

**Board Cannabis Committee**  
**March 18, 2020**

Recommend an approval of the request to direct the Auditor-Controller to amend the FY 2019-20 Adopted Budget by increasing appropriations by \$140,000 in the County Administrative Office budget unit Contributions-Other Agencies: 001-1050-CAO007-802, financed by a decrease in appropriations of \$140,000 in Cannabis Assignment to pay the FY 2019-20 California Cannabis Authority administration fees.

RECOMMENDATION:

It is recommended that the Board Cannabis Standing Committee:

- a. Recommend an approval of the request to direct the Auditor-Controller to amend the FY 2019-20 Adopted Budget by increasing appropriations by \$140,000 in the County Administrative Office budget unit Contributions-Other Agencies: 001-1050-CAO007-802, financed by a decrease in appropriations of \$140,000 in Cannabis Assignment to pay the FY 2019-20 California Cannabis Authority administration fees.
- b. Provide direction to staff as appropriate.

SUMMARY/DISCUSSION:

The California Cannabis Authority (CCA) is a Joint Powers Authority created by contract between Monterey County and other local jurisdictions with cannabis regulatory and/or taxing authority. The purpose of the organization is to develop and manage a statewide data platform that will gather, collect and analyze information from a variety of data sources into one resource. The database will further assist local governments cannabis regulatory compliance. It will also provide necessary information to financial institutions that wish to work with the cannabis industry. The Board of Supervisors executed the Joint Exercise of Powers Agreement on behalf of Monterey County on January 30, 2018.

The CCA is funded by an administrative fee that is calculated for each entity and dependent upon the total sales within the jurisdiction. Amendments adopted to Chapter 7.90 of the Monterey County Code in October 2019 require operators to connect with the CCA platform. As of this writing, approximately 40% of the businesses have connected. The Program and CCA continue to work with the remaining businesses to ensure they connect to the platform.

Specifically, for Fiscal Year (FY) 2019-20, invoices have been received and processed. These represent the 40% of commercial cannabis business that complied with the CCA connection. Letter of non-compliance have begun to be sent out during the week of February 24, 2020 to all business that are not in compliance. FY 19-20 invoices are as follows and based on the 0.15% software costs. Beginning in the FY 19-20 3<sup>rd</sup> Quarter, the administrative fee rate will increase to 0.25%.

FY 19-20 Q1: \$18,667 based on \$12,444,351 reported sales at 0.15%

FY 19-20 Q2: \$17,592 based on \$11,728,302 reported sales at 0.15%

For the FY 2019-20, \$50,000 was allocated to the County Administrative Office budget unit Contributions-Agencies for the payment of CCA administrative fees.

Based on an average of transacted amounts for Q1 and Q2 and assuming compliance remains at 40%, there will be a \$46,691 deficit relative to the adopted budget:

FY 19-20 Q3: \$30,216 based on \$12,086,326 reported sales at 0.25%

FY 19-20 Q4: \$30,216 based on \$12,086,326 reported sales at 0.25%

Based on an average of transacted amounts for Q1 and Q2 and assuming full compliance is achieved, there will be a \$137,338 deficit relative to the adopted budget:

Quarter 3: \$75,540 based on \$30,215,816 reported sales at 0.25%

Quarter 4: \$75,540 based on \$30,215,816 reported sales at 0.25%

#### OTHER AGENCY INVOLVEMENT:

The Treasurer-Tax Collector Office is the lead department for the California Cannabis Authority and collaborated on the writing of this report.

#### FINANCING:

The total allocation for the California Cannabis Authority administrative fees were \$50,000. This was an estimated amount. In order to fully cover the administrative fees for FY 2019-20, an augmentation request of \$140,000 is requested from the Cannabis Assignment.

#### 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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Reviewed by: Kristina Parson, Treasurer-Tax Collector Office  
Kelly Donlon, Office of the County Counsel

Approved by: Nicholas E. Chiulos, Assistant County Administrative Officer

#### Attachments:

A: Fiscal Year 2019-20, First and Second Quarter Invoices