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ORGANIZATIONAL REVIEW OF THE CURRENT CANNABIS PROGRAM

BOARD OF SUPERVISORS PRESENTATION

COUNTY OF MONTEREY, CA

March 1, 2022

Citygate Associates, LLC

- Business of better government for 30+ years

- Recently conducted a review of the RMA

- Cannabis Project Team

  - David DeRoos, President

  - Evert Palmer, Project Manager

  - Andrew Green, Fiscal Specialist

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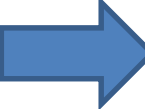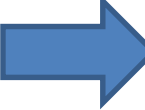
Purpose: Respond to Referral 2021-12

"To consider a review of the Cannabis Program's efficiencies, particularly the processes for permit review and compliance inspections"

<u>Problem Statement</u>: *"Insignificant progress has been made towards local authorizations for cannabis operators related to land use and building permits, which impacts the industry's ability to be considered for state annual licenses"*

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Focus of Citygate's Review

- Regulatory environment

- Budgets, expenditures, and revenues

- Organizational structures: formal/informal

- Staffing levels and classifications

- Permitting processes and workloads

- Comparable best practices

- Context of recent RMA study

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Report Framework

- Executive Summary

- Section 1: Introduction

- Section 2: Serving the Cannabis Industry

- Section 3: Responding Organizationally

- Section 4: Responding Procedurally

- Section 5: Action Plan

Citygate Makes 16 Recommendations:

- **3 Organizational**

- **13 Procedural**

Monterey Cannabis Industry

- Top-three County agricultural crop

- Top-three County revenue source

- Provides important jobs and revenue

California Cannabis Markets

- Evolving regulatory environments
- Evolving taxing schemes
- Evolving production opportunities/capability
- Volatile market conditions

Identities of the Cannabis Permittee

- Regulated market participant
- Permit applicant

The cannabis business permit applicant has two discrete identities which require different organizational responses and "product" deliveries

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Market Participant versus Permit Applicant

- Encouraging versus regulating

- Promoting economic development versus managing regulatory schemes

- Developing strategies versus processing transactions

- Developing policies versus developing procedures

- Being future-focused versus today-focused

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Responding to the Industry "Roles"

- Organizationally, Section 3

- Procedurally, Section 4

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Responding Organizationally

- Understand the client's identities and roles
- Understand the "product" being delivered
- Understand accountability structures
- Understand professions and "career ladders"
- Understand current organization
- Understand current cultural norms
- Understand the regulatory environment

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Current Permitting Organization*

* Figure 3 in Report

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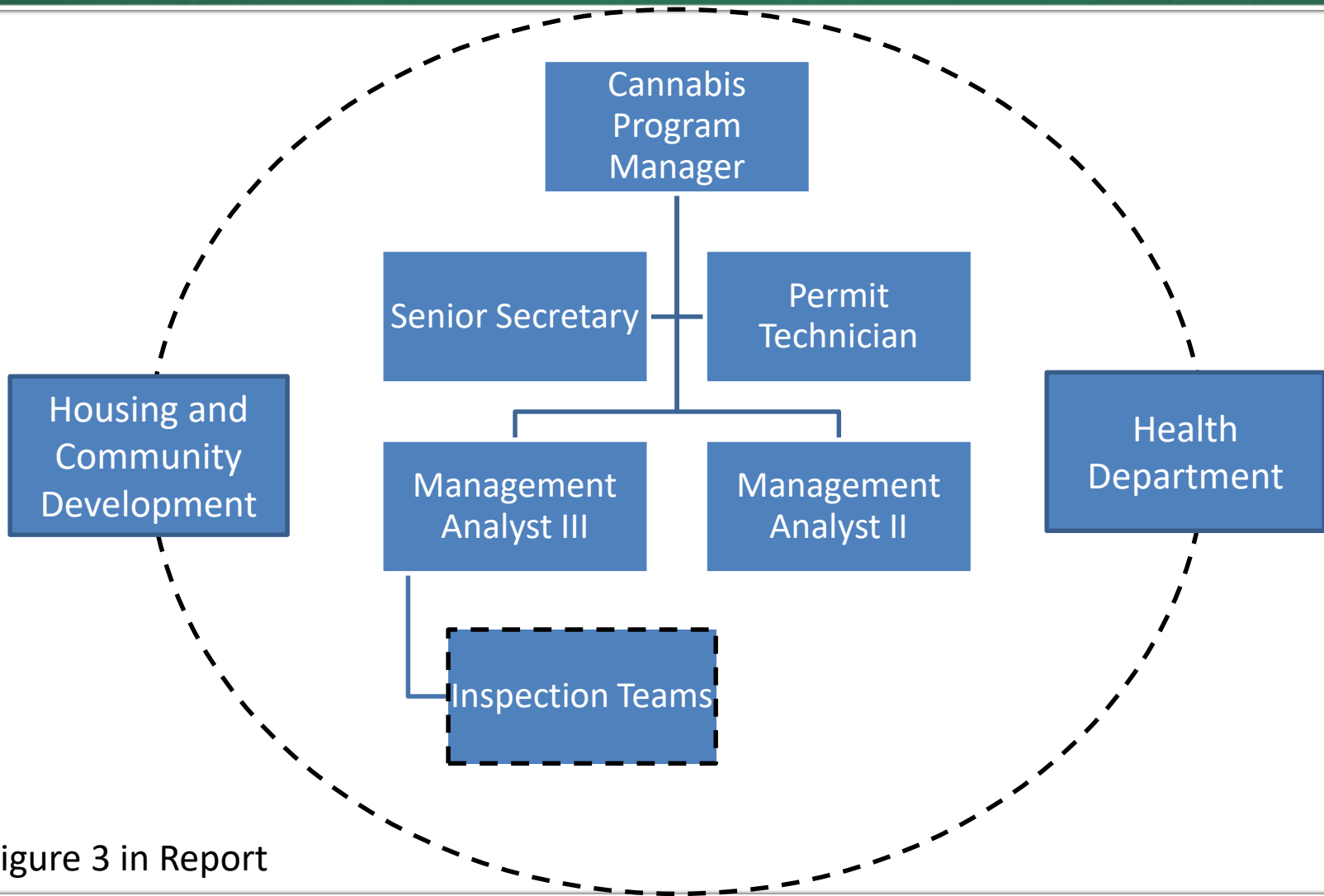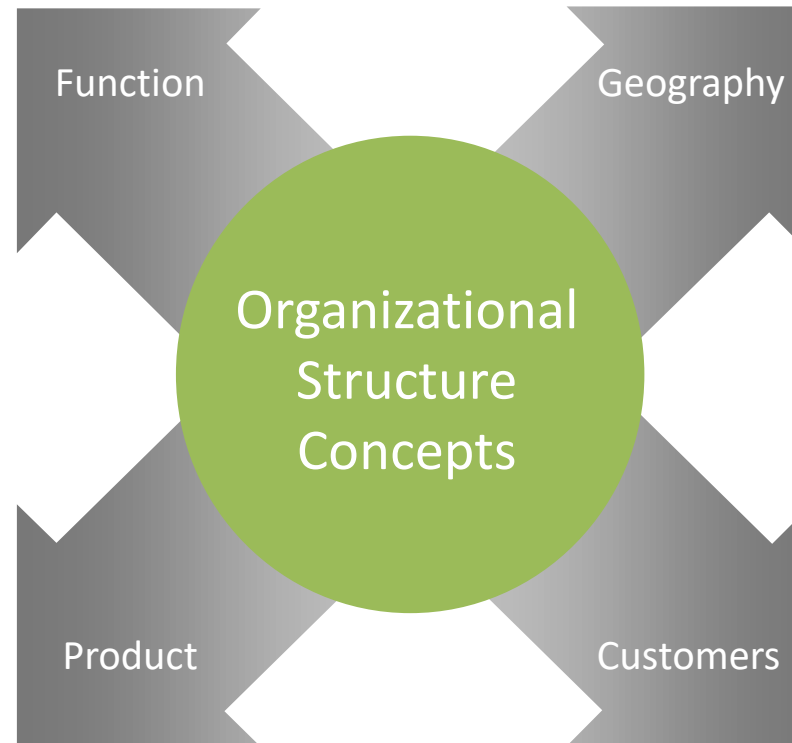
Organizational Structure Evaluation

In this structure, all like positions are in distinct units (e.g., maintenance, clerical support, engineering, etc.)

In this structure, all positions serving a geographic area are in distinct units (e.g., sub-state region, sub-county service center, etc.)

In this structure, all positions working on a product or product line are in distinct units (e.g., health, infrastructure, etc.)

In this structure, all positions serving defined customer groups are in distinct units (e.g., senior services, development services, etc.)

Function

Geography

Product

Customers

Organizational Structure Concepts
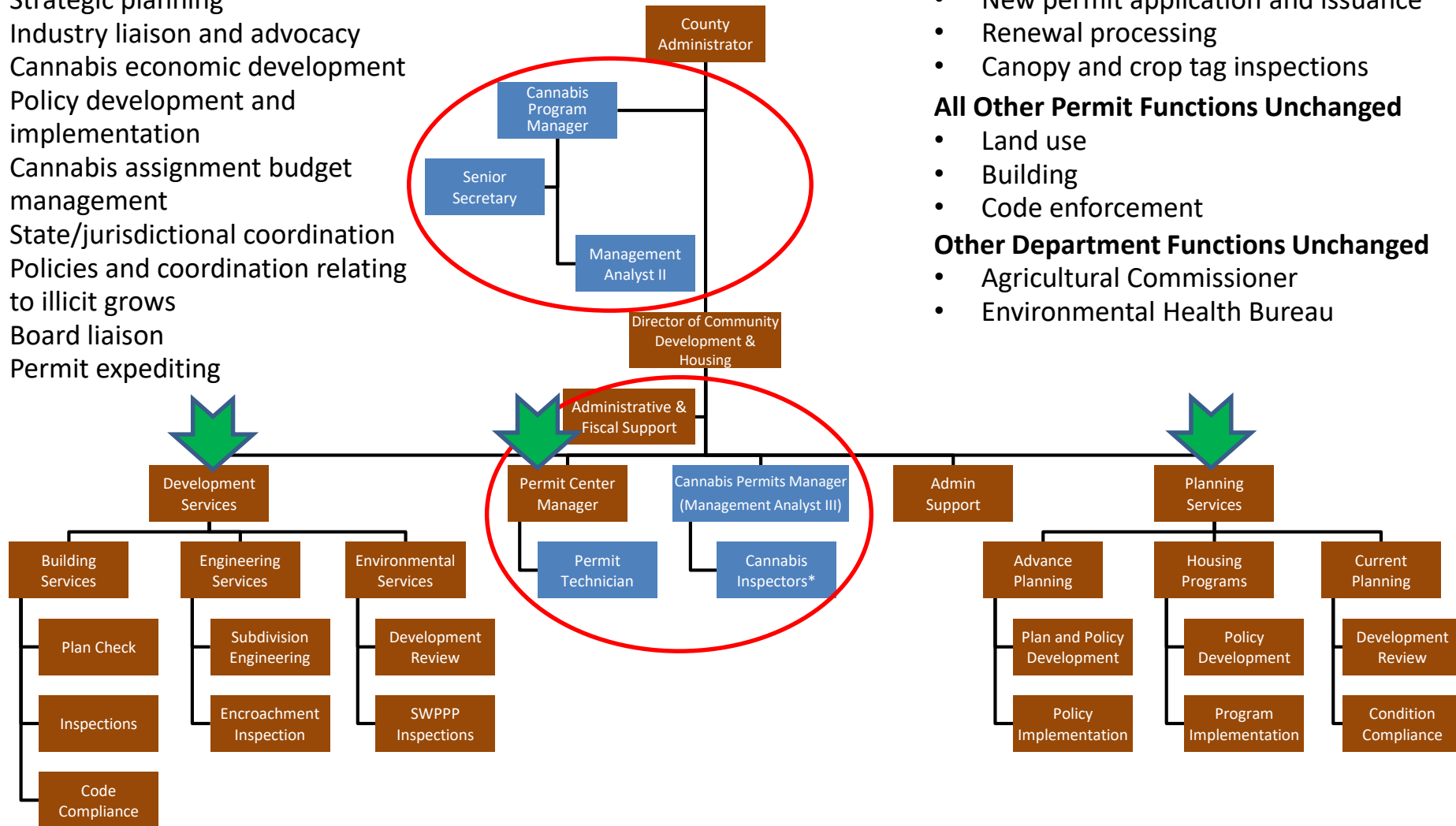
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Recommendation 1: Organize in response to discrete roles

Cannabis Program (Market Participant)

- Strategic planning
- Industry liaison and advocacy
- Cannabis economic development
- Policy development and implementation
- Cannabis assignment budget management
- State/jurisdictional coordination
- Policies and coordination relating to illicit grows
- Board liaison
- Permit expediting

Cannabis Permits (Permit Applicant)

- New permit application and issuance
- Renewal processing
- Canopy and crop tag inspections

All Other Permit Functions Unchanged

- Land use
- Building
- Code enforcement

Other Department Functions Unchanged

- Agricultural Commissioner
- Environmental Health Bureau

Org chart:

- County Administrator
  - Cannabis Program Manager
    - Senior Secretary
    - Management Analyst II
  - Director of Community Development & Housing
    - Administrative & Fiscal Support
    - Development Services
      - Building Services
        - Plan Check
        - Inspections
        - Code Compliance
      - Engineering Services
        - Subdivision Engineering
        - Encroachment Inspection
      - Environmental Services
        - Development Review
        - SWPPP Inspections
    - Permit Center Manager
      - Permit Technician
    - Cannabis Permits Manager (Management Analyst III)
      - Cannabis Inspectors*
    - Admin Support
    - Planning Services
      - Advance Planning
        - Plan and Policy Development
        - Policy Implementation
      - Housing Programs
        - Policy Development
        - Program Implementation
      - Current Planning
        - Development Review
        - Condition Compliance

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Organizational Benefits

- Aligns "product" delivery with client identities
- Aligns organization, procedural, and regulatory environments
- Focuses accountability
- Honors professions and "career ladders"
- Consistent with current organizational norms
- Creates opportunities to streamline processes

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Aligning Positions with the Organization (Recommendations 2 and 3)

- Program Manager II
    - Reclassify as "Cannabis Program Manager"

- Management Analyst III
    - Reclassify as "Cannabis Permit Manager"

Aligning Positions with the Organization (cont.)

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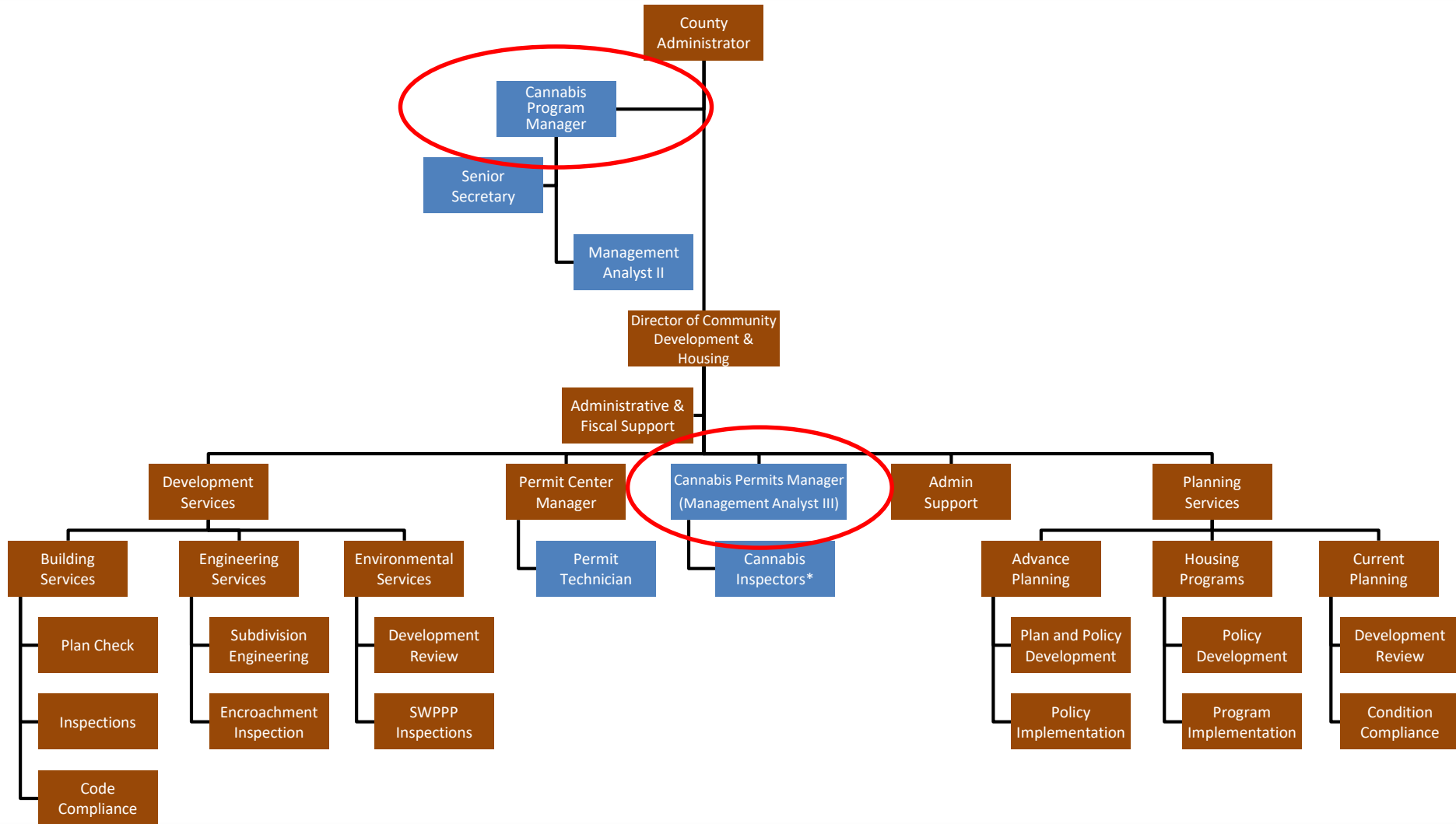
Responding Procedurally

- Understand the cannabis business permit process

- Understand what is required prior to issuing a cannabis business permit (precursor permits)
  - Often the most time/resource-consuming

- Understand the department signoff process

- Understand the technology tools used

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Implement RMA Recommendations (Recommendation 4)

- RMA study and recommendations
  - 76 recommendations
  - Last status report in May 2021
  - Significant progress made
- Implementation requires significant effort
- Recommendations in various stages of implementation
- Over time, will have a significant, positive impact on the cannabis permitting processes

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Permit Agreements for Good Standing (Recommendation 5)

- Businesses already operating

- Accelerate department signoff process

- Accelerate business permit issuance

- Contractually obligate to already-required conditions and mitigations

- Neither increases burden on industry nor decreases County-required conditions and mitigations

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Inspection Processes (Recommendation 6)

- Pilot program improved efficiencies and information exchange

- Short-term versus long-term
  - Initial permitting versus operational inspections
  - Increased frequency, reduced scope and duration

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Improve Data Management (Recommendation 7)

- Create a "dashboard" data report
  - Links cannabis business permits to precursor permits
  - Better understanding of the status of permitting efforts
  - Effort underway
- May require:
  - Build-out cannabis permitting module
  - Data clean-up

Improve Fiscal Management (Recommendations 8 through 13)

- Improve consistency and accountability
  - Increase periodic information sharing
  - Increase training on program fiscal operations
  - Improve use of cannabis "report codes"
  - Develop an internal audit plan for cannabis fund
- Potentially increase the cannabis tax revenue available for discretionary projects
  - Complete a time study
  - Reconcile fees and cannabis fund contributions

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Improve Status Reporting (Recommendation 14)

- Provide what, why, and when of:
  - Current status
  - Next actions leading to full approval
- Include context and details, such as condition and mitigation mentoring status
- Effort began in November 2021

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Improve Performance Management (Recommendations 15 and 16)

- Establish and publish service-level commitments for processing cannabis business permit and related precursor requirements

- Develop and report on performance measures for cannabis business permit and related precursor requirements

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Next Steps

- Adopt the report and direct staff to implement according to the Action Plan

- Direct staff to report monthly on implementation progress for the first six months

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Questions?

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