



# County of Monterey

**Item No.**

## Board Report

Board of Supervisors  
Chambers

168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: 22-1146**

**December 07, 2022**

**Introduced:** 11/30/2022

**Current Status:** ATS Review

**Version:** 1

**Matter Type:** General Agenda Item

- a. Receive an update on current Cannabis Program allocations; and
- b. Review proposed changes to cannabis positions and related non-cannabis staff costs with an effective date of February 1, 2023; and
- c. Consider recommending other County resources to fund the non-cannabis staff and costs; and
- d. Consider identifying other funding sources to pay for the Cannabis Program costs if commercial cannabis business tax collections are found to be insufficient; and
- e. Provide additional direction to staff as appropriate.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive an update on current Cannabis Program allocations; and
- b. Review proposed changes to cannabis positions and related non-cannabis staff costs with an effective date of February 1, 2023; and
- c. Consider recommending other County resources to fund the non-cannabis staff and costs; and
- d. Consider identifying other funding sources to pay for the Cannabis Program costs if commercial cannabis business tax collections are found to be insufficient; and
- e. Provide additional direction to staff as appropriate.

### SUMMARY/DISCUSSION:

On November 29, 2022, the Cannabis Program (Program) presented a report on proposed changes to cannabis positions and related non-cannabis staff costs to the Board of Supervisors (Board) Cannabis Committee (Committee). The Committee approved the recommendations and directed staff to present to the full Board.

For Fiscal Year (FY) 2022-23, the Program was approved with the following allocations as follows and as shown in Attachment A for a total cost of \$7,049,333.

- The 25.23 cannabis staff and related non-staff costs equal \$6,171,665.
- 6 non-cannabis staff and non-staff costs equal \$877,668.

At previous Cannabis Committee meetings and most recently at the Board of Supervisors meeting on November 8, 2022, staff was directed to develop a Program cost reduction scenario. The goal of this scenario is to reduce Program costs to approximately \$4 million mark, which could be recovered through reduced cultivation tax rates. The proposed reductions to the commercial cultivation tax rates will be presented in a separate board report.

After careful consideration, staff has prepared a spreadsheet identifying “Program Core Functions” (Attachment B). This is a list of Program positions with related FTE counts and staff/non-staff costs that staff believe are the core staff required to sustain the Program as a local regulatory unit. The core functions are essential to provide a local framework for successful leadership and management of commercial cannabis through coordination and collaboration with multiple County department, state agencies, policy, enforcement, equity, education and protection of the health, environment, and safety of our communities. The proposed position changes for the Program consist of eliminating 6.25 positions at a total cost reduction of \$1,579,689 (Attachment C). Listed below are the impacted departments, job classification/allocation, and related FTE count. This consists of 18.98 positions at a cost of \$4,591,976 and equates to a 26% reduction in Program costs.

- Agricultural Commissioner Office
  - 1.5 Agricultural Inspector/Biologist positions.
  - 1.0 Weights/Measures Inspector II position.
- County Administrative Office
  - 1.0 Accountant II position.
  - California Cannabis Authority Membership reduction
- Office of the County Counsel
  - 0.5 Deputy County Counsel IV position.
- Health Department
  - 0.25 Environmental Health Specialist IV position.
  - 1.0 Environmental Health Specialist III position.
  - Youth Prevention non-staff allocation.
  - Public Awareness non-staff allocation.
- Housing and Community Development
  - 1.0 Code Compliance Inspector II position.
- Sheriff Office
  - Overtime for Enforcement.

The Program requested the Human Resources Department (HRD) evaluate the proposed position changes to determine potential workforce impacts. Below are their findings.

- For the cannabis position changes, the majority of the departments indicate they will identify alternative funding to retain the positions in their department. For one department position, the department has requested to keep the position as unfunded and unfilled until alternative funding can be identified. For one department position, the department has requested to eliminate the position and fill a vacancy in the same classification in another unit.
- HRD has determined, with the current proposed list for cannabis related position changes, there will be no reduction in force impacts to employees.

From an equity standpoint, it will call into question the ability to continue the funding for 6 FTEs in several departments that do not work in the Program, but which were funded by cannabis revenue in the FY 22-23 County budget (Attachment D). Staff recommends seeking alternative funding for non-cannabis resources, which are listed below by department, job classification/allocation, and

related FTE count. During the Committee meeting, discussion ensued about the possibility of utilizing Transient Occupancy Tax (TOT) as an alternative source of funding. The Committee requested the County Budget Director's opinion on the matter and provided comment that TOT is a discretionary revenue and recommends the funding of these allocations be evaluated as a whole as part of the County's budget process. The Committee concurred with the County Budget Director.

- Department of Social Services
  - 1 Military & Veterans Affairs Office Representative.
- Health Department
  - 1.0 Public Guardian
  - 1.0 Office Assistant II.
- Public Works, Facilities, & Parks
  - 1.0 Park Ranger II.
  - 1.0 Grounds Worker II.
  - 1.0 Parks Aide II.
- County Administrative Office
  - Conversion of the Office of Emergency Services to departmental status.
- Board of Supervisors
  - District 3 office space allocation.
- Housing and Community Development
  - Street renaming signs.

The commercial cannabis industry is in crisis, not only in Monterey County, but throughout the state. There is too much production, insufficient retail outlets, and a growing unlicensed market. Each of these factors are further compounded by the drastic decline in wholesale price points. As previously discussed, the commercial cannabis industry will take years to become a sustainable and vibrant economic driver within the County. While it may have been the voter's intent for commercial cannabis tax revenue to fund the Program when Measure Y passed, there was not a consideration for the current scenario: less commercial cannabis tax revenue collections and a significant reduction in business operations.

In the event that commercial cannabis tax revenue cannot fund Program costs, staff recommends the Board consider an alternative funding source. The Board may consider reserving the Cannabis Assignment-which currently has a balance of approximately \$5.8 million-to fund Program costs for FY 22-23 and possibly FY 23-24.

OTHER AGENCY INVOLVEMENT:

The following departments contributed and reviewed this report: Agricultural Commissioner, County Administrative Office, Office of the County Counsel, Health Department, Human Resources Department, Office of Emergency Services, Department of Public Works, Facilities and Parks, Sheriff's Office, Department of Social Services, and Housing and Community Development.

FINANCING:

Monterey County's Cannabis Program is funded in County Administrative Office - Department 1050,

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Intergovernmental and Legislative Affairs Division - Unit 8533, Cannabis. Cannabis allocations are funded by cannabis tax revenue. The approval of the reduction in force recommendations would decrease Cannabis Program costs by \$1,579,689. The approval of identifying a different funding source for non-cannabis resources would decrease the Cannabis Program costs by an additional \$877,668.


BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Mark a check to the related Board of Supervisors Strategic Initiatives

- X Economic Development
- X Administration
- X Health & Human Services
- X Infrastructure
- X Public Safety

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Attachments:

- A: Current Cannabis Program Allocations
- B: Proposed Cannabis Program Core Functions
- C: Proposed Cannabis Program Reductions
- D: Current Non-Cannabis Allocations paid by Commercial Cannabis Tax Revenue