

Amendment to Cannabis Business License Fee Ordinance

Board of Supervisors
May 16, 2023



County Executive Office

Context

- Board adopted Ordinance No. 5041, Establishing the Cannabis Business Licensing Fee, in May 2018
- Ordinance was amended in January 2022 to update fees, convert annual renewals and compliance activity fees to a fixed fee, and add County Fire and Carpinteria-Summerland Fire District to the fee structure.
- Proposed amendment will update fees to:
 - Reflect changes in salaries and benefits
 - Adjust the Indirect Cost Rate Proposal (ICRP) for each department
 - Secure full-cost recovery for the two cannabis business license specialists assigned to the initial license review, renewals, and compliance

Process

- Staff reviewed available data, including historical hours spent on each application by activity and department
- Data was used to update averages of time spent on each application
- Current hourly rates and indirect costs were applied
- New estimates and rates presented and vetted with business license team departments; operational and finance staff
- Full fee study reviewed and achieved concurrence from Office of the Auditor-Controller

Initial Application Fee Schedule

Current Deposit Fee All License Types	New Deposit Fee
Ranges from \$3,380 - \$5,758	Ranges from \$5,180 - \$10,450
Fee varies based on type of license, area of operation, and whether energy conservation applies.	

The new rate will apply to first-time, initial business license applicants only.

Anticipated to affect 5-10 applicants in fiscal year 2023-24.

Annual Compliance Management Processes Fixed Fee

Current Deposit Fee All License Types	New Fixed Fee
--	---------------

Ranges from \$2,593 - \$4,276

Ranges from \$4,031 - \$6,327

Increase in compliance fees reflect shift to capture full cost of cannabis license specialists' time associated with compliance coordination activities.

Annual Renewal Fixed Fee

Current Deposit Fee All License Types	New Fixed Fee
--	---------------

Ranges from \$2,803 - \$4,989

Ranges from \$2,952 - \$4,649

Fees vary based on type of license, area of operation, and whether energy conservation applies.

Summary

- Existing fee schedule is not achieving full cost recovery because rates are outdated; proposed fees reflect update to business licensing team salaries and ICRP.
- Proposed fees will secure full-cost recovery for the two cannabis business license specialists assigned to the initial license review, renewals, and compliance.
- New fees are estimated to generate approximately \$1 million in revenues to cover licensing and compliance activities
- Staff will continue to perform an annual fee analysis by reviewing business licensing team labor hours associated with each application and ensure that the fixed fees continue to achieve full-cost recovery.
- Frequency of fee analyses will transition to a 3-year schedule starting in FY 2025-26.

Recommended **Actions**

Recommend that the Board of Supervisors:

- a) Consider the introduction (First Reading) of an Ordinance of the Board of Supervisors of the County of Santa Barbara amending and superseding Ordinance 5041, “An Ordinance Establishing the Cannabis Business License Fee”;
- b) Read the title and waive further reading of the Ordinance in full; and
- c) Set a hearing on the Administrative Agenda for June 6, 2023 to consider recommendations.