OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: May 24, 2010 **IBA Report Number:** 10-45

Public Safety & Neighborhood Services Meeting: May 26, 2010

Item Number: 10

Medical Marijuana Regulatory Structure Costs and Fees

OVERVIEW

On September 8, 2009, by Resolution R-2010-119, the City Council established the Medical Marijuana Task Force to advise the Council on "(1) guidelines for medical marijuana patients and primary caregivers; (2) guidelines for the structure and operation of medical marijuana cooperatives and/or collectives; and (3) guidelines for police department enforcement regarding medical marijuana". The Council confirmed the Task Force appointments on October 6, 2009.

On December 8, 2009, the Medical Marijuana Task Force reported its land use and zoning recommendations to the City Council (Report 09-165). The report contained specific land use and zoning recommendations for collectives and cooperatives within the City, including the employment of a conditional use permit process, zoning limitations, non-profit status verification, and requirements relating to distance, security, lighting, and signage. The item was continued to a January 4th Council meeting where Council referred the Task Force report to the Land Use and Housing Committee (LU&H), where the item would be heard after review from Community Planning Committees, with input from City staff at the meeting.

At LU&H, the Committee instructed the City Attorney to draft a medical marijuana regulatory ordinance using the Task Force's recommendations, with requested Committee changes. On April 28, 2010, at a Public Safety & Neighborhood Services Committee (PS&NS) meeting, the Task Force reported on its recommended guidelines for medical marijuana patients and police department enforcement. At the meeting, the

Committee directed that the City Attorney provide legal recommendations, and the Office of the IBA review the implementation, costs, fee structure, and the proper departmental jurisdiction for the Task Force recommendations to report back to the Committee at the May 26, 2010 Committee meeting.

IBA Report 10-15, "Medical Marijuana Fee and Tax System for Collectives and Cooperatives," reviewed fee and tax structures implemented in other California cities and those currently present within the City of San Diego to advise the Medical Marijuana Task Force on possible options for implementation within the City with respect to collectives and cooperatives. This report will expand upon the discussion within IBA Report 10-15 with specific recommendations regarding the regulatory structure appropriate within the City of San Diego based on Task Force and Council Committee recommendations.

FISCAL/POLICY DISCUSSION

As reported to the City Council in December 8, 2010 (Report 09-165), the Medical Marijuana Task Force's recommendations for land use and zoning recommendations related to the following:

1. *A permitting process for dispensing cooperatives and collectives*
2. *Permitting renewals*
3. *The zoning of dispensing medical marijuana collectives and cooperatives*
4. *Distance requirements to be placed on dispensing collectives and cooperatives*
5. *Not-for-profit operation requirements*
6. *Security*
7. *Lighting*
8. *Hours of operation*
9. *Signage*

Attachment 1 contains the full text of the Task Forces land use recommendations.

The LU&H Committee requested that the following changes be integrated into a land use ordinance as drafted by the City Attorney:

1. *All applications will be subject to a Process 4 Conditional Use Permit (CUP)*
2. *Proof of non-profit status required for the CUP*
3. *Eliminate Commercial Neighborhood and Commercial Visitor zones from the list of allowable zones. Any commercial zones must be without residential uses*
4. *Provide analysis of the IL3 and IS zones, as detailed in Councilmember Faulconer's memo*
5. *Additional consideration must be given to the zones with Planned District Ordinances*

6. *Distance Requirement of 1000 feet from the uses described in the Task Force Report, including distance between dispensaries*
7. *Additional distance requirement of 1000 feet for parks and places of worship*
8. *Existing dispensaries must come into compliance with the new ordinance*
9. *Clear definitions provided for terms describing distance requirements*
10. *Full cost recovery to mitigate any costs borne by the City*

(Source: LU&H Council Minutes)

The Task Force's additional recommendations as presented at the April 28th, PS&NS Committee meeting (Report No. 10-060) were the following:

1. *The establishment of a cost-recovery fee*
2. *Adoption of the Task Force's definition of a non-profit operation*
3. *Verification of non-profit operation though evidence of operation in a non-profit manner with a certified audit of a collective's operations upon request by the City*
4. *The documentation and definition of a closed-system operation*
5. *Background checks for dispensary directors, managers, and other employees*
6. *Prohibition of employing minors*
7. *Restrictions on dispensing medical marijuana to qualified patients under 18*
8. *Prohibition against physicians' consultations at dispensaries*
9. *Restrictions on medical marijuana transportation*
10. *Packaging and labeling of medical marijuana*
11. *Patient advisory for edible products and concentrates*
12. *Applicability of patients' bill of rights to medical marijuana patients*
13. *Revisions to the existing San Diego Municipal Code Provisions relating to medical marijuana*

Attachment 2 documents the full text for the non-land use recommendations.

The IBA has evaluated each of the Task Force's regulatory recommendations for the appropriate departmental jurisdiction within the City that would undertake the administrative and regulatory oversight as recommended by the Task Force and LU&H. Our review determined that there are existing regulatory structures within the Department of Development Services, the Police Department, and the Treasurer's Office that are appropriate to address the recommended regulatory actions. This can be illustrated particularly with an examination of regulatory systems for businesses that sell regulated substances within the City.

<u>Police Department Regulatory Process</u>
Businesses that sell tobacco products are required to receive a police permit to operate within the City. As a police regulated business, tobacco product retailers are subject to investigation and regulation in order to qualify for a police permit allowing them to

conduct business within the City. In the application process, the applicant must supply information for background verification, and the Police Department has the authority to grant or deny a police permit based a review of the applicant's fitness to operate a tobacco retail business. The Application Fee for a Tobacco Retailer Permit is $104, with a Regulatory Permit Fee of $108, totaling $212 for an initial application. Late and penalty fees apply with noncompliance.

Per Section 33.0101 (b) of the City of San Diego Municipal Code:

> *All police-regulated occupations and business, and all persons conducting or proposing to engage in a police-regulated occupation or business, are subject to any investigation and regulation required by this Article as a prerequisite to the granting of a police permit to conduct the occupation or business.*

Per Section 33.0103 (a):

> *The Chief of Police shall make, or cause to be made, regular inspections of all police-regulated businesses. Any peace officer shall have free access to any police-regulated business during normal operating hours. It is unlawful for any permittee or employee to prevent or hinder any peace officer from conducting an inspection.*

Also, in Section 33.0307 of the Municipal Code, it stipulates that the applicant should bear the costs of investigating and processing a permit application by the Police Department.

The regulatory structure existent within the Police Department's Permits & Licensing Unit for police-regulated businesses and occupations is appropriate for implementing the regulatory administration and enforcement outlined in recommendations 1 through 7, 9 and 13 as listed within this report, from the Task Force's Report 10-060.

Upon the receipt of an application for a Police Permit from a collective or cooperative, the department would have 30 days to review the application which would include background checks and the applications compliance with the conditions within the regulatory purview of the department. The permit would be subject to an annual review.

The receipt of proof of non-profit status could fall within the purview of the Police Department, though it is unclear in the Task Force's recommendations as to what documentation will be required. The State Attorney General "Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use" (August, 2008) also does not specifically delineate the proper documentation necessary to prove the establishment of a non-profit operation by collectives and cooperatives. Collectives and cooperatives can choose to register as a mutual benefit corporation with the California Secretary of State's

Office. A mutual benefit corporation is defined by the State as a non-profit that is formed for purposes "other than religious, charitable, civic league or social welfare purposes." Such a registration is not a requirement under the State Attorney General Guidelines. Further uncertainty remains regarding an appropriate federal non-profit status given that the sale of medical marijuana is not recognized as a legal activity by federal law.

The costs of administering regulatory oversight of medical marijuana collectives and cooperatives by the Police Department would be based on the number of hours required by staff to meet the regulatory demands within the final ordinance. The Police Department will have to evaluate the level of staff time that would be required to meet the regulatory demands. Estimates would incorporate the time necessary for background checks, inspections, administrative duties, as well as initial and ongoing non-personnel costs such as office supplies, vehicle use, and office equipment.

As an example, the fees charged to recover the cost of tobacco retailer's ordinance regulations to the Police Department are based on an assumed cost of $285,901 per year, as of 2008. This cost assumes Permits & Licensing staff hours from a Police Code Compliance Officer, a Public Information Officer, a Clerical Assistant II, and a Police Officer II Detective and Sergeant Detective for enforcement, in addition to non-personnel expenses.

Development Services Department (DSD) Regulatory Process

As with the Police Department, the Development Services Department also has an existing regulatory structure pertaining to the regulation of a business that sells a regulated substance. Per Section 141.0502 of the Municipal Code, certain alcoholic beverage outlets are subject to administrative review as a part of the application process for a Beer and Wine or General Liquor License with the California Department of Alcoholic Beverage Control. Such a review involves verifying that the outlet meets location specifications relating to the crime rate, distance from other outlets, distance from sensitive uses, and residential property. The fees associated with this application process with DSD are: a $591.00 Application and Review Fee, $20.00 Records Fee, and $10.00 Mapping Fee.

If a proposed alcoholic beverage outlet does not comply with the conditions outlined in the Municipal Code, the applicant can pursue approval through a Conditional Use Permit (CUP) Process 3 decision process. A Process 3 approval involves a staff level review of the application and plans submitted by the applicant, and a Hearing Officer Hearing. Appeals are filed to the Planning Commission or the Board of Zoning Appeals, with an appeal hearing with the Planning Commission or the Board of Zoning Appeals. The cost of the Conditional Use Permit process varies for the applicant depending on a number of factors that are explained in further below.

The land use recommendations from the Task Force, as modified by LU&H, align with existing regulatory structures within DSD. As outlined by the Land Development Code, a Process 4 involves a DSD staff review, a Planning Commission Hearing, with appeals filed to the City Council, and an appeal hearing by the Council. DSD staff would review the application from a collective or cooperative to determine its compliance with outlined conditions for operation.

The administrative and regulatory costs borne by DSD for the review and regulation of collectives and cooperatives would differ for each application. The Development Services Department has recently indicated that obtaining a Conditional Use Permit for medical marijuana collectives and cooperatives could cost from $25,000 - $35,000 for staff time for each application. This is a preliminary estimate as the cost would vary depending on a number of factors including the regulations imposed, level of controversy involved, public contact, and the associated appeals. Less controversial permit processes would cost much less.

For the applicant to initiate a Conditional Use Permit process, an initial deposit of $8,000 would be paid. Staff time would be charged against the deposit. Additional deposits would be required with subsequent review and additional administrative charges. Per DSD, the typical rate for staff time can range between $140-$170 per hour depending on the level of review and type of staff involved. Payment of set fees in accordance with the DSD fee schedule would be required in addition to that related to the CUP process depending whether the application involves other development activity requiring additional permits. For example, such would be the case if the application involved tenant improvements.

Using the lower end of DSD's preliminary regulatory cost estimate and the current number of potential collective and cooperative applicants of 90, the total administrative and regulatory costs to DSD could be an estimated $2.3 million.

Treasurer's Office

For both of the regulatory processes described above, the Treasurer's Office has an integral roll as a typical first point of contact with the Business Tax Certificate application process. As a component of the Business Tax Certificate application process, DSD reviews the appropriate Use Category for the proposed business location in accordance with the Land Development Code, and the use compliance with zoning regulations. Upon a determination that a business is in compliance with the Land Development Code and fits within an existing use category, DSD will issue a Zoning Use Certificate. The issuance of a Zoning Use Certificate is necessary for the final approval for a Business Tax Certificate to establish a business within the City. If DSD does not issue a Zoning Use Certificate, the Treasurer's Office cannot issue a Business Tax Certificate to permit the existence of the business within the City.

For applicants applying for a business tax certificate for a police regulated business, the Treasurer's Office informs the applicant that a separate police regulated business permitting process is required beyond the Business Tax Certificate application process, and they will refer them to the Police Department to initiate the application process. The Office will also inform the Police Department of the applicant's intent to file an application.

The current business tax rate that would apply to collectives and cooperatives within the City of San Diego is $34 dollars for establishments with 12 or fewer employees, and for larger establishments, $125, plus $5 dollars per employee. Currently the Police Department estimates that there are at least 90 store-front medical marijuana collectives/cooperatives within the City. Assuming that each of these establishments has less than 12 employees, and each is legally recognized, $3,150 in tax revenue would be collected for the City with the current business tax structure.

Options for Integrating Development Services Department and Police Department Permitting Processes

Given the appropriateness of the involvement of both the Development Services Department and Police Department in separate aspects of the Task Force and Committee recommendations, consideration should be given to the collaboration among the two separate processes.

If the existing regulatory structure were applied in implementing the current recommendations, collectives and cooperatives would first apply with the Treasurer's Office to get a Business Tax Certificate. DSD would begin its Zoning Use Certificate review with approval resulting from the outcome of a Conditional Use Permit process. The applicant would begin a separate licensing and permit application process with the Police Department. As an alternative, the Conditional Use Permit process by DSD could require that the applicant obtain a Police Permit as a condition to be met in the staff review of the application. The Development Services Department, the Police Department, and the Treasurer's Office will have to work to determine the most effective and efficient manner to conduct the various permitting processes across their departments.

Verification of Non-Profit Operation

As part of its recommendations presented to PS&NS on April 28, 2010, the Task Force recommended that upon request from the City, collectives should file a certified audit of its operations with the City Comptroller Office. Whether the review of these documents is appropriate for the Comptroller's Office is not certain. The Comptroller's Office is tasked with providing oversight of fiscal management within the City operations. The professional services that it provides are attestation services, internal control reviews, performance reviews, fraud/loss, investigations and special projects. Though the review of audited financial statements from collectives may fall under attestation services, it may

not be suitable for the office given that, unlike the Development Services Department and the Police Department, the City Comptroller's Office has no regulatory authority. It would be more fitting for a city department with regulatory authority to review the filings. The Police Department's Narcotics Section, in working with the Economic Crimes Section, has the ability to review financial statements where criminal activity is suspected. If deemed appropriate, a staff person within a regulatory department such as the Police Department could be appointed to review the audits as a part of the annual police permit renewal process.

Other Task Force Recommendations

In a May 21, 2010 report from the City Attorney to the Public Safety and Neighborhood Services Committee regarding the recommendations from the Task Force outside of land use and zoning, the City Attorney noted concerns on how to apply City regulatory oversight to the recommendations relating to packaging and labeling, patient advisory for edible products and concentrates, and the applicability of the Patients' Bill of Rights to medical marijuana patients. For this report, the IBA has not provided specific recommendations regarding the appropriate City departmental jurisdiction to oversee associated regulations for these recommendations. Federal, State, and/or County regulatory oversight may apply.

Also as identified in the City Attorney May 21, 2010 report, although the Task Force recommendation that physicians are prohibited from conducting consultations at dispensaries is a part of the recommendations presented to PS&NS, it can be incorporated into a CUP process as a land use and zoning regulation.

Sales Tax Revenue

In February 2007, the State Board of Equalization (SBOE) issued a special notice clarifying that medical marijuana sales are subject to sale and use taxes and that sellers of medical marijuana are required to apply for and hold a seller's permit. Those that fail to obtain a seller's permit or do not report and pay sales and use taxes are subject to interest and penalty charges. A January 2010 special notice to sellers of medical marijuana highlighted that sales made without a seller's permit are subject to a look-back period of eight years. According to the SBOE, compliance levels for the attainment of seller's permits statewide are not high.

In general, the City of San Diego receives 1% of the 8.75% of sales tax that is generated for all taxable sales transactions within the City. The tepid climate within the City relating to the legal recognition of medical marijuana collectives and cooperatives, has likely contributed to low seller's permit compliance rates within the City. An effort to audit sales tax remittances to the State to indentify establishments that do not have seller's permits and/or are not collecting and remitting taxes could recover sales and use tax due to the City. Currently, information on the average medical marijuana sales by collectives and cooperatives within the City is unknown given the limited information

currently reported at this time. This information is needed to calculate potential annual sales tax receipts.

Fee and Tax Exemptions Associated with Non-Profit Status

Per The State Attorney General's August 2008 "Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use," it is stipulated that collectives and cooperatives are to operate in a non-profit manner to ensure lawful operation. As noted in IBA Report 10-15, within the San Diego Municipal Code, there is specific language exempting certain non-profit organizations from being required to pay business taxes, police permit fees, and processing fees or deposits for Conditional Use Permits. Those sections of the Municipal Code as pertaining to (1) business taxes, (2) police permits, and (3) development permits follow, respectively.

(1) §31.0201 Exceptions — Charities — Public Well–Being

No business tax shall be levied nor certificate of payment be issued under the provisions of this Article to any of the following:

(a) Any charitable institution, organization or association organized and conducted exclusively for charitable purposes, and not for private gain or profit. The issuance by the California Franchise Tax Board of a certificate of exemption from state income taxation shall conclusively establish the exempt status of any such entity.

(2) §33.0601 Exempt Institutions

The provisions of this Article shall not be construed to require the payment of any permit fee by any federal, state, county or municipal organization, or any non–profit organization, organized and qualified under the laws of the United States or California as a tax–exempt organization. The issuance of a tax– exempt certificate by the California State Franchise Tax Board shall be conclusive evidence of such exempt status.

(3) §112.0203 Waiver of Fees or Deposits

(b) Processing fees or deposits for Conditional Use Permits and Neighborhood Development Permits are waived for nonprofit institutions or organizations whose primary purpose is the promotion of public health and welfare and who have qualified for federal tax benefits. This waiver does not apply to institutions or organizations in circumstances in which the City is precluded by the California Constitution from making a gift of City funds.

Each of these sections of the Municipal Code must be dealt with separately to make a determination of whether medical marijuana collectives and cooperatives qualify as exempt operations, and therefore preclude them from the collection of business taxes and permit fees.

If the City Council were to decide to establish a regulatory process for the existence of collectives and cooperatives in the City, it would have to address policies regarding the imposition of fees and taxes. Depending on the Council's direction, the City Attorney would have to review the legal distinctions regarding the exclusion of collectives and cooperatives from exempt status. As appropriate, this issue must be addressed as part of the ordinance outlining the regulatory process for collectives and cooperatives.

CONCLUSION

The IBA evaluated each of the Task Force's regulatory recommendations for the appropriate departmental jurisdiction within the City that would undertake the administrative and regulatory oversight as recommended by the Task Force and LU&H. Our review determined that there are existing regulatory structures within the Development Services Department, the Police Department, and the Treasurer's Office that are appropriate to address the recommended regulatory actions. These departments will have to work to determine the most effective and efficient manner to conduct the various permitting processes across their departments.

The identification of the costs and a recommendation for specific cost recovery fees for the regulation of medical marijuana collectives/cooperatives would require a determination of the specific requirements and departmental responsibilities as outlined within a future City Ordinance. Where an appropriate fee structure does not already exist, the identified City departments will need to conduct a fee study to assign costs to their required administrative and/or regulatory duties, based on the specific personnel or non-personnel costs particular to each.

[SIGNED]

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Attachments:

1. Medical Marijuana Task Force Recommendations for Land Use and Zoning
2. Medical Marijuana Task Force Recommendations reported at the April 28, 2010 Public Safety & Neighborhood Services Committee Meeting

Medical Marijuana Task Force Recommendations for Land Use and Zoning

(Source: Report 09-165)

• ***Permitting process for dispensing cooperatives and collectives:*** *The Task Force recommends that the City of San Diego implement a two-tiered permitting system for medical marijuana cooperatives and collectives, whereby dispensing cooperatives and collectives with less than 100 members may obtain a use permit through a Process 2 as described in Chapter 11 Article 02 Division 5 of the San Diego Municipal Code and dispensing cooperatives and collectives with 100 or more members must obtain a use permit through a Process 3 as described in Chapter 11 Article 02 Division 5 of the San Diego Municipal Code.*

• ***Permitting Renewals:*** *The Task Force recommends that conditional use permit expiration and renewal for dispensing collectives and cooperatives follow the process outlines in Chapter 12 Article 6 Division 3 of the San Diego Municipal Code.*

• ***Zoning of Dispensing Medical Marijuana Collectives and Cooperatives:*** *The Task Force recommends that dispensing cooperatives and collectives be allowed to locate (by permit as outlined above) in the following zones under the City of San Diego Municipal Code: Commercial – Regional (CR), Commercial – Office (CO), Commercial – Community (CC), Commercial—Neighborhood (CN), Commercial – Visitor (CV), Industrial –Park (IP), Industrial – Light (IL) and Industrial – Heavy (IH).*

• ***Distance requirements to be placed on dispensing collectives and cooperatives:*** *The Task Force recommends that the dispensing cooperatives and collectives within the City of San Diego shall not be located: (a) within a 1,000-foot radius of schools, playgrounds, libraries, child care facilities, and youth facilities, including but not limited to youth hostels, youth camps, youth clubs, etc., and other similar uses; and dispensing cooperatives and collectives within the City of San Diego shall not be located (b) within a 500-foot radius of other dispensing cooperatives and collectives.*

• ***Not-for-Profit Operation:*** *The Task Force recommends that the City require dispensing collectives and cooperatives to submit, as part of their application for a conditional use permit, evidence that they are incorporated as statutory cooperatives or bona fide nonprofit corporations, or documentation outlining their plans for operating in a not-for-profit manner, as contemplated by the Attorney General's guidelines.*

• ***Security:*** *The Task Force recommends that the City of San Diego require medical marijuana cooperatives and collectives to have an adequate and operable security system that includes security cameras and alarms and for a licensed security guard to be present at the cooperative or collective at all times during business hours. All security guards must be licensed and possess a valid Department of Consumer Affairs "security guard card" at all times.*

• ***Lighting:*** *The Task Force recommends that the City of San Diego adopt the following*

use requirement with regard to lighting for medical marijuana cooperatives and collectives: lighting shall adequately illuminate the dispensing cooperative and collective, its immediate surrounding area, any accessory uses including storage areas, the parking lot, the dispensing cooperative and collective's front facade, and any adjoining public sidewalk; and lighting shall be hooded or oriented so as to deflect light away from adjacent properties.

• ***Hours of Operation:*** *The Task Force recommends that the hours of operation for medical marijuana cooperatives and collectives shall be limited to 7:00 A.M. to 9:00 P.M. seven days a week.*

• ***Signage:*** *The Task Force recommends that the City of San Diego place the following use conditions on the signage of dispensing cooperatives and collectives: (a) all signage shall comply with San Diego's current ordinance as described in Chapter 14 Article 2 Division 12 of the San Diego Municipal Code (b) That signs will remain limited to the name of the establishment and the design limited to two colors. (c) That all dispensaries shall display on their wall sign or identification sign, the name and emergency contact phone number of the operator or manager in letters at least two inches in height. (d) That dispensaries shall post a legible indoor sign in a conspicuous location containing the following warnings: (i) That the diversion of marijuana for non-medical purposes is a violation of state law; (ii) That the use of medical marijuana may impair a person's ability to drive a motor vehicle or operate machinery; and (iii) That loitering on and around the dispensary site is prohibited by California Penal Code section 647(e).*

Attachment 2

Medical Marijuana Task Force Recommendations reported at the April 28, 2010 Public Safety & Neighborhood Services Committee Meeting

(Source: Report 10-060)

• ***Establishment of a Fee:*** *The Task Force recommends that the City adopt cost-recovery fees for medical marijuana cooperatives and collectives pursuant to the City of San Diego's process for determining and establishing cost-recovery fees.*

• ***Definition of Non-Profit Operation:*** *The Task Force recommends that the City adopt the following standard to determine whether medical marijuana cooperatives and collectives are operating in a non-profit manner in compliance with State law:*

No collective shall operate for profit. Cash and in-kind contributions, reimbursements and reasonable compensation provided by members towards the collective's actual expenses for the growth, cultivation and provision of medical marijuana shall be allowed in accordance with State Law. All such cash and in-kind amounts and items shall be fully documented. "Reasonable compensation" shall mean compensation for directors, managers and/or other employees commensurate with reasonable wages and benefits paid to employees of IRS-qualified non-profit organizations who have similar descriptions and duties. The payment of a bonus shall not be considered "reasonable compensation."

• ***Verification of Non-Profit Operation:*** *The Task Force recommends that on an annual basis each collective be given the opportunity to provide evidence of its operation in a non-profit manner to the City during the previous year. Upon request by the City, each collective shall file with the City Controller an audit of its operations of the previous calendar year, completed and certified by an independent certified public accountant in accordance with generally accepted auditing and accounting principles.*

• ***Documentation and Definition of Closed-System Operation:*** *The Task Force recommends that medical marijuana cooperative and collective applicants shall document closed system operations pursuant to the Attorney General's guidelines. As such, it is expected that all collective members are potentially growers and can grow for themselves as they are able or as they choose. Collective members are expected to bring the excess medical marijuana from their own personal grows to the collective where they may be compensated by cash or trade in-kind. Certain collective members choose that their sole support to the cooperative effort will be to contribute their time and expertise in growing medical marijuana for the collective. Growers are compensated for their time and expenses in growing for the collective when the harvest is brought to the dispensary. Other members may participate in the cooperative cultivation of the medical marijuana, however the growers are responsible and compensated by the transaction amount to be paid by other members of the collective as their contribution to the cultivation of the medicine. Members may offer labor at any point in the cultivation cycle as their skills and choices allow and as opportunity permits.*

• ***Background Checks for Dispensary Directors, Managers, and Other Employees:*** *The Task Force recommends that LiveScan fingerprinting be required of all potential*

directors/managers/staff of dispensaries. Those who have been convicted of violent felonies or convicted of crimes of moral turpitude within the past seven (7) years shall be excluded from being directors, managers or staff of dispensaries.

• ***Prohibition of Employing Minors:*** *The Task Force recommends that dispensing collectives and cooperatives be prohibited from employing individuals under 18 years of age.*

• ***Restrictions on Dispensing Medical Marijuana to Qualified Patients Under 18 Years of Age:*** *The Task Force recommends that qualified patients 18 or older or parents/legal guardians of a minor who is a qualified patient may obtain medical cannabis for the patient. It is acknowledged that medical marijuana may be dangerous in the hands of juveniles and the use must be appropriately supervised by a parent or legal guardian.*

• ***Prohibition Against Physicians' Consultations at Dispensaries:*** *The Task Force recommends that dispensing medical marijuana collectives and cooperatives be prohibited from offering physician's consultations and recommendations on dispensary premises.*

• ***Restrictions on Medical Marijuana Transportation:*** *The Task Force recommends that medical marijuana may be transported only by patients, caregivers or a member of a collective.*

• ***Packaging and Labeling:*** *The Task Force recommends that (a) all packaging of medical marijuana be sealed in an airtight manner and (b) a label be affixed to the package containing the following information: Patient's name; Dispensing date; Name of product; Product ingredients; It must be used as recommended; It must be kept out of reach of children; Patients must not operate heavy machinery while under the influence of medical marijuana; It is prohibited to sell or transfer medical marijuana to non-patients; The product is intended for medical use only as stated under the California Health and Safety Code Section 11362.5; Any use instructions and warning.*

• ***Patient Advisory for Edible Products and Concentrates:*** *The Task Force recommends that the warning on the use of edible products and concentrates contained in Attachment A be posted on a wall in the dispensary and that edible products and concentrates must be labeled with an appropriate warning label.*

• ***Applicability of Patients' Bill of Rights to Medical Marijuana Patients:*** *The Task Force recommends that the City acknowledge that the Patients' Bill of Rights applies to medical marijuana patients.*

• ***Revisions to Existing San Diego Municipal Code Provisions Relating to Medical Marijuana:*** *The Task Force recommends that the City of San Diego revise existing municipal code provisions relating to medical marijuana in accordance with Attachment B.*