

Cannabis Business Permit Fee Study

May 11, 2021



Cannabis Business Permit Fee Study Overview

In December 2020, the Board of Supervisors adopted a resolution to approve and fund a Cannabis Business Permit (“CNB”) fee study to establish a fee intended to reduce staff time required to process and issue CNBs.

- MGT Consulting LLC (“MGT”) was retained to determine the cost of issuing CNBs for commercial cannabis operators.

Findings from the CNB Fee Study were reviewed by the Cannabis Committee in March 2021.

Program staff was directed to present findings to the Board of Supervisors for review and consideration.

Approach to the Fee Study



Fee Structure

The County currently has two deposits for CNBs:

Application Type	Deposit Amount
Initial Permit	\$4,653
Renewal Permit	\$1,069

Four departments are involved in issuing CNBs:

County
Administrative
Office (“CAO”)
Cannabis
Program
 (“Program”)

Office of the
County Counsel

Health
Department
Environmental
Health Bureau
 (“EHB”)

Housing and
Community
Development
Department
 (“HCD”)

Cost Analysis

1. Direct Labor

Estimates for staff time required for each CNB application are provided below in minutes and hours:

Type	CAO	Counsel	HCD	EHB	Total Minutes	Total Hours
Initial Permit	760	60	95	951	1,866	31.10
Renewal Permit	760	60	95	471	1,388	23.13

2. Allocated Non-Staff Costs

Costs were allocated to direct services on the basis of direct labor costs by service

3. Indirect Expense Allocation

Costs charged to each department on the same basis as #2

Scenario Simulation

Fee based on the average cost for issuing a CNB as opposed to the cost of issuing each individual permit:

Cost*	CAO	Counsel	HCD	EHB	Total
Direct Labor	\$122,430	\$17,802	\$16,797	\$65,878	\$222,907
Allocated Non-Salary	\$21,659	\$26,769	\$3,312	\$3,867	\$55,607
Indirect Expense	\$232,346		\$2,647	\$9,085	\$244,078
Total	\$376,435	\$44,571	\$22,756	\$78,830	\$522,592
Units	120	120	120	120	120
Total Cost per Unit	\$3,137	\$371	\$190	\$657	\$4,355

*A 2.5% COLA was applied to the direct labor of the personnel directly involved in the CNB.

Total costs were \$4,910 for an Initial and \$4,269 for a Renewal, with a weighted average of **\$4,355**.

Consideration

Monterey County pays administrative fees to the California Cannabis Authority (“CCA”), estimated at \$280,000 for the current fiscal year.

- If these fees were distributed among applicants, the additional cost per CNB would be **\$2,333** or an otherwise appropriate proportion thereof.

Research Fee

To process requests for individual business information at **\$74**

Modification Fee

To process modifications to permits or fiscal year registration forms at **\$1,070**

Recommendations

MGT Consulting findings from the fee study support the following recommendations:

- Adopt a standard CNB fee of **\$4,355** for collection at the time the application is made.
 - Retain option of imposing a higher fee in unusual cases.
- Add a fee of **\$1,070** for processing modifications.
- A research fee of **\$74** to process information requests for individual commercial cannabis businesses.
- Consideration of **\$2,333** CCA fee.



CANNABIS PROGRAM
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Questions