

AUDIT REPORT
Mayor's Office
Office of Marijuana Policy
October 2016

Office of the Auditor
Audit Services Division
City and County of Denver



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October 20, 2016

AUDITOR'S REPORT

We have completed an audit of the Office of Marijuana Policy (OMP). The purpose of the audit was to determine the extent to which OMP accomplishes its mission. We also assessed the effectiveness of OMP's governance structure, specific policy initiatives, and the City's process for determining how to allocate marijuana tax revenue.

As described in the attached report, our audit revealed that OMP is widely considered an important addition to the City that has established strong working relationships between City agencies. However, we found that OMP could increase its efforts for more transparent and collaborative management regarding marijuana tax revenue and marijuana policy.

Through further collaboration with the Budget and Management Office to identify and practice a more transparent method of using marijuana tax revenue, OMP will address community concerns regarding how marijuana tax revenue is used. Further, by strengthening its outreach efforts to the marijuana industry and the community regarding the development and enforcement of marijuana policy, OMP will be consistent with its mission and best practices regarding citizen engagement. Finally, OMP can improve its ability to demonstrate its value by better documenting certain internal activities.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, *General Powers and Duties of Auditor*, and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend appreciation to the Office of Marijuana Policy and the personnel who assisted and cooperated with us during the audit.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



Office of Marijuana Policy October 2016

Scope

The audit assessed the Office of Marijuana Policy's (OMP's) governance structure, specific policy initiatives and programs since 2014, and the City's processes for allocating marijuana tax revenue.

Background

Established in 2014, OMP's mission is to recommend, administer, and implement policies; oversee and coordinate City agencies; and act as a liaison between the City and other local, state, and federal officials, agencies, and stakeholders. To accomplish this, OMP works closely with various City agencies regarding marijuana regulation, enforcement, and education. OMP's appropriated 2016 budget was \$1.2 million. As stewards of marijuana policy in Denver, OMP personnel work closely with City agencies to ensure that the City complies with multiple layers of federal, state, and local laws regarding marijuana.

Purpose

We sought to assess the extent to which OMP accomplishes its mission. We also examined the effectiveness of OMP's policy initiatives and the City's process for determining how to allocate marijuana tax revenue.

REPORT HIGHLIGHTS

Highlights

Our audit found that OMP is a valued addition to the City's organizational structure and has accomplished a great deal in the two years since it was established. City agencies, with which OMP works closely to accomplish its mission, report strong collaborative relationships with OMP personnel. Additionally, OMP's strategic planning efforts place it ahead of benchmark cities we reviewed. However, despite these strengths, we identified several areas where OMP could work towards increasing transparency and collaboration regarding the City's marijuana tax revenue and marijuana policy.

First, we identified a lack of transparency with regard to the City's use of marijuana tax revenue. Specifically, most of this revenue is allocated for other City services through the City's General Fund and is not budgeted for marijuana-related expenditures. In addition, only \$9.1 million of the \$14 million in revenue from the Denver special retail marijuana sales tax—which is intended to support marijuana regulation, education, enforcement, public health and other expenses related to operating the City and its facilities—and part of the state shareback and licensing fees were budgeted for these priority areas in 2016. As a result, visibility to the specific use of those revenue dollars not budgeted for marijuana-related purposes is reduced.

Next, OMP could improve its outreach to marijuana businesses and the community, which is a fundamental part of its mission. Our focus group with representatives from the marijuana industry demonstrated that OMP's industry outreach activities—including regular electronic bulletins and quarterly check-in meetings—are not reaching a diverse representation of the industry. Further, our focus groups with registered neighborhood organizations (RNOs) and representatives from Denver Public Schools and youth advocacy groups highlighted several areas where OMP could improve its outreach to these entities.

Finally, OMP's tracking of its accomplishments should be strengthened. Two strategies from OMP's 2015 Strategic Plan were no longer being tracked, even though these strategies had not yet been implemented. Also, OMP does not formally document the outcomes of its various internal meetings, which reduces OMP's ability to demonstrate the value of these meetings.

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Or contact the Auditor's Office at 720.913.5000

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INTRODUCTION & BACKGROUND

Overview of Marijuana Legalization in Colorado

Medical marijuana has been legal in Colorado since 2000, when voters approved Amendment 20, which allowed the use of marijuana for patients diagnosed with certain medical conditions. After the amendment took effect in 2001, medical marijuana dispensaries began opening across the state. Although marijuana remains a Schedule 1 drug according to federal law, 25 of the 50 U.S. states and Washington, D.C., have passed laws legalizing the use of marijuana products in some form.¹

In November 2012, Colorado and Washington became the first states to pass ballot initiatives legalizing the possession of marijuana for recreational use under state law.² Both initiatives included provisions to allow for personal possession of up to one ounce of marijuana for anyone at least 21 years of age and required the states to establish regulatory and enforcement systems to control the production, processing, and sale of marijuana. Currently, four states—Alaska, Colorado, Oregon, and Washington—and the District of Columbia allow persons 21 years of age and older to buy, possess, and consume retail marijuana products up to a certain amount depending on where the marijuana is purchased or consumed.

Role of the Office of Marijuana Policy

The City and County of Denver’s (City’s) Office of Marijuana Policy (OMP) was established on January 1, 2014, with a mission of acting as a liaison between relevant City agencies and facilitating the creation of marijuana-related policies. This mission reflects a collaborative management approach to Citywide marijuana governance.

When OMP was first created, it did not have any funding allocated through the Mayor’s Budget, as noted in Table 1.

TABLE 1. Office of Marijuana Policy, Budget Allocations over Time

Category	2014 Actual	2015 Appropriated	2016 Appropriated	2017 Recommended
Budget	\$0	\$0	\$1,210,064	\$1,628,452

Source: Proposed Mayor’s 2016 and 2017 Budgets.

The Mayor appointed an Executive Director of Marijuana Policy to oversee and coordinate all marijuana-related activities taking place in City agencies that are involved in the management of marijuana and to collaborate with local, state, and federal agencies. To establish the funding necessary to create that Full Time Equivalent (FTE) position within OMP, an executive manager position was transferred from the Office of Safety Management to the Department of Excise and

¹ According to the U.S. Drug Enforcement Agency, “Schedule I drugs, substances, or chemicals are defined as drugs with no currently accepted medical use and a high potential for abuse. Some examples of Schedule 1 drugs include heroin, lysergic acid diethylamide (LSD), marijuana (cannabis), 3,4-methylenedioxymethamphetamine (ecstasy), methaqualone, and peyote.” Drug Enforcement Agency, accessed on September 12, 2016, <https://www.dea.gov/druginfo/dx.shtml>.

² Recreational marijuana is also referred to in the marijuana industry as retail marijuana and, as such, the terms *recreational* and *retail* shall be used interchangeably throughout this report.

Licenses in 2015. This person has since been leading the development of a Citywide policy for medical and retail marijuana. OMP expanded its staffing in 2016 when it grew from one employee to 3.5 FTEs.

The increase in funding from the General Fund in 2016, as shown in Table 1, breaks down as follows according to the Proposed Mayor's 2016 Budget:

- An increase in personnel in the form of a transfer of two positions from the Department of Excise and Licenses to OMP (\$420,100)
- A transfer of related services and supplies from the Department of Excise and Licenses (\$750,000)
- An increase for a City-initiated marijuana campaign regarding public consumption and youth usage (\$450,000)
- An increase for education and training related to marijuana (\$340,000)

The recommended \$400,000 increase in OMP's budget for 2017 is due to an increase in services and supplies to expand OMP's education campaign from half a year to one full year.

Marjuana Industry in Denver

A variety of different marijuana businesses operate within the City as can be seen in the following descriptions.

Medical Marijuana Center—A medical marijuana center, also called a dispensary, is a business selling medical marijuana or medical marijuana-infused products, such as edible products, ointments, and tinctures, to patients. Colorado state law allows a patient to purchase up to six immature marijuana plants from a medical marijuana center. Additionally, a center may sell immature medical marijuana plants to primary caregivers, other centers, or manufacturers of medical marijuana-infused products.

Retail Store—A retail store, or retail center, can sell marijuana products to anybody in the State of Colorado who is 21 years of age or older.

Optional Premises Cultivation and Retail Cultivation—An optional premises facility (OPC), also known as a grow operation, grows and cultivates marijuana plants. A grow operation may be located next to the business with which it is affiliated or it may be in a different location. A cultivation facility cultivates, prepares and packages, and sells marijuana to retail marijuana stores and to marijuana product manufacturing facilities but not directly to consumers.³

Marijuana-Infused Products—A marijuana-infused products (MIPs) business creates products infused with marijuana for medicinal or recreational purposes. These products can come in different forms, such as ointments or food, to allow patients or consumers, 21 years of age or older, to use marijuana in ways other than through smoking.

Marijuana Testing Facility—This is a laboratory facility that is licensed to test and provide quality assurance of medical and retail marijuana, including MIPs.

³ Colorado Constitution, Article XVIII, Section 16 (2)(h).

All marijuana businesses, regardless of type, must be licensed by the City. The City has more medical marijuana businesses than retail marijuana businesses with more than half of the licenses being issued in the medical category. Table 2 specifies the number of medical and retail marijuana licenses in the City since 2014.

TABLE 2. Number of Medical and Retail Licenses: 2014-2016

Date	Medical Licenses	Retail Licenses	Unique Locations
1/1/2014	731	270	454
1/1/2015	621	301	419
1/1/2016	657	392	453

Source: 2016 OMP Annual Report, “Collaborative Approach 2016: Leading the Way in Municipal Marijuana Management.”

In addition to the columns listing the number of distinct medical and retail licenses active in the City each year, Table 2 also includes a column indicating the number of unique locations. This is because a marijuana business can operate an unlimited number of related businesses under different entity names and without a consistent parent business name. Moreover, many MIPs or cultivation facilities do not carry a trade name. Even storefronts that may be owned by the same entity can possess different trade names. This makes it impossible to calculate a definitive number of marijuana businesses in the City. Therefore, the best proxy is to use “unique location” as an indicator to approximate how many marijuana businesses are located in the City.

Table 3 lists the number of locations, licenses, and storefronts in the six neighborhoods with the highest number of overall marijuana locations as of May 2016. It attempts to provide more detail to the previously used category “unique locations.” It shows information on the number of locations and licenses, which includes medical and retail marijuana businesses, cultivation facilities, MIPs and testing facilities. Lastly, the table offers information on the number of storefronts in a neighborhood that indicate that a business sells marijuana products. As Table 3 demonstrates, a single marijuana business can operate several licenses associated with the marijuana products it produces or sells in a single location. The location of all marijuana facilities—including retail, medical, MIP, and cultivation businesses—is shown in Appendices B and C. See Appendix D for a comprehensive list of marijuana licensing and location data.

TABLE 3. Top Six Locations of Marijuana Facilities throughout Denver as of May 2016

Neighborhood	Overall Locations	Overall Licenses	Storefronts
Elyria Swansea	45	133	12
Northeast Park Hill	44	119	10
Overland	38	78	14
Montbello	31	89	7
College View-South Platte	26	62	5
Valverde	25	54	10

Source: Department of Excise and Licenses.

Overview of Marijuana Legislation

Marijuana regulation and enforcement is subject to multiple layers of legal oversight including federal, state, and local laws and rules. See Appendix A for information on federal marijuana regulation and enforcement.

State Marijuana Regulation

The passage of Amendment 20 in November 2000 made Colorado the sixth state to legalize the medical use of marijuana.

Amendment 20—Under the act, individuals requesting medical marijuana for conditions such as cancer, glaucoma, cachexia, severe nausea, seizures, multiple sclerosis, and chronic pain associated with debilitating or medical conditions may register with the Colorado Department of Public Health and Environment (CDPHE) and obtain a registered medical marijuana patient card. Patients may also obtain a physician’s evaluation and official recommendation for the number of medical marijuana plants they are allowed to grow. The law allows individual patients the right to possess two ounces of marijuana and six marijuana plants or more if they have a physician’s recommendation. Physicians may recommend any amount they deem necessary for the patient’s anticipated treatment. Patients may grow the marijuana themselves or designate a caregiver to cultivate the plants and distribute the yield. A caregiver is allowed to have up to five patients and theoretically cultivate plants for each of them; the law also requires the caregiver to register with CDPHE.

Amendment 64—Colorado voters passed the Use and Regulation of Marijuana amendment (Amendment 64) in 2013 amending Article XVIII of the Colorado Constitution, which allows the recreational use of marijuana and licensing for cultivation facilities, product manufacturing facilities, testing facilities, and retail stores. The amendment required the Department of Revenue to create rules, regulations, and licenses to regulate retail marijuana, which resulted in the creation of the Retail Marijuana Code.

Amendment 64 also provides local governments with the opportunity to opt out of allowing marijuana facilities in their jurisdictions by passing an ordinance or through public vote. In addition, it gives local jurisdictions the power to regulate the time, place, manner, and amount of marijuana facilities within their vicinities.

Proposition AA—This ballot measure allowed voters to impose taxes on the retail sales of marijuana. The state received voter approval in November of 2013 to levy a 15 percent excise tax on all recreational marijuana sales in the state, starting in January 2014. The revenue from this tax was earmarked to fund school construction projects.

It also introduced a 10 percent sales tax to be imposed on retail marijuana sales in addition to the standard sales tax in Colorado of 2.9 percent and local taxes that may apply. Revenue derived from the 10 percent sales tax was intended to be used to fund the state’s administration, regulation, and monitoring of marijuana retail sales.

Proposition BB—The Colorado Taxpayer Bill of Rights (TABOR) requires the state to estimate how much revenue it expected from marijuana tax and its total tax revenue. Colorado voters

approved proposition BB in the November 2015 election. The measure allowed the state to retain approximately \$66 million in collected tax revenue that without the measure would have been returned to cultivators and taxpayers to comply with TABOR. Instead the state retained those monies and used them for school construction projects and state programs.

Colorado Medical Marijuana Code—The Colorado General Assembly passed bills in the 2010 and 2011 legislative sessions creating the Colorado Medical Marijuana Code.⁴ Collectively, these laws legalized medical marijuana centers and created a range of marijuana business-related regulations, which included limiting caregivers to provide for just five patients, with the prospect of approving more patients under a waiver, and creating a new regulatory body—the Medical Marijuana Enforcement Division under the state Department of Revenue.

Also, the law created a “seed-to-sale” inventory tracking system, allowed local jurisdictions to set their own rules on whether to allow marijuana businesses to operate in their municipality or county, and established local hours of operation, among other rule changes. In 2011, House Bill 11-1043 set stricter requirements for doctors recommending medical marijuana to patients and added a licensing requirement for businesses manufacturing infused products.⁵

Local Marijuana Regulation

Since the passage of Amendments 20 and 64, the City has adopted ordinances to regulate, license, and tax both medical and retail marijuana. To facilitate the process, OMP was created in 2014 to recommend, administer, and implement goals, objectives, and priorities related to marijuana policy for the City, and to ensure that the City’s policies are consistent with emerging local, state, and federal policies. The main sections in the Denver Revised Municipal Code (D.R.M.C.) dealing with the administration of marijuana on the local level are as follows:

OMP was created to recommend, administer, and implement goals, objectives, and priorities related to marijuana policy.

Denver Medical Marijuana Code, Article XII of the D.R.M.C.—This code provides guidance related to the rules and regulations that govern medical marijuana within the City. It includes, but is not limited to, sections on the relationship between this local code and the Colorado Medical Marijuana Code and other laws, licensing requirements, transfer of ownership, and license renewal. Based on the Colorado Medical Marijuana Code, Article 43.3 of Title 12, Colorado Revised Statutes (C.R.S.), counties and municipalities have the option whether to allow and license medical marijuana in their vicinities. Article XII of the D.R.M.C. allows the City to adopt licensing requirements that may be supplemental or even stricter than the requirements outlined in state law.

Denver Retail Marijuana Code, Article V of the D.R.M.C.—This section provides guidance related to the rules and regulations within the City for retail marijuana, and addresses marijuana-related issues similar to the Denver Medical Marijuana Code. The article specifically mentions that the

⁴ The bills creating the Code were HB 10-1284, SB 10-109, and HB 11-1043.
⁵ “Colorado’s Legalization of Marijuana and the Impact on Public Safety: A Practical Guide for Law Enforcement,” Police Foundation and the Colorado Association of Chiefs of Police, 2015, accessed on February 11, 2016, http://www.nccpsafety.org/assets/files/library/Legalized_Marijuana_Practical_Guide_for_Law_Enforcement.pdf.

City may use its “plenary authority as a home rule city and county to adopt and enforce ordinances under its police power in order to preserve the public health, safety, and general welfare.”⁶

City of Denver Additional Marijuana Sales Tax, Referred Question 2A—In November of 2013, Denver residents decided in favor of a ballot measure that authorized a City sales tax on retail marijuana and related products. The retail sales tax was set at 3.5 percent but the ballot measure included language that would allow the City to decrease or increase the rate without getting additional voter approval. In response to the ballot measure, Article II, Division 4, Section 53-86 specifically states that these tax monies are to be allocated towards the “payment of direct and indirect expenses related to licensing and regulation of the retail marijuana industry; enforcement of marijuana laws in general; educational and public health programs to mitigate any negative consequences associated with the consumption of marijuana and marijuana products; programs to prevent the illegal diversion of retail marijuana and retail marijuana products to persons under the age of 21; and to otherwise pay the expenses of operating and improving the city and its facilities.”

Recent Administrative Changes to the City’s Marijuana Code

City Council passed an omnibus bill on February 8, 2016, that resulted in several administrative changes to both of the City’s marijuana codes. The following is a non-exhaustive list of these changes:

- Medical Hours—Medical center hours shall be the same as retail store hours (8:00 a.m. to 7:00 p.m.)
- Proximity Measurements—Updated proximity measurements so that both medical and retail businesses will use the straight-line (as-the-crow-flies) method when measuring distance between locations
- Public Hearings—Added a public hearings requirement for medical marijuana centers, and added a stipulation that public hearings are also required for all applications to change the location of a retail marijuana store or a medical marijuana center
- Disciplinary Action Standards—Provided the Director of Excise and Licenses with the authority to restrict transfer of ownership if a licensee is subject to disciplinary actions

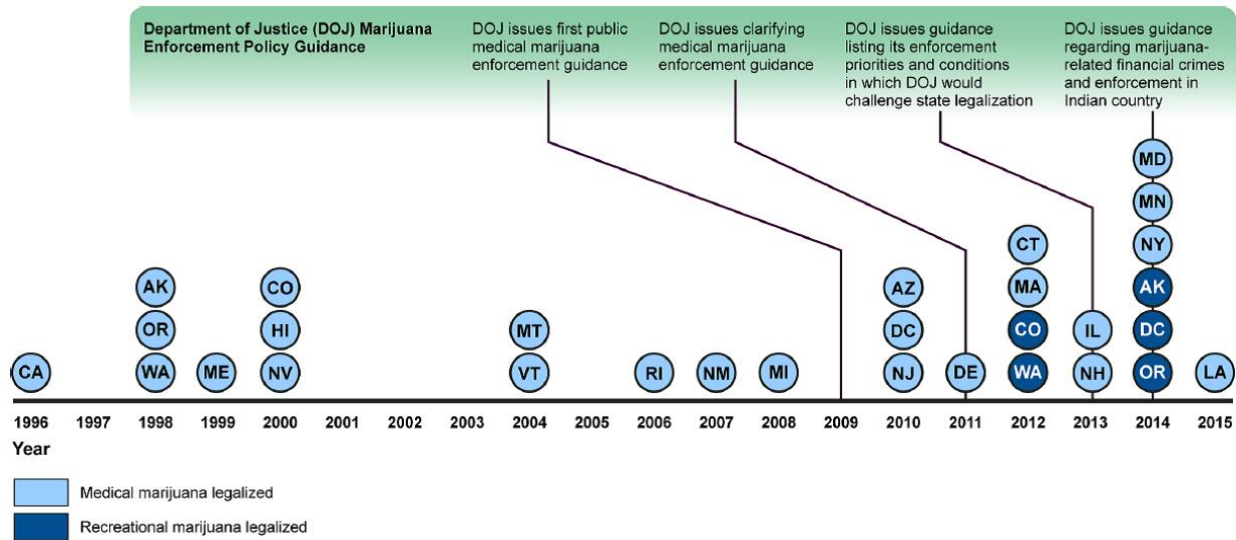
Also, on April 25, 2016, City Council passed changes to the City’s Retail Marijuana Code, which included the establishment of caps on the number of recreational marijuana businesses that can be located in the City. Specifically, sales and cultivation locations were capped at 467, sales-only locations were capped at 226, and cultivation-only locations were capped at 311.⁷

Figure 1 provides a timeline showing the years during which states (and the District of Columbia) passed measures legalizing medical and recreational marijuana under state law, and the years the DOJ issued Marijuana Enforcement Policy Guidance.

⁶ Article V, Denver Retail Marijuana Code, Section 6-200.

⁷ Once all of the pending applications are processed, a permanent cap number will be established.

FIGURE 1. Timeline of Marijuana Legalization in the U.S.



Source: Government Accountability Office, “State Marijuana Legalization: DOJ Should Document Its Approach to Monitoring the Effects of Legalization,” 2015, p. 12.

Future Potential Marijuana Legalization by State—In November 2016, Arkansas, Florida, Montana, and Missouri are scheduled to have voters decide on ballot measures that, if passed, will legalize medical marijuana. At the same time, voters in Arizona, California, Maine, Massachusetts, and Nevada will decide whether to legalize retail marijuana.

Marijuana Tax Revenue and Uses

Both medical and retail marijuana sales in Denver are taxed at the state and local levels but at different rates. Retail marijuana sales are taxed at a higher total rate of 21.15 percent while medical marijuana sales are subject to a total rate of 7.65 percent. Table 4 shows the breakdown of these tax rates.

TABLE 4. Medical and Retail Marijuana Sales Taxes Applied to Products Purchased in Denver

Medical Marijuana	Percentage
Denver Standard Sales Tax	3.65%
State Standard Sales Tax	2.90%
RTD Sales Tax	1.00%
SCFD Sales Tax	0.10%
Total Medical Marijuana Sales Tax	7.65%
Retail Marijuana	Percentage
Existing Sales Tax*	7.65%
Denver Special Sales Tax	3.5%
State Special Sales Tax on Retail Marijuana	10%
Total Retail Marijuana Sales Tax	21.15%

Source: 2016 OMP Annual Report.

Note: *Existing Sales Tax includes the standard sales taxes, RTD, and SCFD Sales Taxes.

Retail Marijuana Tax Rates and Uses

At the state level, retail marijuana sales are subject to a state special sales tax rate of 10 percent, which voters approved with the passage of Proposition AA. A portion of all state marijuana retail sales tax revenue is distributed to local governments that opted to allow the sale of marijuana in their jurisdictions.⁸ This mechanism, referred to as the “state shareback” is allocated based on the percentage of local retail sales.

Of the state retail sales tax revenue generated at the 10 percent rate, 85 percent is allocated to the Marijuana Tax Cash Fund. The Colorado Legislature created this fund in 2014 to spend standard state sales tax revenue collected on medical and retail marijuana sales in addition to the 85 percent of special sales tax revenue and any excise tax revenue that exceeds \$40 million. The monies must be spent on health care, health education, substance abuse prevention and treatment, and law enforcement the year immediately following collection.⁹

In addition, retail marijuana sales are also subject to a state excise tax rate of 15 percent, which was approved with the passage of Proposition AA. Article 28.8 of Title 39, C.R.S. specifies that the first \$40 million of the excise tax revenue collected annually shall be used to fund public school construction throughout the state. This is part of the Building Excellent Schools Today (BEST) fund, which is used to renew or replace deteriorating public schools. Revenue in excess of \$40 million is credited to the Public School Fund.¹⁰

On the local level, Denver levies a special retail marijuana sales tax of 3.5 percent in addition to the 3.65 percent Denver Standard Sales Tax (which is also levied on medical marijuana products in Denver). Table 4 provides a detailed overview of the taxes that are applicable on the state and local level for medical and retail marijuana.

Medical Marijuana Tax Rates and Uses

Medical marijuana is exempt from state excise and the state special sales taxes. However, it is subject to the state standard sales tax rate of 2.9 percent as shown in Table 4. Medical marijuana sales in the City are also subject to Denver’s standard sales tax rate of 3.65 percent, the Regional Transportation District (RTD) sales tax rate of 1 percent, and the Scientific and Cultural Facilities District (SCFD) sales tax rate of 0.1 percent.

OMP Partners within the City

According to the 2016 OMP Annual Report, “Collaborative Approach: Leading the Way in Municipal Marijuana Management,” the City has adopted a collaborative model to manage marijuana under the leadership of Mayor Hancock.¹¹ The report mentions 13 City agencies that,

⁸ Local governments receive 15 percent of the 10 percent retail marijuana state sales tax based on the percentage of retail marijuana state sales taxes collected by the Department of Revenue within the boundaries of a city or town.

⁹ C.R.S. Section 39-28.8-203.

¹⁰ Colorado Department of Revenue, Taxation Division, accessed on September 15, 2016, <https://www.colorado.gov/pacific/tax/marijuana-taxes-legal-research>.

¹¹ The 2016 OMP Annual Report titled “Denver Collaborative Approach, Leading the Way in Municipal Marijuana Management” can be accessed at the following web address: https://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Annual%20Report_Reader.pdf.

in collaboration with OMP, have worked to accomplish goals related to the City's top priorities as it relates to marijuana management—regulation, enforcement, education, and public health.¹²

These 13 City agencies are working on marijuana issues ranging from inspections and licensing to collecting taxes and enforcing ordinances. The following list provides an overview of how these agencies, in addition to their other duties, contribute to the City's broader efforts to administer the sale of medical and retail marijuana by the industry.

Community Planning and Development—Sends inspectors to marijuana facilities to test compliance with the City's building code and the neighborhood inspection regulations.

Excise and Licenses—Conducts inspections of marijuana business that are in the process of obtaining a business license. The department also issues licenses and provides an annual renewal of business licenses.

Department of Environmental Health—Inspects marijuana facilities to guarantee compliance with food safety, which applies to edible marijuana products, and public health safety regulations, which are applicable to all marijuana products.

Denver Police Department—Enforces the law to protect all residents of and visitors to Denver.

Denver Fire Department—Conducts inspection of marijuana facilities to assess compliance with the City's Fire Code. In addition, the Fire Department responds to emergency calls that may address marijuana-related issues.

City Attorney's Office—The Prosecution and Code Enforcement Division, Litigation, and Municipal Operations offer legal services to the other City agencies that are involved in the administration of marijuana.

Mayor's Office of Children's Affairs—Manages and disseminates the Healthy Lifestyles for Youth grant, which receives funding from marijuana tax revenue. The grant funds after-school and summer programs with the intent to teach youth the necessary skills to make healthy life decisions.

Denver Department of Human Services, Behavioral Health Division—Manages and distributes the Youth Opportunities and Behavioral Health Development grant. Similar to the Healthy Lifestyles for Youth grant, this grant is also funded by marijuana tax revenue, and funds services that are intended to provide an alternative to the unlawful consumption or possession of marijuana among young adults.

Department of Finance—The Budget and Management Office and the Treasury Division provide financial services related to marijuana such as budgetary duties or collection, recording, and depositing of taxes. The Accounting Services division offers support to OMP in the form of processing financial transactions.

¹² According to OMP, the Annual Report does not list other OMP partners within the City such as Treasury, Human Rights and Community Partnership, Workers' Compensation, and the North Denver Cornerstone Collaborative.

Office of Special Events—Assists with the coordination of the 4/20 Rally event that takes place in Civic Center Park and ensures compliance with marijuana-related rules and regulations at all events throughout the City.¹³

Parks and Recreation—Involved in carrying out strategies to manage marijuana-related issues such as public consumption and distribution of marijuana in the City's parks.

Technology Services—Creates the dashboard that hosts a variety of marijuana information, such as licensing data, and maintains and updates the dashboard as necessary. In addition, assists with the creation of GIS maps of marijuana facilities and licenses, as requested.

Denver 311 Help Center—Answers marijuana-related questions from Denver's citizens and, as necessary, connects citizens with agencies for answers to specific questions.

¹³ A celebration of the marijuana culture, which takes place on April 20 each year in Denver.

SCOPE

The audit reviewed the Office of Marijuana Policy's (OMP's) governance structure and select activities since 2014 and the City's processes for allocating marijuana tax revenue.

OBJECTIVE

The objective of the audit was to assess the extent to which OMP accomplishes its mission. We also examined the effectiveness of OMP's governance structure, specific policy initiatives, and the City's process for determining how to allocate marijuana tax revenue.

METHODOLOGY

We used several methodologies during the audit to gather and analyze information related to the audit objective. The evidence gathering methodologies included, but were not limited to:

- Interviewing OMP personnel to determine their roles, responsibilities, and current processes
- Interviewing leadership from other City agencies that interact with OMP to ascertain the level of collaboration and coordination that exists related to marijuana regulation, enforcement, and education including the Department of Excise and Licenses, the Department of Community Planning and Development, the Denver Police Department, the City Attorney's Office, the Mayor's Office of Children's Affairs, and the Department of Environmental Health
- Interviewing relevant personnel from the Budget and Management Office regarding the City's collection and appropriation process for marijuana tax revenue
- Interviewing policy and marijuana regulations enforcement personnel at the state level to determine the level of collaboration that exists related to marijuana policy, regulation, and enforcement
- Interviewing marijuana policy, regulation, and enforcement personnel from government agencies in the cities of Boulder, Colorado; Fort Collins, Colorado; Seattle, Washington; and Portland, Oregon to identify potential best practices
- Interviewing a representative from Inter-Neighborhood Cooperation (INC) to discuss OMP's efforts for outreach to neighborhood organizations
- Observing the following weekly and monthly OMP meetings to identify topics of discussion and relevance to OMP strategic plans: the OMP Policy Team Meeting, the OMP Coordinated Management Meeting, and the OMP Marijuana Team Meeting
- Attending a focus group facilitated by the Denver Auditor's Office regarding an ongoing audit of the Denver Fire Department, which included participants representing the marijuana industry

- Holding three separate focus groups with representatives from the marijuana industry, registered neighborhood organizations, Denver Public Schools, and a youth advocacy group to identify OMP's outreach activities to these external stakeholders
- Analyzing OMP's 2014, 2015, and draft 2016 Strategic Plans to determine areas of focus, particularly related to outreach to City agencies and external stakeholders
- Comparing OMP's strategic plans to its implementation status documents to identify OMP's progress implementing various strategies
- Researching the marijuana policy, enforcement, and regulation approach of four benchmark cities (Boulder, Fort Collins, Seattle, and Portland), comparing them to the City's approach
- Reviewing best practices related to citizen engagement in local government decision-making processes
- Researching federal, state, and local mandates regarding marijuana regulation, enforcement, and spending of marijuana tax revenue
- Reviewing marijuana-related performance measures from the Mayor's 2014, 2015, and 2016 Budgets to identify the focus of the City's marijuana-related performance measurement efforts
- Analyzing tax revenue data from two financial systems—PeopleSoft and GenTax—to determine how the City allocated marijuana tax revenue in 2014, 2015, and 2016

FINDING

Despite Many Accomplishments since Its Recent Establishment, the Office of Marijuana Policy Can Increase Transparency and Collaboration Regarding Marijuana Tax Revenue Spending and Marijuana Policy Development

The Office of Marijuana Policy (OMP) is responsible for recommending and implementing the City's goals and priorities related to marijuana policy, ensuring that those policies adhere to federal, state, and local laws, as well as coordinating the efforts of multiple City agencies. We found that the establishment of OMP and its recent strategic planning activities place the City ahead of other benchmark cities that have legalized marijuana. In addition, within the City, OMP is widely thought of as a valuable addition to the City's structure and marijuana policy management. However, we identified several areas in need of improvement. Specifically, OMP could assist the City with creating greater transparency regarding which City programs are benefiting from marijuana tax revenue. Additionally, OMP can increase its outreach to the marijuana industry and the community and improve its documentation of certain internal activities. These improvements would allow OMP to better fulfill its internal and external obligations as part of its collaborative management approach for marijuana.

After receiving voter support for the legalization of retail marijuana, the City decided to create a collaborative management model for the regulation of marijuana. According to the 2016 OMP Annual Report, "[b]ecause the industry is developing and innovating so rapidly, and because the laws are changing and evolving at such a fast rate, Denver has embraced a management model that is quick, responsive and nimble."¹⁴ A public administration scholar has defined *collaborative public management* as "a concept that describes the process of facilitating and operating in multiorganizational arrangements in order to remedy problems that cannot be solved—or solved easily—by single organizations."¹⁵ OMP collaborates internally with 13 City agencies to ensure the successful administration of marijuana-related services. Externally, OMP collaborates with a variety of stakeholders, such as representatives from the marijuana industry, neighborhood groups, and youth advocacy representatives, to help increase compliance with applicable regulations and disseminate information to constituents.

OMP Should Work with the Budget and Management Office to Improve the Transparency of Where the City's Marijuana Tax Revenue Is Allocated

Auditors identified a lack of transparency related to the City's use of marijuana-related revenue. Most of this revenue is allocated for other City services through the City's General Fund and is not budgeted for marijuana-related expenditures. As a result, visibility to the specific use of those marijuana-related revenue dollars not budgeted for marijuana-specific purposes is reduced. This

¹⁴ "The Collaborative Approach 2016: Leading the Way in Municipal Marijuana Management," City and County of Denver Office of Marijuana Policy, accessed August 8, 2016, https://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Annual%20Report_Reader.pdf.

¹⁵ Michael McGuire, *Collaborative Public Management: Assessing What We Know and How We Know It*, Public Administration Review, Dec 2006, 66, p.33.

practice may make it difficult for voters to see how marijuana tax dollars are being spent, an important factor for many voters who supported the legalization of recreational marijuana.

During the campaign to legalize recreational marijuana in Colorado, proponents of Amendment 64 cited advantages of legalization to persuade voters such as fewer marijuana-related arrests and the reduction of an underground market for marijuana, but proponents also pointed out that taxing marijuana would bring millions to state and local schools. Brian Vicente, Co-Director of the Amendment 64 campaign, stated that “[t]he first 40 million annually from the tax would go to public school construction.”¹⁶ As quoted in a Denver Post article from December 2012 that analyzed the success of the Amendment 64 campaign, Mason Tvert, one of the pro-64 campaign’s leaders, said “and other marijuana activists began working toward statewide legalization years ago, reframing the debate around marijuana from one about getting high to one about law enforcement and budgetary policy.”¹⁷ Pro-legalization proponents aired commercials saying, “Jobs for our people. Fund education. Money for our schools. Who could ask for more?” and “Strict Regulation. Fund Education.”¹⁸ While these examples depict how proponents of recreational marijuana reframed the issue, our intention is to show that Coloradans’ opinion of the advantages of legalization shifted, and that there is a widely held perception in the public—whether justified or not—that marijuana revenue will strongly benefit public funding on the state and local level.

In addition, in 2014 the Denver Post conducted a survey with 800 participants to assess how Coloradans felt about the legalization of recreational marijuana. One of the questions asked was “[what] has been the greatest benefit of legalization?” The vast majority—or 55 percent—of respondents believed the greatest benefit was tax revenue, demonstrating that Coloradans still believe public funding to be a great advantage.¹⁹ Charts illustrating the results of that survey question are displayed in Appendix E.

Further, when Denver’s voters decided to approve the City of Denver Additional Sales Tax, Question 2A in 2013, they did so with the understanding that this measure would authorize a City sales tax on retail marijuana products, which would be used to fund specific purposes—namely marijuana regulation, enforcement, education, public health—with the rest of the special retail marijuana sales tax going towards City operations and infrastructure.

\$59 Million in Marijuana Tax Revenue Goes into the General Fund without Being Budgeted towards Marijuana-related Expenditures

Of the nearly \$80 million in marijuana-related revenue generated between 2014 and 2016, only \$20.6 million was budgeted towards marijuana-related expenditures, leaving \$59 million in the General Fund to pay for other City services. Although the Denver Revised Municipal Code

¹⁶ “Breaking Down the Pros and Cons of Amendment 64,” *Fox21News*, October 22, 2012, accessed September 19, 2016, <http://fox21news.com/2012/10/22/breaking-down-the-pros-and-cons-of-amendment-64/>.

¹⁷ “The Inside Story of How Marijuana Became Legal in Colorado,” *The Denver Post*, December 28, 2012, accessed September 19, 2016, <http://blogs.denverpost.com/thespot/2012/12/28/story-marijuana-legal-colorado/87640/>.

¹⁸ “The False Promise of Marijuana Money in Education,” *The Atlantic*, May 4, 2015, accessed September 19, 2016, <<http://www.theatlantic.com/education/archive/2015/05/the-false-promise-of-marijuana-money-in-education/392165/>>.

¹⁹ “Survey: Coloradans Weigh in on Marijuana a Year after Legalization” *The Denver Post*, December 27, 2014, accessed September 19, 2016, <http://www.denverpost.com/2014/12/27/survey-coloradans-weigh-in-on-marijuana-a-year-after-legalization/>.

(D.R.M.C.) imposes restrictions on how the special retail marijuana sales tax should be used—for marijuana regulation, education, enforcement, public health and to “otherwise pay the expense of operating and improving the city and its facilities”—that section of the D.R.M.C. does not limit other marijuana tax revenue from funding general City operations via the General Fund.²⁰

The sources of marijuana-related revenue, as reported in OMP’s 2016 Annual Report, are generated by the following taxes and fees:²¹

- Standard Sales Tax—Retail (3.65 percent)
- Standard Sales Tax—Medical (3.65 percent)
- Special Sales Tax—Retail (3.5 percent)
- State of Colorado Shareback Revenue²²
- Licensing Fees

Most of the City’s standard marijuana sales tax revenue goes directly into the City’s General Fund, which is used to fund City services. The standard City sales tax rate for both retail and medical marijuana is 3.65 percent. Of the total revenue generated at that rate, 0.15 percent of the 3.65 percent tax rate goes directly to the Denver Preschool Fund.²³ Between April and August of 2016, approximately \$33,000 of marijuana-related revenue has been generated for use by the Denver Preschool Program per month. After those monies are set aside, revenues generated by the remaining 3.50 of the 3.65 rate flow to the City’s General Fund.

Revenue generated by the City’s special retail marijuana sales tax rate of 3.5 percent should be used for specific purposes as specified in Referred Question 2A (which passed in November 2013) as well as the D.R.M.C. provisions that were put in place after receiving voter approval on the ballot measure.²⁴ Specifically, the revenue from this portion of the Denver special retail marijuana sales tax is to be used for expenses related to licensing and regulation of the retail marijuana industry, enforcement of marijuana laws, educational and public health programs to mitigate any negative effects related to marijuana consumption, programs to prevent persons under the age of 21 from using marijuana, and to pay for the expenses of operating and improving the City and its facilities. However, the provision does not specify how much of the special retail marijuana sales tax revenue has to be used for the above mentioned specific purposes in comparison to what can be used to “pay for the expenses of operating and improving the City and its facilities.”

In regard to the other marijuana-related revenue, the Budget and Management Office (BMO) decided to add part of the state shareback funds to the revenue from the special retail

²⁰ See D.R.M.C. section 53-86, “Purpose of Tax.”

²¹ “The Collaborative Approach 2016: Leading the Way in Municipal Marijuana Management,” City and County of Denver Office of Marijuana Policy, accessed August 8, 2016, https://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Annual%20Report_Reader.pdf.

²² As noted in OMP’s 2016 Annual Report, the State of Colorado contributes a portion of its 10 percent special sales tax on retail marijuana back to the City of Denver.

²³ As noted on page 97 of the Proposed Mayor’s 2016 Budget, the Denver Preschool Program provides the opportunity for every four-year-old in Denver to attend preschool, with tuition credits based on various factors.

²⁴ See D.R.M.C. sections 53-85 and 53-86.

marijuana sales tax to guarantee sufficient funding for these priority areas.²⁵ In addition, the licensing fees are supposed to support marijuana administration within the Department of Excise and Licenses.

The remaining state shareback funds are allocated to other uses through the General Fund along with the standard sales tax that is imposed on all marijuana products because there is no provision governing how this remaining revenue shall be specifically used. The D.R.M.C. states the following:

The standard sales tax received from marijuana is treated the same as the city's other sales tax revenue sources (such as clothing and other goods) in that it goes into the general fund and is spread across the city for a variety of general operating needs (libraries, parks, recreation programs, street maintenance, auditors, attorneys, etc.).

As shown in Table 5, the City collected marijuana-related revenue totaling more than \$22 million in 2014 and more than \$29 million in 2015.

TABLE 5. Marijuana-related Revenue by Revenue Source

Revenue Category	2014 Actual	2015 Actual	2016 Projected
Special Sales Tax – Retail	\$5,207,671	\$7,653,800	\$7,537,949
State Shareback	\$2,274,754	\$3,197,238	\$3,220,542
Licensing Fees	\$2,838,377	\$3,715,824	\$3,254,375
Sub-Total 1	\$10,320,801	\$14,566,862	\$14,012,866
Standard Sales Tax - Retail	\$5,386,270	\$7,981,837	\$7,861,837
Standard Sales Tax - Medical	\$6,450,952	\$6,996,353	\$6,100,258
Sub-Total 2	\$11,837,222	\$14,978,190	\$13,961,262
Grand Total	\$22,158,024	\$29,545,052	\$27,974,128

Source: 2016 OMP Annual Report: “The Denver Collaborative Approach – Leading the Way in Municipal Marijuana Management.”

According to the 2016 Mayor’s Budget, the General Fund is the largest of the City’s operating funds.²⁶ It includes all resources not restricted legally to a specific use. The primary source of

²⁵ Starting in 2017, BMO decided the state shareback funds were no longer needed to fund these priority areas because special retail marijuana sales tax revenues were deemed sufficient. However, auditors do not know how these shareback monies will be spent in 2017. In addition, we found that there is ongoing discussion at the state level whether the state shareback monies should be designated to fund the enforcement, regulation, and other costs associated with the retail marijuana industry.

²⁶ “Proposed Mayor’s 2016 Budget,” City and County of Denver, accessed January 5, 2016, http://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Budget/MayorsProposedBudget_2016.pdf.

revenue that is deposited into the General Fund is sales and use taxes, which account for approximately 50 percent of the fund’s revenue.²⁷ Approximately 40 departments, agencies, and offices are funded by the General Fund, providing for more than 200 City programs.

General Fund revenues are appropriated through budget ordinance that is passed by City Council. BMO works with OMP to recommend which budget requests the special retail marijuana tax revenues should fund. These revenues flow into the General Fund, but only some are budgeted for marijuana-related expenditures. Of the General Fund revenue generated by marijuana sales, the City distributed approximately 22 percent of the total in 2014 and 2015 for specific needs associated with marijuana including regulation, enforcement, education, and public health. In 2016, more than 30 percent is projected to be distributed for these purposes. As shown in Table 6, 26 percent of the City’s total marijuana-related General Fund projected revenue for 2014 through 2016 has been budgeted for the priority areas of marijuana regulation, education, enforcement, and other expenses related to operating and improving the City and its facilities, leaving 74 percent—or \$59 million—to the General Fund to be allocated for general operating costs.

TABLE 6. Total Marijuana-related Revenue

Category	2014 Actual	2015 Actual	2016 Projected	2014 – 2016 Total	% of Total
Marijuana-related Revenue – Budgeted for Marijuana-related Expenditures	\$4,685,159	\$6,887,859	\$9,055,127	\$20,628,145	26%
Marijuana-related Revenue – General Fund*	\$17,472,865	\$22,657,193	\$18,919,001	\$59,049,059	74%
Total Marijuana-related Revenue*	\$22,158,024	\$29,545,052	\$27,974,128	\$79,677,204	100%

Source: 2016 OMP Annual Report.

Note: Total marijuana revenue includes special retail marijuana sales tax, state shareback monies, and licensing fees

*Amounts include revenue that will go to the Denver Preschool Program.

Auditors could not determine what specific services this \$59 million funded. Although we recognize the fact that D.R.M.C. provisions allow these monies to be deposited into the General Fund without being budgeted towards marijuana-related expenditures, the nature of the way these monies were generated demands greater transparency. When voters approved the legalization of recreational marijuana, many did so based on the understanding that the resultant tax revenue would bolster public services as described in the beginning of this section. By not tracking all of the City services that directly benefit from these monies, voters cannot be certain of the impacts of their voting decision, and potentially maintain a flawed understanding of the amount of revenue received from marijuana sales taxes and how it is used.

²⁷ Ibid.

A closer review of how the City allocates revenue from the special retail marijuana sales tax auditors found a similar pattern. As described in the OMP Annual report, revenue generated by the Denver special retail marijuana sales tax—along with state shareback monies and marijuana licensing fees—fund the priority areas of regulation, education, enforcement, public health and other expenses related to operating and improving the City and its facilities. In 2016, the City projected total revenue from these three revenue sources of \$14 million, as shown in Table 7. Approximately \$9.1 million of this was budgeted for expenditures related to these priority areas. Table 7 shows the distribution of those revenue dollars. After the appropriations, approximately \$3 million were not budgeted for marijuana-related expenditures and \$2 million were set aside for marijuana-related contingencies. This practice further exacerbates the transparency issue previously identified.

TABLE 7: Revenue from and Expenditures Funded by Special Sales Tax, State Shareback, and Licensing Fees

Category	2014 Actual	2015 Actual	2016 Projected
Revenue	\$10,320,801	\$14,566,862	\$14,012,866
Expenditures – Regulation	\$2,513,580	\$2,508,280	\$3,191,052
Expenditures – Enforcement	\$1,425,579	\$1,394,579	\$2,374,272
Expenditures – Education	\$746,000	\$1,485,000	\$1,989,803
Expenditures – Public Health	\$0	\$1,500,000	\$1,500,000
Expenditures – Total	\$4,685,159	\$6,887,859	\$9,055,127
Net Revenue	\$5,635,643	\$7,679,003	\$4,957,739

Source: 2016 OMP Annual Report: “The Denver Collaborative Approach – Leading the Way in Municipal Marijuana Management.”

The \$9.1 million budgeted to the priority areas in 2016 was distributed to various City agencies as shown in Figure 2:²⁸

²⁸ Although the monies were appropriated for specific purposes, the Mayor’s Budget does not provide consistent visibility of how those monies are spent.

FIGURE 2: 2016 Budget Appropriations for Marijuana Expenses



Source: Auditor’s analysis based on information from the 2016 OMP Annual Report: “The Denver Collaborative Approach – Leading the Way in Municipal Marijuana Management.”

OMP received the largest percentage (14 percent) of the 2016 budget appropriation while the City Attorney’s Office and the Denver Police Department each received the next highest amounts (around 12 percent) of the \$9.1 million budgeted for marijuana-related expenditures.

The OMP Annual Report gives the following explanation for only budgeting \$9.1 million of the \$14 million in projected revenue to the priority areas:²⁹

Of the projected \$14 million that can be appropriated for marijuana-specific spending in 2016, the city has budgeted \$9.1 million in expenditures across city departments and agencies for regulation, enforcement and education efforts. The city also set aside an additional \$2 million for marijuana-related contingencies.

The entire projected revenue amount is not appropriated in the budget because the city is still building out the framework for how it will manage marijuana in the long term. The city recognizes the importance of budgeting conservatively and not assuming sustained, over-performing revenue.

In addition, OMP’s 2016 Annual Report states that all of Denver’s marijuana-related revenue goes directly to the General Fund; however, this is not technically accurate. As explained previously, some monies generated by the 3.65 standard marijuana sales tax rate first go to the Denver Preschool Program Fund; the amount is equal to a 0.15 percent tax rate. The 2016 OMP Annual Report does not explicitly reference the revenue that goes directly into the Denver

²⁹ “The Collaborative Approach 2016: Leading the Way in Municipal Marijuana Management,” City and County of Denver Office of Marijuana Policy, accessed August 8, 2016, https://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Annual%20Report_Reader.pdf.

Preschool Program Fund instead of the General Fund.³⁰ As a result, the 2016 Annual Report fails to update stakeholders on the state-mandated amount of revenue that is spent on the Denver Preschool Fund.

State of Colorado Uses a Marijuana Tax Cash Fund—As noted previously, once these marijuana tax monies go into the General Fund, visibility and transparency to the specific use of this revenue is lost. Accurate and complete financial reporting helps decision makers evaluate performance related to achieving financial objectives and is described as a fundamental element of internal controls in the Government Accountability Office’s (GAO) Standards for Internal Control.³¹ Moreover, the intent of the provision on the usage of special retail marijuana sales tax in the D.R.M.C. is to primarily support specific purposes.³² The use of marijuana-related revenue could be more transparent through the use of a Special Revenue Fund, which would allow for specific tracking of revenue spent related to marijuana. The State of Colorado uses a special Marijuana Tax Cash Fund to manage the use of marijuana-related revenue to increase the transparency of how these funds were allocated. Specifically, when asked about the rationale for establishing the Marijuana Tax Cash Fund, the State of Colorado’s Director of Marijuana Coordination stated that “the taxpayers had specific intent when passing Proposition AA and BB, that marijuana taxes were to go to the cost of regulation and overall social costs of marijuana. Having it in a separate fund had allowed us to abide by those guardrails.”

To be consistent with voter intent, the State of Colorado uses a Marijuana Tax Cash Fund to manage marijuana-related revenue.

Alternatively, expenditures financed from marijuana revenue could be listed as line items in the aggregate in the General Fund, and documented in the Mayor’s Budget, providing easy visibility to citizens. For example, the Proposed 2017 Mayor’s Budget lists a transfer from the General Fund into the Affordable Housing Property Tax Revenue Fund of \$1.5 million from Denver’s special retail marijuana sales tax revenue; however, the Mayor’s Budget does not reference how the entire revenue stemming from the special retail marijuana sales tax is used.³³ Providing aggregate information on the usage of these funds in the Mayor’s Budget increases the visibility to Denver’s voters. Either of these mechanisms could help the City provide voters with the information they need to understand exactly how their decision to approve retail marijuana sales is impacting City operations and services.

We also received feedback that stakeholders desire this type of transparency. Representatives from Denver Public Schools and youth advocacy organizations expressed a desire for greater visibility into the specific use of marijuana-related revenue by the City during our focus group meeting. These representatives explained to auditors that they are unclear on how much money is allocated to the regulation and enforcement of marijuana as opposed to educational programs, for example. These stakeholders believe that the City could provide more detailed

³⁰ Ibid.

³¹ “Standards for Internal Control in the Federal Government” United States Government Accountability Office, accessed August 30, 2016, <http://www.gao.gov/products/GAO-14-704G>.

³² See D.R.M.C. sections 53-85 and 53-86.

³³ “Proposed Mayor’s 2017 Budget,” City and County of Denver, accessed September 20, 2016, https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Budget/MayorsProposedBudget_2017.pdf, p.287.

financial information about all the monies associated with City and state marijuana tax revenue, which would help Denver Public Schools and youth advocacy groups understand the financial resources that may be available through the City as a result of marijuana tax revenue. Moreover, these stakeholders mentioned that they would like to have more visibility to understand how programs financed with marijuana revenue fit into an overarching strategy or effort. We also learned from the focus group participants that they are aware of a broad misperception by the public that Amendment 64 tax dollars all went to Denver Public Schools. The participants voiced the opinion that the City and state are in the unique position to see all the tax dollars and how the monies are being spent, and could educate the public on these spending decisions. For example, it was unclear to the participants how much money is allocated towards prevention as opposed to licensing with the City.

Since legalized marijuana has cast an international spotlight on the City and County of Denver and the State of Colorado, it is even more important to ensure that the City is transparent about and accountable for its use of tax dollars. Moreover, much of the campaign to legalize marijuana centered on the premise that marijuana revenue would be used to fund specific activities and programs. Therefore, OMP should coordinate with BMO to develop a separate fund for marijuana-related revenue, or list marijuana-related expenditures as line items in the General Fund, and document this in the Mayor's Budget to improve the City's transparency and accountability with regard to this revenue source.

Although OMP Has Developed Strong Working Relationships with Governmental Agencies, It Should Improve Its Outreach to the Marijuana Industry and the Public

As reflected in various elements of OMP's recent strategic plans and its 2016 Annual Report, collaboration among City and other governmental agencies, the community, and other stakeholders is a fundamental element of marijuana policy development and enforcement. In fact, OMP credits its collaborative approach to managing marijuana with enabling it to "respond quickly and effectively to address issues as they arise."³⁴ Not only are these collaborative efforts important to ensure that all relevant parties participate in the deliberative process of developing new laws and regulations, but citizen engagement ensures the involvement of those in the community that could be directly impacted by marijuana legalization. These partnerships are particularly critical for OMP, an organization made up of 3.5 full-time staff, as it works daily to solve difficult policy and enforcement questions while educating other cities, states, and countries on lessons learned regarding marijuana policy.

We found that OMP is highly regarded within the City government as an effective convener and a dedicated group of staff. For example, City leaders we spoke with offered a variety of positive comments regarding OMP, including the following:

- OMP builds strong networks within the City
- OMP helps to ensure all relevant agencies are collaborating
- OMP is very effective at bringing agencies together

³⁴ "The Collaborative Approach 2016: Leading the Way in Municipal Marijuana Management," City and County of Denver Office of Marijuana Policy, accessed August 8, 2016, http://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Annual%20Report_Reader.pdf.

- OMP enables the City to better coordinate its activities related to marijuana and City agency resources
- Some City agencies used to work in silos but OMP has created teamwork across City agencies that did not exist before
- OMP has created more teamwork between City and state agencies in regard to marijuana

At the state level, OMP's engages in additional collaborative efforts. For example, OMP personnel regularly meet with state agency leaders and staff and participate in state working groups to stay apprised of evolving marijuana policy and regulation and to offer the City's perspective on potential policy changes. Similarly, OMP includes relevant state personnel in some of the City's recurring meetings to ensure that the City's activities do not negatively impact the state.

Outside of the state and local governments, OMP has taken steps to facilitate coordination with external parties, such as the marijuana industry and neighborhood groups. In addition, OMP's new 2016 Strategic Plan places an increased emphasis on outreach to the marijuana industry and community relative to its previous strategic plans. However, we identified several areas in need of improvement in regard to OMP's current level of external outreach and coordination.

Marijuana Industry Outreach

Several strategies included in OMP's 2015 Strategic Plan identify actions that OMP took to involve marijuana industry members in City efforts to regulate and monitor the production and sale of marijuana in Denver. For example, OMP sends Marijuana Industry Bulletins (Bulletins) to over 800 email addresses associated with marijuana businesses and posts them online to the Denver Marijuana Information (DMI) website.³⁵ Further, OMP holds quarterly meetings with some marijuana industry and trade group representatives. They also created a document available through the City's website, with assistance from the City Attorney's Office, which lists all licensing and zoning requirements so that a prospective marijuana business owner can identify what locations are suitable for a marijuana business. Despite these strong efforts, our audit work identified several steps OMP can take to improve its outreach to the marijuana industry.

Only one of six focus group participants receives OMP's Bulletin but this participant does not receive it on a consistent basis.

To get feedback from the marijuana industry on OMP's role within the City and the effectiveness of their outreach to the industry, we facilitated a focus group meeting with six representatives from four randomly selected marijuana businesses. Focus group participants represented a variety of business types, including medical and retail marijuana businesses as well as

cultivation facilities, medical MIPs, and medical centers. Through our discussions, we learned that only one of the six participants receives the Bulletin but that participant does not receive it on a consistent basis. Further, none of the focus group members had participated in, or were

³⁵ According to OMP personnel, they obtain all known email addresses associated with all active and pending marijuana business in Denver and send a communication to each address inviting the contact to subscribe to the Bulletin. Any businesses that do not subscribe do not receive the newsletter.

even aware of, the quarterly industry check-in meeting OMP holds with marijuana industry representatives.

Next, we reviewed the availability of OMP's Bulletins that are posted to the City's DMI website. We found that the two most recent Bulletins—issued August 10 and August 23—had not been posted to the website as of mid-September. Specifically, the two August Bulletins discussed topics including "Tips for Protecting Your Marijuana Business" as well as information about a marijuana product recall related to pesticides. According to OMP personnel, these Bulletins were purposefully not posted to the DMI website. The Denver Police Department requested that the August 10 Bulletin should not be posted and the August 23 Bulletin about a marijuana product recall was instead posted on the Department of Environmental Health's website. However, by not using the DMI website as a "one stop shop" for all OMP Bulletins, those marijuana businesses that do not receive these Bulletins via email do not have easy access to these important updates from the City.

In addition, we analyzed the range of attendees at OMP's quarterly industry check-in meetings to assess the representativeness of the meeting participants. We found that, across the four meetings held since the meeting was established in June 2015, approximately 10 marijuana businesses in total were represented, out of the more than 470 active marijuana business locations in the City.³⁶ Moreover, attendance at these meetings was often evenly split, with half of the participants representing actual marijuana businesses and the other half representing other organizations such as marijuana trade associations, marijuana lobbying firms, law firms, and marijuana advocacy groups. Additionally, one of OMP's performance measures tracked in each annual budget is "number of marijuana industry bulletins." OMP's focus on measuring the number of Bulletins issued, as opposed to whether their bulletins reach the entire industry, further highlights the need for OMP to put more emphasis on improving its industry outreach. Acknowledging that the marijuana industry is rapidly changing, and laws are evolving at a fast rate, reaching a large segment of the marijuana industry is crucial to further enhance compliance.

These observations suggest that OMP could do more to align its activities with its established priorities, which include "ensuring the marijuana industry is informed about new procedures, regulations, and requirements." Stronger industry outreach would also be in line with best practices for citizen engagement. Groups such as the National League of Cities and the IBM Center for the Business of Government, as well as the U.S. General Services Administration, all emphasize participant diversity as a key principle in any citizen engagement effort. Further, these groups specify that governments should reach out to participants who represent multiple viewpoints and who are reflective of the impacted community to avoid the perception of an "inner circle."³⁷ Lastly, focus group participants from the marijuana industry commented that

³⁶ The City's best estimate of the number of distinct marijuana businesses in Denver is the count of active marijuana business locations. However, the actual count of marijuana businesses may differ from this count of marijuana business locations because the same business may have multiple licenses and business locations. At this time, each marijuana business can have an unlimited number of entity names it operates under, which makes it difficult for the City to sort this data to provide a count of distinct marijuana businesses.

³⁷ Matt Leighninger and Bonnie Mann, "Planning for Stronger Local Democracy-A Field Guide for Local Officials," National League of Cities Center for Research and Innovation: 15, http://icma.org/en/icma/newsroom/member_news/Article/105562/2015_Community_Goals_Citizen_Engagement; Carolyn J. Lukensmeyer and Lars Hasselblad Torres, "Public Deliberation: A Manager's Guide to Citizen Engagement," IBM Center for the Business of Government (2006): 13, https://www.whitehouse.gov/files/documents/ostp/opengov_inbox/ibmpubdelib.pdf;

they would prefer more communication from the City rather than less. As such, OMP should improve its communication with all known marijuana businesses through diversifying the industry's representation in its quarterly industry check-in meetings, striving to increase the number of marijuana businesses receiving the Bulletins via email, and timely updating the Newsroom section of the City's Denver Marijuana Information website with all Marijuana Industry Bulletins.

Community Outreach

In addition to its efforts to communicate and engage with members of the marijuana industry, OMP has taken steps to connect with the community. In 2016, OMP convened multiple meetings with community members and others to understand the potential impacts of legalized retail marijuana. As a result of what was learned, OMP initiated the conversation with City Council that the City should facilitate more robust community engagement surrounding any proposals to add a new marijuana facility within the City. One outcome of this discussion is the new requirement that any applicant submit a Community Engagement Plan along with their application for a new retail marijuana license or a renewal of an existing retail license.³⁸ OMP personnel described other outreach efforts that include daily communication with community members through phone calls, emails, meetings, and the DMI website, emails to approximately fifty community representatives, emails to leaders from thirteen Registered Neighborhood Organizations (RNOs), attending community meetings, and regular contact with the media, among other activities. Despite these efforts, we found that enhanced community outreach is necessary to fully realize OMP's desired collaborative management approach.

Very few focus group participants had knowledge of OMP's role or had interacted with OMP personnel.

In addition to reviewing OMP's strategic plans with regard to their emphasis on outreach to the community, we also held two focus group meetings with leaders from several of the City's registered neighborhood organizations (RNOs), Denver Public Schools, and several youth advocacy groups to assess OMP's interaction with and outreach to the public.³⁹ One focus group included eleven representatives from seven RNOs that represent neighborhoods with the highest concentration of marijuana businesses within their borders.⁴⁰ The second focus group included three representatives from Denver Public Schools and four individuals from three local youth advocacy groups. In general, very few participants had knowledge of OMP's role or had interacted with OMP personnel. For example, only one of the eleven neighborhood group

Darlene Maskell, "Increasing Citizen Engagement in Government," GSA Office of Citizen Services and Communications Intergovernmental Solutions Newsletter (2009): 33, <http://publicpolicy.pepperdine.edu/davenport-institute/content/foundational/engaging-citizens-govt-gsa.pdf>.

³⁸ A Community Engagement Plan must include, among other things, a plan to create positive impacts in the neighborhood where the business is located, procedures for addressing neighborhood concerns about the business, and policies to promote community engagement and involvement in the marijuana industry in a positive way. Although this is an improvement to the City's licensing process that could benefit communities, there are no current requirements regarding the type of vetting the City applies to these submitted plans.

³⁹ We also met with the President of another RNO that represents a community with a large number of marijuana businesses who could not attend our focus group.

⁴⁰ See Appendices B and C for maps showing which neighborhoods have the most marijuana businesses.

representatives had any contact with OMP while only two of eight participants in our second focus group had interacted with OMP. The following comments were characteristic of the participants' limited exposure to or understanding of OMP and its mission:

- OMP could do a better job of making it known that they are available to speak at neighborhood meetings
- The City needs a central point of contact regarding marijuana questions and concerns and OMP is well positioned to serve in this role
- We [neighborhood groups] have learned more about marijuana legislation and regulations from the marijuana industry than from the City or OMP
- Neighborhood groups are not involved early on, as they should be, regarding new City laws and regulations
- There should be a source for marijuana information, a "one stop shop," that is consistent and easily accessible, such as a banner on the main City website
- OMP could do a better job of communicating what they do regarding marijuana and assessing "what worked and what didn't work" regarding programs and activities
- We [schools and youth advocacy groups] would benefit from a newsletter from OMP discussing the City's marijuana education programs and other marijuana-related news, similar to the one provided monthly by the Colorado Department of Public Health and Environment

These community perceptions of OMP suggest that OMP is not fully achieving its mission. First, OMP's vision, as noted in the 2015 Strategic Plan, is to partner with the community, among others, to ensure effective and efficient implementation of the sales and commercialization of marijuana. In addition, one of two components of OMP's mission is to serve as the City's liaison with stakeholder groups regarding marijuana issues and policies. In fact, OMP identified itself as the City's point of contact for external stakeholders during the Marijuana Management Symposium held in Denver last fall. Additionally, in an article entitled "Government by Design: Four Principles for a Better Public Sector," McKinsey & Company states that:

The most forward-thinking governments are starting to master the shift from simply administering services to regularly engaging and empowering citizens, involving them in the design—and, in some cases, the delivery—of these services.

McKinsey also asserts that innovative governments are devising new ways for citizens to make their voices heard, to provide input into regulations, budgets, and the provision of services. Further, BMO recognizes the importance of citizen input and is interested in adding a question regarding the effect of marijuana on individuals and neighborhoods to the National Citizen Survey.⁴¹

⁴¹ The National Citizen Survey is a scientific survey conducted by the National Research Center, Inc. that gathers resident opinions on a variety of community issues. It is customizable and has been used by more than 350 jurisdictions in 44 states. See the following website for more information: <http://www.n-r-c.com/survey-products/the-national-citizen-survey/>.

Although OMP has opted to keep its quarterly industry check-in meetings small to facilitate open discussion among all attendees, there are other methods OMP could use that would keep meetings to a size appropriate to facilitate useful discussion, while including a greater diversity of participants. Additionally, limited staff resources have prevented OMP personnel from fully realizing its mission, and developing a robust outreach approach, during its short existence. Further, in light of the City's early legalization of marijuana, relative to the rest of the country, OMP has been responsible for building its processes and approach from scratch. These factors

OMP's current outreach approach does not provide them with valuable input from a representative sample of marijuana businesses or the City's RNOs with the highest number of marijuana businesses within their borders.

have prevented OMP from being as strategic regarding their outreach approach to marijuana businesses and the community as they could have been. However, their current outreach approach does not provide them with valuable input from a representative sample of marijuana businesses in Denver or the City's RNOs that include high numbers of marijuana businesses within their borders. These deficiencies could create inconsistent and unrepresentative feedback, and potentially lead to flawed policies and difficulty with enforcing City rules. Accordingly, OMP should identify and implement one or more strategies to increase

contact with RNOs—especially the ones with high concentrations of marijuana businesses—either through regularly attending meetings of the RNOs with the largest concentration of marijuana businesses, or convening quarterly check-in meetings with these RNO representatives.

In addition to these opportunities to improve OMP's external outreach and communication, OMP could also improve several internal activities to help it demonstrate its value to the City and maintain information to keep internal stakeholders up-to-date regarding OMP activities.

OMP Should Increase the Tracking of Its Internal Activities

With the development of its 2016 Strategic Plan, OMP incorporated several strategic planning-related best practices. In addition, OMP's efforts to create a mission and strategic plan for the organization place the City ahead of four counterpart cities that have also legalized retail marijuana. Despite these strengths, OMP can further improve its tracking and documentation of several internal activities to demonstrate its accomplishments and value to the City.

Since 2014, OMP has developed an annual strategic plan that describes its mission, goals, and specific strategies designed to accomplish each goal. See Table 8 for OMP's goals identified in its three consecutive strategic plans.

TABLE 8. Goals from OMP’s Strategic Plans

Category	2014 Strategic Plan	2015 Strategic Plan	2016 Strategic Plan
Goal 1	Develop comprehensive marijuana regulations	Develop comprehensive marijuana regulations to ensure the highest standards for safety and operation are met	Maximize education strategies
Goal 2	Enforce marijuana regulations efficiently and effectively	Enforce marijuana regulations efficiently and effectively to establish high rates of compliance	Build and sustain trusting relationships
Goal 3	Protect the health and safety of the community through marijuana education and outreach	Protect the health and safety of the community through marijuana education and outreach	Allocate the resources to “get it right”
Goal 4		Exchange information and experience with other communities on the effective and efficient management of marijuana and other marijuana-related issues	Foster innovation and agility

Source: 2014, 2015, 2016 OMP Strategic Plans.

Evident in OMP’s strategic planning is OMP’s effort to collaborate with relevant City and state agencies and others to address a variety of marijuana-related issues that emerged following the legalization of retail marijuana. In addition to establishing a regulatory and enforcement framework for marijuana, OMP and the City have been called on to address new questions concerning the quality of life, health, and safety of the Denver community. For example, as pesticide-contaminated marijuana emerged as a problem, OMP coordinated with state agencies and the industry to set regulations and protocols for identifying and holding contaminated marijuana. OMP also worked with the Department of Environmental Health (DEH) and the North Denver Cornerstone Collaborative (NDCC) in their efforts to update the City’s odor ordinance to address citizen complaints related to marijuana odors coming from cultivation facilities. OMP also worked with the Denver Police Department (DPD) and the Department of Parks and Recreation to identify strategies to minimize public consumption of marijuana.

At the same time, OMP worked on developing a Marijuana Operations Dashboard that provides performance data from five different City agencies including metrics on staff workloads, industry trends, revenue and expenditure information, and public safety.⁴² For instance, the public can access information on the number of distinct marijuana business locations over time, the number of licenses by marijuana facility type, marijuana-related crime statistics, public health statistics, and data on marijuana revenue, sales, and budgeted expenses since 2014 along with other marijuana-related metrics. OMP also conducted education and outreach activities including

⁴² This marijuana data, along with other marijuana-related information, can be accessed through the following website: <https://www.denvergov.org/content/denvergov/en/denver-marijuana-information.html>.

hosting a 2015 and 2016 Marijuana Symposium and creating an annual report. OMP also provided funds to the state for education programs and to the City's Office of Children's Affairs to support after-school and summer programs to help Denver's youth make healthy life decisions.

We reviewed OMP's 2014, 2015, and draft 2016 strategic plans in light of their importance as roadmaps of OMP's activities and progress fulfilling its mission. Overall, we found that OMP follows some best practices related to strategic planning but it can improve its tracking of strategic plan implementation and documentation of OMP meeting outcomes.

Strategic Plan Development—As of mid-August, OMP had not yet finalized its 2016 Strategic Plan. However, this 2016 plan represents a shift in OMP's strategic planning approach. Instead of developing a new strategic plan each year, a practice that is not in keeping with best practices, OMP's 2016 Strategic Plan is a multi-year plan, designed to guide OMP's activities through 2021. According to OMP personnel, they will continue to revise it going forward, as needed, to respond to the changing marijuana environment.

According to the International City and County Management Association (ICMA), strategic planning is the systematic process used to anticipate and plan for a community's future. More specifically, it is an organization-wide method to identify goals and responsibilities. Strategic planning should include several elements, including a mission statement, basic goals for a three- to five-year period, and strategies or actions that will enable the organization to accomplish its goals. In addition, as described by Poster and Streib, developing an organization's mission and vision are an important part of an organization's strategic management.⁴³ The Government Finance Officers Association (GFOA) provides additional guidance on essential components of a sound strategic planning process that includes the following:

- Agree on a small number of broad goals
- Develop strategies to achieve broad goals
- Monitor progress

In addition, the TCC Group—a consulting firm that assists government agencies and others with strategic planning and program development—reiterated the importance of a three- to five-year strategic plan and a separate operating plan that is updated annually and reflects task-level information, such as timeframes and roles of individual staff.⁴⁴

Since its inception, OMP has developed an annual strategic plan to guide its activities but this practice is not in keeping with strategic planning best practices that recommend developing a three- to five-year plan.

However, OMP's 2016 plan is consistent with best practices. In addition, OMP has followed other

OMP's 2016 Strategic Plan is consistent with best practices that recommend developing a three- to five-year plan.

⁴³ Theodore H. Poster and Gregory D. Streib, "Strategic Management in the Public Sector: Concepts, Models, and Processes," *Public Productivity & Management Review* 22, no. 3 (1999): 6, http://www.jstor.org/stable/3380706?seq=1#page_scan_tab_contents.

⁴⁴ "Ten Keys to Successful Strategic Planning for Nonprofit and Foundation Leaders," TCC Group, accessed July 29, 2016, http://www.tccgrp.com/pdfs/per_brief_tenkeys.pdf.

sound practices referenced above in that it consistently identified only three to four high-level goals, with individual strategies to enable it to realize those goals. It also monitors its progress with regard to implementing strategies by regularly assessing and documenting the status of its strategies. OMP is also ahead of other benchmark cities we contacted—Boulder, Fort Collins, Seattle, and Portland—in that it has established a mission and strategic plan to guide its activities and the City’s efforts to build structure and oversight over marijuana enforcement, regulation, and education.

Strategic Plan Implementation—Although OMP monitors its progress toward implementing strategies from its strategic plans, our review of the plans and OMP’s efforts to track the completion status of each strategy revealed three areas in need of improvement. First, two strategies established in the 2015 strategic plan are no longer being tracked despite the fact that they were never implemented. Second, inconsistent numbering of several strategies made it difficult to track the completion status of these strategies over time. Third, we determined that OMP’s performance measures do not align with all of its goals.

With regard to a cessation in tracking, the following two strategies were classified as “ongoing” in February 2015 but they were no longer being tracked as of July 2015:

- Strategy 1.6—Continuous assessment and improvement of marijuana laws and regulations
- Strategy 4.2—Continue to track, monitor and assist with lobbying efforts around Federal marijuana banking

OMP representatives explained that they determined that strategy 1.6 was not the correct strategy to pursue because it encompassed many of OMP’s other strategies and was more connected to OMP’s overall mission. With regard to strategy 4.2, OMP representatives explained that it was removed after OMP personnel determined that, at that time, they could not have any influence over the difficulty that marijuana businesses experience in gaining access to banking services; instead, this would require congressional action.⁴⁵ However, they noted they might reconsider including this strategy in the future.

With regard to the inconsistent numbering of OMP’s strategies, we identified three instances across its 2015 Strategic Plan and documentation used to track the status of OMP’s strategies. For example, one strategy categorized as Strategy 2.6 in the 2015 Strategic Plan was later being tracked as Strategy 2.1 in OMP’s most recent tracking document. Although we found no evidence that this negatively impacted OMP’s ability to implement these strategies, it made it time consuming to reconcile the various documents to identify OMP’s progress on its goals and strategies. In light of the limited number of OMP personnel and the size of their workload, OMP would benefit from improving its process for tracking and documenting the status of its strategies. This would allow OMP to demonstrate to internal stakeholders the progress of its efforts, in accordance with its collaborative approach to marijuana management.

⁴⁵ As discussed in the Auditor’s Office’s Medical Marijuana Taxation performance audit, marijuana businesses have faced significant challenges obtaining bank accounts due to the reluctance of financial institutions to conduct business with marijuana establishments as long as marijuana remains illegal at the federal level. “Medical Marijuana Taxation,” City and County of Denver Auditor’s Office, accessed September 1, 2016, http://www.denvergov.org/content/dam/denvergov/Portals/741/documents/Audits_2014/Medical%20Marijuana%20Taxation%20Audit%20Report%209-18-14.pdf.

Based on our assessment of OMP's performance measures, we determined that they do not address the breadth of activities that OMP pursues related to its strategic plans. Specifically, in the Proposed Mayor's 2016 Budget, OMP's performance measures focused primarily on the operational and licensing aspects of marijuana administration, as follows:

- Total number of active retail marijuana business licenses
- Cultivation facility business licenses
- Store licenses
- Manufacturer of infused product licenses
- Testing facility licenses
- Number of marijuana industry bulletins

Several sources of guidance offer best practices for documentation and strategic planning, all of which are instructive for improvements to the way OMP is operating in these areas. GAO's Standards for Internal Control emphasize the importance of documentation as a critical component of an organization's internal control system. In addition, evaluation and documentation of the results of ongoing monitoring is considered one of several minimum requirements for an internal control system. Further, the Standards for Internal Control specify that an organization should document any changes to its internal controls. Also, ICMA emphasizes the importance of performance measurement in strategic planning. Specifically, it enables an organization to determine where it is underperforming versus achieving its intended goals. However, to do this, an organization must evaluate its performance using outcome, or

impact measures, not just output measures that track actions or activities.

OMP documentation does not always account for strategies that are no longer being pursued which reduces the transparency of this decision-making process.

Although OMP has established tracking documents to help monitor its performance toward implementing its strategies, the documentation does not always account for strategies that are no longer being pursued. This represents a departure from OMP's internal controls and diminishes the value of these monitoring tools. In addition, an academic study of the

determinants of local government transparency showed that the transparent dissemination of information is necessary to allow different groups to participate in the decision-making process. Further, without documenting OMP's decisions to change or remove strategies from its strategic plan, this decision making process loses transparency.⁴⁶ Part of OMP's mission is to implement goals and objectives related to marijuana policy but the gaps in OMP's implementation tracking documents and performance measurement approach impact its ability to fully accomplish this mission. Finally, by pursuing licensing-focused performance measures that do not represent the diversity of OMP's responsibilities as captured in its strategic plans, OMP appears to be overly focused on operational aspects of marijuana management instead of the full collaborative management approach toward which it is striving.

⁴⁶ Daniel Albalade, "The Institutional, Economic and Social Determinants of Local Government Transparency," *Research Institute of Applied Economics*, no. 10 (2012): 5, http://www.ub.edu/irea/working_papers/2012/201210.pdf.

When asked about these observations, OMP personnel explained to auditors that they must remain flexible and adjust their goals and strategies as needed to be responsive to emerging issues related to marijuana. As the entity responsible for recommending, administering, and implementing marijuana-related goals and objectives, we recognize that OMP is within its authority to be responsive to new and unexpected challenges such as odor complaints and public consumption of marijuana. However, OMP undercuts the transparency of its decisions by failing to formally document its decisions and the basis for those decisions. To maintain complete and transparent records of its accomplishments, OMP should improve its tracking documentation so that all previous and current strategies are documented along with their current status and the reason for the addition or removal of any strategy. Better integration of OMP's performance measures with its goals and strategies from its strategic plan and incorporating measures of OMP's impact will enable OMP to assess how effective it is in accomplishing its collaborative approach. For example, adding questions to the National Citizens Survey regarding how marijuana does, or does not affect, the City's residents and their quality of life would be one way to measure the impact of OMP's policies and outreach.

Documenting OMP Meeting Outcomes—OMP holds several regular meetings with various City personnel to discuss cross-cutting marijuana-related questions and issues. In addition, OMP holds quarterly meetings with members of the marijuana industry to discuss relevant topics, including proposed changes to City ordinances, pending legislation, and emerging topics such as odor and pesticides. Although OMP develops agendas for these meetings, we found that they do not formally document meeting outcomes or action items that result from the discussions.

OMP holds four internal City meetings, as follows:

- **Internal Policy Meeting**—With OMP personnel, held weekly
- **Coordinated Management Meeting**—With OMP staff and leaders from other agencies such as the Department of Excise and Licenses and Community Planning and Development Department, held weekly
- **Marijuana Team Meeting**—Held monthly, this meeting includes operational-level staff from various agencies, including the Office of Children's Affairs, Denver Fire Department, Treasury, Technology Services, DPD, and DEH, among others.
- **Marijuana Advisory Committee (MAC) Meeting**—Also held monthly, this meeting involves agency and City leaders, such as the City Attorney, Mayor's Chief of Staff and agency executive staff. However, OMP is currently changing its approach for the MAC meeting to make it a more impactful meeting. Instead of convening the group monthly, they plan to hold the meeting quarterly or every two months. Also, they plan to reduce the number of attendees and revisit who will participate with the goal of giving OMP access to fresh new ideas regarding marijuana policy.

Across these four meetings, the only documentation kept consists of meeting agendas and handwritten notes recorded by OMP personnel. By not formally documenting the outcomes of these various meetings, these collaborative efforts are less transparent and ascertaining their effectiveness is difficult. Moreover, documenting decision points and next steps would allow OMP to strengthen its collaborative management approach because the information could be provided to those who missed meetings as well as City leaders interested in current issues related to marijuana. OMP's 2016 Strategic Plan highlights transparent collaboration as a key value of

the organization; robust meeting documentation is a tool for adhering to this value. Further, other similarly situated cities that legalized marijuana place a greater emphasis on the importance of documentation of meetings. For example, the City of Portland's Marijuana Policy Oversight Team documents its meetings, including specific actions, or decision points, that emerge from the discussion. Further, the City's own Odor Advisory Group (OAG) documents action items, including the individuals responsible for carrying out the actions, and decisions made by the group.⁴⁷

We recognized that the frequency of these OMP meetings, combined with the small number of OMP personnel, make it difficult to document minutes of each of OMP's regular meetings. However, failing to document, at minimum, action items or decisions made during these gatherings prevents OMP from assuring action is taken where appropriate and assessing the ongoing value of each meeting. This deficiency also reduces the transparency of this key collaborative process. For example, 50 percent of the MAC meetings were canceled between May 2015 and May 2016. If OMP had been recording the outcomes of these meetings they may have identified the need to re-envision the MAC meeting sooner. As a result, OMP should formally document the outcomes, such as action items or decisions made, of each of its recurring meetings with City agencies as well as external stakeholders.

⁴⁷ DEH and NDCC created the OAG that is made up of industry, community, and technical representatives. Its purpose is to review and provide input on the City's draft odor ordinance implementing rule, which sets requirements for the industry regarding the odor control plan and appropriate odor control technologies. See the following website for more information: <https://www.denvergov.org/content/denvergov/en/environmental-health/environmental-quality/odors.html>.

RECOMMENDATIONS

We make the following recommendations to OMP to increase transparency and collaboration regarding marijuana tax revenue and policy.

- 1.1 OMP should work with the Budget and Management Office to develop a separate fund for marijuana-related revenue, or list marijuana-related expenditures as line items in the General Fund, and document this in the Mayor's Budget to improve the City's transparency and accountability with regard to this revenue source.

Auditee Response: Agree, Implementation Date – Completed

Auditee Narrative: The Budget and Management Office and OMP agree that listing marijuana-related expenditures in the Mayor's proposed budget will increase the transparency of the allocation of the special retail marijuana sales tax. As a result, the October update to the 2017 Mayor's Budget now includes a table that identifies the budgeted amount for regulation, enforcement, education, and public health as well as the agency to which those funds have been appropriated. While this information is and has been available on the Office of Marijuana website and in its annual report, adding it to the Mayor's Budget will increase access to this information.

- 1.2 OMP should improve its communication with all known marijuana businesses through diversifying the industry's representation in its quarterly industry check-in meetings, striving to increase the number of marijuana businesses receiving the Marijuana Industry Bulletins via email, and timely updating the Newsroom section of the City's Denver Marijuana Information website with all Marijuana Industry Bulletins.

Auditee Response: Agree, Implementation Date – January 20, 2017 and Ongoing

Auditee Narrative: OMP appreciates the Auditor's recognition of the strong efforts that have been made to engage the industry and the multiple strategies already in place for industry outreach. To enhance these efforts, OMP agrees to add three (3) new members to the industry check-in invitation. In addition, OMP will continue its successful efforts at increasing the growth of the subscribers to OMP's newsletter and OMP will continue its current practice of uploading bulletins to the website within 72 hours, unless there are reasons not to post the specific bulletin.

- 1.3 OMP should identify and implement one or more strategies to increase contact with Registered Neighborhood Organizations, either through regularly attending meetings of the RNOs with the largest concentration of marijuana businesses, or convening quarterly check-in meetings with these RNO representatives.

Auditee Response: Agree, Implementation Date – Early 2017

Auditee Narrative: In addition to the ongoing robust community outreach efforts listed in the Audit Report, OMP is hosting a Citizens' Academy in early 2017 to which RNOs (among many other community representatives) will be invited. Pursuant to OMP's long-term staffing plan, OMP recently hired an additional employee (for a current

total of 4.5 FTEs) to assist with community engagement since this is an important value for OMP and one that OMP would like to pursue with as much intensity as resources permit. This new FTE will be assessing OMP's current community outreach and what other specific strategies (including the two recommended here by the Auditor) will be most effective.

- 1.4 OMP should improve its strategy tracking documentation so that all previous and current strategies are documented along with their current status and the reason for the addition or removal of any strategy.

Auditee Response: Agree, Implementation Date – January 20, 2017 and Ongoing

Auditee Narrative: It is extremely valuable for the community, the marijuana industry and OMP to know that OMP's strategic planning efforts reflect best practices and place OMP ahead of the other benchmark cities. With no roadmap in this new era of marijuana legalization, it is reassuring to know that the City is on the right path. OMP embraces opportunities to strengthen the way in which it tracks its strategies and will endeavor to keep the numbering of strategies consistent and document when strategies are no longer being pursued.

- 1.5 OMP should integrate its performance measures from the Mayor's budget with the goals and strategies from its strategic plan and incorporate more outcome, or impact-related, measures.

Auditee Response: Agree, Implementation Date – January 20, 2017

Auditee Narrative: This is an issue that OMP highlighted to the Auditor and sought guidance. As explained to the Auditor, there are some areas for which outcomes can be measured easily (such as the operational and licensing aspects of marijuana administration), and some for which outcomes are more difficult to measure (such as where results will not be known for many years or where the goal is the deterrence or prevention of specific behaviors). Almost since its inception, OMP has been in conversations with Peak Performance exploring how to quantify and measure the outcomes of activities that are more difficult to measure directly. In July, OMP began working closely with a Peak representative in preparation of reporting out through Peak Performance in November on outcomes and activities and will integrate some of the more difficult performance measures it develops into its strategic planning.

- 1.6 OMP should formally document the outcomes, such as action items or decisions made, of each of its recurring meetings with City agencies as well as external stakeholders.

Auditee Response: Agree in part, Implementation Date – January 20, 2017

Auditee Narrative: All of OMP's regular meetings have a stated purpose, a formal agenda that is distributed before the meeting, a regular structure, a consistent method for documenting the outcomes, and a process for following up on action items. OMP "formally" documents the outcomes of workgroup meetings with external stakeholders and will continue to do so. OMP informally documents the outcomes of

its internal meetings through handwritten notes taken by both the Executive Director and Deputy Director (logging who said what they would do and when), then reconciling the Executive Director and Deputy Director's notes and following up. OMP will more formally document the outcomes of the Marijuana Team meetings through written minutes, but declines to do so for the smaller, more frequent meetings based on past experience that this administrative duty was not an efficient use of limited resources when other organizational methods were achieving reliable and successful results.

APPENDICES

Appendix A – Federal Marijuana Regulation and Enforcement

Under the federal Controlled Substances Act (CSA), Congress has designated marijuana as a Schedule I controlled substance.⁴⁸ As a consequence, possession of even personal use amounts of marijuana is still a violation of federal law, which includes distribution of marijuana to another person. Although the resources of federal law enforcement are focused on major drug trafficking organizations rather than individual users, individuals can still be prosecuted if found in violation of federal law. The federal government issued five memoranda to assist with the enforcement of marijuana:

2009 DOJ Marijuana Enforcement Policy Guidance, Ogden Memo—The Department of Justice (DOJ) issued the first guidance offered by the Office of the Deputy Attorney General, which noted that the DOJ is committed to enforcing the CSA for marijuana regardless of state law. However, the DOJ has directed its field components (i.e., U.S. Attorneys) to focus on the efficient and rational use of its investigative and prosecutorial resources to address the most significant threats to public health and safety.

2011 DOJ Medical Marijuana Guidance, Cole Memo I—The DOJ offered guidance stating that the 2009 memorandum was not intended to shield commercial marijuana operations from federal enforcement actions. Further, while DOJ's efficient use of limited federal resource had not changed, there had been an increase in the scope of commercial cultivation, sale, distribution, and use of marijuana for medical purposes, and that this activity remained of federal concern.

2013 DOJ Marijuana Enforcement Guidance, Cole Memo II—The DOJ provided guidance on marijuana since Colorado passed state ballot initiatives legalizing marijuana for recreational purposes. The guidance clarified the DOJ's priorities and outlined certain circumstances that may warrant the DOJ to challenge a state's implementation of its marijuana legalization program. The guidance outlined eight enforcement priorities that were important to the federal government, which included:

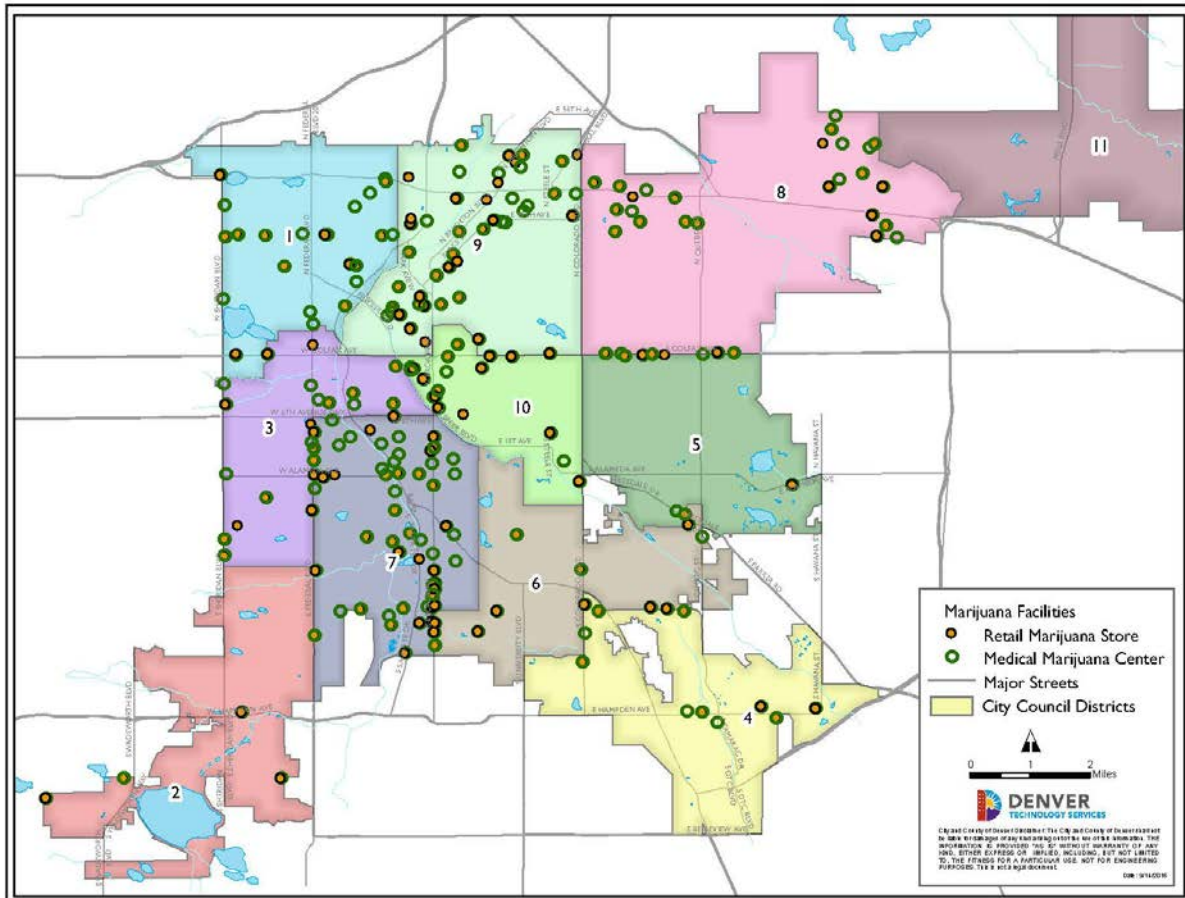
1. Preventing the distribution of marijuana to minors
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels
3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states
4. Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity

⁴⁸ Features of a Schedule 1 drug include having a high potential for abuse, not having a currently accepted medical use in treatment in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The Controlled Substance Act, Title II of the Comprehensive Drug Abuse Prevention and Control Act of 1970.

5. Preventing violence and the use of firearms in the cultivation and distribution of marijuana
6. Preventing drugged driving and the exacerbation of other adverse public health consequences associate with marijuana use
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands
8. Preventing marijuana possession or use on federal property

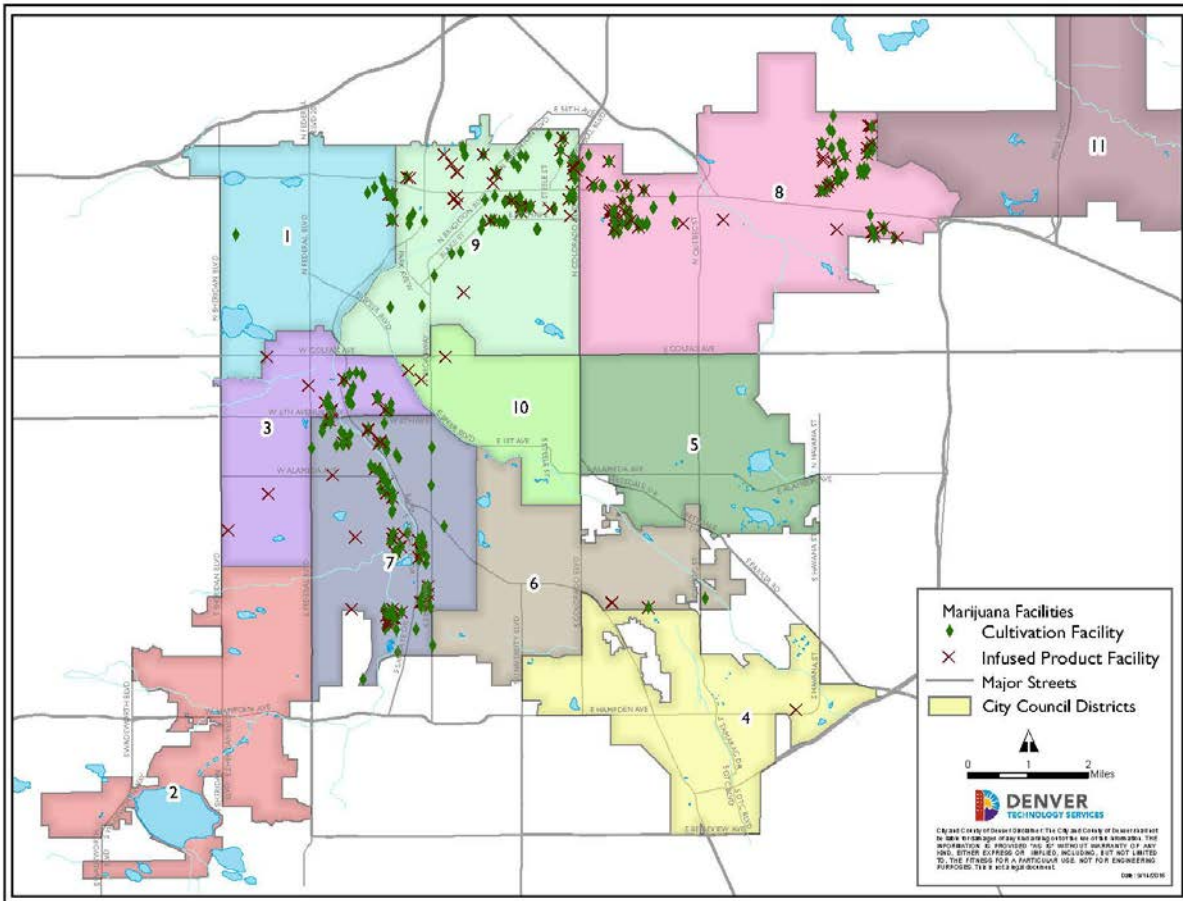
2014 DOJ Marijuana Enforcement Guidance, Cole Memo III and Wilkinson Memo—The DOJ issued two memoranda addressing financial crimes related to commercial marijuana activities and DOJ's marijuana enforcement on tribal lands. The February 2014 DOJ memorandum stated that investigations and prosecutions of certain financial crimes based upon marijuana-related activity should be subject to the same consideration and priorities listed in the August 2013 memorandum. The financial crimes listed in the first memorandum include violations of money-laundering statutes, the unlicensed money remitter statute, and the Bank Secrecy Act. The second memorandum issued in October 2014 stated that the eight priorities listed in the August 2013 memorandum will guide marijuana enforcement efforts on tribal lands.

Appendix B – Retail and Medical Marijuana Facilities in Denver



Source: City and County of Denver Technology Services.

Appendix C – Marijuana Cultivation and Infused Product Facilities in Denver



Source: City and County of Denver Technology Services.

Appendix D – Marijuana Facility Locations and Licensing Information as of May 2016

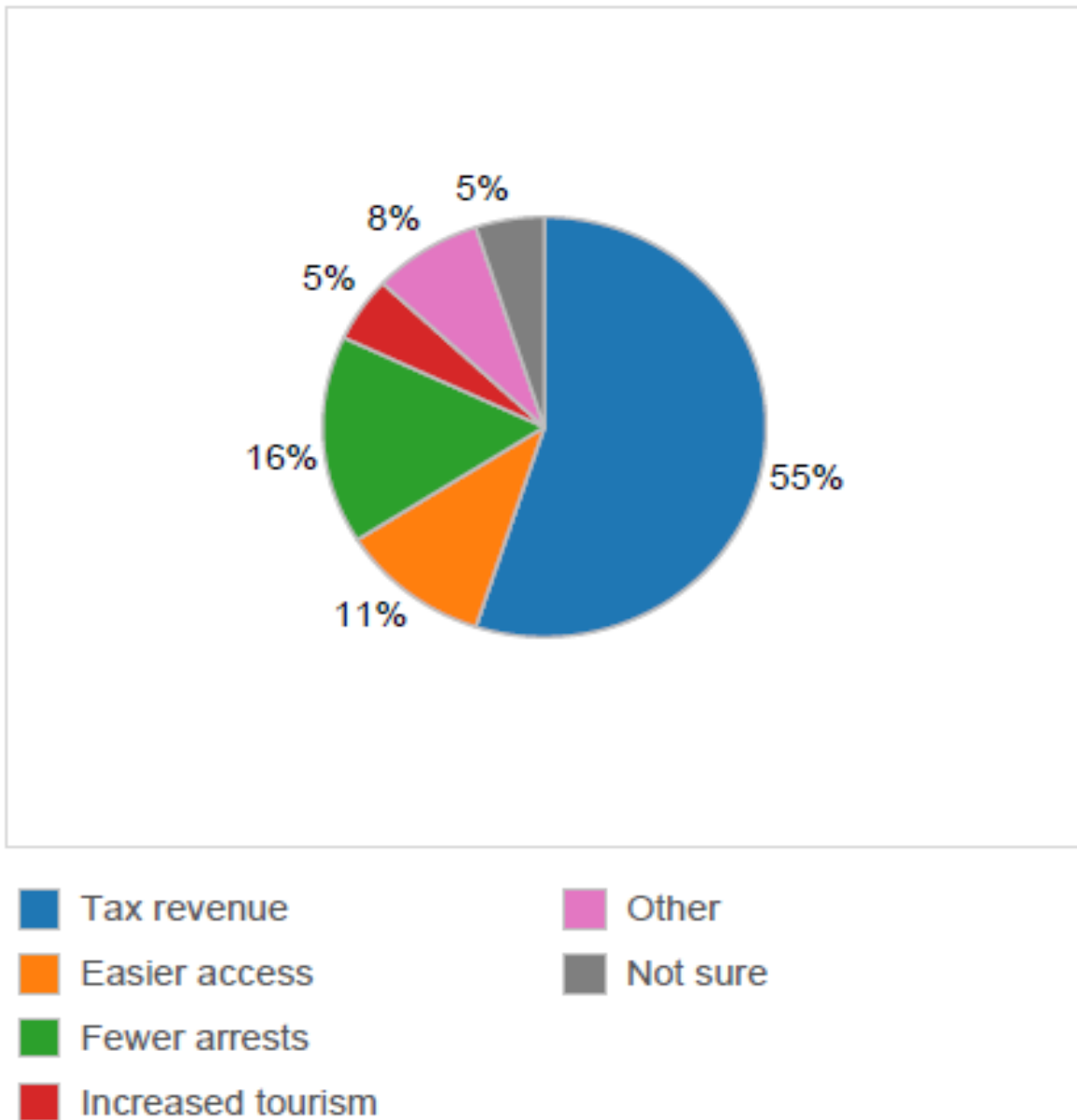
Statistical Neighborhood	Overall Locations	Overall Licenses
Athmar Park	17	38
Baker	17	27
Barnum	2	3
Barnum West	1	1
Belcaro	1	2
Berkeley	2	3
Capitol Hill	6	12
Central Business District	2	3
Cheesman Park	3	6
Cherry Creek	2	3
City Park	1	2
City Park West	1	2
Civic Center	3	10
Clayton	1	2
Cole	6	22
College View-South Platte	26	62
Cory Merrill	2	4
East Colfax	4	5
Elyria Swansea	45	133
Five Points	14	26
Fort Logan	1	2
Globeville	18	37
Goldsmith	1	2
Hale	1	2
Hampden	4	6
Hampden South	2	5
Highland	3	6
Indian Creek	1	1
Jefferson Park	2	3
Lincoln Park	20	50
Mar Lee	2	4
Marston	2	3
Montbello	31	89
Montclair	3	5
North Capitol Hill	1	2
Northeast Park Hill	44	119

Overland	38	78
Platt Park	5	10
Regis	1	2
Rosedale	4	10
Ruby Hill	10	27
Sloan Lake	1	1
South Park Hill	3	5
Speer	4	8
Stapleton	7	20
Sunnyside	18	39
Sun Valley	9	25
Union Station	4	9
University	1	2
University Hills	3	4
Valverde	25	54
Villa Park	3	4
Virginia Village	3	9
Washington Park	1	2
Washington Park West	3	7
Washington Virginia Vale	3	5
Wellshire	1	2
West Colfax	4	6
West Highland	3	6
Westwood	5	10
Windsor	1	2
Grand Totals	452	1049

Source: Department of Excise and Licenses.

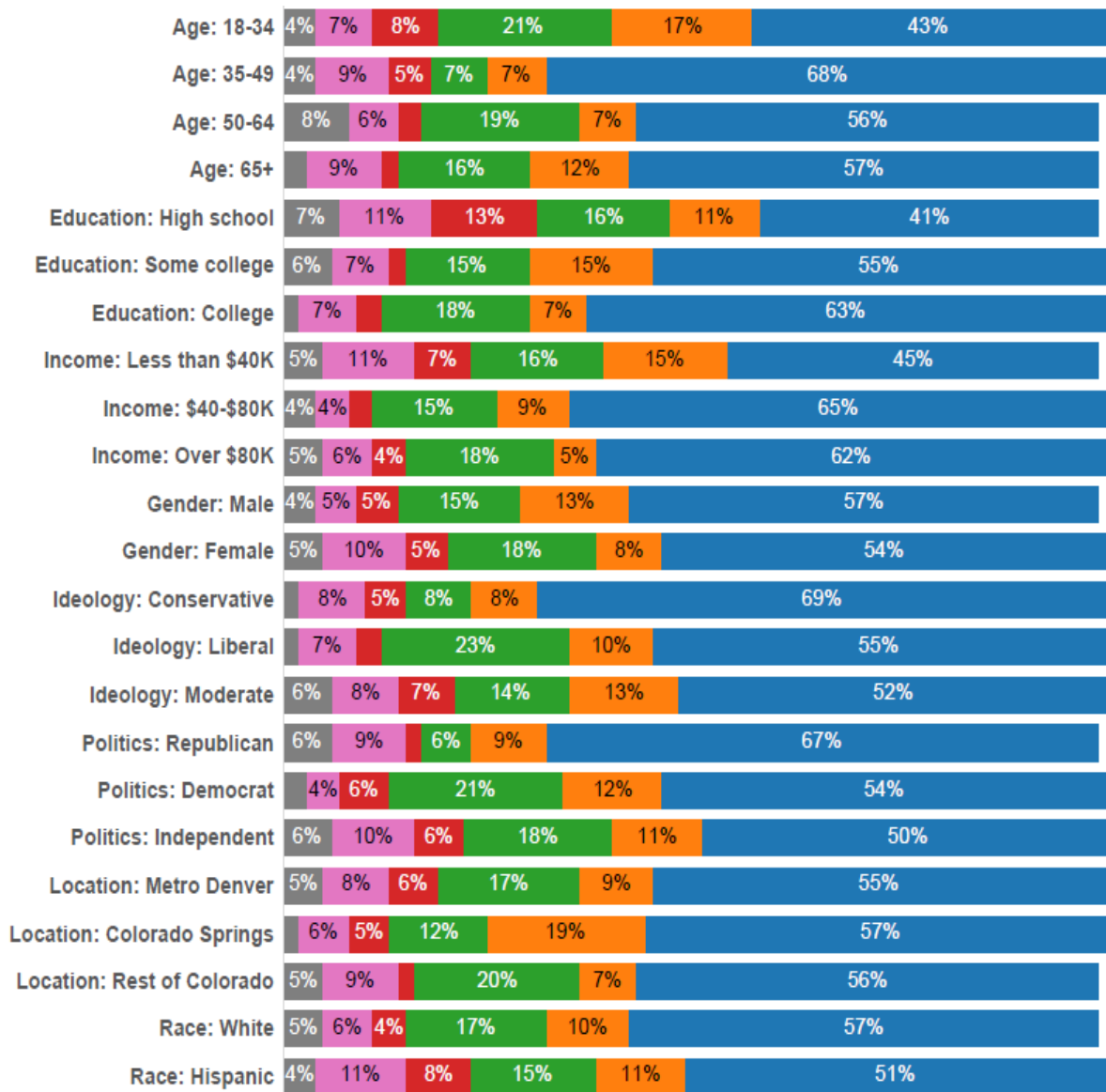
Appendix E – Denver Post Survey Responses

Response Rates Regarding the Greatest Benefit of Marijuana Legalization



Source: SurveyUSA by Kevin Hamm, The Denver Post, December 27, 2014.

Breakdown of Response Rates along Various Factors



Source: SurveyUSA by Kevin Hamm, The Denver Post, December 27, 2014.

AGENCY RESPONSE



CITY AND COUNTY OF DENVER
Office of Marijuana Policy

City and County Building
 1437 Bannock St, Room 386
 Denver, CO 80202-5390
 p: 720.865.9090
 www.denvergov.org

October 12, 2016

Auditor Timothy M. O'Brien, CPA
 Office of the Auditor
 City and County of Denver
 201 West Colfax Avenue, Dept. 705
 Denver, Colorado 80202

Dear Mr. O'Brien,

The Office of the Auditor has conducted an audit of the Office of Marijuana Policy.

This memorandum provides a written response for each reportable condition noted in the Auditor's Report final draft that was sent to us on September 21, 2016. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1

Despite Many Accomplishments since Its Recent Establishment, the Office of Marijuana Policy Can Increase Transparency and Collaboration Regarding Marijuana Tax Revenue Spending and Marijuana Policy Development

RECOMMENDATION 1.1		
OMP should work with the Budget and Management Office to develop a separate fund for marijuana-related revenue, or list marijuana-related expenditures as line items in the General Fund, and document this in the Mayor's Budget to improve the City's transparency and accountability with regard to this revenue source.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	Completed	Stephanie Adams 720-913-5122

Narrative for Recommendation 1.1

The Budget and Management Office and the Office of Marijuana Policy ("OMP") agree that listing marijuana-related expenditures in the Mayor's proposed budget will increase the transparency of the allocation of the special retail marijuana sales tax. As a result, the October update to the 2017 Mayor's Budget now includes a table that identifies the budgeted amount for

regulation, enforcement, education and public health as well as the agency to which those funds have been appropriated (see attached). While this information is and has been available on the Office of Marijuana website and in its annual report, adding it to the Mayor’s Budget will increase access to this information. **(Further detailed information about marijuana-related revenue and expenditures can also be found on OMP’s website at denvergov.org/marijuanainfo and in OMP’s annual report. See attached.)**

RECOMMENDATION 1.2		
OMP should improve its communication with all known marijuana businesses through diversifying the industry’s representation in its quarterly industry check-in meetings, striving to increase the number of marijuana businesses receiving the Marijuana Industry Bulletins via email, and timely updating the Newsroom section of the City’s Denver Marijuana Information website with its Marijuana Industry Bulletins.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	New check-in members by January 20, 2017; other items ongoing	Molly Duplechian 720-865-2739

Narrative for Recommendation 1.2

OMP appreciates the Auditor’s recognition of the strong efforts that have been made to engage the industry and the multiple strategies already in place for industry outreach. To enhance these efforts, OMP agrees to add three (3) new members to the industry check-in invitation. In addition, OMP will continue its successful efforts at increasing the growth of the subscribers to OMP’s newsletter (see graph below) and OMP will continue its current practice of uploading bulletins to the website within 72 hours, unless there are reasons not to post the specific bulletin.



RECOMMENDATION 1.3		
OMP should identify and implement one or more strategies to increase contact with Registered Neighborhood Organizations (RNOs), either through regularly attending meetings of the RNOs with the largest concentration of marijuana businesses, or convening quarterly check-in meetings with these RNO representatives.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	Citizens' Academy in early 2017; OMP's assessment of additional outreach activities will be completed by January 20, 2017	Molly Duplechian 720-865-2739

Narrative for Recommendation 1.3

In addition to the ongoing robust community outreach efforts listed in the Audit Report, OMP is hosting a Citizens' Academy in early 2017 to which RNOs (among many other community representatives) will be invited. Pursuant to OMP's long-term staffing plan, OMP recently hired an additional employee (for a current total of 4.5 FTEs) to assist with community engagement since this is an important value for OMP and one that OMP would like to pursue with as much intensity as resources permit. This new FTE will be assessing OMP's current community outreach and what other specific strategies (including the two recommended here by the Auditor) will be most effective.

RECOMMENDATION 1.4		
OMP should improve its strategy tracking documentation so that all previous and current strategies are documented along with their current status and the reason for the addition or removal of any strategy.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	January 20, 2017 and ongoing	Molly Duplechian 720-865-2739

Narrative for Recommendation 1.4

It is extremely valuable for the community, the marijuana industry and OMP to know that OMP's strategic planning efforts reflect best practices and place OMP ahead of the other benchmark cities. With no roadmap in this new era of marijuana legalization, it is reassuring to know that the City is on the right path. OMP embraces opportunities to strengthen the way in which it tracks its strategies and will endeavor to keep the numbering of strategies consistent and document when strategies are no longer being pursued.

RECOMMENDATION 1.5		
OMP should integrate its performance measures from the Mayor’s Budget with the goals and strategies from its strategic plan and incorporate more outcome, or impact-related, measures.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	January 20, 2017	Molly Duplechian 720-865-2739

Narrative for Recommendation 1.5

This is an issue that OMP highlighted to the Auditor and sought guidance. As explained to the Auditor, there are some areas for which outcomes can be measured easily (such as the operational and licensing aspects of marijuana administration), and some for which outcomes are more difficult to measure (such as where results will not be known for many years or where the goal is the deterrence or prevention of specific behaviors). Almost since its inception, OMP has been in conversations with Peak Performance exploring how to quantify and measure the outcomes of activities that are more difficult to measure directly. In July, OMP began working closely with a Peak representative in preparation of reporting out through Peak Performance in November on outcomes and activities and will integrate some of the more difficult performance measures it develops into its strategic planning.

RECOMMENDATION 1.6		
OMP should formally document the outcomes, such as action items or decisions made, of each of its recurring meetings with City agencies as well as external stakeholders.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree in part	January 20, 2017	Molly Duplechian 720-8652739

Narrative for Recommendation 1.6

All of OMP’s regular meetings have a stated purpose, a formal agenda that is distributed before the meeting, a regular structure, a consistent method for documenting the outcomes, and a process for following up on action items. OMP “formally” documents the outcomes of workgroup meetings with external stakeholders and will continue to do so. OMP informally documents the outcomes of its internal meetings through handwritten notes taken by both the Executive Director and Deputy Director (logging who said what they would do and when), then reconciling the Executive Director and Deputy Director’s notes and following up. OMP will more formally document the outcomes of the Marijuana Team meetings through written minutes, but declines to do so for the smaller, more frequent meetings based on past experience that this administrative duty was not an efficient use of limited resources when other organizational methods were achieving reliable and successful results.

Please contact Molly Duplechian at 720-865-8057 with any questions.

Sincerely,

Ashley Kilroy
Executive Director, Office of Marijuana
Policy

cc: Katja Freeman, MA, MELP, Audit Supervisor
Brendan Hanlon, Chief Financial Officer
Stephanie Adams, Budget Director

Dedicated Special Retail Marijuana Tax Revenues

In November 2013, Denver residents voted to impose a special 3.5 percent retail marijuana sales tax to fund the enforcement and regulation of the retail marijuana industry, education and public health programs associated with marijuana consumption, and other city expenses. Below are budget highlights showing the City's budgeted allocations of projected special retail tax revenue across city agencies.

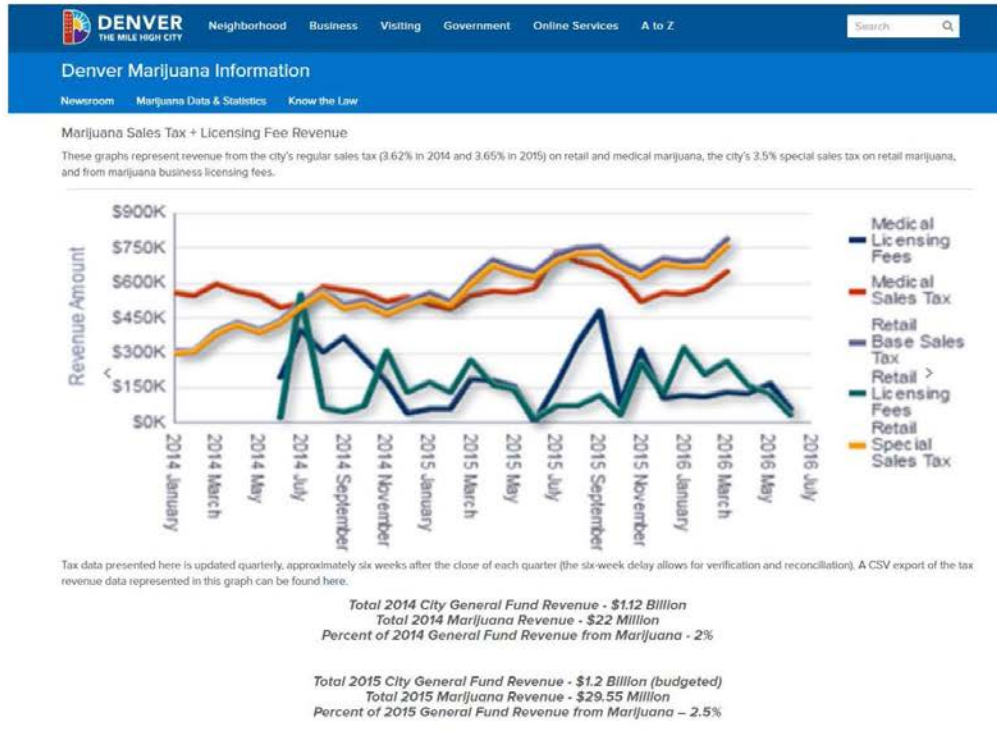
Budget Highlights	2017 Recommended
Revenue	
3.5% Special Retail Marijuana Tax	\$10,126,050
 Regulation	
Office of Marijuana Policy	535,815
Community Planning and Development	477,815
Environmental Health	551,304
Fire	741,167
Finance	88,719
	<u>2,394,820</u>
 Enforcement	
Police	1,093,625
Parks and Recreation	175,000
City Attorney's Office	1,345,867
	<u>2,614,492</u>
 Education	
Office of Marijuana Policy	1,089,460
Parks and Recreation	99,803
Children's Affairs	1,500,000
Denver Health	169,172
Office of Behavioral Health	750,000
	<u>3,608,435</u>
 Public Health	
Economic Development (Affordable Housing)	1,500,000
	<u>1,500,000</u>
 Total Program Expenditures	
	<u>10,117,747</u>
 Personnel Complement (Budgeted)	
Office of Marijuana Policy	4.50
Community Planning and Development	6.00
Environmental Health	8.00
Fire	7.00
Finance	1.00

Office of Marijuana Policy

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Police	11.00
City Attorney's Office	12.00
Parks and Recreation	7.43
Children's Affairs	1.00
Office of Behavioral Health	1.00
Total Personnel Complement	58.93

Below are screenshots of the various revenue, sales and expenditure graphs that are included on the Denver Marijuana Information website. Additional graphs and information can also be found in OMP's 201 annual report also posted on www.denvergov.org/marijuanainfo.



Denver Marijuana Information

Newsroom Marijuana Data & Statistics Know the Law

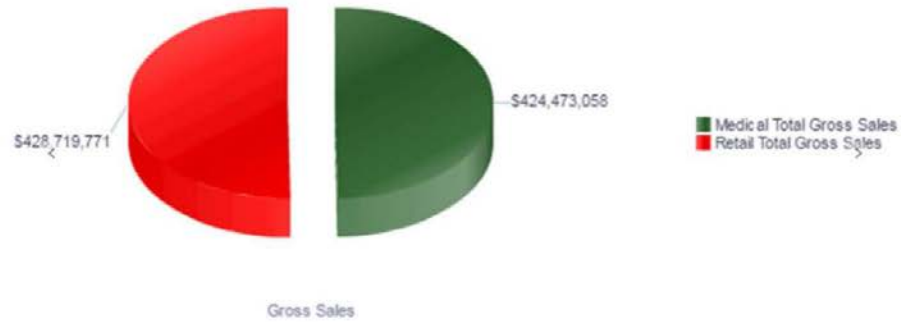
Marijuana Sales Tax + Licensing Fee Revenue

These graphs represent revenue from the city's regular sales tax (3.62% in 2014 and 3.65% in 2015) on retail and medical marijuana, the city's 3.5% special sales tax on retail marijuana, and from marijuana business licensing fees.



Total Gross Sales of Marijuana Products

The following graphs represent the total value of marijuana products sold in the City and County of Denver.

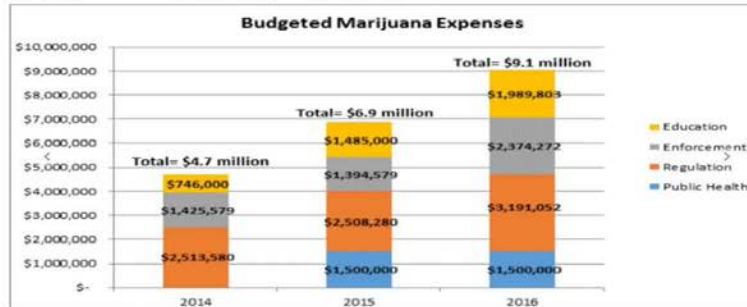


This graph was last updated on 06/21/16. Gross Sales data presented here is updated quarterly, approximately six weeks after the close of each quarter (the six-week delay allows for verification and reconciliation). A CSV export of the gross sales data represented in this graph can be found here.

Budgeted Marijuana Expenses

In November 2013, Denver voters approved a special 3.5% tax to be imposed on retail marijuana sales. The State of Colorado also shares back a portion of its special 10% sales tax on retail marijuana to local jurisdictions. Additionally, Denver Excise & Licenses collects licensing and application fees from marijuana businesses.

The first graph below displays the revenue from these three sources. These revenues are dedicated to four main priorities: Education, Regulation, Enforcement and Public Health. The second graph depicts how this revenue has been allocated throughout the city in regard to these priorities.

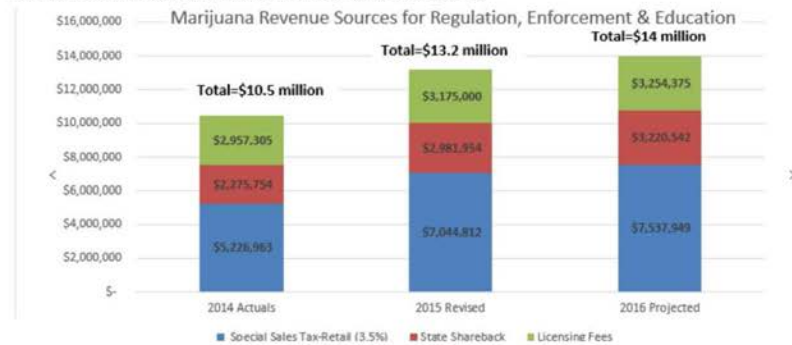


Contact us: For questions regarding any of these graphs or their data, please contact Marijuana@do Denver.gov

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