--------|--------|
| | A | B | C | D | E |
| Accountant I | 42,682 | 43,963 | 45,282 | 46,640 | 48,039 |
| Accountant II | 46,951 | 48,359 | 49,810 | 51,304 | 52,843 |
| Administrative Assistant | 29,036 | 29,907 | 30,804 | 31,728 | 32,680 |
| Administrative Technician | 35,246 | 36,304 | 37,393 | 38,515 | 39,670 |
| Fiscal Assistant I | 28,618 | 29,477 | 30,361 | 31,272 | 32,210 |
| Fiscal Assistant II | 32,084 | 33,046 | 34,037 | 35,059 | 36,110 |
| Office Assistant | 23,759 | 24,472 | 25,206 | 25,962 | 26,741 |
| Public Works Leadman | 33,170 | 34,165 | 35,190 | 36,246 | 37,333 |
| Senior Fiscal Assistant | 36,786 | 37,889 | 39,026 | 40,197 | 41,402 |
| Utility Worker I | 26,209 | 26,995 | 27,805 | 28,639 | 29,498 |
| Utility Worker II | 28,843 | 29,709 | 30,600 | 31,518 | 32,464 |
| Water/Wastewater Plant Operator I | 32,069 | 33,031 | 34,022 | 35,042 | 36,094 |
| Water/Wastewater Plant Operator II | 35,276 | 36,334 | 37,424 | 38,547 | 39,703 |

Contract Employees

| JOB TITLE | Salary Range | | | | |
|------------------------------|--------------|---------|---------|--------|--------|
| | A | B | C | D | E |
| City Clerk | 52,081 | 53,644 | 55,253 | 56,911 | 58,618 |
| City Manager | 106,875 | 110,081 | 113,384 | | |
| Chief of Police | 79,540 | 81,926 | 84,384 | | |
| Finance Director | 67,473 | 69,497 | 71,582 | | |
| Housing Director | 73,394 | 75,595 | 77,863 | | |
| Wastewater Superintendent | 49,743 | 51,235 | 52,772 | 54,356 | 55,986 |
| Water/Streets Superintendent | 55,960 | 57,639 | 59,368 | 61,149 | 62,983 |

DEPARTMENTAL SUMMARIES
FY 2016-2017
Budgeted Expenditures Compared to Prior Year

ATTACHMENT – E (1)

| CITY-WIDE DEPARTMENTAL DECREASE IN OPERATING EXPENDITURES FY 2015/16 TO FY 2016/17 | | |
|--|--------------|------------|
| FY 2015/16 | FY 2016/17 | DECREASE |
| \$ 2,583,755 | \$ 2,582,079 | \$ (1,676) |

CITY MANAGER DEPARTMENT BUDGET

DECREASED (\$966) from \$284,595 in FY 2015/16 to **\$283,629 in FY 2016/17** mainly due to net decrease in health insurance costs and increase in normal payroll step increases plus increase in office equipment for purchase of additional Council Chamber chairs

| ALLOCATION BY FUND | | |
|--------------------|------|---------|
| General Fund | 20% | 56,726 |
| Streets Funds | 10% | 28,363 |
| Wastewater Fund | 35% | 99,270 |
| Water Fund | 35% | 99,270 |
| | 100% | 283,629 |

| ALLOCATION BY POSITION | |
|------------------------|-----|
| City Manager | 98% |
| City Clerk | 60% |

FINANCE DEPARTMENT BUDGET

INCREASED (\$4,719) from \$363,718 in FY 2015/16 to **\$368,437 in FY 2016/17** mainly due to normal payroll step increases netted against decrease in Auditor costs.

| ALLOCATION BY FUND | | |
|--------------------|------|---------|
| General Fund | 20% | 73,687 |
| Streets Funds | 10% | 36,844 |
| Wastewater Fund | 35% | 128,953 |
| Water Fund | 35% | 128,953 |
| | 100% | 368,437 |

| ALLOCATION BY POSITION | |
|-------------------------|------|
| Finance Director | 100% |
| Accountant I | 100% |
| Senior Fiscal Assistant | 100% |
| Fiscal Clerk II | 100% |

DEPARTMENTAL SUMMARIES
FY 2016-2017
Budgeted Expenditures Compared to Prior Year

ATTACHMENT – E (2)

SOLID WASTE DEPARTMENT BUDGET

INCREASED (\$119) from \$10,854 in FY 2015/16 to **\$10,973 in FY 2016/17.**

| ALLOCATION BY FUND | | |
|--------------------|------|--------|
| Solid Waste Fund | 100% | 10,973 |

| ALLOCATION BY POSITION | | |
|------------------------|--|----|
| City Manager | | 2% |

GENERAL GOVERNMENT DEPARTMENT BUDGET

DECREASED (\$15,202) from \$44,991 in FY 2015/16 to **\$29,789 in FY 2016/17** due to budgeted software costs in 2015-2016 for CDBG loan software that isn't budgeted in proposed budget (\$3,500); and payroll allocation rate for Community Development Director is lower because activity is anticipated to be less.

| ALLOCATION BY FUND | | |
|--------------------|------|--------|
| General Fund | 78% | 23,235 |
| CDBG | 22% | 6,554 |
| | 100% | 29,789 |

| ALLOCATION BY POSITION | | |
|--------------------------------|--|-----|
| Community Development Director | | 30% |

POLICE DEPARTMENT BUDGET

INCREASED (\$15,687) from \$623,842 in FY 2015/16 to **\$639,529 in FY 2016/17** mainly due to salaries and benefits increases for normal payroll step increases (\$2,979) and animal control services that were budgeted at \$6,500 in 2015-2016 to \$12,000 in 2016-2017.

| ALLOCATION BY FUND | | |
|--------------------|------|---------|
| General Fund | 86% | 550,371 |
| SLESF Fund | 14% | 89,158 |
| Measure Z | 0% | - |
| | 100% | 639,529 |

| ALLOCATION BY POSITION | | |
|--|--|------|
| Police Chief, Sergeant, and 3 Officers | | 100% |

DEPARTMENTAL SUMMARIES
FY 2016-2017
Budgeted Expenditures Compared to Prior Year

ATTACHMENT – E (3)

PLANNING DEPARTMENT BUDGET

INCREASED (\$1,811) from \$65,100 in FY 2015/16 to **\$66,911 in FY 2016/17** mainly due to netting of increase in payroll allocation rate for Community Development Director and decrease in general liability insurance

| ALLOCATION BY FUND | | |
|--------------------|------|---------------|
| General Fund | 100% | 66,911 |

| ALLOCATION BY POSITION | | |
|--------------------------------|--|-----|
| Community Development Director | | 40% |
| City Clerk | | 20% |

BUILDING DEPARTMENT BUDGET

INCREASE (\$9,910) from \$46,898 in FY 2015/16 to **\$56,768 in FY 2016/17** due to increased allocation rate for Community Development Director's and City Clerk's time spent on building activities.

| ALLOCATION BY FUND | | |
|--------------------|------|---------------|
| General Fund | 42% | 23,867 |
| Building Fund | 58% | 32,901 |
| | 100% | 56,768 |

| ALLOCATION BY POSITION | | |
|--------------------------------|--|-----|
| Community Development Director | | 30% |
| City Clerk | | 20% |

CITY COUNCIL DEPARTMENT BUDGET

DECREASED (\$70) from \$14,349 in FY 2015/16 to **\$14,279 in FY 2016/17** due to prior year's anniversary costs netted against Rio Dell Fire Department and Humboldt Co. Library water and sewer expenditures budget decrease of \$710.

| ALLOCATION BY FUND | | |
|--------------------|------|---------------|
| General Fund | 38% | 5,488 |
| Streets Funds | 8% | 1,099 |
| Wastewater Fund | 27% | 3,846 |
| Water Fund | 27% | 3,846 |
| | 100% | 14,279 |

DEPARTMENTAL SUMMARIES
FY 2016-2017
Budgeted Expenditures Compared to Prior Year

ATTACHMENT – E (4)

STREETS DEPARTMENT BUDGET

DECREASED (\$32,681) from \$229,791 in FY 2015/16 to **\$197,110 in FY 2016/17** thru payroll savings from Utility Worker I/II position that wasn't budgeted for 2016-2017, and a decrease of 9% of total Public Works payroll percentage allocations to streets activities.

| ALLOCATION BY FUND | | |
|---------------------|------|----------------|
| Gas Tax (HUTA) Fund | 38% | 74,339 |
| TDA Fund | 39% | 75,998 |
| RSTP Fund | 11% | 22,000 |
| | | 172,337 |
| RESERVES (Gas Tax) | 13% | 24,773 |
| | 100% | 197,110 |

| ALLOCATION BY POSITION | |
|--------------------------------|-----|
| Water and Roads Superintendent | 15% |
| Utility Worker I (2) | 35% |
| Wastewater Operator I | 20% |

SEWER DEPARTMENT BUDGET

INCREASED (\$26,968) from \$461,698 in FY 2015/16 to **\$488,666 in FY 2016/17** mainly due to increased payroll allocation rates for wastewater activities for Public Works employees plus a 3% increase in utility costs.

| ALLOCATION BY FUND | | |
|--------------------|------|----------------|
| Sewer Fund | 100% | 488,666 |

| ALLOCATION BY POSITION | |
|--------------------------------|------|
| Wastewater Superintendent | 100% |
| Water and Roads Superintendent | 20% |
| Utility Worker I (2) | 10% |
| Wastewater Operator I | 50% |

DEPARTMENTAL SUMMARIES
FY 2016-2017

ATTACHMENT – E (5)

Budgeted Expenditures Compared to Prior Year

WATER DEPARTMENT BUDGET

INCREASED (\$9,171) from \$366,582 in FY 2015/16 to **\$375,753 in FY 2016/17** mainly due to increased payroll allocation rates for Public Works employees and 3% increase in utility costs.

| ALLOCATION BY FUND | | |
|--------------------|------|----------------|
| Water Fund | 100% | 375,753 |

| ALLOCATION BY POSITION | |
|--------------------------------|-----|
| Water and Roads Superintendent | 60% |
| Utility Worker I (2) | 35% |
| Wastewater Operator I | 20% |

BUILDINGS AND GROUNDS DEPARTMENT BUDGET

DECREASE (\$21,150) from \$70,136 in FY 2015/16 to **\$48,968 in FY 2016/17** due to decreased payroll allocation rates for Public Works employees for buildings and grounds activities.

| ALLOCATION BY FUND | | |
|--------------------|------|---------------|
| General Fund | 20% | 9,797 |
| Streets Funds | 10% | 4,899 |
| Wastewater Fund | 35% | 17,145 |
| Water Fund | 35% | 17,145 |
| | 100% | 48,986 |

| ALLOCATION BY POSITION | |
|--------------------------------|-----|
| Water and Roads Superintendent | 5% |
| Utility Worker I (2) | 20% |
| Wastewater Operator I | 10% |

ADMINISTRATION VEHICLE

INCREASE (\$50) from \$1,200 in 2015-/16 to **\$1,250 in 2016/17** due to the netting of decreased costs for gas & oil against an increase in maintenance and repair costs.

| ALLOCATION BY FUND | | |
|--------------------|------|--------------|
| Admin Fund | 100% | 1,250 |

FY 2015/16 - FY 2016/17 CITY-WIDE BUDGET COMPARISON
INCREASE (DECREASE) IN LINE ITEM AMOUNTS

CITY-WIDE EXPENDITURE DECREASE \$1,676



DRAFT

DRAFT

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2016-2017 Increase/(Decrease) in Operating Expenditures
by Line Item

Operating Expenditure Decrease \$1,676

| | |
|---|--------------|
| 5045 Workers Comp Insurance | 8,965 |
| Worker's compensation City-wide increased 14% due to funding liability risk from 70% to 75% (Small Cities Organized Risk Effort - SCORE is the City's provider for all insurance coverage, including worker's compensation insurance). Worker's comp may see further increases in FY 2017/18. | |
| 5117 Animal Control | 5,500 |
| Animal control services were being handled by the City of Fortuna and were under budgeted in FY 2015-2016. These services are now contracted with Miranda's Rescue beginning in April 2016 | |
| 5144 Employee Practice Liab Insurance | 5,030 |
| Employee practice liability insurance was increased because employee practice liability insurance had been under budgeted in FY 2015-2016. At February 29th, 2016 this expenditures was already at \$6,800 and \$4,692 had been budgeted. | |
| 5102 Operating Supplies | 4,938 |
| Operating Supplies in the Water Department was increased \$5,000 for anthracite media (charcoal) to be used in the water treatment process. | |
| 5115 Contract/Professional Services | 3,346 |
| Contract/professional services were increased by (1) \$650 in the Police Department due to unforeseen costs and under budgeting in 2015-2016 (item exceeded by budget by 41% at 2/29/16); (2) increased \$1,500 in Sewer Operations due to mandated reports that may be required for the new treatment plant; (3) Humboldt Transit Authority pass-through funds for 2016-2017 are \$886 more than the previous fiscal year. | |
| 5152 Water | 2,456 |
| The City's water rates increased in FY 2015-2016, which increases the City's cost for water services | |
| 5165 Property Tax Assessment | 2,242 |
| Property tax assessment was increased for the sewer drainage site that is not within the City's jurisdiction making it taxable to the County for property taxes. Staff was not aware of the taxation until 2015-2016 | |
| 5150 Electricity | 1,935 |
| Utilities were increased 3%, including electricity costs that continue to rise | |
| 5119 Safety Supplies & Equipment | 1,430 |
| Public Works safety supplies and equipment were increased for the purchase of signs and safety gear (increases by department are Streets \$630, Sewer \$400, and Water \$400) | |
| 5174 Web Design Services | 1,069 |
| Web design services are increased because the City's website is being updated. The increase in this line item will allow for the website to remain current | |
| 5080 Hiring Costs | 1,000 |
| Hiring costs in 2015-2016 were under budgeted. This line item was increased for 2016-2017 in the police department since the amount that was currently budgeted was insufficient to cover those costs | |

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2016-2017 Increase/(Decrease) in Operating Expenditures
by Line Item

Operating Expenditure Decrease \$1,676

Public Works Equip. Repair

810

Public Works equipment repair was under budgeted in the Streets Department in FY 2015-2016. Due to the normal wear and tear on City equipment, this item was increased

5153 Sewer

769

Utilities were increased 3%, including the City's cost for sewer

5127 License

740

Licensing was increased in anticipation of a new Wastewater Superintendent and Wastewater Treatment Operator I/II

5151 Natural Gas

724

Utilities were increased 3%, including the City's cost for natural gas

5173 Computer Maintenance - Supp

469

Computer maintenance support was increased to include new email costs (22 email accounts @ \$10/month); The amount is offset with last fiscal year's budgeted amount of \$3,500 for CDBG loan software

5123 Automobile - Transportation

445

Automobile transportation costs were increased to account for contractual agreement amounts

5105 Advertising

438

Advertising was increased \$250 in the Police Department budget and \$188 in Streets, which was the same amount for FY 2014-2015, but had been dropped from the budget.

5101 Office Supplies

348

Office supplies were increased in the Police Department (\$200), the City Council budget (\$40), and in Buildings and Grounds (\$80). Costs for general items for City-wide use is spread amongst all departments

5131 Records Maintenance

300

Records Maintenance is the cost to store documents and retrieval of documents from storage. This item was increased due to DocStar electronic filing activities for FY 2016-2017

5213 Vehicle Repair

250

Vehicle repairs are anticipated at \$250 for the City's Admin. Car

5162 Medical

200

Medical was increased \$200 for the Police Department

5143 Property Insurance

101

Property insurance increased due to small increase in cost

5212 Gas & Oil

100

Gas & oil increased due to potential fuel price increase

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DRAFT

DRAFT

DRAFT

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2016-2017 Increase/(Decrease) in Operating Expenditures
by Line Item

Operating Expenditure Decrease \$1,676

5042 Benefit - Life Insurance

(98)

Life insurance cost for the City is based on employees and their dependents at the time the budget is compiled

5055 Unemployment Insurance

(564)

UI is less due to vacant Utility Worker I/II position in Public Works Department

5035 Benefit - ICMA City 457

(670)

ICMA benefits increase whenever salaries increase. This budgeted item increased due to normal employee

5900 RFD and Library Water/Sewer

(710)

Rio Dell Fire Department and Library water and sewer services were calculated to cover base rate only (as proposed: Water consumption to be paid by the RFD and library)

5430 Fines/Penalties

(1,000)

Fines/Penalties are generally not incurred and were reduced for FY 2016-2017 in the Sewer Operations fund

5050 FICA

(1,532)

FICA (Federal Insurance Contributions Act) increased due to normal step increases and additional budgeted vacation and executive leave buyouts

5044 Benefit - Dental/Vision Insur.

(2,345)

Dental/Vision insurance cost for the City is based on employees and their dependents at the time the budget is compiled; prices remain unchanged from the prior year

5030 Overtime Salaries

(3,036)

Overtime costs for FY 2016-2017 are estimated to be considerably lower than FY 2015-2016 due to vacant Utility Worker I/II position and improved staffing in police department

5110 Accounting

(3,500)

Accounting services are based on the Auditor's engagement letter, with costs showing a decrease from the prior fiscal year

5138 Office Equipment

(3,900)

Office equipment was increased in FY 2015-2016 to budget for DocStar scanner. Outside of normal office equipment costs for FY 2016-2017 specific purchases are not budgeted

5000 Full Time Salaries

(8,016)

Full time salaries decrease is the net result of vacant Utility Worker I/II position and normal step increases for full time staff

5040 Benefit - Health Insurance

(19,914)

Health insurance cost for the City is based on current employee and his/her dependents at the time the budget is compiled

ATTACHMENT A

Highway Users Tax⁽¹⁾ - Projected FY2016-17 Revenues

Based on State Dept of Finance statewide revenue projections as of January 2016

Estimated 11 Jan 2016

| Estimated 11 Jan 2016 | Streets & Highways Code Sec. | | | | TOTAL | Prop42Repl | TOTAL | Gov's Prop. |
|-----------------------|------------------------------|-------------|-------------|---------------|-----------|-------------|------------|-------------|
| | Sec2105 (3) | Sec2106 (3) | Sec2107 (3) | Sec2107.5 (4) | Base | Sec2103 (5) | | Add'l Funds |
| FRESNO COUNTY | | | | | | | | |
| CLOVIS | 651,667 | 322,884 | 904,943 | 10,000 | 1,889,494 | 246,096 | 2,135,590 | 553,422 |
| COALINGA | 103,235 | 55,190 | 143,358 | 4,000 | 305,782 | 38,986 | 344,768 | 87,671 |
| FIREBAUGH | 48,585 | 28,515 | 67,468 | 2,000 | 146,568 | 18,348 | 164,916 | 41,260 |
| FOWLER | 37,205 | 22,960 | 51,666 | 2,000 | 113,831 | 14,050 | 127,882 | 31,596 |
| FRESNO | 3,248,739 | 1,590,538 | 4,511,393 | 20,000 | 9,370,671 | 1,226,856 | 10,597,527 | 2,758,964 |
| HURON | 42,577 | 25,582 | 59,125 | 2,000 | 129,283 | 16,079 | 145,362 | 36,158 |
| KERMAN | 89,400 | 48,437 | 124,147 | 3,000 | 264,984 | 33,761 | 298,746 | 75,923 |
| KINGSBURG | 73,143 | 40,502 | 101,571 | 3,000 | 218,215 | 27,622 | 245,837 | 62,116 |
| MENDOTA | 70,020 | 38,977 | 97,234 | 3,000 | 209,232 | 26,442 | 235,674 | 59,464 |
| ORANGE COVE | 58,447 | 33,328 | 81,163 | 3,000 | 175,938 | 22,072 | 198,010 | 49,636 |
| PARLIER | 94,278 | 50,818 | 130,921 | 4,000 | 280,017 | 35,603 | 315,620 | 80,065 |
| REEDLEY | 159,190 | 82,502 | 221,060 | 6,000 | 468,751 | 60,116 | 528,868 | 135,190 |
| SANGER | 156,941 | 81,404 | 217,938 | 6,000 | 462,283 | 59,267 | 521,551 | 133,281 |
| SAN JOAQUIN | 25,239 | 17,119 | 35,048 | 1,000 | 78,406 | 9,531 | 87,937 | 21,434 |
| SELMA | 149,346 | 77,697 | 207,391 | 5,000 | 439,435 | 56,399 | 495,834 | 126,831 |
| GLENN COUNTY | | | | | | | | |
| ORLAND | 48,804 | 28,621 | 67,772 | 2,000 | 147,197 | 18,430 | 165,627 | 41,446 |
| WILLOWS | 38,761 | 23,719 | 53,825 | 2,000 | 118,305 | 14,638 | 132,943 | 32,917 |
| HUMBOLDT COUNTY | | | | | | | | |
| ARCATA | 111,785 | 59,363 | 155,231 | 4,000 | 330,379 | 42,215 | 372,594 | 94,932 |
| BLUE LAKE | 7,870 | 8,641 | 10,928 | 1,000 | 28,439 | 2,972 | 31,411 | 6,683 |
| EUREKA | 169,826 | 87,694 | 235,830 | 6,000 | 499,350 | 64,133 | 563,483 | 144,223 |
| FERNDALE | 8,563 | 8,980 | 11,891 | 1,000 | 30,433 | 3,234 | 33,667 | 7,272 |
| FORTUNA | 75,148 | 41,480 | 104,355 | 3,000 | 223,983 | 28,379 | 252,362 | 63,819 |
| RIO DELLE | 21,080 | 15,080 | 29,246 | 1,000 | 66,386 | 7,953 | 74,339 | 17,885 |
| TRINIDAD | 2,292 | 5,919 | 3,183 | 1,000 | 12,394 | 866 | 13,260 | 1,947 |
| IMPERIAL COUNTY | | | | | | | | |
| BRAWLEY | 164,092 | 84,895 | 227,868 | 6,000 | 482,856 | 61,968 | 544,824 | 139,354 |
| CALEXICO | 256,278 | 129,892 | 355,883 | 6,000 | 748,054 | 96,781 | 844,835 | 217,642 |
| CALIPATRIA | 48,123 | 28,289 | 66,826 | 2,000 | 145,238 | 18,173 | 163,411 | 40,868 |
| EL CENTRO | 280,099 | 141,519 | 388,963 | 6,000 | 816,581 | 105,777 | 922,358 | 237,872 |
| HOLTVILLE | 39,010 | 23,841 | 54,172 | 2,000 | 119,024 | 14,732 | 133,756 | 33,129 |
| IMPERIAL | 108,962 | 57,985 | 151,311 | 4,000 | 322,258 | 41,148 | 363,407 | 92,535 |
| WESTMORLAND | 14,571 | 11,912 | 20,234 | 1,000 | 47,718 | 5,503 | 53,220 | 12,374 |
| INYO COUNTY | | | | | | | | |
| BISHOP | 24,239 | 16,631 | 33,660 | 1,000 | 75,531 | 9,154 | 84,685 | 20,585 |
| KERN COUNTY | | | | | | | | |
| ARVIN | 125,619 | 66,116 | 174,442 | 5,000 | 371,177 | 47,439 | 418,616 | 106,681 |
| BAKERSFIELD | 2,307,805 | 1,131,260 | 3,204,755 | 10,000 | 6,653,820 | 871,521 | 7,525,341 | 1,959,883 |
| CALIFORNIA CITY | 88,189 | 47,846 | 122,464 | 4,000 | 262,499 | 33,304 | 295,802 | 74,894 |
| DELANO | 331,276 | 166,499 | 460,030 | 7,500 | 965,305 | 125,103 | 1,090,409 | 281,334 |
| MARICOPA | 7,301 | 8,364 | 10,139 | 1,000 | 26,804 | 2,757 | 29,561 | 6,200 |
| MCFARLAND | 87,670 | 47,593 | 121,744 | 3,000 | 260,007 | 33,108 | 293,115 | 74,453 |
| RIDGECREST | 177,496 | 91,437 | 246,481 | 6,000 | 521,414 | 67,030 | 588,443 | 150,737 |
| SHAFTER | 112,235 | 59,583 | 155,856 | 4,000 | 331,673 | 42,384 | 374,057 | 95,314 |
| TAFT | 59,059 | 33,627 | 82,013 | 2,000 | 176,699 | 22,303 | 199,002 | 50,155 |
| TEHACHAPI | 90,025 | 48,742 | 125,014 | 3,000 | 266,781 | 33,997 | 300,778 | 76,453 |
| WASCO | 163,199 | 84,459 | 226,628 | 6,000 | 480,286 | 61,631 | 541,917 | 138,596 |
| KINGS COUNTY | | | | | | | | |
| AVENAL | 96,839 | 52,068 | 134,476 | 4,000 | 287,384 | 36,570 | 323,954 | 82,240 |
| CORCORAN | 154,974 | 80,444 | 215,206 | 6,000 | 456,623 | 58,524 | 515,148 | 131,610 |
| HANFORD | 348,533 | 174,922 | 483,994 | 3,000 | 1,010,449 | 131,620 | 1,142,069 | 295,989 |
| LEMOORE | 158,171 | 82,005 | 219,646 | 6,000 | 465,823 | 59,732 | 525,555 | 134,326 |
| LAKE COUNTY | | | | | | | | |
| CLEARLAKE | 95,246 | 51,291 | 132,265 | 4,000 | 282,802 | 35,969 | 318,771 | 80,887 |
| LAKEPORT | 29,686 | 19,290 | 41,223 | 2,000 | 92,199 | 11,211 | 103,409 | 25,210 |
| LASSSEN COUNTY | | | | | | | | |
| SUSANVILLE | 112,091 | 59,513 | 238,243 | 4,000 | 413,847 | 42,330 | 456,177 | 95,192 |

ASSEMBLY BILL 1591: TRANSPORTATION FUNDING

Assemblymember Jim Frazier

THE PROBLEM IN BRIEF:

California's transportation infrastructure is extremely underfunded, which has led to significant deferred maintenance and a lost opportunity on economic growth. The current resources are not sufficient to cover the most basic and crucial maintenance and repair of our core transportation infrastructure: state highways, local streets, roads, and bridges. Without increased funding today, the deferred maintenance will soon be too much for our state to catch up.

BACKGROUND:

2015 was supposed to be the year to fix transportation funding in the Capitol. The Governor declared a \$6 billion a year need for basic maintenance and repairs to state highways alone and challenged the Legislature to deliver a funding plan to meet that need. A special session was called, hearings were held, and proposals and counter-proposals were floated. Nonetheless, the call for more transportation funding went unanswered.

THE BILL:

AB 1591 answers the call for a long-term sustainable funding solution for transportation focused on relieving congestion, maintaining highways, and improving trade corridors. This bill provides nearly \$8 billion a year in additional transportation funding. It also provides clear direction as to how those funds will be used.

AB 1591 takes a broad portfolio approach to investing in our state's transportation infrastructure by:

- Increasing the excise tax on gasoline by 22.5 cents per gallon and indexing it against the Consumer Price Index every three years thereafter. Almost half of this amount (9.5 cents) will restore funding lost from declining tax revenues in just the last two years due to rate adjustments by the Board of Equalization.

Revenue raised from the gas tax increase (over \$3.3 billion annually) will be split 50/50 between the state and local transportation authorities for highway maintenance and rehabilitation, after setting a nominal portion aside to encourage state-local partnerships.
- Increasing the diesel fuel tax by 30 cents a gallon and indexing it, too. Revenue raised (\$840 million annually) will be directed right to where trucks need it most—the state's trade corridors.
- Increasing the vehicle registration fee by \$38 annually (just over 10 cents a day) and directing those funds (\$1.254 billion) to road maintenance and rehabilitation.
- Imposing an electric vehicle surcharge of \$165. Consideration will be given to delaying this fee until the second year of ownership and thereafter. Delaying this fee to the second year of ownership allows financial incentives offered at the purchase of such zero-emission vehicles to remain in full effect while ensuring they do their part to help pay for the system they travel on. The \$16 million raised will be directed to road maintenance and rehabilitation.
- Requiring repayment of outstanding transportation loans. Now that the General Fund is stable, it's time to pay these loans (\$879 million) back. Repayments will be sent directly to cities and counties to boost their road improvement efforts.
- Allocating cap and trade revenue auctions, as follows:
 - 20% (approximately \$400 million annually) for major freight corridors. Communities near our major freight corridors have borne the brunt of the nation's goods movement system. Improving congestion in these corridors will inherently improve air quality.
 - 10% (\$200 million) more for intercity rail and transit, for a total of 20% of the auction proceeds.
- Restoring the truck weight fees. Again, the General Fund is now stable. It's time for transportation dollars to go back to transportation. This restores \$1 billion to the State Highway Account where it belongs.

AB 1591 also includes greater oversight responsibilities for the California Transportation Commission over the state's roadway operation and rehabilitation efforts and imposes maintenance of effort requirements on cities and counties.

Finally, AB 1591 supports local communities and regional planning efforts to reduce greenhouse gas emissions. It provides the critical funding needed to implement sustainable communities' strategies.

FOR MORE INFORMATION

Janet Dawson
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Janet.Dawson@asm.ca.gov

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|--|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|-----------|-------|-------|
| 2016-2017 REVENUE BUDGET | | | | | | | | | |
| TOTAL REVENUE ALL FUNDS | | | | | | | | | |
| | 6/30/2014 Actual | 6/30/2014 Budget | 6/30/2015 Actual | 6/30/2015 Budget | 2/29/2016 YTD Actual | 6/30/2016 Budget | Proposed | | |
| | 4,606,817 | 7,595,058 | 3,330,898 | 3,177,436 | 2,048,592 | 3,128,891 | 4,520,873 | | |
| 4178 GF Fees - Booking | 547 | 500 | 741 | 500 | 358 | 200 | 500 | | |
| 4150 GF Fees - Business License | 11,500 | 6,000 | 8,724 | 8,000 | 4,440 | 9,500 | 9,000 | | |
| 4151 GF Fees - Business License CASP SB1186 | 285 | 50 | 180 | 200 | 90 | 250 | 180 | | |
| 4195 GF Fees - Customer fax and copy | 85 | 25 | 38 | 25 | 36 | 25 | 25 | | |
| 4125 GF Fees - Franchise - Cable TV | 33,531 | 33,000 | 34,590 | 33,000 | 16,974 | 33,000 | 33,600 | | |
| 4110 GF Fees - Franchise - Electric | 27,722 | 24,000 | 26,682 | 28,000 | | 26,200 | 27,000 | | |
| 4120 GF Fees - Franchise - Garbage | 15,145 | 15,000 | 15,568 | 15,275 | 7,904 | 15,000 | 15,000 | | |
| 4115 GF Fees - Franchise - Gas | 6,277 | 6,000 | 5,720 | 6,300 | | 5,600 | 6,000 | | |
| 4163 GF Fees - In Lieu VLF - County | 340,093 | 330,000 | 342,092 | 340,094 | 171,044 | 342,000 | 342,000 | | |
| 4162 GF Fees - Motor Vehicle License (VLF) | 7,943 | 6,600 | 6,795 | 7,600 | 4,309 | 7,100 | 7,100 | | |
| 4180 GF Fees - Notary | 47 | | 220 | | | 100 | | | |
| 4105 GF Fees - Recorders Fees | | 500 | | | | | | | |
| 4183 GF Fees - Special Police Services | 1,712 | 1,200 | 3,125 | 1,500 | 1,285 | 1,500 | 1,900 | | |
| 4185 GF Fees - Street & Sidewalks | 960 | 300 | | 500 | | | | | |
| 4186 GF Fees - Weed & Lot | | 300 | | 300 | | 300 | | | |
| 4220 GF Fines - Animal Control/spa-neu | | 150 | | | | | | | |
| 4728 GF Gen Fund Income from CDBG Misc. fees | | | 32 | | | | | | |
| 4747 GF Grant - Measure Z | | | | | 9,086 | 35,569 | | | |
| 4941 GF Misc - Post Training & Special Project Reimburse | | | | 3,000 | | | | | |
| 4435 GF Planning - Home Occupation Permit Fee | 80 | 750 | 440 | 500 | 160 | 300 | 200 | | |
| 4455 GF Planning - Other | | | 138 | | | 50 | | | |
| 4456 GF Planning - Parks & Rec Dev. Fees | | 6,075 | 3,000 | | 1,500 | | | | |
| 4430 GF Planning - Subdivision Fee | | 1,500 | | 1,500 | | 1,500 | 1,500 | | |
| 4420 GF Planning - Zoning Fees | 5,553 | 8,000 | 4,233 | 8,000 | 1,230 | 2,500 | 2,500 | | |
| 4322 GF Rental Income - Property | | 4,500 | | | | | | | |
| 4321 GF Rental Income - T. Mobile | 13,587 | 10,800 | 11,983 | 11,681 | 9,002 | 13,000 | 11,800 | | |
| 4320 GF Rental Income - U.S. Cellular | 6,513 | 6,000 | 6,571 | 6,370 | 3,831 | 6,370 | 6,500 | | |
| 4050 GF Tax - Documentary Real Property | 4,350 | 2,200 | 3,503 | 2,300 | 2,365 | 4,000 | 2,800 | | |
| 4026 GF Tax - Home Owner's Property | 1,567 | 1,600 | 1,454 | 1,600 | 709 | 1,400 | 1,400 | | |
| 4041 GF Tax - In Lieu Retail Sales - County | 43,570 | 51,192 | 29,148 | 43,510 | 5,010 | 29,100 | 16,000 | | |
| 4042 GF Tax - Measure U Sales Tax | | | 44,477 | | 101,910 | 160,000 | 170,000 | | |
| 4027 GF Tax - Prior Years - Supplemental | 778 | | 709 | | 75 | | | | |
| 4010 GF Tax - Property Current Secured | 101,279 | 100,235 | 101,807 | 103,921 | 52,444 | 103,500 | 102,000 | | |
| 4011 GF Tax - Property Current Unsecur | 3,716 | 3,600 | 3,890 | 3,600 | 3,481 | 3,600 | 3,600 | | |
| 4012 GF Tax - Property Prior Secured | 62 | | | | | | | | |
| 4013 GF Tax - Property Prior Unsecured | | 100 | 116 | | 42 | | 100 | | |
| 4056 GF Tax - Public Safety .5% sales | 2,987 | 3,200 | 3,445 | 3,300 | 1,727 | 3,100 | 3,300 | | |
| 4040 GF Tax - Retail Sales | 100,140 | 122,000 | 93,210 | 129,500 | 51,701 | 117,000 | 100,500 | | |
| 4025 GF Tax - Supplemental Roll | 3,396 | 2,200 | 622 | 2,200 | 302 | 2,200 | 2,200 | | |
| 4035 GF Tax - Timber Yield | 16 | 10 | 14 | 12 | 12 | 14 | 10 | | |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|---------------------------------|-------------------------------------|---------------------|---------------------|---------------------|---------------------------|---------------------|--------------------------------|
| 2016-2017 REVENUE BUDGET | | | | | | | |
| TOTAL REVENUE ALL FUNDS | | | | | | | |
| | 6/30/2014 Actual | 6/30/2014 Budget | 6/30/2015 Actual | 6/30/2015 Budget | 2/29/2016 Y-T-D Actual | 6/30/2016 Budget | DRAFT // Proposed |
| | 4,606,817 | 7,595,058 | 3,330,898 | 3,177,436 | 2,048,592 | 3,128,891 | 4,520,873 |
| MISC FUND DISTRIBUTION | | | | | | | |
| 4935 MISC | Gain/Loss on Disposal of Assets | 54 | - | - | - | - | - |
| 4480 MISC | Insurance Premium Reimbursement | 280 | - | - | 4,145 | - | - |
| 4310 MISC | Interest Income | 190 | 1,422 | 100 | 818 | 100 | 425 |
| 4310 MISC | Interest Income | 1,077 | 5,126 | - | 7 | - | - |
| 4950 MISC | Misc | 400 | 520 | 500 | 325 | 400 | 400 |
| 4990 MISC | Misc - Other | 515 | 1,142 | - | 1,448 | - | - |
| 4991 MISC | Misc Income - Suspense | - | - | - | - | - | - |
| | TOTAL MISC FUND DISTRIBUTION | 2,462 | 8,210 | 600 | 6,743 | 500 | 825 |
| TOTAL REVENUE ALL FUNDS | | | | | | | |
| | 4,606,817 | 7,595,058 | 3,330,898 | 3,177,436 | 2,048,592 | 3,128,891 | 4,520,873 |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------------|----------------|----------|----------|-------|
| | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests | |
| 2016-2017 CITY MANAGER | | | | | | | | | |
| 5162 Medical | 2 | - | - | - | - | - | - | - | |
| 5166 LAFCO Fees | 1,245 | - | 1,429 | - | 1,695 | 1,500 | 1,500 | - | |
| 5171 Computer Software | - | 500 | 1 | 500 | 1 | 500 | 500 | - | |
| 5173 Computer Maintenance - Support | 1,248 | 1,100 | 2,161 | 1,769 | 1,485 | 2,379 | 2,739 | - | |
| 5174 Web Design Services | 24 | 500 | 521 | 30 | 47 | 300 | 400 | - | |
| 5215 Public Works - Small Tools | - | 100 | - | - | - | - | - | - | |
| 5514 Engineering | 272 | - | - | 1,000 | 885 | 1,000 | 1,000 | - | |
| 5520 Improvements | 191 | - | - | - | - | 220 | 220 | - | |
| 6100 Fixed Asset - Computer Hardware | - | 1,497 | - | - | - | - | - | - | |
| TOTAL EXPENDITURES | 266,844 | 314,375 | 235,275 | 325,726 | 157,844 | 284,595 | 283,629 | - | |

| ALLOCATION BY FUND | |
|--------------------|---------|
| General Fund | 20% |
| Streets Funds | 10% |
| Wastewater Fund | 35% |
| Water Fund | 35% |
| | 100% |
| | 56,726 |
| | 28,363 |
| | 99,270 |
| | 99,270 |
| | 283,629 |

| ALLOCATION BY POSITION | |
|------------------------|-----|
| City Manager | 98% |
| City Clerk | 60% |

2016-2017 FINANCE DEPARTMENT

EXPENDITURES

| | | | | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|-----------------|-----------------|
| 5163 Property Tax Admin Fees | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed / / | Requests / / |
| 5171 Computer Software | 2,777 | 3,000 | 2,744 | 3,000 | 1,305 | 3,000 | 3,000 | |
| 5172 Computer Training | 68 | 500 | 1 | 170 | 76 | 200 | 200 | |
| 5173 Computer Maintenance - Support | 75 | 3,000 | - | - | - | - | - | |
| 5174 Web Design Services | 14,998 | 8,999 | 14,497 | 15,023 | 7,959 | 14,500 | 15,220 | |
| 5520 Improvements | 73 | 196 | 110 | 146 | 46 | 150 | 250 | |
| TOTAL EXPENDITURES | 505 | - | - | - | - | - | - | |
| | 307,928 | 347,431 | 352,122 | 358,240 | 220,919 | 363,719 | 368,437 | |

ALLOCATION BY FUND

| | | |
|-----------------|------|---------|
| General Fund | 20% | 73,687 |
| Streets Funds | 10% | 36,844 |
| Wastewater Fund | 35% | 128,953 |
| Water Fund | 35% | 128,953 |
| | 100% | 368,437 |

ALLOCATION BY POSITION

| | |
|-------------------------|------|
| Finance Director | 100% |
| Accountant I | 100% |
| Senior Fiscal Assistant | 100% |
| Fiscal Clerk II | 100% |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|-------|-------|-------|-------|
| | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests | | | | |
| 2016-2017 SOLID WASTE | | | | | | | | | | | | |
| EXPENDITURES | | | | | | | | | | | | |
| 5000 Full Time Salaries | 1,954 | 2,000 | 2,055 | 2,055 | 423 | 2,055 | 2,180 | | | | | |
| 5030 Overtime Salaries | 125 | - | - | - | - | - | - | | | | | |
| 5032 Retirement - City Manager | 198 | - | - | - | - | - | - | | | | | |
| 5035 Benefit - ICMA City 457 | 83 | - | 288 | 288 | 59 | 247 | 249 | | | | | |
| 5040 Benefit - Health Insurance | - | - | - | 535 | - | 114 | 138 | | | | | |
| 5042 Benefit - Life Insurance | - | - | - | 6 | - | 4 | 4 | | | | | |
| 5044 Benefit- Dental/Vision Ins | - | - | - | 33 | - | 43 | 19 | | | | | |
| 5045 Workers Compensation Insurance | 144 | - | 25 | 20 | 4 | 23 | 32 | | | | | |
| 5050 Fica | 186 | - | 188 | 157 | 39 | 157 | 171 | | | | | |
| 5055 Unemployment Insurance | 9 | - | - | 21 | - | 127 | 8 | | | | | |
| 5101 Office Supplies | 14 | 200 | 18 | 17 | 7 | 17 | 17 | | | | | |
| 5102 Operating Supplies | 572 | 1,000 | 9 | 50 | 6 | 50 | 50 | | | | | |
| 5103 Postage | 13 | 500 | 34 | - | - | 23 | 23 | | | | | |
| 5104 Printing - Forms | 14 | 200 | 55 | - | 4 | - | - | | | | | |
| 5105 Advertising | 222 | 300 | - | 50 | - | - | - | | | | | |
| 5106 Promotional | - | 250 | 2 | - | - | - | - | | | | | |
| 5112 Legal | 746 | - | 1,763 | - | 972 | - | - | | | | | |
| 5115 Contract Professional Services | 140 | 3,671 | 12,000 | 5,000 | 1 | 7,000 | 7,000 | | | | | |
| 5121 Telephone - Pager | 29 | - | 6 | - | 4 | - | 8 | | | | | |
| 5122 Training - Conference | - | - | - | - | - | - | - | | | | | |
| 5123 Automobile - Transportation | - | 100 | 1 | - | - | - | - | | | | | |
| 5125 Publications - Books | 2 | - | 1 | - | - | - | - | | | | | |
| 5126 Dues & Memberships | - | - | - | - | - | - | - | | | | | |
| 5130 Rents & Leases | 146 | - | 60 | 110 | 25 | - | - | | | | | |
| 5131 Records Maintenance | 9 | - | - | - | - | - | - | | | | | |
| 5135 Maintenance - Repair | 84 | - | 236 | 56 | 14 | - | - | | | | | |
| 5138 Office Equipment | 1 | - | - | - | - | - | - | | | | | |
| 5141 General Liability Insurance | 298 | 521 | 221 | - | - | - | - | | | | | |
| 5143 Property Insurance | 69 | 117 | 43 | - | 144 | 234 | 234 | | | | | |
| 5144 Emp Practice Liab Insurance | 17 | 41 | 3 | - | 27 | 46 | 46 | | | | | |
| 5150 Electricity | 111 | - | 38 | - | 27 | 21 | 55 | | | | | |
| 5151 Electricity | 10 | 150 | 3 | - | 24 | 39 | 40 | | | | | |
| 5154 Garbage | 1,413 | 1,400 | 1,095 | 1,102 | 1 | 4 | 4 | | | | | |
| 5171 Computer Software | - | - | - | - | 147 | 650 | 650 | | | | | |
| 5173 Computer Maintenance - Support | 30 | - | 19 | - | - | - | - | | | | | |
| 5174 Web Design Services | 4 | 50 | 3 | - | 13 | - | 25 | | | | | |
| 5520 Improvements | 31 | - | - | - | 1 | - | 20 | | | | | |
| TOTAL EXPENDITURES | 6,674 | 10,500 | 18,166 | 9,500 | 1,942 | 10,854 | 10,973 | | | | | |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|-------|
| 2016-2017 SOLID WASTE | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests | |

EXPENDITURES

| ALLOCATION BY FUND | |
|------------------------|---------------|
| Solid Waste Fund | 100% |
| | <u>10,973</u> |
| ALLOCATION BY POSITION | |
| City Manager | 2% |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|
| 2016-2017 ADMIN FUND (VEHICLE) | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y T-D Actual | 6/30/16 Budget | Proposed | Requests |
| EXPENDITURES | | | | | | | | |
| 5135 Maintenance - Repair | 37 | - | 125 | - | 16 | 500 | 500 | |
| 5212 Gas & Oil | 259 | 5,000 | 374 | - | 236 | 700 | 500 | |
| 5213 Vehicle Repair | - | - | 66 | - | - | - | 250 | |
| TOTAL EXPENDITURES | 296 | 5,000 | 565 | - | 252 | 1,200 | 1,250 | |
| ALLOCATION BY FUND | | | | | | | | |
| Admin Fund | | | 100% | | | 1,250 | | |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------------|----------------|----------|----------|-------|-------|-------|-------|
| | | | | | | | | | | | | |
| 2016-2017 GENERAL GOVERNMENT | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests | | | | |
| EXPENDITURES | | | | | | | | | | | | |
| 5000 Full Time Salaries | - | - | - | - | 17,068 | 32,642 | 20,567 | | | | | |
| 5035 Benefit - ICMA City 457 | - | - | - | - | 2,132 | 3,737 | 2,355 | | | | | |
| 5040 Benefit - Health Insurance | - | - | - | - | 1,189 | 1,876 | 975 | | | | | |
| 5042 Benefit - Life Insurance | - | - | 10 | - | 64 | 144 | 86 | | | | | |
| 5045 Worker Compensation Insurance | - | - | - | - | 714 | 359 | 272 | | | | | |
| 5050 FICA | - | - | - | - | 1,578 | 2,516 | 1,573 | | | | | |
| 5055 Unemployment Insurance | - | - | - | - | 174 | 217 | 130 | | | | | |
| 5101 Office Supplies | - | - | 6 | - | 62 | - | 106 | | | | | |
| 5102 Special Department Supplies | - | - | - | - | 52 | - | 89 | | | | | |
| 5103 Postage | - | - | - | - | - | - | - | | | | | |
| 5104 Printing - Forms | - | - | - | - | 23 | - | 39 | | | | | |
| 5115 Contract/Professional Services | - | - | - | - | 6 | - | 10 | | | | | |
| 5121 Telephone - Pager | - | - | - | - | 292 | - | 434 | | | | | |
| 5125 Publications - Books | - | - | 6 | - | - | - | - | | | | | |
| 5130 Rents - Leases | - | - | - | - | 120 | - | 205 | | | | | |
| 5135 Maintenance - Repair | - | - | - | - | 125 | - | 200 | | | | | |
| 5141 General Liability Insurance | - | - | - | - | 1,244 | - | 1,600 | | | | | |
| 5143 Property Insurance | - | - | - | - | 235 | - | 401 | | | | | |
| 5144 Emp Practice Uab Insurance | - | - | - | - | 92 | - | 157 | | | | | |
| 5150 Electricity | - | - | - | - | 203 | - | 347 | | | | | |
| 5151 Natural Gas | - | - | - | - | 13 | - | 22 | | | | | |
| 5171 Computer Software | - | - | - | - | - | - | - | | | | | |
| 5173 Computer Maintenance - Support | - | - | - | - | 61 | 3,500 | 179 | | | | | |
| 5174 Web Design Services | - | - | - | - | 11 | - | 40 | | | | | |
| TOTAL EXPENDITURES | - | - | 22 | - | 25,458 | 44,991 | 29,789 | | | | | |

| ALLOCATION BY FUND | | |
|--------------------|------|--------|
| General Fund | 78% | 23,235 |
| CDBG | 22% | 6,554 |
| | 100% | 29,789 |

| ALLOCATION BY POSITION | |
|--------------------------------|-----|
| Community Development Director | 30% |

2016-2017 POLICE DEPARTMENT

| | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed // | // Requests |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------------|----------------|
| 5162 Medical | 1,425 | 6,000 | 3,096 | 3,000 | 2,224 | 3,000 | 3,200 | |
| 5171 Computer Software | 378 | 1,500 | 389 | 500 | 2 | 500 | 500 | |
| 5173 Computer Maintenance - Support | 5,069 | 3,200 | 7,411 | 7,950 | 4,091 | 6,500 | 7,580 | |
| 5174 Web Design Services | 89 | 100 | 167 | 100 | 70 | 200 | 500 | |
| 5192 Code Enforcement | 20 | 3,000 | 445 | 1,000 | - | 1,000 | 1,000 | |
| 5193 Nuisance Abatement-Vehicle | 80 | 2,500 | 150 | 1,250 | 250 | 1,250 | 1,250 | |
| 5212 Gas & Oil | 15,712 | 15,000 | 13,452 | 13,000 | 7,900 | 13,400 | 13,700 | |
| 5213 Vehicle Repair | 3,443 | 4,000 | 9,189 | 2,500 | 2,528 | 4,000 | 4,000 | |
| 5215 Public Works - Small Tools | 30 | - | - | - | - | - | - | |
| 5305 Booking Fees Due | (3,439) | 1,500 | - | - | - | - | - | |
| 5308 Dispatch Service Due | 18,504 | 18,503 | 18,504 | 18,500 | 16,600 | 24,900 | 24,900 | |
| 5520 Improvements | 634 | - | - | - | - | - | - | |
| 6100 Fixed Asset - Computer Hardware | 2,711 | 1,300 | - | - | - | - | - | |
| TOTAL EXPENDITURES | 592,295 | 575,227 | 639,297 | 617,540 | 428,379 | 623,842 | 639,529 | |

| ALLOCATION BY FUND | |
|--------------------|---------|
| General Fund | 550,371 |
| SLESF Fund | 89,158 |
| Measure Z | - |
| | 639,529 |

| ALLOCATION BY POSITION | |
|--|------|
| Police Chief, Sergeant, and 3 Officers | 100% |

2016-2017 PLANNING

EXPENDITURES

| 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests |
|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|
|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|

| ALLOCATION BY FUND | | | | | | | |
|--------------------|--|--|--|--|------|--------|--|
| General Fund | | | | | 100% | 66,911 | |

| ALLOCATION BY POSITION | | | | | | | |
|--------------------------------|--|--|--|--|--|-----|--|
| Community Development Director | | | | | | 40% | |
| City Clerk | | | | | | 20% | |

2016-2017 BUILDING DEPARTMENT

| 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests |
|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|
|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|

| ALLOCATION BY FUND | | | | | | | |
|--------------------|--|--|--|--|------|--------|--|
| General Fund | | | | | 42% | 23,867 | |
| Building Fund | | | | | 58% | 32,901 | |
| | | | | | 100% | 56,768 | |

| ALLOCATION BY POSITION | | | | | | | |
|--------------------------------|--|--|--|--|--|-----|--|
| Community Development Director | | | | | | 30% | |
| City Clerk | | | | | | 20% | |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|-------|
| 2016-2017 CITY COUNCIL | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests | |
| EXPENDITURES | | | | | | | | | |
| 5101 Office Supplies | - | - | 12 | - | 21 | - | 40 | - | |
| 5102 Operating Supplies | - | 51 | 20 | - | - | - | - | - | |
| 5103 Postage | - | - | 120 | - | 3 | 111 | 111 | - | |
| 5104 Printing - Forms | - | 51 | 584 | - | 216 | 837 | 837 | - | |
| 5106 Promotional | 4,128 | 5,000 | 119 | 850 | 844 | 1,050 | 1,050 | - | |
| 5112 Legal | - | 1,000 | 1,769 | 502 | 1,827 | 502 | 502 | - | |
| 5115 Contract/Professional Services | 788 | 7,059 | - | - | - | - | - | - | |
| 5122 Training - Conference | 663 | - | 1,786 | 2,000 | 905 | 3,000 | 3,000 | - | |
| 5123 Automobile - Transportation | 1,409 | - | 1,661 | 1,502 | 1,089 | 2,000 | 2,000 | - | |
| 5125 Publications-Books | - | - | 98 | - | - | - | - | - | |
| 5126 Dues & Memberships | 2,578 | 2,751 | 2,344 | 2,751 | - | 2,751 | 2,751 | - | |
| 5129 Meeting | - | 2,100 | - | - | - | - | - | - | |
| 5135 Maintenance - Repair | 947 | - | - | 502 | - | - | - | - | |
| 5138 Office Equipment | 2,890 | 2,892 | - | - | - | - | - | - | |
| 5141 General Liability Insurance | - | 1,302 | - | 710 | - | - | - | - | |
| 5143 Property Insurance | - | 294 | - | 157 | - | - | - | - | |
| 5173 Computer Maintenance - Support | - | - | - | - | - | - | - | - | |
| 5174 Web Design Services | - | - | 60 | - | - | 98 | 600 | - | |
| 5450 Miscellaneous Expense | 6,250 | 6,250 | - | - | - | - | 98 | - | |
| 5540 Mayor Woodall | - | 251 | - | - | - | - | - | - | |
| 5541 Gordon Johnson | 525 | 251 | - | - | - | - | - | - | |
| 5560 Council Member Marks | - | 251 | - | - | - | - | - | - | |
| 5563 Council Member Thompson | - | 1,096 | - | - | - | - | - | - | |
| 5564 Council Member Wilson | - | 1,096 | - | - | - | - | - | - | |
| 5900 RFD and Library Water/Sewer | - | - | - | - | - | - | - | - | |
| TOTAL EXPENDITURES | 20,178 | 31,695 | 12,825 | 12,362 | 8,348 | 14,349 | 14,279 | - | |

| ALLOCATION BY FUND | | |
|--------------------|------|--------|
| General Fund | 38% | 5,488 |
| Streets Funds | 8% | 1,099 |
| Wastewater Fund | 27% | 3,846 |
| Water Fund | 27% | 3,846 |
| | 100% | 14,279 |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|--|----------------|----------------|----------------|----------------|----------------------|----------------|----------|----------|-------|-------|-------|-------|
| 2016-2017 STREETS | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests | | | | |
| EXPENDITURES | | | | | | | | | | | | |
| 5000 Full Time Salaries | 77,831 | 59,377 | 78,923 | 82,525 | 36,123 | 60,393 | 37,443 | | | | | |
| 5030 Overtime Salaries | 494 | 900 | 722 | 3,004 | 671 | 3,126 | 2,078 | | | | | |
| 5035 Benefit - ICMA City 457 | 7,311 | 5,826 | 7,628 | 8,123 | 3,511 | 6,448 | 4,044 | | | | | |
| 5040 Benefit - Health Insurance | 6,413 | 5,331 | 15,785 | 15,705 | 7,258 | 12,999 | 8,860 | | | | | |
| 5042 Benefit - Life Insurance | 84 | 86 | 256 | 235 | 64 | 187 | 114 | | | | | |
| 5044 Benefit - Dental/Vision Insur | 807 | 725 | 2,300 | 2,108 | 1,371 | 2,259 | 1,455 | | | | | |
| 5045 Worker Compensation Insurance | 4,980 | 4,434 | 13,563 | 14,942 | 6,249 | 11,097 | 7,963 | | | | | |
| 5050 FICA | 6,494 | 4,991 | 6,752 | 6,313 | 3,164 | 4,921 | 3,023 | | | | | |
| 5055 Unemployment Insurance | 1,040 | 815 | 902 | 825 | 481 | 705 | 413 | | | | | |
| 5060 Clothing Allowance | 207 | 235 | 549 | 825 | 292 | 685 | 428 | | | | | |
| 5080 Hiring Costs | - | 55 | - | - | - | - | - | | | | | |
| 5101 Office Supplies | 90 | 264 | 345 | 90 | 235 | 300 | 300 | | | | | |
| 5102 Operating Supplies | 793 | 880 | 724 | 930 | 899 | 1,050 | 1,200 | | | | | |
| 5103 Postage | 42 | 45 | 24 | 26 | 1 | 20 | 20 | | | | | |
| 5104 Printing - Forms | 28 | 45 | 124 | 28 | 32 | 160 | 160 | | | | | |
| 5105 Advertising | 138 | 45 | - | 188 | 35 | - | 188 | | | | | |
| 5106 Promotional | - | - | 29 | - | - | - | - | | | | | |
| 5107 Memorial Park Expense | 1,269 | 2,200 | - | - | - | - | - | | | | | |
| 5108 Streets | 8,605 | 13,200 | 5,456 | 14,025 | 10,482 | 18,000 | 18,000 | | | | | |
| 5109 Chemicals | 304 | - | 65 | - | 20 | - | - | | | | | |
| 5112 Legal | 1,121 | 221 | 36 | 1,373 | 225 | 1,200 | 1,200 | | | | | |
| 5115 Contract/Professional Services | 52,745 | 2,640 | 47,260 | 47,276 | 28,221 | 47,479 | 48,365 | | | | | |
| 5119 Safety Supplies & Equipment | 135 | 2,200 | 59 | 173 | 245 | 175 | 805 | | | | | |
| 5121 Telephone - Pager | 898 | 1,056 | 2,362 | 1,068 | 1,189 | 2,350 | 2,350 | | | | | |
| 5122 Training - Conference | - | 1,320 | 196 | - | 85 | 250 | 250 | | | | | |
| 5123 Auto/Transportation - Public Works | 111 | 88 | 15 | 151 | 2 | 150 | 150 | | | | | |
| 5125 Publications - Books | 7 | 88 | 18 | 10 | - | 10 | 10 | | | | | |
| 5126 Dues & Memberships | 113 | 176 | 58 | 155 | 49 | 100 | 100 | | | | | |
| 5127 License | 8 | - | - | 10 | - | 10 | 10 | | | | | |
| 5128 Employee Relations | - | 17 | - | - | - | - | - | | | | | |
| 5130 Rents - Leases | 416 | 1,320 | 691 | 493 | 536 | 710 | 780 | | | | | |
| 5131 Records Maintenance | 36 | - | 30 | 46 | 15 | 40 | 40 | | | | | |
| 5135 Maintenance - Repair | 1,519 | 3,080 | 1,944 | 1,934 | - | 6,300 | 6,300 | | | | | |
| 5136 Parks Maintenance-Repair | - | 2,200 | 10 | - | - | - | - | | | | | |
| 5138 Office Equipment - P.W. | 28 | 88 | 336 | 39 | 24 | 130 | 130 | | | | | |
| 5139 Equipment | 1,285 | 3,140 | 137 | 1,476 | 284 | 1,200 | 1,200 | | | | | |
| 5141 General Liability Insurance | 870 | 2,000 | 3,034 | 2,347 | 1,983 | 3,255 | 3,255 | | | | | |
| 5143 Property Insurance | 202 | 449 | 594 | 739 | 375 | 637 | 637 | | | | | |
| 5144 Employee Practice Liability Insurance | 44 | 158 | 45 | 173 | 374 | 290 | 685 | | | | | |
| 5148 Office Equipment | 24 | - | - | 33 | - | - | - | | | | | |

2016-2017 STREETS

EXPENDITURES

| | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Request |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|---------|
| 5150 Electricity | 23,952 | 22,000 | 24,555 | 25,000 | 13,981 | 25,889 | 26,666 | |
| 5151 Natural Gas | 32 | 440 | 42 | 38 | 20 | 122 | 126 | |
| 5152 Water | - | - | 3,341 | 3,881 | 1,446 | 4,100 | 4,223 | |
| 5154 Garbage | 47 | 53 | - | 64 | 17 | - | - | |
| 5162 Medical | 25 | 133 | 66 | 30 | 29 | 30 | 30 | |
| 5164 Regulatory Fees | 66 | 880 | 7 | 90 | 466 | 90 | 90 | |
| 5165 Property Tax Assessment | - | 32 | - | - | - | - | - | |
| 5171 Computer Software | 55 | 133 | - | 75 | 48 | 75 | 75 | |
| 5173 Computer Maintenance - Support | 93 | 221 | 151 | 79 | 100 | 165 | 415 | |
| 5174 Web Design Services | 13 | 9 | 42 | 18 | 18 | 40 | 75 | |
| 5175 Community Promotions | - | 9 | - | - | - | - | - | |
| 5212 Gas & Oil | 1,820 | 2,200 | 4,542 | 1,508 | 2,335 | 4,350 | 4,350 | |
| 5213 Vehicle Repair | 1,410 | 1,760 | 1,211 | 1,861 | 1,670 | 1,800 | 1,800 | |
| 5215 Public Works - Small Tools | 750 | 1,760 | 531 | 781 | 1,603 | 780 | 780 | |
| 5217 License | 7 | - | - | 10 | - | 10 | 10 | |
| 5227 Public Works - Equip. Repair | 683 | 880 | 715 | 718 | 1,403 | 700 | 1,510 | |
| 5229 Public Works - Equip. Rental | - | 221 | 154 | - | - | - | - | |
| 5410 Interest Expense | - | - | - | - | - | - | - | |
| 5450 Miscellaneous Expense | - | - | - | - | 32 | - | - | |
| 5514 Engineering | 1,154 | 30,800 | 3,411 | 23,000 | 945 | 5,004 | 5,004 | |
| 5520 Improvements | 104 | 874 | - | - | - | - | - | |
| TOTAL EXPENDITURES | 206,703 | 182,100 | 229,740 | 264,541 | 128,608 | 229,791 | 197,110 | |

| ALLOCATION BY FUND | |
|---------------------|---------|
| Gas Tax (HUTA) Fund | 74,339 |
| TDA Fund | 75,998 |
| RSTP Fund | 22,000 |
| | 172,337 |
| RESERVES (Gas Tax) | 24,773 |
| | 197,110 |

| ALLOCATION BY POSITION | |
|--------------------------------|-----|
| Water and Roads Superintendent | 15% |
| Utility Worker I (2) | 35% |
| Wastewater Operator I | 20% |

| DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT | DRAFT |
|---|----------------|----------------|----------------|----------------|----------------------|----------------|----------|----------|-------|
| 2016-2017 SEWER | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests | |
| EXPENDITURES | | | | | | | | | |
| 5000 Full Time Salaries | 92,825 | 115,024 | 93,261 | 82,405 | 63,491 | 86,013 | 96,780 | | |
| 5030 Overtime Salaries | 2,103 | 3,675 | 2,729 | 1,099 | 1,514 | 1,443 | 2,085 | | |
| 5035 Benefit - ICMA City 457 | 9,590 | 12,634 | 9,982 | 9,522 | 6,576 | 9,695 | 10,775 | | |
| 5040 Benefit - Health Insurance | 30,897 | 21,770 | 24,416 | 25,556 | 14,120 | 22,693 | 24,309 | | |
| 5042 Benefit - Life Insurance | 403 | 350 | 313 | 278 | 128 | 278 | 307 | | |
| 5044 Benefit - Dental/Vision Insur | 3,896 | 2,961 | 3,322 | 3,383 | 2,292 | 3,545 | 3,962 | | |
| 5045 Worker Compensation Insurance | 7,255 | 5,636 | 13,916 | 14,981 | 10,340 | 15,279 | 19,919 | | |
| 5050 FICA | 7,414 | 8,799 | 7,628 | 6,560 | 5,305 | 6,757 | 7,563 | | |
| 5055 Unemployment Insurance | 850 | 1,150 | 817 | 857 | 866 | 760 | 848 | | |
| 5060 Clothing Allowance | 1,170 | 956 | 647 | 770 | 669 | 730 | 930 | | |
| 5081 Compensated Absences Payable | 43 | - | (1,937) | - | - | - | - | | |
| 5101 Office Supplies | 696 | 800 | 736 | 500 | 467 | 500 | 500 | | |
| 5102 Operating Supplies | 2,409 | 1,750 | 2,549 | 2,000 | 1,590 | 2,000 | 2,000 | | |
| 5103 Postage | 3,130 | 100 | 2,548 | 1,700 | 1,685 | 2,400 | 2,400 | | |
| 5104 Printing - Forms | 504 | 200 | 584 | 125 | 103 | 465 | 465 | | |
| 5105 Advertising | 663 | 200 | - | 700 | 35 | 200 | 200 | | |
| 5106 Promotional | - | - | 91 | - | 9 | - | - | | |
| 5107 Memorial Park Expense | - | - | (135) | - | - | - | - | | |
| 5108 Streets | 4 | 1,170 | 24 | 1,000 | - | 1,000 | 1,000 | | |
| 5109 Chemicals | 30,504 | 22,719 | 23,769 | 29,000 | 13,428 | 30,000 | 30,000 | | |
| 5112 Legal | 2,495 | 500 | 1,348 | 500 | - | 500 | 500 | | |
| 5115 Contract/Professional Services | 2,983 | 10,000 | 3,360 | 5,000 | 6,664 | 2,000 | 3,500 | | |
| 5119 Safety Supplies & Equipment | 691 | 1,000 | 58 | 1,000 | 166 | 1,000 | 1,400 | | |
| 5120 Cell Phones | 4,152 | 4,500 | 1,577 | 3,500 | 1,224 | - | - | | |
| 5121 Telephone - Pager | - | - | 978 | - | 633 | 2,440 | 2,440 | | |
| 5122 Training - Conference | 90 | 1,350 | 1,639 | 1,350 | 45 | 1,350 | 1,350 | | |
| 5123 Auto/Transportation - Public Works | 582 | 250 | 1,090 | 500 | - | 500 | 500 | | |
| 5125 Publications - Books | 162 | 50 | 53 | 200 | - | 200 | 200 | | |
| 5126 Dues & Memberships | 965 | 800 | 301 | 1,000 | 279 | 1,000 | 1,000 | | |
| 5127 License | 207 | - | 710 | 100 | - | 260 | 1,000 | | |
| 5128 Employee Relations | - | 50 | - | 50 | - | 50 | 50 | | |
| 5130 Rents - Leases | 1,558 | 1,300 | 1,886 | 1,300 | 892 | 1,968 | 1,968 | | |
| 5131 Records Maintenance | 149 | - | 31 | 150 | 15 | 40 | 40 | | |
| 5135 Maintenance - Repair | 15,528 | 15,000 | 15,443 | 15,000 | 4,196 | 20,000 | 20,000 | | |
| 5136 Parks Maintenance-Repair | - | - | (431) | - | - | - | - | | |
| 5138 Office Equipment - P.W. | 1,355 | 1,200 | 564 | 1,200 | 598 | 800 | 800 | | |
| 5139 Equipment | 5,189 | 3,000 | 6,407 | 4,500 | 2,460 | 4,500 | 4,500 | | |
| 5141 General Liability Insurance | 3,945 | 8,167 | 8,827 | 9,389 | 5,768 | 9,329 | 9,329 | | |

2016-2017 SEWER

EXPENDITURES

| | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Request |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|---------|
| 5143 Property Insurance | 915 | 1,836 | 1,728 | 2,083 | 1,092 | 1,827 | 1,827 | |
| 5144 Employee Practice Liab Insurance | 223 | 647 | 132 | 692 | 1,089 | 832 | 1,680 | |
| 5148 Office Equipment | 114 | - | - | - | - | - | - | |
| 5150 Electricity | 118,656 | 55,000 | 125,877 | 108,327 | 68,144 | 133,431 | 133,431 | |
| 5151 Natural Gas | 19,918 | 7,500 | 17,078 | 20,000 | 11,244 | 22,566 | 23,243 | |
| 5152 Water | - | - | 21,893 | 33,600 | 44,963 | 28,500 | 29,355 | |
| 5153 Sewer | - | - | 169 | - | - | 50 | - | |
| 5154 Garbage | 105 | 2,500 | - | 1,000 | 17 | - | - | |
| 5162 Medical | 276 | 250 | 40 | 250 | 29 | 250 | 250 | |
| 5164 Regulatory Fees | 12,004 | 12,000 | 7,863 | 15,000 | 7,773 | 15,000 | 15,000 | |
| 5165 Property Tax Assessment | - | 35 | 6,115 | - | 2,242 | - | 2,242 | |
| 5171 Computer Software | 266 | 1,000 | 99 | 500 | 2,027 | 500 | 500 | |
| 5173 Computer Maintenance - Support | 869 | 50 | 740 | 500 | 386 | 920 | 1,290 | |
| 5174 Web Design Services | 52 | - | 122 | 65 | 51 | 75 | 175 | |
| 5212 Gas & Oil | 9,491 | 8,200 | 3,195 | 2,500 | 2,449 | 3,002 | 3,002 | |
| 5213 Vehicle Repair | 2,700 | 3,000 | 2,117 | 3,000 | 2,125 | 2,500 | 2,500 | |
| 5215 Public Works - Small Tools | 5,112 | 2,646 | 987 | 2,646 | 972 | 2,300 | 2,300 | |
| 5217 License | 36 | - | - | - | - | - | - | |
| 5225 Public Works - Lab Testing | 12,908 | 12,985 | 12,325 | 12,500 | 5,724 | 12,500 | 12,500 | |
| 5227 Public Works - Equip. Repair | 2,747 | 2,750 | 6,976 | 2,750 | 3,934 | 2,750 | 2,750 | |
| 5229 Public Works - Equip. Rental | - | 1,000 | (23) | 1,000 | - | 1,000 | 1,000 | |
| 5410 Interest Expense | - | - | - | - | - | - | - | |
| 5430 Fines/Penalties | 25 | 3,000 | - | 2,000 | - | 2,000 | 1,000 | |
| 5450 Miscellaneous Expense | - | - | - | - | 32 | - | - | |
| 5514 Engineering | 1,005 | 1,000 | - | 1,000 | 126 | 1,000 | 1,000 | |
| 5520 Improvements | 416 | 1,000 | - | 1,000 | - | 1,000 | 1,000 | |
| TOTAL EXPENDITURES | 422,245 | 363,460 | 436,534 | 435,588 | 299,977 | 461,698 | 488,666 | |

ALLOCATION BY FUND

| | | |
|------------|------|---------|
| Sewer Fund | 100% | 488,666 |
|------------|------|---------|

ALLOCATION BY POSITION

| | |
|--------------------------------|------|
| Wastewater Superintendent | 100% |
| Water and Roads Superintendent | 20% |
| Utility Worker I (2) | 10% |
| Wastewater Operator I | 50% |

2016-2017 SEWER

EXPENDITURES

| 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed / / | Requests / / |
|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|-----------------|-----------------|
|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|-----------------|-----------------|

2016-2017 WATER

EXPENDITURES

5144 Employee Practice Liab Insurance
5148 Office Equipment
5150 Electricity
5151 Natural Gas
5152 Water
5153 Sewer
5154 Garbage
5162 Medical
5164 Regulatory Fees
5165 Property Tax Assessment
5171 Computer Software
5173 Computer Maintenance - Support
5174 Web Design Services
5175 Community Promotions
5212 Gas & Oil
5213 Vehicle Repair
5215 Public Works - Small Tools
5217 License
5225 Public Works - Lab Testing
5227 Public Works - Equip. Repair
5229 Public Works - Equip. Rental
5410 Interest Expense
5430 Fines/Penalties
5450 Miscellaneous Expense
5514 Engineering
5520 Improvements
6000 Fixed Asset - Equipment
TOTAL EXPENDITURES

| | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed | Requests |
|--|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------|----------|
| | 181 | 502 | 129 | 563 | 1,062 | 813 | 1,531 | |
| | 75 | - | - | - | - | - | - | |
| | 23,446 | 60,000 | 19,733 | 54,000 | 11,720 | 20,147 | 20,751 | |
| | 104 | 2,000 | 118 | 150 | 58 | 140 | 144 | |
| | - | - | 277 | - | 83 | 380 | 391 | |
| | - | - | 22,297 | 43,500 | 17,451 | 26,500 | 27,295 | |
| | 69 | 100 | - | 100 | 22 | 100 | 100 | |
| | 235 | 400 | 82 | 300 | 38 | 300 | 300 | |
| | 16,234 | 13,000 | 7,551 | 8,000 | - | 16,500 | 16,500 | |
| | - | 30 | - | - | - | - | - | |
| | 176 | 750 | 1 | 450 | 95 | 450 | 450 | |
| | 958 | 1,000 | 449 | 1,000 | 380 | 500 | 750 | |
| | 42 | 20 | 119 | 55 | 50 | 80 | 180 | |
| | - | 10 | - | - | - | - | - | |
| | 5,722 | 6,000 | 5,841 | 5,000 | 3,100 | 6,000 | 6,000 | |
| | 2,337 | 5,500 | 1,694 | 2,200 | 2,226 | 2,200 | 2,200 | |
| | 3,186 | 3,000 | 615 | 2,500 | 1,175 | 2,500 | 2,500 | |
| | 24 | - | - | 30 | - | 30 | 30 | |
| | 2,127 | 5,000 | 3,449 | 3,500 | 3,642 | 10,000 | 10,000 | |
| | 2,750 | 2,500 | 727 | 2,800 | 632 | 2,800 | 2,800 | |
| | - | 1,500 | 375 | - | - | 250 | 250 | |
| | - | - | - | - | - | - | - | |
| | 25 | - | - | - | - | - | - | |
| | - | - | - | - | - | - | - | |
| | 1,168 | 2,000 | - | - | 43 | - | - | |
| | 339 | 1,000 | - | 1,500 | 404 | 1,500 | 1,500 | |
| | - | - | - | - | - | - | - | |
| | 264,910 | 343,708 | 224,113 | 388,993 | 184,156 | 366,582 | 375,753 | |

| ALLOCATION BY FUND | |
|--------------------|---------|
| Water Fund | 100% |
| | 375,753 |

| ALLOCATION BY POSITION | |
|--------------------------------|-----|
| Water and Roads Superintendent | 60% |
| Utility Worker I (2) | 35% |
| Wastewater Operator I | 20% |

2016-2017 BUILDINGS & GROUNDS

EXPENDITURES

5212 Gas & Oil
 5215 Public Works - Small Tools
 5227 Public Works - Equip. Repair
 5229 Public Works - Equip. Rental
 TOTAL EXPENDITURES

| | 6/30/14 Actual | 6/30/14 Budget | 6/30/15 Actual | 6/30/15 Budget | 2/24/16 Y-T-D Actual | 6/30/16 Budget | Proposed // | // Requests |
|--|-------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|----------------|----------------|
| | - | - | 468 | 1,500 | 10 | 500 | 500 | |
| | - | - | 756 | 1,000 | 298 | 184 | 184 | |
| | - | - | 552 | 851 | 258 | 799 | 799 | |
| | - | - | 234 | 751 | - | 500 | 500 | |
| | - | - | 68,583 | 68,525 | 37,787 | 70,136 | 48,986 | |

21,150

| ALLOCATION BY FUND | |
|--------------------|-------------|
| General Fund | 20% 9,797 |
| Streets Funds | 10% 4,899 |
| Wastewater Fund | 35% 17,145 |
| Water Fund | 35% 17,145 |
| | 100% 48,986 |

| ALLOCATION BY POSITION | |
|--------------------------------|-----|
| Water and Roads Superintendent | 5% |
| Utility Worker I (2) | 20% |
| Wastewater Operator I | 10% |