

City of Hesperia

STAFF REPORT



DATE: October 1, 2019

TO: Mayor and City Council members

FROM: Nils Bentsen, City Manager **SECOND READING AND ADOPTION**

BY: Mike Blay, Assistant City Manager
Tina Bulgarelli, Administrative Analyst

SUBJECT: Amendments to Title 5 of Hesperia Municipal Code – Cannabis Regulations

RECOMMENDED ACTION

It is recommended that the City Council introduce and place on first reading Ordinance No. 2019-52 amending Title 5 of the Hesperia Municipal Code modifying cannabis regulations.

At the October 1, 2019 meeting, the City Council voted 3-0 to amend the Ordinance removing the requirement to notify the business owner thirty-days in advance of the audit fee becoming due, and instead authorizing staff to make the audit fees a part of the business license renewal, allowing the licensee the ability to plan for the fees as part of their renewal.

BACKGROUND

In November 2017, the City Council adopted regulations to allow for Commercial Cannabis activity specific to Medicinal Non-Storefront Retailer Delivery Only Dispensaries.

In February 2019, the City Council ratified a tax on Commercial Cannabis businesses and set the rate at 4%.

ISSUES/ANALYSIS

There are eight operating commercial cannabis businesses in the City, based on current applications, there could be as many as thirty to forty in the future. Each business is responsible to pay required taxes and fees to the State Bureau of Cannabis Control, the County of San Bernardino, and the City. Due to the nature of the cannabis industry, banking services are not readily available to the businesses and it remains a mostly cash business. The City believes that occasional audits of the cannabis businesses will ensure that compliance with state and local law is being upheld and that each business is paying their required taxes and fees to the City. The audit will be completed by a company selected by the City pursuant to procedures for selecting vendors to perform City services. A fee for the audit will be charged to the cannabis business to pay for the service. The City will only charge the business owner the fee when an audit is performed on their business.

Adopting a separate fee for audit services, to be charged to the business owner when an audit is deemed necessary will offset any City costs for the service and ensure that each business is paying for their audit individually.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Ordinance No. 2019-52
2. Exhibit A – Title 5 Amendment (clean copy)
3. Exhibit A – Title 5 Amendment (track changes)