

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



# Purpose: Respond to Referral 2021-12

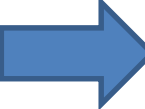
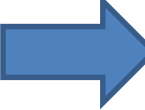
*“To consider a review of the Cannabis Program’s efficiencies, particularly the processes for permit review and compliance inspections”*

Problem Statement: *“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”*

# 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

# 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



# 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

# Responding to the Industry “Roles”

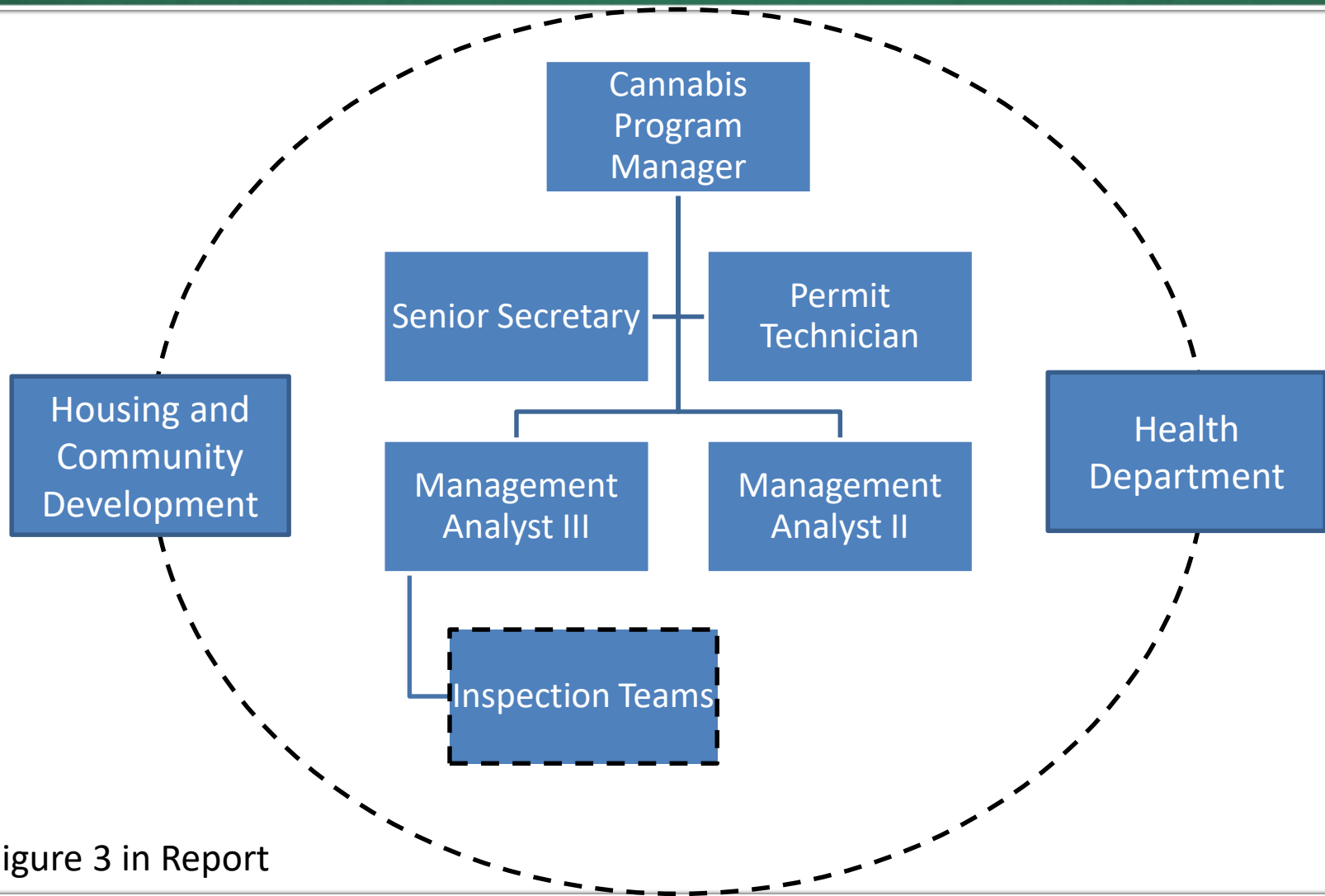
- Organizationally, Section 3
- Procedurally, Section 4



# 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

# Current Permitting Organization\*

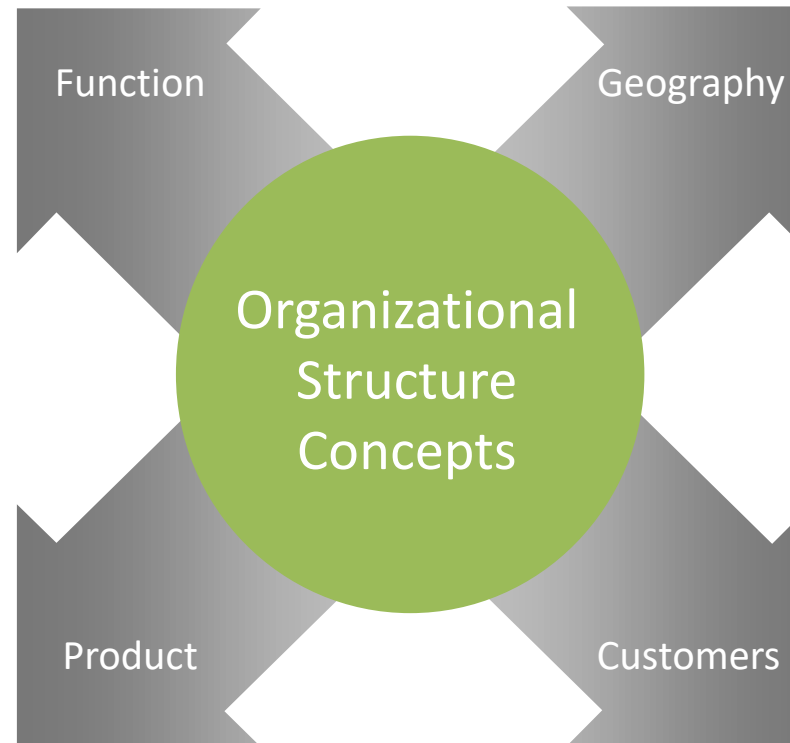


\* Figure 3 in Report

# 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 working on a product or product line are in distinct units (e.g., health, infrastructure, 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 serving defined customer groups are in distinct units (e.g., senior services, development services, etc.)

# Aligning Organization and Industry (Recommendation 1)

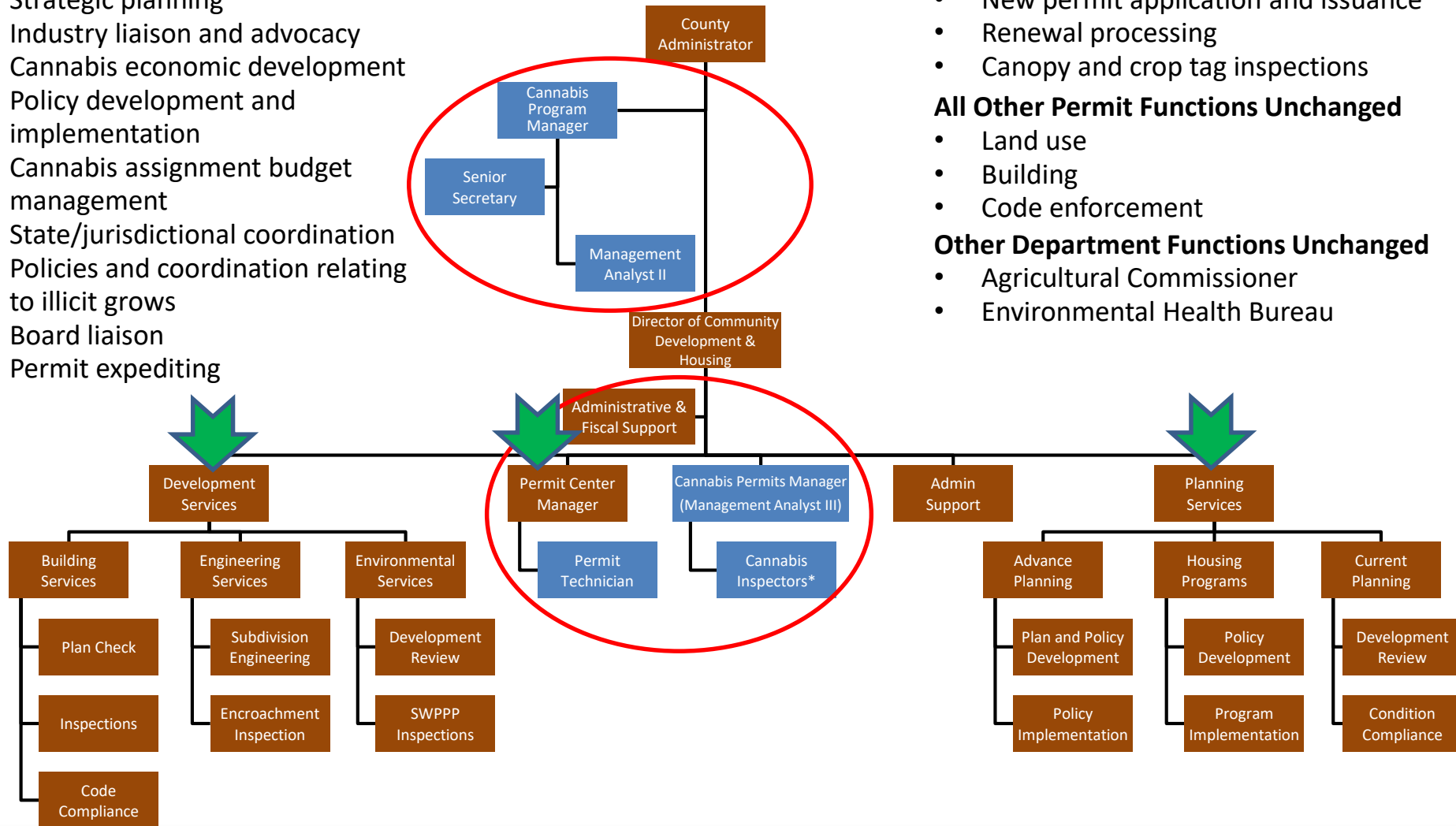
## Recommendation 1: Organize in response to discrete roles

### 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



# 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

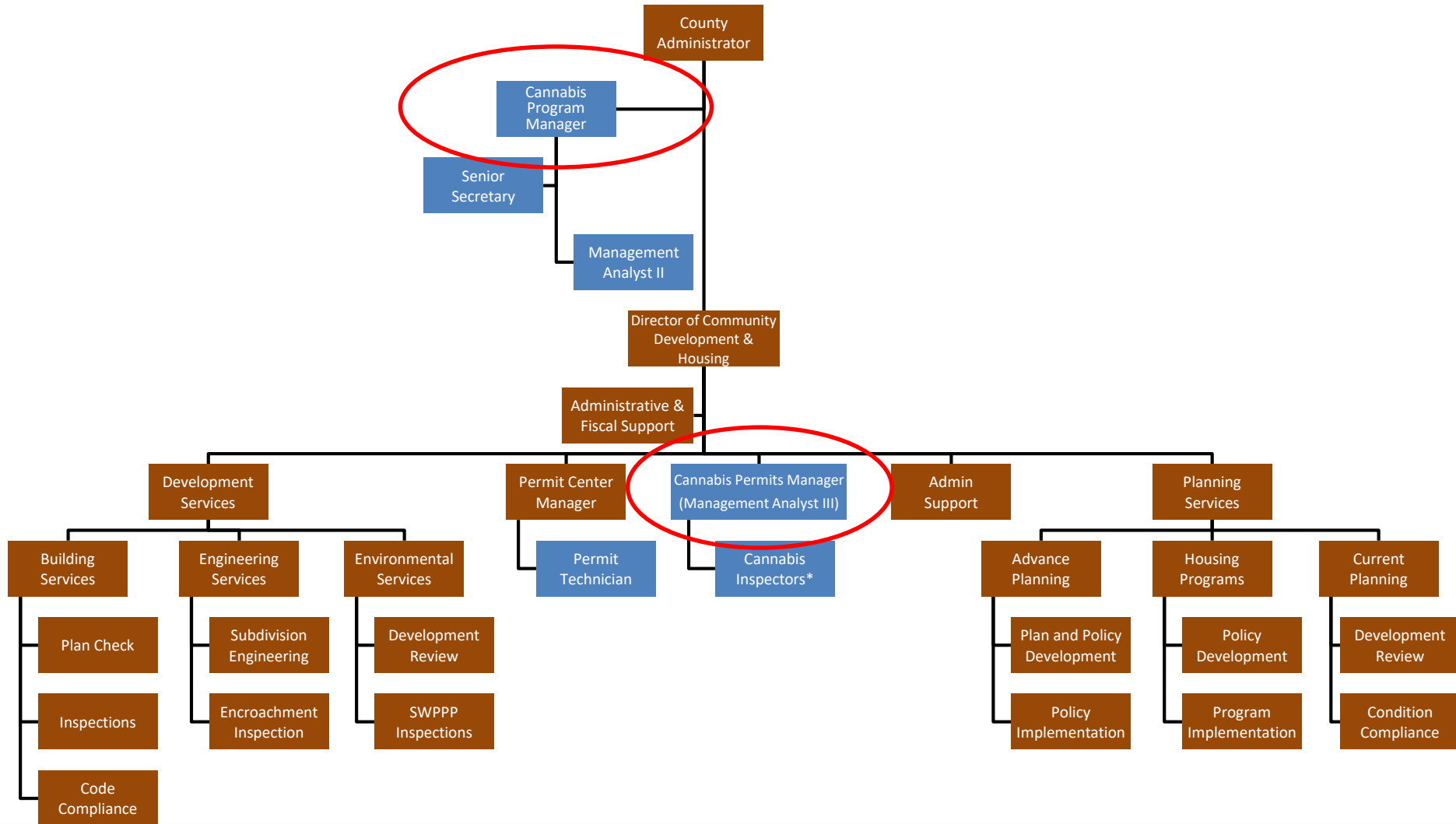
# Aligning Positions with the Organization (Recommendations 2 and 3)

- Program Manager II
  - Reclassify as “Cannabis Program Manager”
- Management Analyst III
  - Reclassify as “Cannabis Permit Manager”





# Aligning Positions with the Organization (cont.)



# 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

# 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

# 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

# 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

# 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

# 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



# 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

# 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

**Questions?**