

**MARIJUANA COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
MINUTES**

August 27, 2015, 6:00 PM.
Municipal Building - Assembly Chambers

I. ROLL CALL

The meeting was called to order by Chair Jesse Kiehl at 6:00 p.m.

Committee Members Present: Mary Becker, Maria Gladyszewski, Jesse Kiehl, Bill Peters.

Committee Members Absent: Mike Satre, Dennis Watson.

Staff Present: Amy Mead, Municipal Attorney; Rob Steedle, Deputy Manager; Laurie Sica, Municipal Clerk; Teresa Wynther, Deputy Treasurer; Clinton Singletary, Sales Tax Administrator; Chrissy McNally, Planner.

II. APPROVAL OF AGENDA

Hearing no objection, the agenda was approved as presented.

III. APPROVAL OF MINUTES

A. August 13, 2015 DRAFT Marijuana Committee Minutes

Hearing no objection, the minutes of the August 13, 2015 Marijuana Committee meeting were approved.

IV. PUBLIC PARTICIPATION

Ben Wilcox said regarding limiting licenses, he read from the Juneau Economic Development Plan about the importance of attracting new businesses to Juneau and spoke in favor of marijuana businesses. He referred to the brewery, which is an example of light manufacturing, with higher wages and which keeps people in the community. Any further restriction of licenses than what will be imposed by the State of Alaska would go against the intent of the economic development plan. There were plenty of barriers to the marijuana business already.

Adam Burke spoke against restricting the number of marijuana retail licenses. The retail stores in Colorado and Washington are very difficult to find because they don't stand out. When there are a limited number of licenses, there is more opportunity for corruption regarding who is able to obtain a license. The market would decide how many establishments could prosper. He spoke about his concern about plastic pollution from individually wrapped edible products.

V. AGENDA TOPICS

A. Effects on Treasury of Marijuana Businesses, CBJ Finance Department Memorandum

Theresa Winther, Deputy Treasurer spoke about her memo regarding how the CBJ Treasury division would handle an all cash business. CBJ could accept cash, and could deposit the cash no matter the source into the bank. There would need to be additional controls regarding the handling of additional cash. Until Federal Banking regulations changed, the Treasury department preferred to take cash from marijuana based businesses, and not accept checks from those businesses as a form of payment.

Mr. Kiehl asked about the additional staff work to handle cash and in terms of managing workflow, did the treasury have sufficient staff. Ms. Winther said the staff was adequate currently, and the information she

provided about additional controls was from Colorado and was based upon dispute resolution, in that two people were required to count the cash. There are currently two staff up front in the cash office. The process was to ensure the control of funds.

Mr. Kiehl said the state regulations required growers remitting the wholesale excise tax to remit monthly, and asked if there were concerns about quarterly payments from sales tax being too large? Ms. Winther said it would require coordination of several divisions of finance to ensure the funds were secure.

Ms. Becker asked if the license and sale tax funds went in the same "pot" and how those payments would be separated. Ms. Winther said that CBJ had a central treasury and accounting allocated the revenue to the various funds. She said there was no reason for the bank to prohibit CBJ from depositing cash regardless of the source, and she could ask the bank if there was any risk that they would ask us to segregate any payments. We have a good working relationship with the bank and they know we want to minimize risk.

Ms. Gladziszewski said that perhaps the question was that the money from marijuana should be segregated into a separate account and then separately deposited.

Mr. Kiehl asked for information back from the appropriate staff person about segregating funds.

B. Local Licensing of Marijuana Businesses, CBJ Finance Department

Mr. Singletary said there had been discussion about licensing marijuana establishments specifically and/or licensing all CBJ businesses. Business licenses provided a tool for additional compliance and the intake of license fees. If used as a compliance tool, you would need to look at how many of the CBJ departments and their associated fees could be leveraged in the enforcement of a license. The broader the scope can increase compliance, and can complicate it. Anchorage has a limited license program ranging in cost for \$100 to 300. Skagway requires all merchants to get a \$10 license annually. They have about 800 merchants. Another consideration is what the state would do in requiring licenses, similar to the liquor licenses, which had turned out to be a good enforcement tool for the municipalities.

Mr. Kiehl said the state contemplated an inventory tracking system. He asked Mr. Singletary if CBJ would need something in addition to that or just have access to those records in regards to recordkeeping. Mr. Singletary said if the CBJ could access the state records, it would not need anything else. When CBJ audits businesses, we don't generally get to the inventory level, there were other checks and balances. When we do an audit, we have code authority to request records that would document sales.

Ms. Mead said the code was broad enough to look at anything related to sales and revenue, but it would behoove CBJ to request access to the state's records, because access to those records was fairly limited now. Mr. Kiehl asked if the records were confidential and not public, Mr. Singletary said yes.

Ms. Gladziszewski said that recordkeeping was an item to monitor and include in any future ordinance.

C. Set 3 of Proposed State of Alaska Marijuana Regulations with Summary

Mr. Kiehl asked the committee and Ms. Mead if there were any items within the regulations which raised questions or comments.

Ms. Mead said CBJ may wish to request access to the inventory tracking system, and to ask that violation of local laws be part of a state license review. She said that the marijuana club prohibition was included in this set of regulations.

Mr. Kiehl said that in the "Notices of Violation" section it appeared to allow the state to give an advisory notice but regarding a suspension or revocation of a license, he did not see the authority to suspend or revoke if the business was breaking a local law. Ms. Mead agreed. Mr. Kiehl said he thought that was something CBJ would want added to the regulations.

Ms. Gladyszewski asked for the deadline for comments. Mr. Kiehl said it was September 10. Mr. Peters noted that was the next schedule committee meeting date.

Mr. Kiehl said the testing requirements for marijuana and its products was not extremely well spelled out and at the AML conference, there were presentations from the State Marijuana Control Board and they spoke about testing for THC and potency. The question came up about whether they were writing regulations for the "rail belt" and the location and access to testing laboratories. There appears to be more testing required than just for THC, and a concern was access to testing labs so that products did not have to be moved illegally to be tested. There was also a concern about the efficacy of moving testing labs due to testing equipment becoming uncalibrated. It seemed like the testing requirements may limit the ability of the local laboratory businesses to test for more than THC, such as salmonella, or other chemical additives. He suggested that CBJ should propose a comment to ask the board to not ask for so much testing as it was not economically viable in Juneau.

Ms. Becker asked how Mr. Kiehl knew it was not economically viable. Mr. Kiehl said he had spoken with potential business owners who had made the comment that the testing equipment was very expensive, and he was concerned about a comment that it would only require a gas chromatograph that could be put on a plane or ferry.

Ms. Gladyszewski said the threshold should be product safety vs. economic viability, but she did not think testing should be reduced just because it was expensive. Ms. Becker said it would seem that growers would want to sell a safe product so as not to cause other issues with their business.

Mr. Kiehl asked the committee if it wanted to ask that the regulations require that the municipality have access to the records gathered by the state, including the marijuana inventory tracking system proposed. There was no objection to making that request.

There was no objection to asking that the regulations include that a license revocation or suspension include a review of compliance with local laws, not just state laws.

Mr. Kiehl said the board had shut off the possibility of marijuana clubs and CBJ recommended in the last set of regulations that the decision to allow or disallow marijuana clubs be left to the local municipalities.

Ms. Becker opposed that, and was concerned that this would open up the no smoking ordinance for reconsideration.

Ms. Gladyszewski supported the local control and not having the decision imposed by the State of Alaska.

Mr. Peters concurred and said it was a city issue, not a state issue, and CBJ would need to have this conversation given that we have a tobacco ordinance.

Ms. White supported this being a matter for local control.

Roll call regarding forwarding a comment that stated that allowing marijuana clubs should be a decision by the municipality, not the State of Alaska:

Aye: Gladyszewski, Kiehl, Peters, White

Nay: Becker

Motion passed, 4 ayes, 1 nay.

Ms. Gladyszewski said it was hard to know how to comment about the testing regulations and whether or not the regulations could only be complied with if in Anchorage. Ms. Mead said the only way to comment would be to ask the board to weigh implementation of the testing program so that the product was safe but not so stringent as to leave the community without a testing facility. There was no objection to making such a comment.

VI. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

Ms. Gladyszewski asked about local licensing and said she continued to believe that the local government needed a way to control our own destiny and not leave it up to a state board - especially after reading the regulations.

Ms. White said she agreed and advocated for local control on many of the issues.

Ms. Becker said once the law was passed, the program would be built around the law. She said that it was difficult to vote on the issues brought up at the meeting and felt the issues were pushed. She would like more explanation about the issues Mr. Kiehl brought up at the meeting before the meeting.

Ms. White said she doesn't want Ms. Becker to feel railroaded but these regulations are put out by 5 people looking at them from a statewide perspective and the more eyes the better, especially regarding local comments. This was about a public process of making these laws.

Ms. Mead said the beauty of a license was telling people that they couldn't operate without one. We have other methods to enforce compliance with anything we want to require. Some communities build in injunctive relief to be able to shut down businesses. When the committee decided what it wanted to require, she could provide ideas on enforcement.

Mr. Kiehl spoke about the timing of the regulations, the local law establishments and said he planned to meet with the Law Department to pull together a local licensing ordinance based on the committee's work to date. If there were issues to include, he encouraged the committee to get those thoughts to him, so that there could be full consideration of the issues through the public ordinance process. He wants to respect the interest on the part of local businesses that want to move forward so they understand how the local laws would work. It would take time to create the ordinance and the time was getting short.

VII. SUPPLEMENTAL MATERIALS

A. City and Borough of Juneau 500 Foot Buffer Maps

There were no questions about the maps distributed.

B. Finance Department Memo - regarding Business Licensing Program

Discussion on the matter was reflected above.

VIII. ADJOURNMENT

There being no further business to come before the committee, the meeting adjourned at 7:30 p.m.

Submitted by Laurie Sica, Municipal Clerk