

EXHIBIT A

ORDINANCE NO. CC-17-

AN ORDINANCE OF THE PEOPLE OF THE CITY OF SHASTA LAKE, CALIFORNIA, REPLACING CHAPTER 3.17 OF THE CITY OF SHASTA LAKE MUNICIPAL CODE, AND APPROVING AND IMPLEMENTING A COMMERCIAL CANNABIS BUSINESS TAX

THE PEOPLE OF CITY OF SHASTA LAKE ORDAIN:

SECTION 1. Special Tax.

The Commercial Cannabis Business Tax is enacted solely to raise revenue for specific governmental purposes for the City of Shasta Lake and not for purposes of regulation or of raising revenues for regulatory purposes. All of the proceeds from the tax imposed by this Chapter shall be used to fund local law enforcement/code enforcement.

SECTION 2. Purpose.

A. To impose a tax on the privilege of cultivating, manufacturing, processing, storing, laboratory testing, labeling, packaging, transporting, distributing, delivering, or sale of medical cannabis or medical cannabis products by commercial cannabis businesses in the City of Shasta Lake, pursuant to the state Medical Cannabis Regulation and Safety Act, specifically California Business and Professions Code section 19348, or other enabling legislation;

B. To impose a tax on the privilege of cultivating, manufacturing, processing, storing, laboratory testing, labeling, packaging, transporting, distributing, delivering, or sale of nonmedical cannabis and cannabis products by commercial cannabis businesses in the City of Shasta Lake, pursuant to the "California Control, Regulate and Tax Adult Use of Marijuana Initiative" approved by voters in the November 2016 election, or other enabling legislation, notwithstanding if the state uses the term "marijuana" or "cannabis";

SECTION 3. City of Shasta Lake Municipal Code Chapter 3.17 is hereby repealed and replaced by Chapter 3.17 to read:

COMMERCIAL CANNABIS BUSINESS TAX

- 3.17.010 Imposition of Tax.
- 3.17.020 Definitions.
- 3.17.030 Payment Obligation.
- 3.17.040 Remittance.
- 3.17.050 Payment of Tax Does Not Authorize Unlawful Business or Activity.
- 3.17.060 Modification, Repeal or Amendment.
- 3.17.070 Administration.

3.17.010 Imposition of Tax.

A. Tax on Commercial Cannabis Cultivation:

1. Every person engaged in commercial cannabis cultivation in the city limits of the City of Shasta Lake shall pay an annual commercial cannabis business tax at a rate of up to \$10.00 per square foot of outdoor cultivation area, \$18.00 per square foot of mixed-light cultivation area, and \$26.00 per square foot of indoor cultivation area.
2. Notwithstanding the maximum tax rate established by this ordinance, the City Council may at its discretion, at any time by resolution, implement a lower tax rate for all persons engaged in commercial cannabis cultivation within the City of Shasta Lake city limits for different categories of commercial cannabis cultivation including medical or non-medical use, subject to the maximum rate established in subsection (A)(1). The City Council may, by resolution, also increase any such tax rate from time to time, not to exceed the maximum tax rate established in subsection (A)(1).
3. Pursuant to subsection (A), the commercial cannabis business tax on commercial cannabis cultivation is to be initially imposed as follows:

Cultivation Area (s/f)	Rate per s/f
Outdoor	
5000	\$2.00
5,001 to 10,000	\$5.00
10,001 to 22,000	\$7.00
Indoor	
5000	\$7.00
5,001 to 10,000	\$10.00
10,001 or more	\$15.00
Mixed-light	
5000	\$5.00
5,001 to 10,000	\$8.00
10,001 or more	\$11.00

B. Tax on Commercial Cannabis Manufacturing:

1. Every person engaged in commercial cannabis manufacturing in the city limits of the City of Shasta Lake shall pay an annual commercial cannabis business tax at a rate of up to \$25.00 per square foot of manufacturing area.
2. Notwithstanding the maximum tax rate established by this ordinance, the City Council may at its discretion, at any time by resolution, implement a lower tax rate for all persons engaged in commercial cannabis manufacturing within the City of Shasta Lake city limits subject to the maximum rate established in subsection (B)(1). The City Council may, by resolution, also increase any such tax rate from time to time, not to exceed the maximum tax rate established in subsection (B)(1).

3. Pursuant to subsection (B), the commercial cannabis business tax on commercial cannabis manufacturing is to be imposed at the following rate:

Operator	Rate per s/f
Manufacturer	\$7.00

C. Tax on all Other Commercial Cannabis Business:

1. Every person engaged in operating a commercial cannabis business, other than commercial cannabis cultivation or manufacturing, including but not limited to as a distributor, distribution facility, testing facility, transporter, nursery, dispensary, cooperative, collective, or engaging in delivery of cannabis in the city limits of the City of Shasta Lake shall pay an annual commercial cannabis business tax at a rate of up to twelve percent (12%) of gross receipts per fiscal year.
2. Notwithstanding the maximum tax rate established by this ordinance, the City Council may at its discretion, at any time by resolution, implement a lower tax rate for all persons engaged in commercial cannabis manufacturing within the City of Shasta Lake city limits subject to the maximum rate established in subsection (C)(1). The City Council may, by resolution, also increase any such tax rate from time to time, not to exceed the maximum tax rate established in subsection (C)(1).
3. Pursuant to subsection (C), the commercial cannabis business tax on every person engaged in commercial cannabis business, including but not limited to as a distributor, distribution facility, testing facility, transporter, nursery, dispensary, cooperative, collective or engaging in delivery of cannabis is to be imposed at the following rates:

Operator	Percentage of Gross Reciepts
Cannabis Nursery	3%
Dispensary	6%
Distributor	3%
Testing Laboratory	0%
Transporter	0%

3.17.020 Definitions.

For the purposes of this Chapter.

A. "Business tax" or "Commercial Cannabis Business Tax" means the tax due pursuant to this Chapter for engaging in lawful commercial cannabis business in the City of Shasta Lake.

B. "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 and as defined in Business and Professions code 19300.5(f). For purposes of this Section the terms Cannabis and Marijuana shall have the same meaning.

C. "Commercial cannabis business" means any commercial business activity relating to cannabis, including but not limited to cultivating, manufacturing, processing, storing, laboratory testing, labeling, packaging, transporting, distributing, delivering, or sale of cannabis, medical cannabis or a cannabis or medical cannabis product, except as related Business and Professions Code Section 19319, and as they may be amended or Health and Safety Code Sections 11362.1 through 11362.45 and as they may be amended.

D. "Commercial Cannabis Cultivation" means the planting, growing, harvesting, drying, processing, or storage of one or more cannabis plants or any part thereof and as defined in the MCRSA 19300.5(k) and or a cannabis nursery as defined in MCRSA 19300.5(ag).

E. "Cultivation area" means all portions of the premises deducting therefrom driveways, sidewalks, landscaping, vacant unused space, areas used exclusively for office space, employee break rooms, restrooms, and storage space unrelated to the commercial cannabis business (such as a janitorial closet).

F. "Gross receipts" means the total amount actually received or receivable from all cannabis sales; the total amount or compensation actually received or receivable for the performance of any act or service, of whatever nature it may be, for which a charge is made or credit is allowed, whether or not such act or service is done as a part of or in connection with the sale of materials, goods, wares, or merchandise; discounts, rents, royalties, fees, commissions, dividends, and gains realized. Included in "gross receipts" shall be all receipts, cash, credits, and property of any kind or nature, without any deduction therefrom on account of the cost of the property sold, the cost of the material used, labor or service costs, interest paid or payable, or losses or other expenses whatsoever.

G. "Commercial Cannabis Manufacturing" means the production, preparation, propagation, or compounding of manufactured cannabis or cannabis products, directly or indirectly, by non-volatile extraction methods.

H. "Manufacturing area" means the entire premises utilized for production, preparation, propagation, storage or compounding of manufactured cannabis or cannabis products, directly or indirectly, by non-volatile extraction methods not deducting for unutilized portions of the premises.

I. "Mixed-light cultivation" means using a combination of natural and supplemental artificial lighting at a maximum threshold in a permanent facility in compliance with the State Building Code as determined by the State licensing authority.

3.17.030 Payment Obligation.

Any entity subject to this chapter must pay the full tax imposed by this Chapter regardless of any rebate, exemption, incentive, or other reduction set forth elsewhere in this Code, except as required by California or Federal Law. Failure to pay the taxes required by this

Section within thirty (30) days after the due date shall be subject to the following penalties, interest charges, and assessments:

- A. A penalty in the sum equal to ten percent (10%) of the total amount due; and
- B. If the tax remains unpaid, an additional penalty equal to ten percent (10%) shall be added on the first day of each calendar month following the initial penalty.

3.17.040 Remittance.

The taxes imposed by this chapter shall be remitted directly to the City quarterly as set forth in this Chapter. The tax due shall be no less than the quarterly installment due, but the taxpayer may at any time pay the tax due for the entire fiscal year. Each business shall pay on or before the last day of the month following the close of each calendar quarter.

3.17.050 Payment of Tax Does Not Authorize Unlawful Business or Activity.

The payment of any commercial cannabis business tax required under the provisions of this Chapter shall not be construed as authorizing the conduct or continuance of any illegal business or of a legal business in an illegal matter. Nothing in this section implies or authorizes that any activity connected with the distribution or possession of cannabis is legal unless authorized by California and Federal Law. Nothing in this section shall be applied or construed as authorizing the sale of cannabis.

3.17.060 Modification, Repeal or Amendment.

The voters expressly authorize the City Council to amend, modify, change, revise, or appeal any provision in this Chapter as the City Council deems in the best interest of the City without a vote of the people to the extent allowed by law. However, as required by Article XIII C of the California Constitution, voter approval is required for any amendment to Section 3.17.010 that would increase the rate of any Tax levied pursuant to this Chapter above the maximum rates established by this Chapter.

The City Council may impose any tax authorized by this Chapter at a lower rate and may establish exemptions, incentives, or other reductions, and interest charges for failure to pay the tax in a timely manner, as otherwise allowed by California law. No action by the Council under this Section shall prevent it from later increasing the tax or removing any exemption, incentive, or reduction, and restoring the maximum tax rates specified in this Chapter.

3.17.070 Administration.

A. The City manager or the City manager's designee shall promulgate rules, regulations, and procedures to implement and administer this Chapter to ensure the efficient and timely collection of the tax imposed by this Chapter.

B. The City Manager or the City Manager's designee shall annually audit the commercial cannabis business taxes imposed by this Chapter to verify that tax revenues have been properly expended in accordance with the law. The City Manager's agent shall have the

right to examine and audit all the books, business records and tax returns to verify that tax revenues have been properly reported and paid.

SECTION 4. This Ordinance shall become effective upon adoption by two-thirds majority of the voters casting votes at the special election on August 29, 2017.

SECTION 5. The City Clerk shall publish this ordinance as required by applicable law. Upon approval by the voters, the City Clerk shall certify the passage of this ordinance by the voters, and cause the ordinance to be codified in the City of Shasta Lake Municipal Code.

PASSED, APPROVED, AND ADOPTED BY THE PEOPLE OF THE CITY OF SHASTA LAKE
AT THE SPECIAL MUNICIPAL ELECTION HELD THE ____ DAY OF _____ 2017.