



## Board of Supervisors – Item Number 20

- Cannabis Tax Rate – Escalator
- Performance Measures
- Proposed Outdoor Grow Cannabis Tax Rate
- Cannabis Resource Augmentations

# Board of Supervisors Approved Tax Rates, May 22, 2018



Industry	As of May 2018	Proposed in May 2018	CURRENT Approved by Board of Supervisors on May 22, 2018
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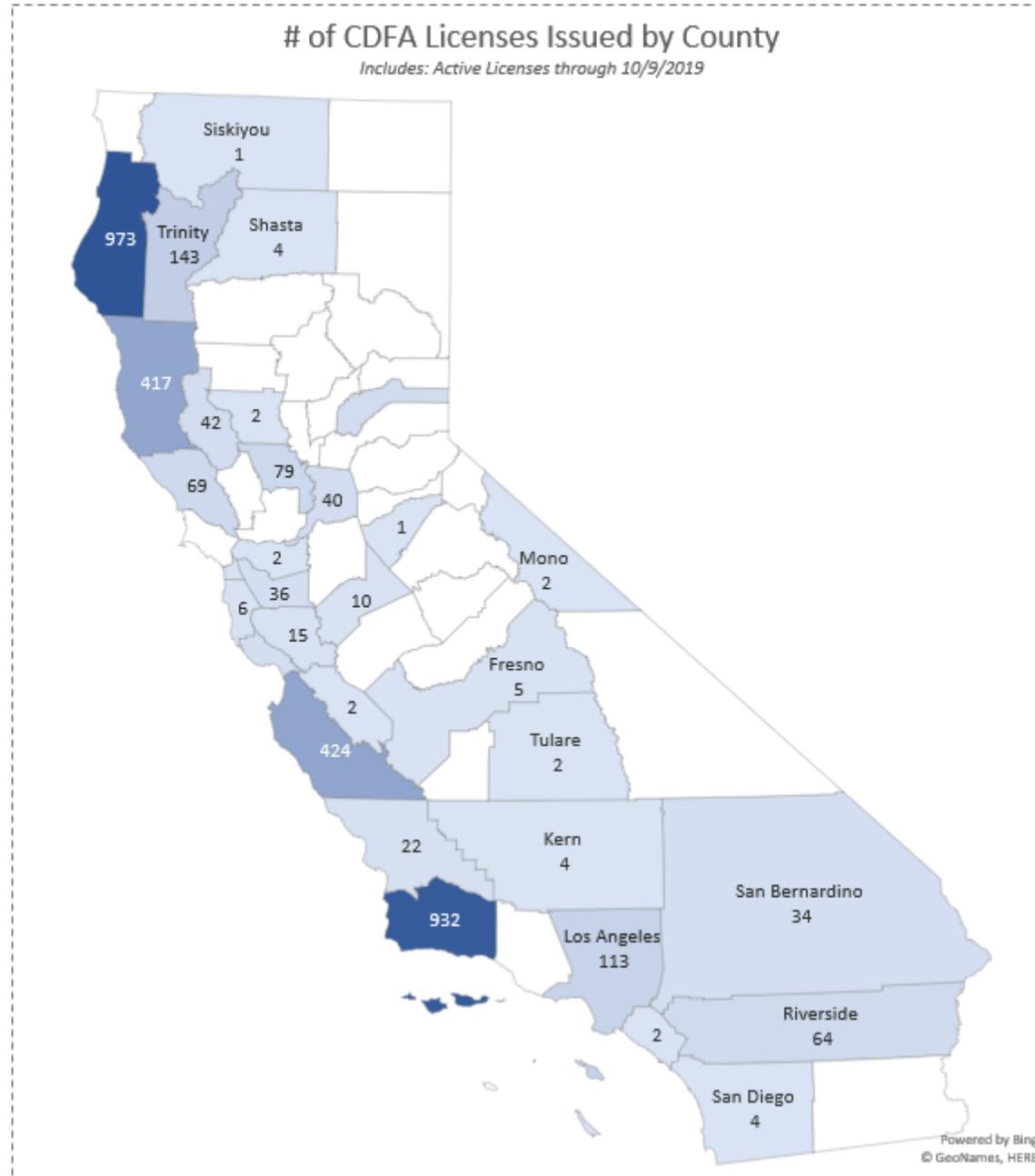
<b>Cultivation</b>	\$15/sq. ft. Beginning July 1, 2020, increase each fiscal year by \$5/ sq. ft. not to exceed \$25/sq. ft.	Proposed \$4 - \$8 sq. ft. for 1 fiscal year (7/1/18-6/30/19) An increase of \$1.00/sq. ft. per fiscal year beginning July 1, 2019	\$5/sq. ft. for mixed light (greenhouses) \$8/sq. ft. for indoor (warehouses, etc.) for 2 fiscal years. An increase of \$1.00/sq. ft. per fiscal year beginning on July 1, 2020. Max. rate is \$15.00/ sq. ft.
<b>Nursery</b>	\$2/sq. ft. Beginning July 1, 2020, increase each fiscal year by \$1.50/ sq. ft. not to exceed \$5/sq. ft.	\$1/sq. ft. for 2 fiscal years (7/1/18-6/30/20) An increase of \$1/sq. ft. per fiscal year beginning July 1, 2020	\$1/sq. ft. for 2 fiscal years An increase of \$1/sq. ft. per fiscal year beginning July 1, 2020 Maximum rate is \$5/sq. ft.
<b>Manufacturers</b>	5% of gross receipts Beginning July 1, 2020, increase each fiscal year by 2.5% not to exceed 10%	2.5% of gross receipts An increase of 1% per fiscal year beginning July 1, 2019	2.5% of gross receipts An increase of 1% per fiscal year beginning July 1, 2019
<b>Distributors</b>	5% of gross receipts Beginning July 1, 2020, increase each fiscal year by 2.5% not to exceed 10%	2% of gross receipts An increase of 1% per fiscal year beginning July 1, 2019	2% of gross receipts An increase of 1% per fiscal year beginning July 1, 2019
<b>Testing</b>	5% of gross receipts Beginning July 1, 2020, increase each fiscal year by 2.5% not to exceed 10%	1% of gross receipts No increase for testing facilities	1% of gross receipts No increase for testing facilities
<b>Retailers</b>	5% of gross receipts Beginning July 1, 2020, increase each fiscal year by 2.5% not to exceed 10%	4% of gross receipts An increase of 0.5% per fiscal year beginning July 1, 2019	4% of gross receipts An increase of 0.5% per fiscal year beginning July 1, 2019

# CDFA Licenses



Top Counties by # of CDFA Licenses:

- #1 – Humboldt
- #2 – Santa Barbara
- #3 – Monterey
- #4 – Mendocino



# Cultivation License Rankings by County



County	Licenses Issued	Rank
Humboldt	973	1
Santa Barbara	932	2
Monterey	424	3
Mendocino	417	4
Trinity	143	5
Los Angeles	113	6
Yolo	79	7
Sonoma	69	8
Riverside	64	9
Nevada	47	10
Lake	42	11
Sacramento	40	12
Alameda	36	13
Santa Cruz	36	13
San Bernardino	34	15
San Luis Obispo	22	16
Santa Clara	15	17
San Francisco	13	18
Stanislaus	10	19
San Mateo	6	20
Fresno	5	21
San Diego	4	22
Kern	4	22
Shasta	4	22
Orange	2	25
Tulare	2	25
Mono	2	25
San Benito	2	25
Contra Costa	2	25
Colusa	2	25
Calaveras	1	31
Siskiyou	1	31
<b>Grand Total</b>	<b>3,546</b>	

# Cannabis Program – FY 18-19 Performance Measures

Performance Measure	FY 18-19	July 19
Total registered square feet of indoor cannabis cultivation.	98,758	95,883
Total registered square feet of mixed-light cannabis cultivation.	2,612,877	2,734,512
Total registered square feet of nursery cultivation.	951,409	929,842
Projected cannabis tax revenue: nursery, indoor, mixed-light.	\$14,805,858	\$15,369,466
Actual cannabis tax revenue: nursery, indoor, mixed-light.	\$15,768,705	TBD
Average cannabis tax delinquency rate.	9%	TBD
Number of staff allocated to the Cannabis Program and paid with cannabis tax revenue.	19.48	21.98
Number of Cannabis Program Compliance Inspections completed.	132	48

- *During FY 17-18, the Program reported annualized average cultivation amounts.*
  - *Cultivation = 829,835*
  - *Nursery = 356,816*

# Cannabis Program – FY 18-19 Performance Measures



<b>Performance Measure</b>	<b>FY 18-19</b>	<b>July 19</b>
Average duration of a Cannabis Program compliance inspection.	4.78	4.86
Number of Correction Notices sent to operators including Follow-Up Notices.	(Apr-June) 82	28
Number of illegal cannabis search warrant services executed.	16	5
Number of pounds of illegal cannabis eradicated.	51,146	23,531

## Cannabis Resource Utilization

- Based on 2,080 hours in a fiscal year
- Payroll hours tracked in Advantage with an override code
  - RMA uses WINCAMS
  - Program working with departments to ensure staff track
  - All cannabis hours are combined into one spreadsheet each month
- Anticipate variation with some departments, month over month, depending on work activities

# Cannabis Program – FY 18-19 Performance Measures



<b>Performance Measure</b>	<b>FY 18-19</b>	<b>July 19</b>
Cannabis resource utilization by Agricultural Commissioner’s Office. (2.5 FTE; 0.5 unfilled)	38%	54%
Number of staff hours dedicated to cannabis work tasks by Assessor-Clerk Recorder. (0.0 FTE)	102	0
Cannabis resource utilization by Auditor-Controller’s Office (0.5 FTE; 0.5 unfilled)	7%	0%
Cannabis resource utilization by CAO Cannabis Program (3.0 FTE + Management Specialist + Temporary; 1.0 unfilled)	118%	63%
Cannabis resource utilization by Office of the County Counsel. (1.0 FTE)	33%	33%
Cannabis resource utilization by District Attorney’s Office. (3.0 FTE)	89%	109%
Cannabis resource utilization by Health Department. (3.5 FTE; 0.5 unfilled)	83%	89%
Cannabis resource utilization by Resource Management Agency. (2.0 FTE)	103%	98%
Cannabis resource utilization by Sheriff’s Office. (2.0 FTE)	85%	141%
Cannabis resource utilization by Treasurer-Tax Collector’s Office. (1.98 FTE)	108%	106%

# Tax Rates of Comparable Counties

<b>Jurisdiction</b>	<b>Nursery</b>	<b>Cultivation - Indoor</b>	<b>Cultivation - Outdoor</b>
Mendocino County	\$2,500/year	2.5% gross receipts	2.5% gross receipts
Monterey County	\$1/sq. ft.	\$8/sq. ft. indoor \$5/sq. ft. mixed light	N/A
San Benito County	\$5/sq. ft.	\$5/sq. ft.	\$5/sq. ft.
San Francisco City/County	2.5% / 5% gross receipts	2.5% / 5% gross receipts	2.5% / 5% gross receipts
San Luis Obispo County	4% gross receipts	4% gross receipts	4% gross receipts
Santa Barbara County	1% gross receipts	4% gross receipts	4% gross receipts
Santa Cruz County	5% gross receipts	5% gross receipts	5% gross receipts
Sonoma County	N/A	\$3.90-11.69/sq. ft. indoor \$2.34-6.75/sq. ft. mixed light	\$1.04-2.08/sq. ft.
Yolo County	5% gross receipts	4% gross receipts	4% gross receipts

# Outdoor Grow Cultivation Tax Rate Estimations



Number of Land Use Permits	Canopy Sq. Ft.	Total Canopy Sq. Ft.	Rate of \$2.50	Rate of \$2.75	Rate of \$3.00
6	2,500	15,000	\$37,500	\$41,250	\$45,000
13	5,000	65,000	\$162,500	\$178,750	\$195,000
56	10,000	560,000	\$1,400,000	\$1,540,000	\$1,680,000
75		640,000	\$1,600,000	\$1,760,000	\$1,920,000

## Cannabis Augmentation Requests

- Cannabis industry and program are still developing
- Anticipating changes at the state level that local jurisdictions will need to address
- Program is focused on studying outcomes and utilization through performance measures
- Review augmentation by department/function.
  - Cannabis Program
  - Enforcement
    - District Attorney
    - Sheriff's Office

# Cannabis Program Resources and Augmentation Request



Department	Resources	Augmentation
CAO - Cannabis Program	4	1
CAO – Administration Finance	1	
Auditor-Controller	.5	
Agricultural Commissioner	2.5	
Office of the County Counsel	1	
District Attorney	3.5	
Health Department	3.5	
Sheriff’s Office	2	
Resource Management Agency	2	1
Treasurer-Tax Collector	1.98	
<b>Total</b>	<b>21.98</b>	<b>23.98</b>

# Cannabis Augmentation Request – Cannabis Program



- Senior Secretary
  - No administrative support available within the CAO-IGLA Division
  - Current staff absorb administrative/clerical support that impacts priority work
- Cannabis Code Compliance Inspector
  - Cannabis Compliance work in teams
  - Position will directly report to the Resource Management Agency
    - 100% dedicated to the Cannabis Program
  - EHB has been allocated three (3) FTEs (inspection)
  - RMA current has two (2) FTEs (inspection)
- Cannabis Compliance Training
  - Training will cover compliance, operations, CA regulatory, inventory, including components of Track and Trace



# Cannabis Program: FY 19-20 Proposed Augmentations

<b>Department</b>	<b>FTEs and Other</b>	<b>Total Cost</b>
CAO Cannabis Program	1 FTE, overhead	\$92,957
CAO Cannabis Program	Adherence Compliance Training	\$11,250

## Cannabis Augmentation Request – Enforcement

Request supports the Cannabis Program Strategic Plan, Goal B:

*“Protect public safety, health and the environment as the cannabis industry grows in Monterey County.”*

- Cannabis Program Enforcement Task Force
  - Sheriff’s Office
  - District Attorney
  - RMA Code Enforcement

## Cannabis Augmentation Request – Enforcement

- FY 19-20, 1<sup>st</sup> Quarter
  - 6 search warrant services
    - Eradication
      - 31,211 pounds of illegal cannabis
        - 31,301 plants
    - Found weapons, cash, concentrate found

















# Cannabis Program: FY 19-20 Proposed Augmentations for Outdoor Grow Pilot Program and Enforcement



<b>Department</b>	<b>FTEs and Other</b>	<b>Total Cost</b>
District Attorney	Overtime, investigator equipment, storage container	\$69,824
Sheriff Office	Overtime, aircraft, training, equipment	\$317,947
Resource Management Agency	1 FTE & (1) vehicle, overhead	\$165,000
<b>Total</b>	<b>2.0 FTE &amp; Other</b>	<b>\$656,978</b>

# Questions



# Cannabis Program: FY 19-20 Proposed Augmentations for Outdoor Grow Pilot Program and Enforcement



Department	FTEs and Other	Total Cost
District Attorney	Overtime, investigator equipment, storage container	\$69,824
Sheriff Office	Overtime, aircraft, training, equipment	\$317,947
Resource Management Agency	1 FTE & (1) vehicle, overhead	\$165,000
Total	2.0 FTE & Other	\$656,978

- DA Overtime Augmentation Request: \$34,064
- Sheriff's Office Overtime Augmentation Request: \$200,000
- Consideration:
  - \$250,000 Overtime held in Cannabis Program budget
    - To be used as a draw
    - Sheriff's Office will exhaust \$200,000 OT currently in FY 19-20 budget first before requesting draw.



## Board of Supervisors – Item Number 21

### Chapter 7.90 of the Monterey County Code

- Sets requirements to obtain a commercial cannabis permit, and operating requirements once a permit is approved.
- It is an annual permit.
- The permit is obtained by a business after all necessary land use entitlements are approved for the property.
- The County's commercial cannabis tax is based off the square footage listed in the permit.

## Reasons for Chapter 7.90 Amendments

- Changes in administrative review of the permit
- The California Cannabis Authority is now collecting data
- The California Department of Food & Agricultural, the Bureau of Cannabis Control, and the Department of Public Health all adopted final permanent regulations in January 2019
- For consistency with the Monterey County Code

# Proposed Chapter 7.90 Amendments

## County administrative changes:

- Make Cannabis Program Manager the Appropriate Authority
- Allow permit to be modified once to change square footage
- Allow permit to be modified three times for other changes
  - Allow the permit to be modified if there is a partial change in ownership
- Require applicants who hold a State provisional license to submit application within 30 days of final approval of land use entitlement
- Require applicants to provide GPS coordinates
- Require diagram of proposed total canopy area and max amount of SF of cultivation

## California Cannabis Authority:

- Require that all permittees submit information to CCA

## Proposed Chapter 7.90 Amendments

### Changes to state law and Monterey County Code:

- Add necessary language given that outdoor pilot program approved
- Add definitions of “owner” and “financial interest”
- Remove distinction between A-type and M-type permits
  - Designation to be placed on County permit
- Require all property owners, business owners, and employees:
  - To be 21 years of age or older
  - To wear an identifying badge provided by permittee
- Better define surveillance requirements
- Change odor requirements

## Cannabis Committee Direction

- Draft ordinance presented to CC on September 30<sup>th</sup>
- Approved draft ordinance with certain amendments:
  - Allow business with partial change in ownership to modify permit to align with state law
  - Modify once based on SF, more times for other changes
  - Hold a workshop re. CCA requirements
- Public brought up issue of creating an exception for R&D
  - No exception now for R&D, but evaluate issue when amending Chapter 7.100 (commercial cannabis tax)

## Timeline and Direction

Introduce, waive reading, and set November 5, 2019 at 10:30 a.m. as the date and time to consider adoption of an ordinance amending Chapter 7.90 of the Monterey County Code to streamline administrative processes of the commercial cannabis permit, and better align the Chapter to state law and other portions of the Monterey County Code.

Questions...