



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 18-072, Version: 1

Adopt a resolution authorizing the County of Monterey to:

- a. Approve the Joint Exercise of Powers Agreement establishing the California Cannabis Authority;
- b. Authorize the Board of Supervisors to execute the Joint Exercise of Powers Agreement on behalf of the County of Monterey; and
- c. Appoint a County representative to serve as a member of the Authority's Board of Directors and two representatives to serve as alternates.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Adopt a resolution authorizing the County of Monterey to:

- (a) Approve the Joint Exercise of Powers Agreement establishing the California Cannabis Authority;
- (b) Authorize the Board of Supervisors to execute the Joint Exercise of Powers Agreement on behalf of the County of Monterey; and
- (c) Appoint a County representative to serve as a member of the Authority's Board of Directors and two representatives to serve as alternates.

SUMMARY:

The California Cannabis Authority ("CCA") is a Joint Powers Authority created by contract between counties 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, to help local governments ensure cannabis regulatory compliance and also provide necessary information to financial institutions that wish to work with the cannabis industry.

DISCUSSION:

The CCA will collect and process cannabis permitting and taxation data from the State and from member jurisdictions. Cities and other public entities will be allowed to participate in the JPA and access data, but will not be part of its governance structure. The CCA will be funded by a fee to be developed by the JPA governing board, calculated for each entity, and dependent upon the total sales within the jurisdiction. This amount will be commensurate with the amount of data generated, and therefore equitable to each member jurisdiction's cost to the JPA.

The CCA will have the ability to collect data from cultivation sites, point of sales, as well as taxation and socioeconomic data. By combining these data points, member jurisdictions will be provided with actionable data that can assist with enforcement, audits, and with revenue forecast.

The data provided by the CCA will also be useful for regulatory compliance efforts. Much of the data is anticipated to be "real time", so that participating agencies will have up to date information available when making enforcement decisions.

In addition to the cannabis and finance tracking aspects of the CCA, the CCA is also intended to help solve another industry problem related to banking. Because of the existing federally prohibited status of cannabis, most banking institutions (chartered at the federal level) are unable or unwilling to open accounts for operators in the cannabis industry, despite its legality in the State of California.

To work with cannabis related businesses (“CRB”), financial institutions must comply with the rigorous monitoring and reporting requirements needed to potentially utilize banking functions. Institutions must make sure CRBs are not violating state laws or engaging in activities that the federal government considers law enforcement priorities. For each cannabis customer, financial institutions must complete special money laundering and suspicious activities reports. These are extensive requirements that demand significant amounts of staff time and data.

The CCA hopes to ease this burden by providing detailed information on each CRB to contracting financial institutions, formatted to fit the institution’s regulatory reporting requirements. Providing financial institutions with comprehensive licensing and regulatory data is the single most important step California can take to increase banking among CRBs.

The California State Association of Counties (“CSAC”) has informed staff that the San Luis Obispo County Board of Supervisors adopted a resolution to join the CCA on January 23, 2018. The Humboldt County Board of Supervisors is scheduled to consider this matter on February 13, 2018. The first meeting of the Board of Directors is being planned for March 2018. Additional information provided by CSAC is attached to this Board report. The County of Monterey would benefit from being an “early adopter” by having a seat at the table as the JPA gets underway, particularly in the discussion of financing parameters.

OTHER AGENCY INVOLVEMENT:

CSAC and the CSAC Finance Corp. took a leadership role in proposing creation of the CCA. A stakeholder group was assembled by CSAC that included county supervisors and treasurer-tax collectors from various California counties engaged in cannabis permitting and taxation. This group, which included Monterey County Treasurer-Tax Collector Mary Zeeb, met from late Spring to early Fall 2017 and assisted in development of the CCA Joint Exercise of Powers Agreement.

The proposal for a CCA was reviewed and endorsed by the Board of Supervisors cannabis ad hoc committee in December 2017.

County Counsel and the Auditor Controller have been involved in the review of the Joint Exercise of Powers Agreement. The Auditor-Controller may have additional comments related to the Joint Exercise of Powers Agreement.

FINANCING:

At this point in time, the JPA is intended to be financed by a fee to be paid by each member county based upon total sales (retail or cultivation) within the jurisdiction. Projected initial fee would be 0.35% of sales. In Monterey County, this is estimated to be approximately \$44,000. This cost will be recovered through fees to be imposed on licensed cannabis businesses which would be developed at a later date.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

As a major new program in Monterey County, joining the proposed JPA would strengthen the County’s ability to monitor and enforce the cannabis regulatory structure.

X Economic Development
X Administration
X Health & Human Services
X Infrastructure
X Public Safety

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Approved by: Nicholas E. Chiulos, Assistant County Administrative Officer, ext. 5145

Nicholas E. Chiulos, Assistant County Administrative Officer

Date

Attachments are on file with the Clerk of the Board

Attachments:

1. Draft Resolution
2. Exhibit A - Joint Exercise of Powers Agreement, dated January 12, 2018
3. CSAC California Cannabis Authority purpose memorandum

Cc: Cara Martinson, CSAC