



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive Office
Department No.: 012
For Agenda Of: May 15, 2018
Placement: Administrative
Estimated Time: NA
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Contact Info: Mona Miyasato, County Executive Officer
Dennis Bozanich, Deputy County Executive Officer

*THW
for mm*

SUBJECT: Cannabis Business Licensing Fee Ordinance – Second Reading

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors (Board):

- a) Consider the adoption (Second Reading) of an Ordinance of the Board of Supervisors of the County of Santa Barbara establishing a Cannabis Business License Fee (Attachment C); and
- b) Find that the adoption of the Ordinance to establish the cannabis business licensing fees is exempt from CEQA review pursuant to 14 CCR 15273 and Public Resources Code §21080, subdivision (b)(8)(A) and (B), in that the fees will be used for operating expenses and for the purchase of supplies, equipment, and materials.

Summary Text:

The Board action today will adopt the Cannabis Business License Fee introduced at the public hearing on May 8, 2018. The Cannabis Business Licensing Fee will become effective 30-days after adoption. Local government can establish licensing fees sufficient to recover the full and fair cost of licensing activities.

Cannabis land use permitting will use the Planning and Development Department's existing Board-adopted fee schedule. A Board-approved fee exists for the planning consultation process to engage commercial cannabis operations in developing and maintaining local compliance while seeking State cannabis licenses.

Background:

If adopted by the Board, the Cannabis Business Licensing Fee will consist of the following fees:

- Cannabis Business License **Application** deposit of \$3,250 with actual fee charges based on the number of hours and the fully loaded hourly rate of staff conducting the application review activities identified in Attachments A & B of the Ordinance. Staff estimates the Cannabis Business License Application Fee will total about \$4,000. If a Cannabis Business License application is denied, the potential operator would not receive a refund of fees incurred for processing the application nor would the applicant be able to operate and would not need to pay the License Issuance and Compliance Fee.
- Cannabis Business **License and Compliance** deposit of \$2,500 with actual fee charges based on the number of actual hours and the fully loaded hourly rate of staff conducting the licensing and compliance activities identified in Attachments A & B of the Ordinance. Staff estimates the Cannabis Business License and Compliance Fee will total about \$3,100.
- Cannabis Business License **Renewal** deposit of \$3,600 with actual fee charges based on the number of actual hours and the fully loaded hourly rate of staff conducting the licensing renewal activities identified in Attachments A & B of the Ordinance. Staff estimates the Cannabis Business License Renewal Fee will total about \$4,500 annually.

The chart below summarizes the estimated full cost recovery fees for the recommended staffing, full cost recovery hourly rates per application, license or renewal. The recommended deposit (80% of estimated total) is in the final row of the following chart. Attachment B has additional hourly rate details, position by position.

Attachment A of the Board Letter has been updated to include reference to the time being spent by Planning and Development staff on the application review and compliance monitoring of energy conservation plans. Cannabis Business License fee calculations have not been changed since the Planning and Development Department will bill separately for their staff time at their previously approved hourly rate.

Attachment A of the Board Letter has also been amended to include typical fully loaded hourly rate for the job classification of Fire Engineer/Inspector. The Cannabis Business License ordinance has not been changed by including this information.

FTEs	Full Cost for FTEs	Staffing Full-cost Recovery Hourly rate	Application Estimated Hours per Application	Licence and Compliance Estimated Hours per Licence	Renewal Estimated Hours per Renewal Application	Application Estimated Costs per Application	Licence and Compliance Estimated Costs per Licence	Renewal Estimated Costs per Renewal Application
8.00	\$ 1,431,365		46.60	36.60	52.45	\$ 4,065.20	\$ 3,110.80	\$ 4,508.50
						\$ 3,252.16	\$ 2,488.64	\$ 3,606.80
						Recommended Deposit \$3,250.00	\$2,500.00	\$ 3,600.00

The Cannabis Business License Fee staff hourly rate amounts (Attachment B of the Ordinance) are the sum of average salary and benefit for each of the job classifications plus the Indirect Cost Rate Proposal (ICRP) cost for each of the departments identified in Attachment B. ICRP calculates a percentage-of-salary rate for applicable departmental and Countywide overhead charges. Those ICRP percentage rates range from a low of 16% for Sheriff to a high of 81% for CEO. The ICRP rate is typically higher in departments that can't readily allocate costs to a specific project or activity but are necessary to the general

operation of the county. In preparation for this fee analysis, a five year average of ICRP rates was used whenever possible to reduce impacts of possible ICRP rate spikes or dips.

Performance Measure:

NA. Staff will be developing performance metrics on cannabis permitting and licensing generally, including the financial status of the Cannabis Business Licensing Program. Staff will regularly bring those performance reports to open sessions of the Board of Supervisors.

Contract Renewals and Performance Outcomes:

NA

Fiscal and Facilities Impacts:

Budgeted: Yes Ordinance development has been budgeted in the current year operating budget. The staffing augmentations and fee revenue appropriations for application processing, licensing and compliance monitoring will be part of the Recommended Budget for Fiscal Year 2018-19.

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees		\$ 1,431,365.00	
Other: Permitting Fees		\$ 941,631.00	
Total	\$ -	\$ 2,372,996.00	\$ -

Narrative:

The current estimate of additional staffing costs is approximately \$2.4 million annually when permitting (approximately \$1.0 million) and licensing (approximately \$1.4 million) begins. Fee revenue will be generated from license application and compliance fees charged to those applying for and receiving a cannabis business license. Following Board adopted budget policies, the fees will fully recover the direct costs and departmental and Countywide indirect costs of the licensing and compliance program. This additional revenue and expense is not likely until FY 2018-19 and is contingent on the Treasurer-Tax Collector opening and maintaining a bank account in a suitable financial institution. If approved by the Board, staffing costs for licensing and compliance will be included in the FY 2018-19 Recommended Budget.

Key Contract Risks:

None

Staffing Impacts:

Legal Positions:

FTEs:

Special Instructions:

Publish notice as required by this ordinance.

Attachments:

Attachment A – REVISED Cannabis Business Licensing Activities Staff Time Estimates

Attachment B – Cannabis Business Licensing Full-cost recovery Staffing Costs

Attachment C – Cannabis Business Licensing Fee Ordinance

Authored by:

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