



# Cannabis Revenue Process: Operationalizing High-Level Recommended Improvements

May 2021





# Executive Summary

**DISCLAIMER: KPMG's assessment is intended to broaden the depth of understanding of the cannabis permitting and taxation process and to help improve the efficiency and effectiveness of countywide processes. This report should not be interpreted as public policy advocacy and the firm's work is not intended to be used as such or in that context.**

# Project Scope and Methodology



## Project Scope:

KPMG was contracted by Santa Barbara County to perform a review of the County's cannabis revenue collection process, including an assessment of the current state process and the development of recommendations related to process improvements, stakeholder roles and responsibilities, and opportunities to maximize outcomes related to the efficiency of the County's tax revenue collection. This report recommends a future state process for cannabis revenue collection in Santa Barbara County, including an outline of key activities at each stage in the process and the delineation of roles and responsibilities across County departments and other relevant partners. The future state processes recommended in the follow report have been validated with the County.

Implementation of some of the recommendations included in this report will require cross-agency collaboration. These recommendations also recognize the statutory discretion of the District Attorney, Sheriff and Treasurer-Tax Collector. Additionally, it is important to note that many significant features of the cannabis revenue collection process are regulated by or impacted by federal law, state law, or County ordinances. The recommendations included in this report focus on potential improvements that are possible within this prescribed framework.

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## Methodology:

Over the course of this review, KPMG conducted the following activities:

- Interviews with leadership and staff involved in the cannabis revenue collection process – including staff from the County Executive Office (CEO), the Treasurer Tax Collector (TTC) and County Counsel – to understand roles and responsibilities, operations, practices, legal requirements, and challenges related to the current process
- Interviews and demos with leadership and staff of third party partners identified by the County – including California Cannabis Authority (CCA), NCS Analytics (NCS), and HdL Companies (HdL) – to understand their service offerings, value-add, and costs of vendor services under consideration by the County
- Interviews with CCA member counties, including Monterey County, Yolo County and San Luis Obispo County, to understand the structure of their cannabis revenue collection process, as well as the benefits they derive from CCA membership and access to the CCA platform for counties with a robust cannabis program
- Analysis of available data, reports, and policy documents to understand the structure and operations of Santa Barbara's cannabis revenue collection process
- Validation of recommended process changes with County throughout the review process

# High Level Cannabis Revenue Collection Process



— **The County’s existing cannabis revenue collection process consists of three phases of activities that are intended to occur each quarter, as illustrated in the graphic below.**

Phase 1: Data Collection and Tax Notification Activities	Phase 2: Revenue Collection, Compliance and Pre-Audit Activities	Phase 3: Delinquency and Code Enforcement Activities
Identification of the operators that owe taxes, and delivery of reminder of their tax obligations	Collection of tax revenue from all appropriate operators	Verification of the tax revenue collected and collection of taxation adjustment payment as needed

— **At present, the above activities are carried out by two key County stakeholders -- the CEO’s Office and the Treasurer Tax Collector. The County is also in the process of contracting with or evaluating the benefits of contracting with two outside entities to support the cannabis tax revenue collection process: HdL and CCA. These stakeholders are listed below, and a high level process map is on the following page.**

Major Players in the Process	Responsibilities in Relation to Cannabis Operations in the County
County Executive Office (“CEO”)	Coordinates the land use permitting, business license processes and compliance activities related to cannabis operations.
Treasurer Tax Collector (“TTC”)	Collects taxes on cannabis operations located in the unincorporated areas of the County, including distribution of collection notifications, verification of collection efforts, and audit responsibilities in order to further cannabis tax compliance.
HdL Companies (“HdL”)	Under contract with the County to support TTC’s audit of cannabis revenue collection to help ensure businesses maintain regulatory and tax compliance in Phase 3 as noted above.
California Cannabis Authority (“CCA”)	Membership under consideration to gain access to data platform to gather, collect, and analyze information from a myriad of data sources into one resource in the NCS platform, to help support the CEO’s revenue forecasting efforts, to provide insight into the cannabis industry, and to support the County’s regulatory compliance and tax compliance efforts in Phases 1 – 3 as noted above.

# Current State of the Cannabis Revenue Process



— The graphic below provides a more detailed illustration of the current state of Santa Barbara’s cannabis revenue collection process, including key activities at each phase as well as the stakeholders currently responsible for conducting these activities.

Key Activities by Phase	Phase 1: Data Collection and Tax Notification Activities	Phase 2: Revenue Collection, Compliance and Pre-Audit Activities	Phase 3: Delinquency and Code Enforcement Activities
	Identification of the operators that owe taxes, and issue reminder of their tax obligations	Collection of tax revenue from all appropriate operators	Verification of the tax revenue collected and collection of taxation adjustment payment as needed
Responsibilities by Stakeholder at each Process Phase	<p>The CEO’s Office begins Phase 1 by:</p> <ul style="list-style-type: none"> <li>— Compiling list of taxable licenses in the County unincorporated area for transmission to the TTC</li> <li>— This involves the manual data cleansing and manipulation of state and county-level data related to cannabis licenses</li> </ul>	<p>Upon receiving the list of taxable licenses from the CEO’s Office, in Phases 1 and 2, the TTC is responsible for:</p> <ul style="list-style-type: none"> <li>— Contacting operators and providing them with a fillable tax form to report their tax obligations</li> <li>— Collecting these forms, and contacting operators if their forms are incomplete</li> <li>— Collecting payments</li> </ul>	<p>At present, verification of the tax revenue collected is not occurring – this includes activities related to both auditing and compliance.</p> <ul style="list-style-type: none"> <li>— The TTC notes that their role is to serve as the “audit function” but cites a lack of staff capacity to conduct these activities.</li> <li>— The CEO’s Office notes that their role is to serve as the “compliance function” but does not currently dedicate staff time to tracking non-compliance.</li> <li>— At the time of KPMG’s review, the County is under contract with HdL and considering membership with CCA to support the cannabis revenue collection process, including activities related to revenue verification.</li> </ul>
Core Challenge at each Process Phase	<p><b>Core Challenge: lack of data insights.</b> The CEO’s Office has limited ability to forecast cannabis revenue as they lack transparency into County-wide and industry-wide operations and trends.</p>	<p><b>Core Challenge: lack of data insights.</b> The CEO’s Office has limited ability to forecast cannabis revenue as they lack transparency into County-wide and industry-wide operations and trends. The TTC lacks visibility into validation of tax reporting to help ensure that adequate tax payments are being made.</p>	<p><b>Core Challenge: tax revenue verification.</b> Neither the TTC nor the CEO’s Office can conduct activities to verify or audit whether the tax paid by each cannabis-business is correct due to lack of access to appropriate data and resource constraints. As a result, the County cannot confirm whether it is fully collecting all eligible cannabis-related tax revenue.</p>

# Recommendations Overview



This report recommends three foundational investments to maximize the efficiency and effectiveness of the cannabis tax revenue collection process.

- **Recommendation 1:** Strongly consider becoming a member of the CCA to gain access to the NCS established data and analytics platform, as well as peer member meetings and other resources targeted to governments working to efficiently regulate and tax commercial cannabis. Included in CCA membership, the NCS platform will assist with the access and aggregation of data from multiple sources, including state-level, county-level, point of sale, and taxation and socioeconomic data so the County can access clear, accurate and real-time data on cannabis activity to ensure that adequate tax payments are being made and assist with cannabis compliance efforts. The benefit of membership with CCA and access to the NCS platform is twofold –
  - The value to the CEO’s Office is increased insight and transparency into licensee and operator data and processes to exchange leading practices with peer counties. The data and analytics will allow the CEO’s Office to visualize to industry trends, forecast cannabis related budget items accurately, and ensure operators are maintaining cannabis regulatory compliance. To maximize the forecasting and relationship building benefits of CCA membership, it is recommended that the CEO’s Office manage the relationship with CCA if membership is pursued.
  - The potential value to the TTC is also through data – facilitating better visibility into validation of tax reporting to the County and the ability for TTC to perform target auditing processes to help ensure operators are maintaining tax compliance. If CCA membership is pursued in longer-term, the data platform can also support the ability of the TTC to develop and implement a robust in-house audit function, should the County decide to do so (detailed below in Recommendation 2). CCA has offered to conduct a tax gap analysis of the County’s three most recent years of revenue collection without additional charge if membership is pursued. CCA analysis suggests that if the County is able to recoup an additional 5% of tax revenue from these three years through this tax gap analysis, this would cover the cost of CCA fees for the upcoming two years.
  - NOTE: Negotiations with CCA regarding the cost to join as a member of the JPA remain ongoing, and the outcome of these negotiations will affect the viability and cost-benefit of membership. Slide 22 includes a more detailed cost-benefit analysis of CCA membership.
- **Recommendation 2:** Build out an “Audit Division” in TTC through increased staffing. In the short-term, this will allow TTC to serve as primary POC for HdL partnership and oversee HdL cannabis activities, and to learn and train under HdL. In the long-term, the County should consider building out an “Audit Division” within TTC to take over HdL cannabis responsibilities and activities. The potential value of an Audit Division within the TTC is improved revenue collection and tax compliance from operators.
- **Recommendation 3:** Build out a “Compliance Task Force” led by the CEO’s Office with law, code, agriculture and tax enforcement agencies to address compliance activities, state compliance notifications, regulatory changes, criminal activity, and licensing compliance. The value of a Compliance Task Force is increased county-wide coordination related to cannabis operations, improved revenue collection and adherence to cannabis-related statutes.

The following slides outline detailed roles, responsibilities, and activities for an optimized cannabis revenue process. They include both a short-term and long-term recommended structure for the process. Yellow comment boxes call out the benefits and additional opportunities associated with the recommendations. The recommendations listed above and detailed on the following slides involve partnering with third party providers to rapidly enhance the cannabis revenue collection and implement robust processes for revenue verification. Appendix A provides an analysis of the costs and benefits of contracting to deliver these services as opposed to delivering these services directly by hiring/expanding County staff.



Short Term Future  
State Process  
Operationalization  
Recommendations



# Optimized Revenue Collection Process: Short-Term

**In the short-term, it is recommended that the County:**

- **Leverage third party partners to quickly enhance the cannabis revenue collection processes, in particular through improved revenue collection and tax compliance from operators**
- **Develop specialized staffing within the TTC to oversee the cannabis revenue collection to begin the establishment of an Audit Division within the TTC**
- **Have the CEO’s Office solicit API keys from current legal non-conforming operators and currently licensed operators (before ordinance amendment)**

Phase 1: Data Collection and Tax Notification Activities	Phase 2: Revenue Collection, Compliance and Pre-Audit Activities	Phase 3: Delinquency and Code Enforcement Activities
<p>Strongly consider contracting with CCA to quickly enhance CEO and TTC operations related to tax collection.</p>	<p>Expand TTC staffing to add a dedicated staff member focused on cannabis-related responsibilities and interfacing with HdL. Work with HR to determine the appropriate classification for this staff member.</p>	<p>The County has contracted with HDL for 1-year, with option for extension, to support this verification function.</p>
<p>With membership in CCA, the County will gain access the NCS platform that will provide the CEO’s Office with increased forecasting ability and visibility into industry trends, and the TTC with analytics to guide the audit and verification process. Slide 22 includes a cost-benefit analysis of CCA membership.</p>	<p>The staff member will be responsible for reaching out to operators, verifying paperwork is sufficient and current and working with the operators to collect payment. Should the TTC choose to use CCA data to inform the verification process, this staff member would also be responsible for reviewing CCA data to verify revenue has been collected appropriately. As detailed in the long-term recommendations, this staff member may eventually be incorporated into an Audit Division within the TTC around cannabis.</p>	<p>HDL will provide a questionnaire to 20 operators, conduct a site visit to verify questionnaire, and gain access to operator’s state-level data through operators’ API keys. HdL will provide data on the 20 operators, allowing TTC to conduct a full audit of six operators.</p>
<p>TTC liaises with the CEO Office to assume responsibility for compiling list of taxable businesses in County unincorporated area using information from the California Department of Tax and Fee Administration (CDTFA), the Bureau of Cannabis Control (BCC), and County licensee data. This list generation activity initiates the revenue collection process, which would be fully consolidated within the TTC and may be supported by CCA should the TTC choose to use the platform. Note, this responsibility shall not be shifted to the TTC until the additional, proposed cannabis-focused FTE position recommended for the TTC’s office is on-boarded (see “Short Term Future State” activities and recommendations pg 9).</p>		<p>The additional TTC position serves as primary point of contact (POC) for HdL and oversees partnership, including the selection criteria for audit, field work, review of preliminary analytic results and provide audit results and taxation adjustment to the operator.</p>
<p>CEO’s Office focus on process optimization and interagency collaboration responsibilities related to cannabis process, such as revenue projections, licensing, permitting, and compliance efforts.</p>		

*\*The following three slides outline the activities in each of the above phases in further detail.*



# Phase 1: Data Collection and Tax Notification Activities



Month 1 of Cycle

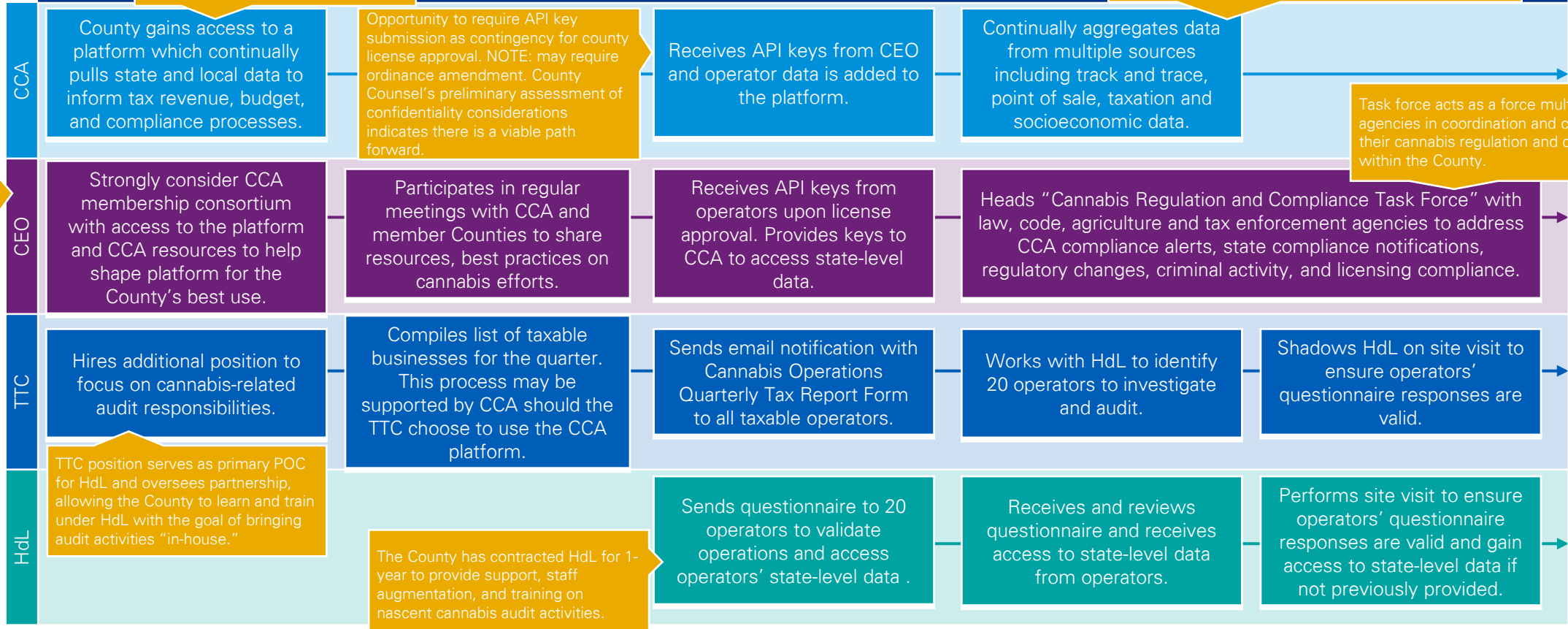
Data Collection and Tax Notification Activities

Platform can integrate with Accela, the County's cannabis permitting and licensing system for ease of incorporation of County-level data.

Allows CEO's Office staff to leverage data & analytics platform for reporting to focus on process optimization and interagency collaboration responsibilities related to cannabis process, such as licensing, permitting, and compliance efforts.

Task force acts as a force multiplier, aiding agencies in coordination and concentration of their cannabis regulation and compliance efforts within the County.

Board should appoint a representative to CCA from the CEO's Office



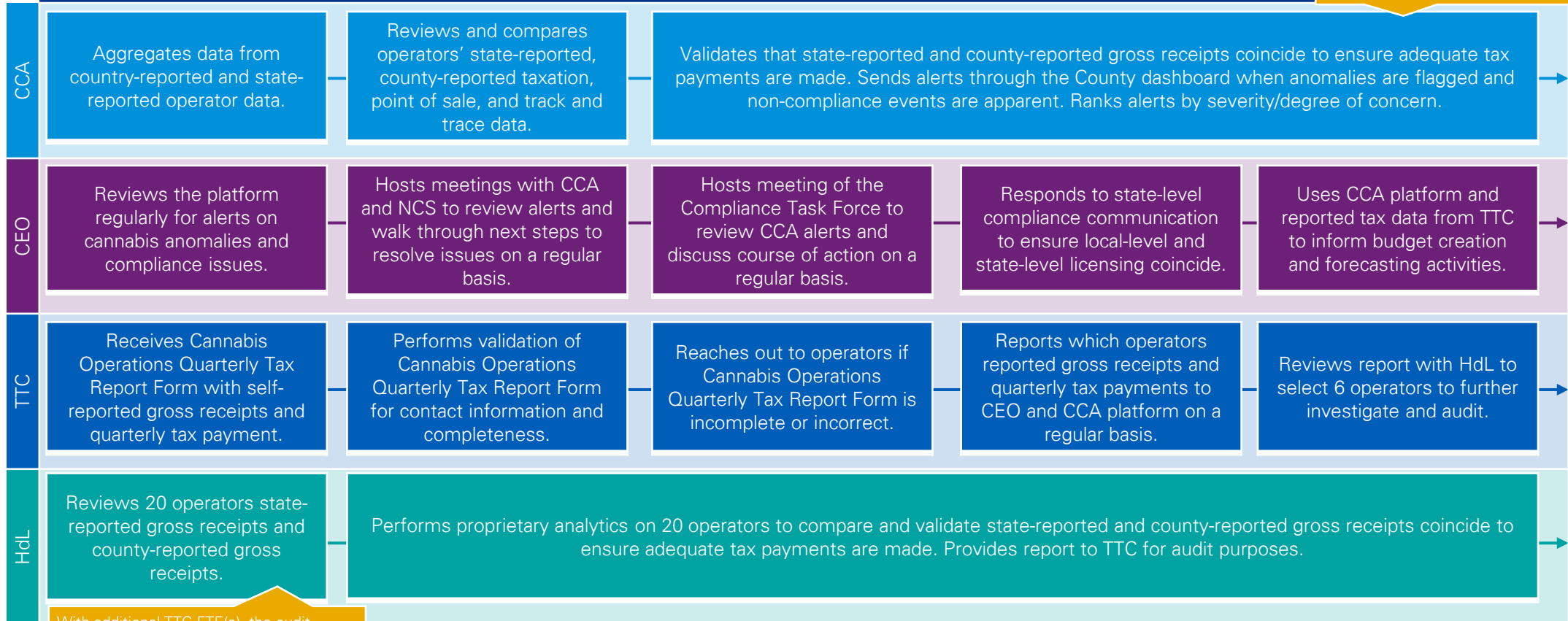
# Phase 2: Revenue Collection, Compliance and Pre-Audit Activities



By combining all of these data points, the County will be provided with targeted and transparent data, ensuring that what is being reported and what is occurring truly coincide.

Month 2 and 3 of Cycle

Revenue Collection, Compliance and Pre-Audit Activities



With additional TTC FTE(s), the audit function can be brought in-house to allow investigation and audit activities beyond the 20 operators (see Long Term Future State).

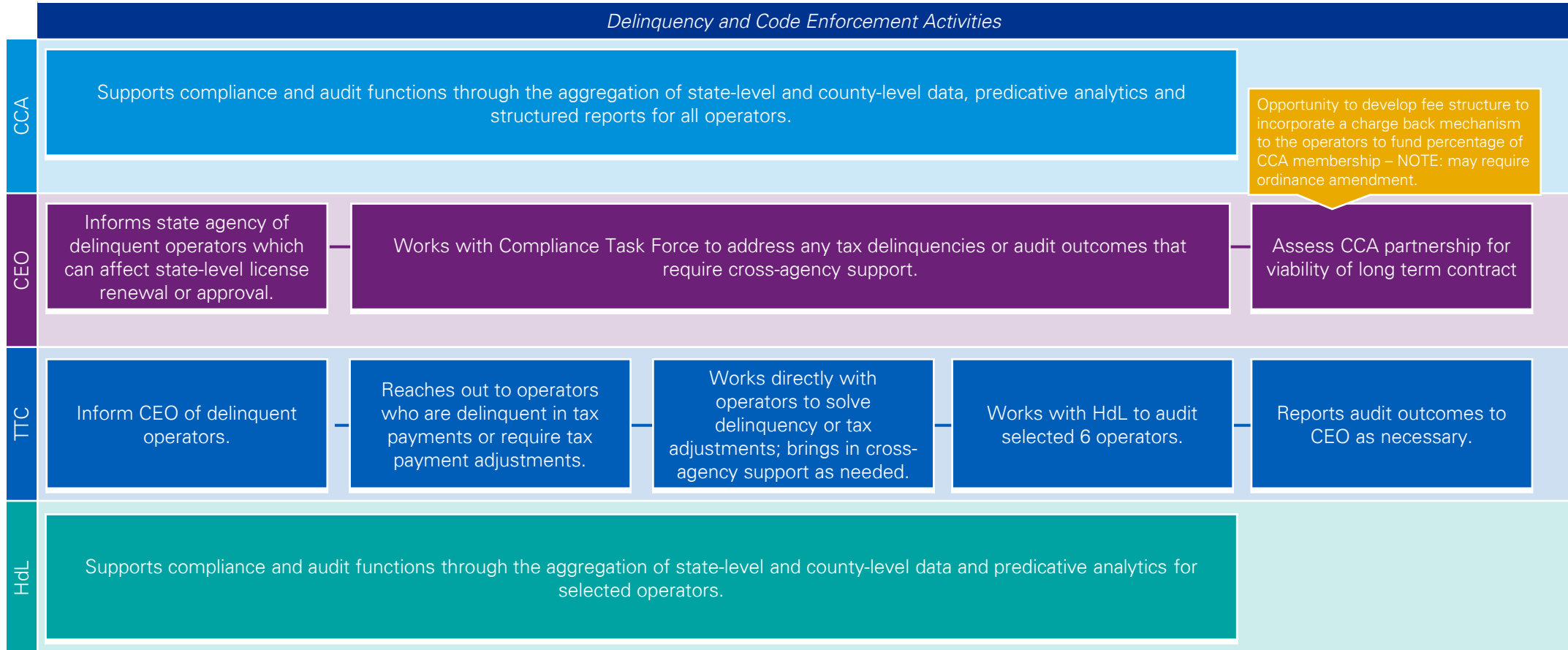


# Phase 3: Delinquency and Code Enforcement Activities



Month 4 of Cycle

*Delinquency and Code Enforcement Activities*



# Benefits and Considerations



The table below outlines the benefits and considerations for each phase within the Short-Term Future State Process.

	Data Collection and Tax Notification Activities	Revenue Collection, Compliance and Pre-Audit Activities	Delinquency and Code Enforcement Activities	Overall Process
Benefits	<ul style="list-style-type: none"> <li>— With the data provided in the NCS platform, the County will quickly gain an enhanced ability to verify that what is being reported by operators and what is occurring truly coincide.</li> <li>— The NCS platform can integrate with Accela, the County’s cannabis permitting and licensing system.</li> </ul>	<ul style="list-style-type: none"> <li>— New TTC position serves as primary POC for HdL and oversees partnership, allowing the County to learn and train under HdL with the goal of bringing audit activities “in-house,” as detailed in the long-term recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>— HdL and CCA will support compliance and audit functions through the aggregation of state-level and county-level data and predicative analytics for selected operators.</li> <li>— This will allow the County to conduct revenue, audits and compliance verification across a number of operators.</li> </ul>	<ul style="list-style-type: none"> <li>— Membership with CCA allows CEO’s Office staff to leverage NCS platform for reporting with increased ability to focus on process optimization and interagency collaboration responsibilities related to cannabis process, such as licensing, permitting, and compliance efforts.</li> <li>— CCA has offered to conduct a tax gap analysis of the County’s three most recent years of revenue collection without additional charge if membership is pursued. CCA analysis suggests that if the County is able to recoup an additional 5% of tax revenue from these three years through this tax gap analysis, this would cover the cost of CCA fees for the upcoming two years.</li> </ul>
Risks, Requirements, and Considerations	<ul style="list-style-type: none"> <li>— Risk: API key is needed from each operator to access state data directly.</li> <li>— Mitigation: Require API key submission as contingency for county license approval through ordinance amendment.</li> </ul>	<ul style="list-style-type: none"> <li>— Consideration: Additional staff member in TTC will be established jointly with Human Relations (HR) to align on appropriate classification, job description, etc.</li> </ul>	<ul style="list-style-type: none"> <li>— Opportunity: develop fee structure to incorporate a charge back mechanism to the operators to fund percentage of CCA membership</li> </ul>	<ul style="list-style-type: none"> <li>— Risk: CCA membership comes at significant cost, as discussed on page 22 of this report.</li> <li>— Mitigation: Consider short-term membership to quickly acquire enhanced visibility and verification processes. Reassess cost-benefit of continued membership on an ongoing basis.</li> <li>— Opportunity: assess with County Counsel the confidentiality implications of CCA membership. County Counsel’s preliminary analysis of this issue suggests there is a viable path to resolve confidentiality concerns.</li> </ul>



Long Term Future  
State Process  
Operationalization  
Recommendations



# High Level Long Term Future State Process Operationalization Recommendations

**In the mid- to long-term, it is recommended that the County:**

- **Establish an Audit Division within the TTC with specialized staffing, allowing the TTC to distribute the operator questionnaire and perform tax verification activities for maximum cost effectiveness. This Audit Division may support not only cannabis-related activities, but other types of tax revenue collection (i.e. hotel occupancy tax).**
- **Assess cost-benefit value of CCA membership and access to the NCS data platform to determine whether the County may be best served by building out an internal data & analytics function related to cannabis revenue**

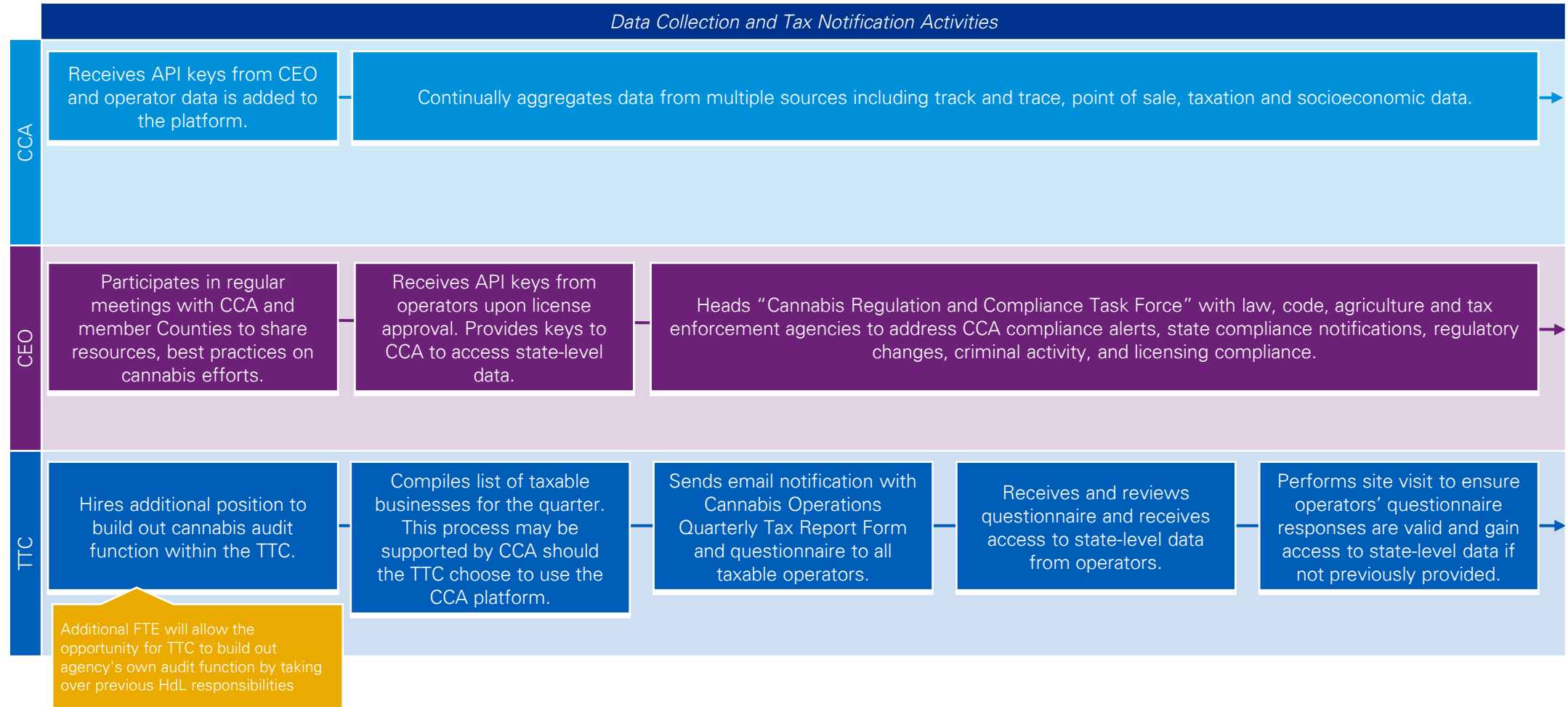
Phase 1: Data Collection and Tax Notification Activities	Phase 2: Revenue Collection, Compliance and Pre-Audit Activities	Phase 3: Delinquency and Code Enforcement Activities
<p>CEO's Office and TTC should assess costs and benefits of CCA membership, and evaluate risks and benefits of developing an in-house data &amp; analytics capability. See page 22 for details on costs &amp; benefits of CCA membership.</p>	<p>TTC builds out an in-house Audit Division. Addition of cannabis-focused staff member(s) within the TTC allows for clear roles, responsibilities, and ownership related to cannabis tax collection process.</p>	<p>Distribution of the operator questionnaire and tax verification activities are performed by the TTC (rather than HdL), supported by CCA data and analysis through the NCS platform or through in-house analytics. The verification process allows the County to confirm it is recouping the revenue it is owed and bringing process in-house allows County to review operators beyond the 20 mentioned in the HDL contract, as desired.</p> <p>This work is conducted by TTC Audit Division, led by additional TTC position as discussed in the short term recommendations.</p>

*\*The following three slides outline the activities in each of the above phases in further detail.*

# Phase 1: Data Collection and Tax Notification Activities



Month 1 of Cycle

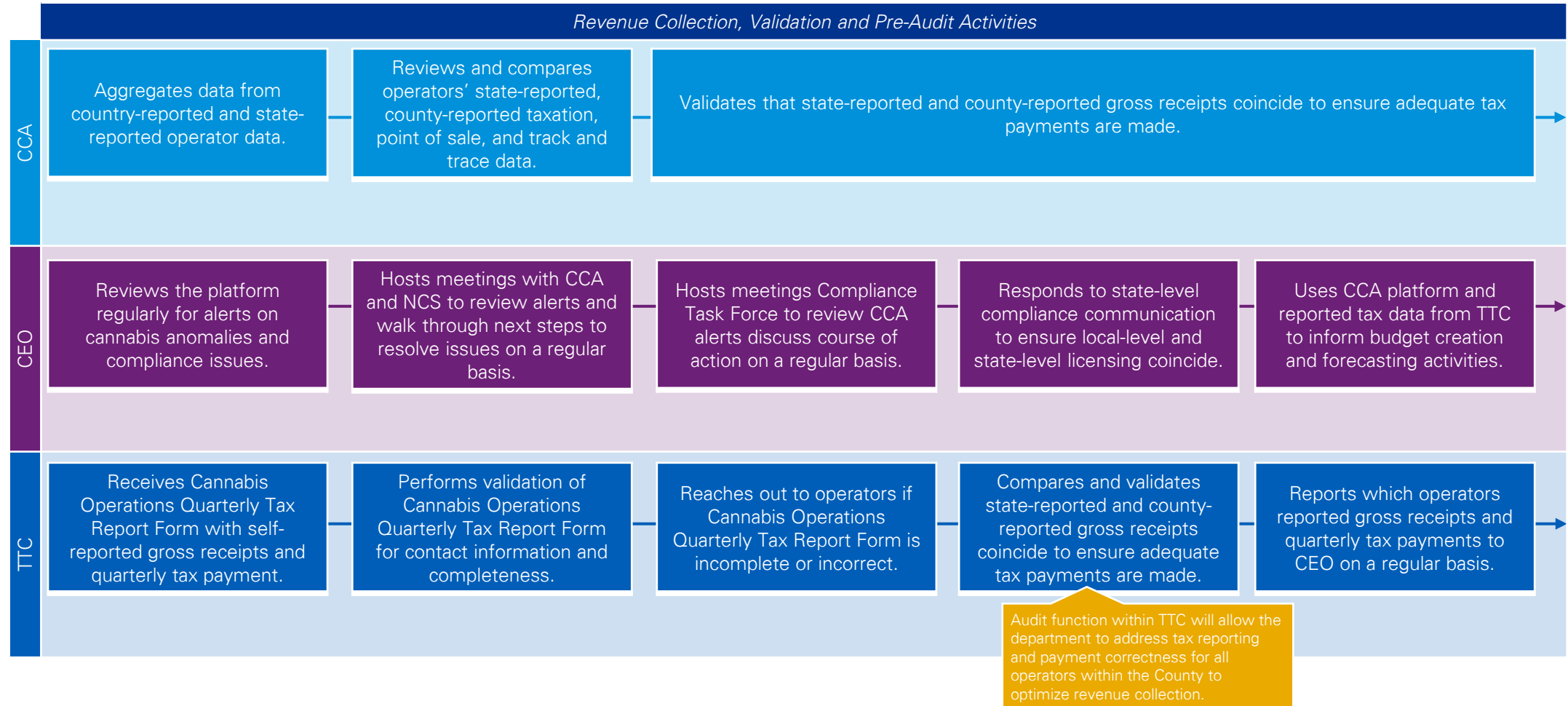




# Phase 2: Revenue Collection, Compliance and Pre-Audit Activities

Month 2 and 3 of Cycle

## Revenue Collection, Validation and Pre-Audit Activities



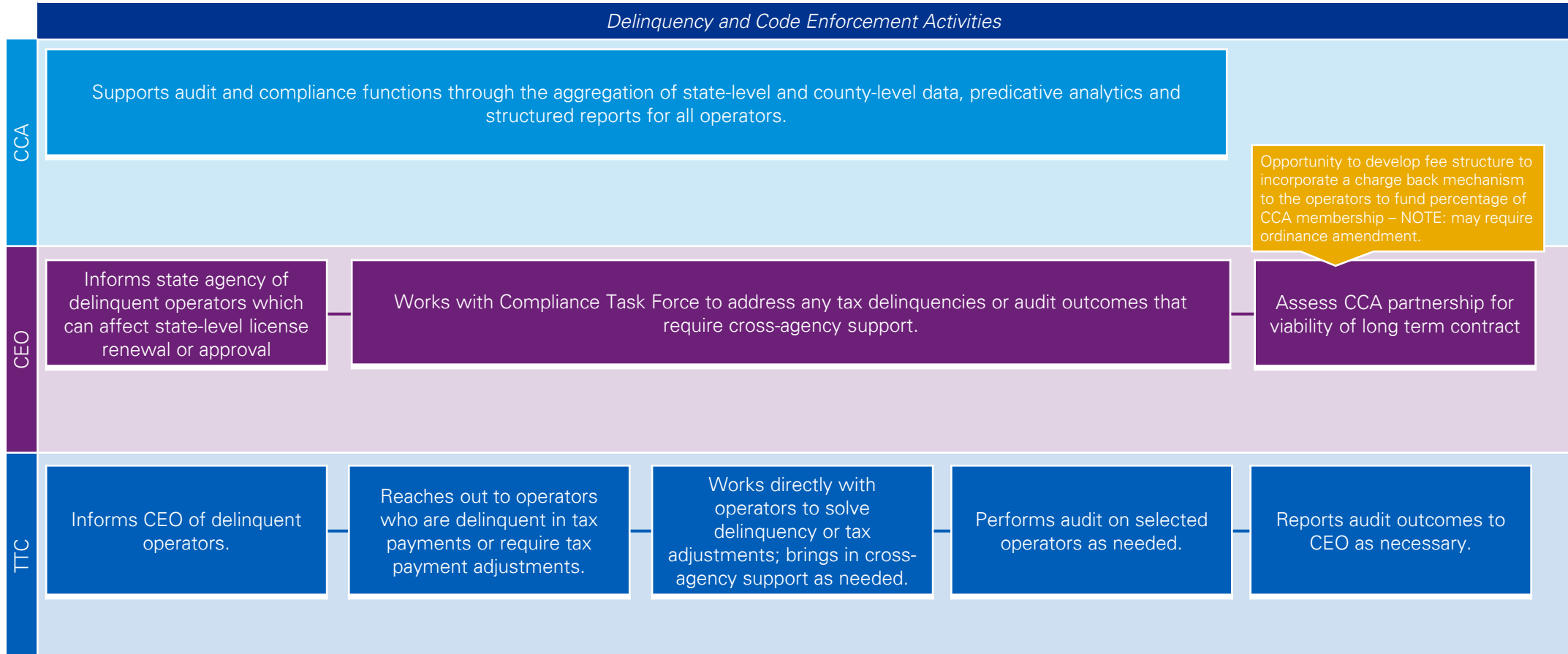


# Phase 3: Delinquency and Code Enforcement Activities



Month 4 of Cycle

*Delinquency and Code Enforcement Activities*



# Benefits and Considerations



The table below outlines the benefits and considerations for each phase within the Long-Term Future State Process.

	Data Collection and Tax Notification Activities	Revenue Collection, Compliance and Pre-Audit Activities	Delinquency and Code Enforcement Activities	Overall Process
Benefits	<ul style="list-style-type: none"> <li>— The County relies on technology-enabled data &amp; analytics capability to inform revenue collection process. This may be based in the use of the CCA/NCS platform. Alternatively, in the long-term, the CEO's Office and TTC should assess the cost-benefit of the above systems and evaluate the value of developing an in-house analytics capability/platform.</li> </ul>	<ul style="list-style-type: none"> <li>— Additional TTC FTE(s) will allow the opportunity for TTC to build out an Audit Division by taking over previous responsibilities previously secured through HdL contract.</li> <li>— Bringing audit function in-house to TTC allows County to review operators beyond the 20 mentioned in the HDL contract, as desired.</li> <li>— Audit Division can be expanded beyond cannabis (i.e. hotel occupancy tax verification and audit) in the future.</li> </ul>	<ul style="list-style-type: none"> <li>— Analytics (through CCA or in-house capability) will support compliance and audit functions through the aggregation of state-level and county-level data and predicative analytics for selected operators.</li> <li>— This will allow the County to conduct revenue forecasts, audits and compliance verification across a number of operators.</li> </ul>	<ul style="list-style-type: none"> <li>— Compliance Task Force acts as a force multiplier, aiding agencies in coordination of their cannabis regulation and compliance efforts.</li> <li>— CCA/NCS analytics or in-house analytics capability enhance decision-making related to cannabis process, such as licensing, permitting, and compliance efforts.</li> <li>— Increased tax revenue collection enabled by the audit and verification capabilities of the CCA/NCS platform may assist in covering the cost of membership.</li> </ul>
Risks, Requirements, and Considerations	<ul style="list-style-type: none"> <li>— Risk: CCA membership comes at significant cost, as discussed on page 22 of this report.</li> <li>— Mitigation: Consider CCA membership in the near-term to quickly acquire enhanced visibility and revenue verification processes, Reassess cost-benefit of continued membership on an ongoing basis, with option to develop in-house capability in lieu of continued membership.</li> </ul>	<ul style="list-style-type: none"> <li>— Opportunity: In order to bring compliance function in-house, TTC must develop expertise to conduct activities undertaken by HdL in the short-term process.</li> </ul>	<ul style="list-style-type: none"> <li>— Opportunity: TTC's Audit Division may support not only cannabis-related activities, but other types of tax revenue collection (i.e. hotel occupancy tax).</li> </ul>	<ul style="list-style-type: none"> <li>— Risk: CCA membership comes at significant cost, as discussed on page 22 of this report.</li> <li>— Mitigation: Consider short-term membership to quickly acquire enhanced visibility and verification processes. Reassess cost-benefit of continued membership on an ongoing basis.</li> </ul>



# Appendix



Appendix A:  
Benefits and  
Considerations of Third  
Party Partner

# Benefits and Considerations of Third Party Partner



The foundational recommendations suggest that the County strongly consider contracting with third party providers to quickly and efficiently deliver key services related to the Revenue Collection Process. The table below compares the benefits and considerations of contracting to deliver these services as opposed to delivering these services directly by expanding County staff.

	CCA Membership (including NCS Platform)	Develop County Analytics Platform	Continue Contracting with HDL
Benefits	<ul style="list-style-type: none"> <li>— Provides a forum for members to collectively participate in State cannabis policy, share local best practices, resolve ambiguities, and promote uniform application of the law.</li> <li>— Unique JPA structure allows for real-time access to state-level data.</li> <li>— NCS platform aggregates commercial cannabis data from multiple sources, including national information and from other California cities and counties, into a single cloud-based platform and provides sophisticated analytics making it possible to more efficiently and effectively deploy resources.</li> <li>— NCS platforms reviews hundreds of thousands of data points in real time each week and ranks outliers based on patent-pending algorithms.</li> <li>— Ability to reconcile cannabis values reported to the State against the values reported to the County.</li> <li>— Enables better revenue projection capabilities, as it tracks cultivation status throughout the growing cycle.</li> <li>— Benefits both the CEO's Office and TTC.</li> </ul>	<ul style="list-style-type: none"> <li>— Possible lower, one-time cost to the County by contracting with developer to build platform. See Slide 22 for additional detail on this platform and associated cost estimates.</li> <li>— Allows the County to review operators beyond the 20 mentioned in the HdL contract (+six audits), as desired.</li> <li>— Benefit both CEO and TTC as platform could be expanded into other related tax and revenue processes within the County.</li> </ul>	<ul style="list-style-type: none"> <li>— Access to HdL's proprietary analytics and reporting, which allows the TTC to strengthen their audit function immediately.</li> </ul>
Considerations	<ul style="list-style-type: none"> <li>— Highest cost of all options. Although increases to gross receipts revenue due to enhanced collection practices enabled by the platform may be sufficient to offset the cost of membership.</li> <li>— Recommendation to join JPA membership contingent on finalizing potential amendment of Joint Exercise of Powers Agreement to clarify and address legal and regulatory considerations identified. Preliminary analysis of this issue by County Counsel indicates there is a viable path to address confidentiality considerations.</li> </ul>	<ul style="list-style-type: none"> <li>— Development of this in-house platform may take months to years to develop.</li> <li>— Relies upon data, analytics, and data visualization skillset from analysts, which may require training or recruiting of new staff.</li> <li>— Lack to transparency beyond Santa Barbara County specific data; lack of access to complete state-level data.</li> <li>— Lack of access to expertise and organized peer group to identify anomalies in the reporting data.</li> </ul>	<ul style="list-style-type: none"> <li>— Limited to 20 operators with opportunity for six in-depth reviews.</li> <li>— Lack of access to complete state-level data, to point of sale and financial data for operators.</li> <li>— Lack of access to data outside the county, with limited viability into the broader industry.</li> <li>— Only benefit is to TTC as HdL supports TTC's audit responsibilities.</li> </ul>

\*cost-benefit analysis on CCA Membership and Develop County Analytics Platform is continued on page 22



# Cost-Benefit Analysis of CCA Membership



- **Negotiations with CCA regarding the cost to join the JPA remain ongoing, and the outcome of these negotiations will affect the viability and cost-benefit of membership. Membership is expected to yield significant benefits at a high cost, as detailed below.**
- **The alternative to CCA membership is for the County to develop more robust in-house processes for tracking and analyzing cannabis-related data & analytics. The table below includes estimates for the quantitative and qualitative costs and benefits of each of these options.**

	CCA Membership	Develop County Analytics Platform
Costs	<ul style="list-style-type: none"> <li>— Membership with CCA, along with access to the NCS platform is estimated to be \$687,000 for FY21/22 and \$818,000 for FY22/23*. Please note as gross revenues increase, the cost of CCA will increase as well.</li> <li>— According to materials received by CCA, the primary drivers of this membership cost include:                             <ul style="list-style-type: none"> <li>• Access to NCS and use of the platform (the highest driver of this membership cost)</li> <li>• Reimbursement of the costs incurred by the JPA to incorporate Santa Barbara license data</li> <li>• Support of JPA operations</li> </ul> </li> <li>— The going forward tax gap needed to fund CCA is about 4% a year. CCA is prepared to conduct an analysis on your prior three years without charge. This would, over the five year period, reduce CCA's effective fees. According to the tax gap numbers, 5% on those back three years would pay for CCA fees for the next two years, regardless of tax gap going forward*.</li> </ul>	<ul style="list-style-type: none"> <li>— Development of an in-house analytics platform is estimated to be up to approximately \$500,000 under a one-time contract.                             <ul style="list-style-type: none"> <li>• However, the development of this in-house platform would take months to years to develop</li> <li>• The platform is unlikely to match the level of access to state or national-level data offered by CCA</li> </ul> </li> <li>— Annual salaries for two data analysts to own, operate and analyze the platform and associated data is an estimated \$420,000 per year.                             <ul style="list-style-type: none"> <li>• Additional data and analytics training costs or cannabis-related training costs for analysts will be required</li> </ul> </li> </ul>
Benefits and Considerations	<ul style="list-style-type: none"> <li>— Rapid deployment of regulatory and tax compliance and auditing abilities.</li> <li>— The significant value is to the CEO's Office in the form of increased transparency into licensee and operator data. This allows for the CEO's Office to visualize to industry trends, forecast cannabis related budget items accurately, and help ensure operators are maintaining cannabis regulatory compliance. It is recommended that the Board appoint a representative to CCA from the CEO's Office, if membership is pursued.</li> <li>— The potential value to the TTC is the ability to perform target auditing processes on operators to help ensure operators are maintaining tax compliance. This may allow for the collection of tax revenue not previously reported to the County.</li> </ul>	<ul style="list-style-type: none"> <li>— One-time cost of up to \$500,000 for an analytics platform plus annual costs of approximately \$420,000 for analyst salaries per year rather than \$700,000+ per year.</li> <li>— The platform may not match the level of access to state or national-level data offered by CCA</li> <li>— County access to complete state and national-level data may be disparate and not provided in "real-time".</li> <li>— The in-house option does not provide the connections to other local governments and opportunities to exchange leading practices that are offered through CCA membership.</li> <li>— Lack of access to expertise and organized peer group to identify anomalies in the reporting data.</li> </ul>

\*Subject to negotiations





# Appendix B: NCS Platform Demo Screenshots



## THE NCS PLATFORM FEATURES



Recent Activity Dashboard

**Alerts - Last 7 Days**

Location	Company	State License	Location Type	High Priority	Low Priority
			Manufacturer - Medicinal	4	1
			Cultivator - Medicinal	1	1
			Manufacturer - Medicinal		
			Manufacturer - Medicinal		
			Cultivator - Medicinal		
			Retailer - Adult-Use		
			Retailer - Medicinal		
			Retailer - Medicinal		
			Retailer - Medicinal		

Manual Major Discrepancy

One Note - Major Discrepancy

Business

Added Note

Recent

## DASHBOARD

The Platform directs Users to the information they need most to leverage data for maximum impact.

	High Priority			Low Priority
	5	4	3	2
		32	84	1
	1	17	1	
		2	67	5
			14	1







## THE NCS PLATFORM FEATURES

**Alert Details:** Cure Ratio - Higher Than Anticipated

Description: The harvest yielded more dry flower than expected based on the weight of the wet product.

Count: 1 | Tilt: 4 | Flaggng Date: 03/06/2020 | Month Occurred: Feb 2020 | Data Source: MLT/PC

Questions:

- **REVIEWER NOTE:** Examine the cure efficiency and waste efficiency for the harvest in the Month End Report. Can you provide information about the strain you harvested? Is there anything specific or unique about this strain?
- Please provide details about your grow setup. (see about light source, size, layout, etc.)
- What is your harvest process? How do you record the information?
- What is your process for curing plants? Please indicate the environment, timing and equipment used. (provide for information about drying rooms, dehydration, fans, etc.)

Harvest Finish Date	Harvest Name	Plant Count	Total Wet Weight (Strains)	Total (Str)
03/06/2020	C4Harvest	100	8,000.00	8,000

### ALERT DETAILS

Users have all the detail they need to review the data that triggered an alert. Know-your-customer questions and a Notes feature are available.

**Alerts - Last 7 Days**

State License	Location Type	High Priority	4	3	2	Low Priority
ML00	Distributor - Adult-Use	204				
ML00	020-AD001	71				
pany	843-RETAIL	58	22	222	115	2024
pany	PC-000144	17	93	62	58	45
pany	PC-000139	21	23	43	8	25
pany	PC-000132	28				8



## THE NCS PLATFORM FEATURES

**NCS**

### LARGE OPERATOR REPORT

**Incoming Transfers**  
[Incoming Transfers](#) | [Outgoing Transfers](#) | [Internal Transfers](#)

**Harvest Summaries**

**Plant Summaries**

Search:

Location Name	Facility Type	Planted Month	Initial Plant Count	Live	Flowering	Vegetative	Harvested	Packaged	Destroyed	
<b>Company Totals</b>			<b>Current &amp; Prior Six Months</b>	<b>328,945</b>	<b>45,814</b>	<b>15,124</b>	<b>35,630</b>	<b>7,681</b>	<b>268,768</b>	<b>13,772</b>
<b>Excel T,1</b> LIC. #: 00980	<b>A-Nursery</b>		<b>318,968</b>	<b>36,630</b>	<b>0</b>	<b>35,630</b>	<b>0</b>	<b>268,768</b>	<b>13,607</b>	
		Planted in Sep 2020	30,674	13,815	0	13,815	0	17,359	0	
		Planted in Aug 2020	85,182	12,318	0	12,318	0	50,190	680	
		Planted in Jul 2020	55,710	2,092	0	2,092	0	53,600	2,324	
		Planted in Jun 2020	77,388	2,079	0	2,079	0	72,339	2,984	
		Planted in May 2020	89,627	3,425	0	3,425	0	81,876	4,326	
		Planted in Apr 2020	19,674	1,829	0	1,829	0	14,526	2,774	
<b>Excel T,2</b> LIC. #: 00980	<b>A-Small Mixed-Light Trv 2</b>		<b>9,298</b>	<b>2,284</b>	<b>2,284</b>	<b>0</b>	<b>4,082</b>	<b>0</b>	<b>0</b>	

**NCS**

Many Operators diversify their License landscape, making it hard to distinguish activities and workflow.

The Large Operator Report provides a holistic view covering all Operator activities.



# THE NCS PLATFORM FEATURES



## SNAPSHOT REPORT

**Retail Location: Excel 9.1 Report**

Data Source: **WVIC 01**

Parent Company: **Excel Company #**

State License Number: **00107**

**61 Alerts**

**Price per Unit/Gram for Excel 9.1**

Search:

Product Type	Units	MTD	Sep	Aug	Jul
Capsule	Each	\$29.00	\$29.74	\$29.5	
Edible	Each	\$14.80	\$12.80	\$13.6	
Extract	Each	\$28.00	\$28.81	\$29.3	
Flower	Grams	\$8.19	\$8.60	\$8.70	
Other Concentrate	Each	\$28.00	\$25.37	\$27.8	
Pre-Roll Flower	Each	\$18.00	\$15.00	\$15.8	
Pre-Roll Infused	Each	\$18.10	\$17.18	\$18.8	

**Quantity Sold By Unit/Gram for Excel 9.1**

Search:

Product Type	Units	MTD	Sep	Aug	Jul
Capsule	Each	100	100	100	
Edible	Each	100	100	100	
Extract	Each	100	100	100	
Flower	Grams	100	100	100	
Other Concentrate	Each	100	100	100	
Pre-Roll Flower	Each	100	100	100	
Pre-Roll Infused	Each	100	100	100	

**Gross Sales By Month Company: Excel Company #**

Search:

Month	Reported Sales	Taxes	State Tax	County Tax	State Fees
MTD	\$50,000				
Pre-2020	\$1,190,000	\$1,007,000			
Apr 2020	\$1,000,000	\$1,000,000			
Jul 2020	\$1,100,000	\$1,000,000	\$100,000	\$100,000	

Showing 1 of 4 entries

**Location vs Market Sales for Excel 9.1**

[View Report](#) | [Perfect Column Selection](#)

Legend: Location Sales (Blue), Market Sales (Dark Blue)

The Snapshot Report is a quick summary of all recent data from a License. The data reports available differ between license types based on data available.

Users can review total sales, compare against taxes being reported, as well as compare against the market.





## THE NCS PLATFORM FEATURES



### ALERT HISTORY REPORT

Extract all details for a Licensee for record keeping.

To generate an Alert History Report, please select the location and time frame from the below drop downs. All fields are required.

**Company Name**  
mocon test co

**Location Name: License Number**  
mocon test retailer 1-A12-0

**Flagging Year**  
2020

**Flagging Month**  
July

Summary & Transactions  
 Summary Only

**All**  
TIER 4 (1,558 Alerts)  
TIER 3 (71 Alerts)  
TIER 2 (507 Alerts)  
TIER 1 (141 Alerts)

**SUBMIT**

**NCS | ALERT HISTORY SUMMARY**

Location Name: mocon test retailer 1  
Company Name: mocon test co  
License Number: A11-000011-000  
Location Type: Retailer - Medicinal  
Generated at: 08/26/2020 10:20:08 AM UTC

**Time Period: July 2020**  
The flags included in this report were set off in July 2020. You may see transaction dates that are outside of the requested time frame because the flag was submitted during a different month than when the event occurred.  
Tier: 1,2,3,4,5 included

**THIS MONTH**  
0 Tier 5 Alerts  
1,558 Tier 4 Alerts  
71 Tier 3 Alerts  
507 Tier 2 Alerts

**Top Flag Categories Generated...**  

- Package Quantity - 1,558 Alerts
- Piece Per Unit Ratio - 1,374 Alerts
- Missing/less Data - 84 Alerts
- Sales Quantity - 14 Alerts

Flag Categories: 4  
Types: 16

**NCS | ALERT HISTORY FACT SHEET**

Alerts Summary Table Legend  
Alerts Summary Table Legend  
Alerts Summary Table Legend  
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**Alerts Summary**

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## THE NCS PLATFORM FEATURES

**NCS**

**Company: Excel Company 9**  
**Month End Report: September 2020**  
**Client: Excel Corp.**

The Month End Report analyzes and displays several key pieces of source data. While related numbers should match across sources, there can be discrepancies due to timing of data loads, user errors, product composition changes, sales discounts, or other procedural/systems errors.

**Month End Company Summary**  
 The Month End Summary for Excel Company 9 and its related locations is based on data provided for September 2020 with the preceding two months reported for reference.

**Gross Sales for Excel Company 9**  
 The gross sales shown below are aggregated from any available sources and displayed. These sales should be as you look across each line. If there are large fluctuations month-over-month, this would be an area to review.

Month	Reported Sales	Menu	Bank Deposits	County Taxes	State
Sep 2020	-	\$1,816,009	\$1,667,668	-	-
Aug 2020	-	\$1,859,859	\$1,648,107	-	-
Jul 2020	-	\$1,679,165	\$1,654,917	\$1,889,139	\$1,980,890
Average	\$0	\$1,781,641	\$1,789,097	\$1,889,139	\$1,980,890

**Gross Sales by Month (Variance)**  
 Below are the variances between State Sales and source data:

Month	Reported Sales	Menu	Bank Deposits	County Taxes
Sep 2020	-	-	-	-
Aug 2020	-	-	-	-
Jul 2020	-	\$-619	\$-25,081	\$109
Average	\$0	\$-619	\$-25,081	\$109

## MONTH END REPORT

A summary of all license data for an Operator retrievable for any month where data is available. Users can pull historical records on demand.

**Run Month End Report**

**Month End Reporting**

Select Month and Year to Run Report

April | 2020

Close Run Report

