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David Penalzoa  
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CITY MANAGER  
Kristine Ridge  
CITY ATTORNEY  
Sonia R. Carvalho  
CLERK OF THE COUNCIL  
Daisy Gomez

## CITY OF SANTA ANA

CITY MANAGER'S OFFICE  
20 Civic Center Plaza • P.O. Box 1988  
Santa Ana, California 92702  
[www.santa-ana.org](http://www.santa-ana.org)

September 13, 2021

Via E-mail and U.S. Mail

Honorable Erick Larsh, Presiding Judge  
Orange County Grand Jury  
700 Civic Center Drive West  
Santa Ana, CA 92701

**Subject: Response to Grand Jury Report Entitled "Pot Luck" Santa Ana's Monopoly on Licensed Retail Adult Use Cannabis in Orange County**

Dear Honorable Judge Larsh:

Please accept this letter as the City of Santa Ana's response to the Grand Jury's report entitled "Pot Luck" Santa Ana's Monopoly on Licensed Retail Adult Use Cannabis in Orange County. This report was presented to the City Council at their meeting held on September 7, 2021, whereby the City Council authorized the City Manager to deliver the City's response to the Presiding Judge of the Orange County Superior Court. Here are the City's responses:

### FINDINGS:

**F1.** There is no clearly identifiable accounting of where all the Enforcement Services money received from Retail Adult-Use Cannabis licensing in accordance with Santa Ana Municipal Ordinance number NS-2959, section 13-203 was spent.

**City's Response:** The City disagrees with this finding. The budget documents on the City's website include the planned spending, as well as historical spending. FY2019-20 (pages 2-1 through 2-12), FY 2020-21 (pages 2-4 through 2-18), and FY 2021-22 (pages 5-14, 7-21, 10-41, and 12-22) show this information. In addition, actual and budget spending data can be found in the City's open data visualization tool, OpenBook. The specific link to view the budget-to-actual data for the Cannabis Public Benefit fund is [https://santaana.openbook.questica.com/#!/visualization/78ea955f-018b-4bb4-b163-dd46b21f004c?ID110\\_ID2534\\_ID591\\_FundDisplayName=012%20-%20CANNABIS%20PUBLIC%20BENEFIT&h=Fund&hl=2](https://santaana.openbook.questica.com/#!/visualization/78ea955f-018b-4bb4-b163-dd46b21f004c?ID110_ID2534_ID591_FundDisplayName=012%20-%20CANNABIS%20PUBLIC%20BENEFIT&h=Fund&hl=2).

**F2.** The legalization of Retail Adult-Use Cannabis by the City of Santa Ana and the resulting increase in city revenue have allowed the city to significantly expand its youth services programs.

**City's Response:** The City agrees with the Grand Jury's finding.

### SANTA ANA CITY COUNCIL

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**F3.** There are multiple departments within the City of Santa Ana responsible for various aspects of Retail Adult-Use Cannabis oversight. The decentralized nature of the oversight within the City makes information difficult to obtain.

**City's Response:** The City disagrees with this finding. The City Council has funded key staff positions in the Planning and Building Agency, Police Department, Finance and Management Services, and the City Attorney's Office for commercial cannabis program administration; the oversight of this industry is performed by key personnel that provides expertise in their area of public administration. As such, the City of Santa Ana has developed its approach to address cannabis commerce no different than any other approved industry or business operating within the City. This cross-departmental organizational approach allows for checks and balances, ensures accuracy in the information provided, and further enhances efficiency protocols to provide essential customer service. More importantly, it limits bureaucratic delays and provides direct departmental-related expertise in the assistance of any query while also providing the capability for quick remedial action in the resolution of any concern. As an example, Planning and Building personnel understandably address zoning and tenant improvement inquiries, while business license related concerns are promptly addressed by the Finance and Management Services Agency. This approach in developing and governing of the cannabis regulatory program has placed Santa Ana at the forefront of the cannabis growth industry in Orange County and in the State, allowing the City to efficiently administer the program.

**F4.** The number of unlicensed cannabis dispensaries in Santa Ana has significantly declined since the business licensing of Retail Adult-Use Cannabis dispensaries.

**City's Response:** The City agrees with the Grand Jury's finding.

**F5.** The Orange County Grand Jury did not receive evidence of an increase in crime as a result of the licensing of Retail Adult-Use Cannabis dispensaries.

**City's Response:** The City agrees with the Grand Jury's finding.

**F6.** The Cannabis Community Benefits Program motivates local dispensaries to contribute funds and/or staff volunteer hours for the benefit of the City of Santa Ana.

**City's Response:** The City agrees with the Grand Jury's finding.

## **RECOMMENDATIONS:**

**R1.** The Orange County Grand Jury recommends that the Santa Ana City Council require an annual report specifically detailing all Retail Adult-Use Cannabis money spent each fiscal year. This report should be presented to the Santa Ana City Council and made public. This should be completed by December 31, 2021, for fiscal year 2020-21, and by September 30 following each fiscal year thereafter. (F1)

**City's Response:** The City can prepare a detailed spending report as recommended by the Grand Jury. Detailed spending information for FY 2019-20 and FY 2020-21 was presented to the City Council with the August 17, 2021 agenda. A detailed spending report can be presented to City Council by December 31 of each year. However, the City cannot commit to a detailed spending report by September 30 for future years, as the general ledger is not fully reconciled and audited by each September 30.

**R2.** The Orange County Grand Jury recommends that the City of Santa Ana designate an individual to oversee and provide centralized coordination of Retail Adult-Use Cannabis activity commencing January 1, 2022. (F3)

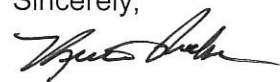
**City's Response** - This recommendation has already been implemented by the City since 2020. The City created the Cannabis Office and Operations Logistics unit with trained staff within the Planning and Building Agency to serve as the central repository for cannabis information and inquiries. This office functions as a "one-stop shop" to administer the commercial cannabis regulatory program. With a concierge-approach mindset, the office tailors its approach to match the unique circumstances of this new industry and specifically addresses and coordinates applications for commercial cannabis permits in the City of Santa Ana. As the central resource for the City, this office works directly with State of California cannabis regulatory agency, pertinent City and external agencies, and cannabis business stakeholders in the implementation of the city's cannabis program to ensure adherence to the City's municipal code and prompt openings of new businesses. As part of its task, the office also works with City Attorney's Office and the Police Department on background checks and coordinates enforcement and compliance with applicable regulations.

**R3.** The Orange County Grand Jury recommends that the City of Santa Ana create a process to report to the Santa Ana City Council and the residents of Santa Ana detailed information about the participation of Retail Adult-Use Cannabis dispensaries in the Community Benefits Program by December 31, 2021 and yearly thereafter. (F6)

**City's Response:** Upon adopting an ordinance to allow and regulate adult-use retail cannabis businesses in Santa Ana, the City required all adult-use cannabis retailers to enter into an Operating Agreement to accomplish several goals: 1. Require full compliance with all ordinance requirements to operate a cannabis business in Santa Ana; 2. Commit to payment of operating fees based on business activities; and 3. Engage businesses with the Santa Ana community through local hiring, local sourcing, volunteer events, charitable contributions, and sustainable business practices for the environment and for employees. Upon the adoption of subsequent ordinances and voter-approved taxes in Measure Y, many of the goals of the Operating Agreement were replaced by ordinance but the community benefits component remained. All cannabis businesses continue to commit to various forms of community benefits, and results have been successful, with cannabis businesses providing various forms of charitable contributions, volunteer hours, toy drives, participation in COVID-19 relief programs like CARES Act measures, and food drives. The City recognizes the opportunity to continue building upon the program drawing from City's experience with the Operating Agreement process, as community benefit commitments may take many different forms and functions. Staff is currently drafting measures to replace the Operating Agreement in its entirety and to develop measurable community benefit and commitment requirements. These changes are will be presented for City Council consideration in early 2022.

Thank you for the opportunity to respond to your request. If you have any questions, please feel free to call me at (714) 647-5200.

Sincerely,



Kristine Ridge  
City Manager

Attachments: Staff Report #28 dated September 7, 2021 and related exhibits  
Staff Report #10 dated September 7, 2021 and related exhibits  
Staff Report #26 dated July 20, 2021 and related exhibits



Planning and Building Agency  
[www.santa-ana.org/pb/](http://www.santa-ana.org/pb/)  
Item # 28

**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**September 7, 2021**

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**TOPIC:** Orange County Grand Jury's Investigative Report, Findings, and Recommendations Regarding Santa Ana's Licensed Retail Adult-Use Cannabis Program

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**AGENDA TITLE:**

Receive and File the Orange County Grand Jury's Investigative Report, Findings, and Recommendations Regarding Santa Ana's Licensed Retail Adult-Use Cannabis Program and Authorize the City Manager to Deliver the City's Response to the Findings and Recommendations to the Presiding Judge of the Superior Court

**RECOMMENDED ACTION**

Receive and file the Orange County Grand Jury's investigative report, findings, and recommendations regarding Santa Ana's licensed retail adult-use cannabis program and authorize the City Manager to deliver the City's response to the findings and recommendations to the Presiding Judge of the Superior Court.

**DISCUSSION**

On June 3, 2021, the Orange County Grand Jury (OCGJ) issued an investigative report with findings and recommendations regarding the City of Santa Ana's licensed retail adult-use cannabis program and regulatory framework. The Orange County Grand Jury (OCGJ) was interested in investigating how the decision to move forward with adult-use cannabis retail permitting impacted Santa Ana and any resulting significant issues. The OCGJ investigated this matter to make the public and other communities aware of the potential "gains or pitfalls," should other jurisdictions move forward with retail adult-use cannabis permitting. The report focuses only on the permitting and sale of retail adult-use cannabis in the City and does not address medicinal sales, and/or medicinal and adult-use cultivation, distribution, manufacturing, testing, or any issues related to the use of cannabis products.

Exhibit 1 is the complete OCGJ's June 3, 2021 report. In summary, the OCGJ finds that City's program added significant and much needed revenue to the City with no reported increase in criminal activity. In addition, the report finds that funds have not only increased the City's general fund account, but have also been used for enhanced police services

and code enforcement efforts, and additional youth programs through the Parks, Recreation, and Community Services Agency.

As a result of the investigation, OCGJ issued six findings and three recommendations. In accordance with California Penal Code Sections 933 and 933.05, OCGJ requires responses from the City regarding the findings and recommendations presented in the report. Exhibit 2 outlines the OCGJ findings, recommendations, and the City's responses. Upon authorization by the City Council, the responses in Exhibit 2 will be submitted to the Presiding Judge of the Superior Court.

**ENVIRONMENTAL IMPACT**

There is no environmental impact associated with this action.

**FISCAL IMPACT**

There is no fiscal impact associated with this action.

**EXHIBIT(S)**

1. County of Orange Grand Jury Investigative Report, Findings and Recommendations Regarding Santa Ana's Licensed Retail Adult-Use Cannabis Program entitled "Pot Luck"
2. City Response to County of Orange Grand Jury Findings and Recommendations Regarding Santa Ana's Licensed Retail Adult-Use Cannabis

Submitted By: Minh Thai, Executive Director of Planning and Building Agency

Approved By: Kristine Ridge, City Manager



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**September 7, 2021**

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**TOPIC:** Second Reading Ordinance Amending the Cannabis Public Benefit Fund

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**AGENDA TITLE:**

Second Reading and Adoption of Ordinance Amending the Cannabis Public Benefit Fund Restricted Uses for Additional Youth Services

**RECOMMENDED ACTION**

Place Ordinance on second reading and adopt.

**DISCUSSION**

On July 20, 2021, the City Council introduced the attached Ordinance amending Article XX of Chapter 13 of the Santa Ana Municipal Code to authorize discretionary allocations between youth services and enforcement services from the Cannabis Fund (Exhibit 1).

The July 20 staff report included summary spending information for the Cannabis Public Benefit Fund. However, the City Council requested staff return with detailed spending information. The detailed spending plan for the FY21-22 budget follows, and detailed actual spending to date for FY19-20 and FY20-21 is attached (Exhibit 2).

<b>Department</b>	<b>Spending Description</b>	<b>FY21-22 Budget</b>
Parks & Recreation	3 full-time Recreation Leaders and 10 part-time Program Coordinators to provide recreation programs. 2 full-time Zoo Education Specialists for zoo programs + Support equipment, training & overhead	\$1,074,660 71,610
Parks & Recreation	Zoo Exhibit	250,000
Parks & Recreation	Contracted aquatics program operator	169,500
Parks & Recreation	Anti-drug program	60,000
Parks & Recreation	"Zoo and You" program	50,000
Parks & Recreation	Teen excursions	43,200
Parks & Recreation	Program Supplies for "Zoo and You" and Teen Excursion programs.	93,200

Parks & Recreation	Splash pads, Thornton Park Lighting, Santa Anita Parking Lot and Playground	5,343,520
Parks & Recreation	Summer Youth Internship Program at WORK Center	382,000
Parks & Recreation	DACA Support	100,000
Library	Library PT Staff: 3 Library Assistants; 8 Tutors, 1 Library Clerk and 1 Page	228,010
Library	Wi-Fi Hot Spot service	137,400
Library	Digital content	70,000
Library	Contracted youth services	37,000
Library	Bookmobile/Mobile Outreach Vehicle	100,000
Library	Materials and supplies, including books and technology	139,600
Library	Additional improvements at Newhope Library	1,287,990
	<b>Total Youth Spending Appropriation</b>	<b>\$9,637,690</b>

<b>Department</b>	<b>Spending Description</b>	<b>FY21-22 Budget</b>
City Attorney's Office	1 Assistant City Attorney + Support overhead	\$189,080 15,560
City Attorney's Office	Contract legal services	300,000
City Attorney's Office	IT overhead allocation to be corrected (reduced) at mid-year.	214,300
Planning & Building	1 Code Enforcement Supervisor 6 Code Enforcement Officers 1 Senior Office Assistant + Support equipment, training & overhead	808,120 99,150
Planning & Building	Contract services for board-ups & security	71,700
Police Department	6 Police Officers + Support equipment/vehicles/training/overhead	1,399,930 208,580
Finance	85% of 1 Business License Inspector/Collector + Support overhead	95,230 9,180
Finance	Contract Services for audit	255,550
	<b>Total Enforcement Spending Appropriation</b>	<b>\$3,666,380</b>

**ENVIRONMENTAL IMPACT**

There is no environmental impact associated with this action.

**FISCAL IMPACT**

There is no fiscal impact at this time. Any fiscal impact will come from future City Council action to amend the current year budget or adopt the budget in future years.

Second Reading Ordinance Amending the Cannabis Public Benefit Fund  
September 7, 2021  
Page 3

**EXHIBIT(S)**

1. Ordinance No. NS-XXX, an Ordinance of the City of Santa Ana, California, amending Article XX of Chapter 13 of the Santa Ana Municipal Code to authorize discretionary allocations between youth services and enforcement services from the Cannabis Fund
2. Actual Cannabis Public Benefit Fund spending to date for FY19-20 and FY20-21

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager



**ORDINANCE NO. NS-XXX**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTA ANA , CALIFORNIA, AMENDING ARTICLE XX OF CHAPTER 13 OF THE SANTA ANA MUNICIPAL CODE TO AUTHORIZE DISCRETIONARY ALLOCATIONS BETWEEN YOUTH SERVICES AND ENFORCEMENT SERVICES FROM THE CANNABIS FUND**

**THE CITY COUNCIL OF THE CITY OF SANTA ANA DOES HEREBY ORDAIN AS FOLLOWS:**

**Section 1.** Section 13-203 of Article XX of Chapter 13 of the Santa Ana Municipal Code is hereby amended to read as follows:

**Sec. 13-203. - Cannabis Revenue Funding.**

A. Automatic Deposit of Cannabis Tax Revenues into the Cannabis Fund. The Cannabis Fund shall be funded by an automatic deposit of two-thirds (2/3) of all cannabis tax revenues generated each year, commencing with the Fiscal Year Budget for 2019-2020 and continuing thereafter in the budget for each Fiscal Year, from all of the following: 1) Operating Agreements for Commercial Cannabis businesses and 2) Any newly adopted Cannabis Business License Tax. For purposes of this subsection, in addition to the descriptions provided directly above in this paragraph, the phrase "cannabis tax revenues" means all revenues generated from any new or increased cannabis tax which has been approved by the voters of the City on or after the effective date of this Chapter and any increase of the cannabis tax authorized by the Santa Ana Municipal Code and approved by the City Council. Tax revenue from Medicinal/Medical Cannabis shall not go into the Cannabis Fund. Funds in the Cannabis Fund shall be carried over from year-to-year.

B. Discretionary Deposits into Cannabis Fund not Prohibited. Nothing in this Chapter shall prohibit the City Council, as part of the budgeting process, from contributing additional revenues to the Cannabis Fund, as determined in the City Council's sound legislative discretion.

C. Expenditures from the Cannabis Fund. Funds in the Cannabis Fund shall be restricted to 1) Youth Services: expenditures for new, additional or enhanced, as of the date the Cannabis Fund is created, for Youth Services for City of Santa Ana residents and 2) Enforcement Services: expenditures for Enforcement Services to enforce cannabis regulations and other nuisance laws to improve the quality of life of residents. Specific allocations for Youth Services and Enforcement Services shall be made at the sole discretion of the City Council.

**Section 2.** If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council of the City of Santa Ana hereby declares that it would have adopted this ordinance and each section, subsection, sentence, clause, phrase or portion thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM

//Sonia R. Carvalho//  
SONIA R. CARVALHO  
City Attorney

AYES: Councilmembers: \_\_\_\_\_  
NOES: Councilmembers: \_\_\_\_\_  
ABSTAIN: Councilmembers: \_\_\_\_\_  
NOT PRESENT: Councilmembers: \_\_\_\_\_

CERTIFICATE OF ATTESTATION AND ORIGINALITY

I, DAISY GOMEZ, Clerk of the Council, do hereby attest to and certify that the attached Ordinance No. NS-XXX to be the original ordinance adopted by the City Council of the City of Santa Ana on \_\_\_\_\_, 2021, and that said ordinance was published in accordance with the Charter of the City of Santa Ana.

Date: \_\_\_\_\_

\_\_\_\_\_  
Clerk of the Council  
City of Santa Ana

**EXHIBIT 2****CANNABIS PUBLIC BENEFIT FUND****Actual Spending to Date**

		Employee		Supplies	Overhead	Capital	
		Compensation	Contracts	& Equipment	& Support	Improvements	Totals
<b>FY19-20</b>							
Parks & Recreation	Youth	197	4,145				4,341
City Manager's Office	Enforcement	848			2,088		2,935
City Attorney's Office	Enforcement	263,109			39,599		302,707
Finance	Enforcement	100,567					100,567
Code Enforcement	Enforcement	144,432		2,286	18,912		165,629
Police Department	Enforcement	1,133,444	53,100	6,561	61,927		1,255,031
Totals		\$ 1,642,596	\$ 57,244	\$ 8,847	\$ 122,525	\$ -	\$ 1,831,212

		Employee		Supplies	Overhead	Capital	
		Compensation	Contracts	& Equipment	& Support	Improvements	Totals
<b>FY20-21 YTD JULY (1)</b>							
Parks & Recreation	Youth	116,696	435,113		113,053	213,803	878,664
Library	Youth	19,763	269,471	27,608	471,663	57,773	846,276
City Attorney's Office	Enforcement	401,389	29,947		27,270		458,605
Finance	Enforcement	89,590					89,590
Code Enforcement	Enforcement	172,617	34,954	38,578	20,215		266,364
Police Department	Enforcement	1,281,069	51,509	16,744	8,948		1,358,271
Totals		\$ 2,081,123	\$ 820,993	\$ 82,930	\$ 641,149	\$ 271,575	\$ 3,897,770

(1) Staff will continue to pay FY20-21 invoices through the end of August, and final audited expenditures for FY20-21 will increase.



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**July 20, 2021**

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**TOPIC:** Ordinance Amending the Cannabis Public Benefit Fund

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**AGENDA TITLE:**

Consideration of Ordinance Amending the Cannabis Public Benefit Fund Restricted Uses for Additional Youth Services

**RECOMMENDED ACTION**

Introduce and conduct first reading of an ordinance amending the Cannabis Public Benefit Fund to provide authority to transfer allocations between youth services and community enforcement activities.

**DISCUSSION**

When the City Council adopted an ordinance approving adult cannabis uses in the City and placed a measure on the ballot, asking voters whether to tax the adult cannabis businesses, the City Council asked staff to ensure that the resulting tax revenue would be directed toward providing enhanced youth services and enforcement services. Staff proposed and the City Council adopted Ordinance NS-2959 to set aside cannabis tax revenue for specified services (Exhibit 1). The ordinance created the Cannabis Public Benefit Fund.

The existing ordinance provides for the establishment of a Cannabis Public Benefit Fund funded by setting aside two-thirds of Cannabis tax revenue from commercial and retail activities, with one-third for enhanced youth services and one-third for enforcement. Youth services, intended to assist those under 24 years of age, would include, for example, athletic, recreational, health, educational, and human services such as social services or prevention services. Enforcement services would be those services provided by Code Enforcement personnel, the Police Department, and the City Attorney's office to ensure the proper enforcement of all general code and quality-of-life requirements with an emphasis on enforcing violations of the City's cannabis regulations, as well as the Finance Department for collection and audit of cannabis tax. The current ordinance provides that any amendment, suspension or elimination of the Cannabis Public Benefit Fund would require the City Council to take the same steps required to access the General Fund Reserve, including making fiscal emergency findings and a two-thirds vote of the entire City Council.

Ordinance Amending the Cannabis Public Benefit Fund  
 July 20, 2021  
 Page 2

The City Council reviewed the Fiscal Year 2021-22 budget and determined the cannabis regulations are successfully enforced, and expressed a desire to allocate a greater share of the Cannabis Public Benefit Fund to youth services. The City Attorney has determined the change will require an amendment to the original ordinance. The new ordinance (Exhibit 2) will allow the City Council to allocate between youth services and enforcement, so long as the total two-thirds set-aside remains in place. In other words, the City Council could not reduce the share of Cannabis tax set-aside to the Cannabis Public Benefit Fund without making fiscal emergency findings and a two-thirds vote of the entire City Council.

**ENVIRONMENTAL IMPACT**

There is no environmental impact associated with this action.

**FISCAL IMPACT**

Based on the current ordinance and the adopted FY 21-22 Budget, the Cannabis Public Benefit Fund will have estimated balances at June 30, 2022 of \$412,221 for youth services and \$7,576,526 for enforcement activities.

		Youth	Enforcement
Balance June 30, 2019	Actual	-	-
FY19-20 Set-Aside	Actual	4,902,658	3,902,658
Interest Earnings	Actual	18,559	18,559
Spending	Actual	(4,341)	(1,826,869)
Balance June 30, 2020	Actual	\$ 4,916,875	\$ 2,094,347
FY20-21 Set-Aside	Estimate	6,033,333	6,033,333
Interest Earnings	Actual YTD	47,011	20,025
Spending	Budgeted	(7,455,659)	(3,413,149)
Balance June 30, 2021	Estimate	\$ 3,541,561	\$ 4,734,556
FY21-22 Set-Aside	Estimate	6,508,350	6,508,350
Spending	Budgeted	(9,637,690)	(3,666,380)
<b>Balance June 30, 2022</b>	<b>Estimate</b>	<b>\$ 412,221</b>	<b>\$ 7,576,526</b>

If the proposed Ordinance is adopted, the City Council will have the flexibility to shift some or all of the \$7,576,526 from enforcement activities to youth services. In addition, the City Council will have the flexibility to change future youth and enforcement spending allocations within the Cannabis Public Benefit Fund.

**EXHIBIT(S)**

1. Ordinance No. NS-2959
2. Proposed Ordinance

Submitted By: Kathryn Downs, Executive Director Finance and Management Services

Approved By: Kristine Ridge, City Manager

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTA ANA, CALIFORNIA, ADDING ARTICLE XX TO CHAPTER 13 OF THE SANTA ANA MUNICIPAL CODE TO ESTABLISH A CANNABIS PUBLIC BENEFIT FUND

**THE CITY COUNCIL OF THE CITY OF SANTA ANA DOES HEREBY ORDAIN AS FOLLOWS:**

**Section 1.** Section XX is hereby added to Chapter 13 of the Santa Ana Municipal Code and shall read as follows:

**ARTICLE XX.- CANNABIS PUBLIC BENEFIT FUND.**

**Sec. 13-200. - Establishment of the Fund.**

There is hereby established within the City of Santa Ana the "Cannabis Public Benefit Fund", which shall be two sub-funds, one for Enforcement Services and one for Youth Services, within the City's General Fund (the "Cannabis Fund").

**Sec. 13-201.- Purpose.**

The Cannabis Fund shall be used to fund new or additional Youth Services, as of the date of the fund creation, for City of Santa Ana residents. The Cannabis Fund shall not be used to supplement existing Youth Services. The Cannabis Fund shall also be used to fund community enforcement and code enforcement.

**Sec. 13-202.- Definitions.**

For the purposes of this Article, the following words and phrases shall be construed as having the following definitions:

*Adult Use-* shall have the same meaning as that set forth in Santa Ana Municipal Code ("SAMC") section 40-2(2) as may be periodically amended. At the time of adoption of this Article, meaning cannabis or cannabis products that are intended to be used for non-medicinal purposes by a person twenty-one (21) years of age or older.

*Commercial Cannabis Activity* – shall have the same meaning as that set forth in SAMC section 40-2(9) as may be periodically amended. At the time of adoption of this Article, meaning the cultivation, possession, manufacture, distribution, processing, storing, laboratory, packaging, labeling, transportation, delivery or sale of cannabis or cannabis products as provided for in this Chapter

[Chapter 40]. Permitted commercial cannabis activities are listed in Land Use Table 40-5 of this Chapter [Chapter 40].

*Enforcement Services* – any and all services provided by City staff for the prevention, detection, investigation and violations of the City's codes and ordinances intended to prevent public nuisances or activities that are detrimental to the health, safety and welfare of the community.

*Medicinal/Medical Cannabis*- shall have the same meaning as that set forth in SAMC section 40-2(27) as may be periodically amended. At the time of adoption of this Article, meaning cannabis or a product containing cannabis, including, but not limited to, concentrates, and extractions, intended to be sold for use by medicinal cannabis patients in California pursuant to the Compassionate Use Act of 1996, found at Section 11362.5 of the California Health and Safety Code. Medical cannabis retail is regulated by Chapter 18 and Chapter 21 of the Santa Ana Municipal Code.

*Operating Agreement*- shall have the same meaning as that set forth in SAMC section 40-1C as may be periodically amended. At the time of adoption of this Article, meaning a legally binding written agreement between each commercial cannabis business operator and the City, executed by the City Manager, or his or her designee, and in a form or substance satisfactory to the Executive Director of Planning and Building and the City Attorney, and containing those provisions necessary to ensure that the requirements of this article are satisfied. A distinct Commercial Cannabis Operating Agreement shall be required for each location and type of commercial cannabis business activity taking place at an approved Commercial Cannabis Business.

*Youth Services*- any and all services provided to residents of the City under the age of 24 for athletic, recreational, health, educational, or human services, directly by City staff or through partnerships with third parties. This may include City facility improvements, maintenance and equipment needs related to youth services.

### **Sec. 13-203. - Cannabis Revenue Funding.**

A. Automatic Deposit of Cannabis Tax Revenues into the Cannabis Fund. The Cannabis Fund shall be funded by an automatic deposit of one-third (1/3) of all cannabis tax revenues generated each year for Enforcement Services and one-third (1/3) of all cannabis tax revenues generated each year for Youth Services, commencing with the Fiscal Year Budget for 2018-20 and continuing thereafter in the budget for each Fiscal Year, from all of the following: 1) Operating Agreements for Commercial Cannabis businesses and 2) Any newly adopted Cannabis Business License Tax. For purposes of this subsection, in addition to the descriptions provided directly above in this paragraph, the phrase "cannabis tax revenues" means all revenues generated from any new or increased cannabis tax which has been approved by the voters of the City on or after the effective date of this Chapter and any increase of the cannabis tax

authorized by the Santa Ana Municipal Code and approved by the City Council. Tax revenue from Medicinal/Medical Cannabis shall not go into the Cannabis Fund. Funds in these sub-funds shall be carried over from year-to-year.

B. Discretionary Deposits into Cannabis Fund Not Prohibited. Nothing in this Chapter shall prohibit the City Council, as part of the budgeting process, from contributing additional revenues to the Cannabis Fund, as determined in the City Council's sound legislative discretion.

C. Expenditures from the Cannabis Fund. Funds in the Cannabis Fund shall be restricted to 1) Youth Services: expenditures for new, additional or enhanced, as of the date the Cannabis Fund is created, Youth Services for City of Santa Ana residents and 2) Enforcement Services: expenditures for Enforcement Services.

**Sec. 13-204.- Presentation to City Council.**


At least two times per year the City Manager shall make a presentation to the City Council and report on the revenue that has been deposited in the Cannabis Fund and expenditures from the Cannabis Fund.

**Sec. 13-205.- Procedure for Amending, Suspending or Rescinding Ordinance.**

This ordinance may only be amended, suspended or rescinded by an affirmative vote of at least two-thirds of the City Council after making findings that a structural deficit exists in the same manner as required to access the Economic Uncertainty Account as set forth in the City's Budget and Financial Policy.

**Section 2.** If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council of the City of Santa Ana hereby declares that it would have adopted this ordinance and each section, subsection, sentence, clause, phrase or portion thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional.

ADOPTED this 4<sup>th</sup> day of December, 2018.

  
Miguel A. Pulido  
Mayor



APPROVED AS TO FORM:

By: Sonia R. Carvalho  
Sonia R. Carvalho  
City Attorney

AYES: Councilmembers: Benavides, Pulido, Martinez, Solorio, Tinajero, Villegas (6)

NOES: Councilmembers: None (0)

ABSTAIN: Councilmembers: None (0)

NOT PRESENT: Councilmembers: Sarmiento (1)

CERTIFICATE OF ATTESTATION AND ORIGINALITY

I, MARIA D. HUIZAR, Clerk of the Council, do hereby attest to and certify that the attached Ordinance No. NS-2959 to be the original ordinance adopted by the City Council of the City of Santa Ana on December 4, 2018, and that said ordinance was published in accordance with the Charter of the City of Santa Ana.

Date: 12/11/2018

Maria D. Huizar  
Maria D. Huizar  
Clerk of the Council  
City of Santa Ana

**ORDINANCE NO. NS-XXX**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SANTA ANA , CALIFORNIA, AMENDING ARTICLE XX OF CHAPTER 13 OF THE SANTA ANA MUNICIPAL CODE TO AUTHORIZE DISCRETIONARY ALLOCATIONS BETWEEN YOUTH SERVICES AND ENFORCEMENT SERVICES FROM THE CANNABIS FUND**

**THE CITY COUNCIL OF THE CITY OF SANTA ANA DOES HEREBY ORDAIN AS FOLLOWS:**

**Section 1.** Section 13-203 of Article XX of Chapter 13 of the Santa Ana Municipal Code is hereby amended to read as follows:

**Sec. 13-203. - Cannabis Revenue Funding.**

A. Automatic Deposit of Cannabis Tax Revenues into the Cannabis Fund. The Cannabis Fund shall be funded by an automatic deposit of two-thirds (2/3) of all cannabis tax revenues generated each year, commencing with the Fiscal Year Budget for 2019-2020 and continuing thereafter in the budget for each Fiscal Year, from all of the following: 1) Operating Agreements for Commercial Cannabis businesses and 2) Any newly adopted Cannabis Business License Tax. For purposes of this subsection, in addition to the descriptions provided directly above in this paragraph, the phrase "cannabis tax revenues" means all revenues generated from any new or increased cannabis tax which has been approved by the voters of the City on or after the effective date of this Chapter and any increase of the cannabis tax authorized by the Santa Ana Municipal Code and approved by the City Council. Tax revenue from Medicinal/Medical Cannabis shall not go into the Cannabis Fund. Funds in the Cannabis Fund shall be carried over from year-to-year.

B. Discretionary Deposits into Cannabis Fund not Prohibited. Nothing in this Chapter shall prohibit the City Council, as part of the budgeting process, from contributing additional revenues to the Cannabis Fund, as determined in the City Council's sound legislative discretion.

C. Expenditures from the Cannabis Fund. Funds in the Cannabis Fund shall be restricted to 1) Youth Services: expenditures for new, additional or enhanced, as of the date the Cannabis Fund is created, for Youth Services for City of Santa Ana residents and 2) Enforcement Services: expenditures for Enforcement Services to enforce cannabis regulations and other nuisance laws to improve the quality of life of residents. Specific allocations for Youth Services and Enforcement Services shall be made at the sole discretion of the City Council.

**Section 2.** If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council of the City of Santa Ana hereby declares that it would have adopted this ordinance and each section, subsection, sentence, clause, phrase or portion thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM

//Sonia R. Carvalho//  
SONIA R. CARVALHO  
City Attorney

AYES: Councilmembers: \_\_\_\_\_  
NOES: Councilmembers: \_\_\_\_\_  
ABSTAIN: Councilmembers: \_\_\_\_\_  
NOT PRESENT: Councilmembers: \_\_\_\_\_

CERTIFICATE OF ATTESTATION AND ORIGINALITY

I, DAISY GOMEZ, Clerk of the Council, do hereby attest to and certify that the attached Ordinance No. NS-XXX to be the original ordinance adopted by the City Council of the City of Santa Ana on \_\_\_\_\_, 2021, and that said ordinance was published in accordance with the Charter of the City of Santa Ana.

Date: \_\_\_\_\_

\_\_\_\_\_  
Clerk of the Council  
City of Santa Ana