



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: November 5, 2019
Placement: Departmental
Estimated Time: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department Mona Miyasato, County Executive Officer
Director(s)
Contact Info: Jeff Frapwell, Assistant County Executive Officer

SUBJECT: **Spending Priorities Due to Higher than Anticipated Cannabis Revenues**

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors (Board):

- a) Receive and file an update on potential uses discussed in this Board agenda letter for unappropriated revenue in the general fund due to higher than anticipated cannabis tax revenue received in excess of Fiscal Year 2018-19 budgeted amounts, and provide staff with further direction, if any, on making a mid-year appropriation;
- b) Subject to Board discussion, approve the necessary budget revision, in an amount specified by the Board during the hearing, to increase appropriations funded by release of committed fund balance within the general fund;
- c) Provide other direction to staff as appropriate; and
- d) Find that the proposed actions are administrative activities of the County, which will not result in direct or indirect changes to the environment and therefore are not a “project” as defined for the purposes of the California Environmental Quality Act (CEQA) under State CEQA Guidelines Section 15378(b)(5).

Summary Text:

Revenues came in higher than expected last fiscal year, leaving \$1.066 million in net available funds due to greater than anticipated cannabis tax revenue. By a 4/5 vote, the Board may appropriate these funds at any time. The County’s practice has been to save additional revenue received from the prior year to allocate in the next budget cycle, when all other budget decisions are being made. However, from time to

time, the Board may wish to allocate funding at mid-year for high priority or urgent community needs that cannot wait.

Background:

There is approximately \$1.3 million of unappropriated revenue in fund balance. This amount is equal to cannabis tax revenue received for the 2018-19 fiscal year in excess of budgeted amounts. \$260k of this was put into fund balance at the end of the fiscal year, based on estimates of what Q4 tax receipts would be at the close of the fiscal year, on June 30, 2019. However, when collections occurred in July 2019, actual receipts came in \$1.04 million higher than estimated. The Board of Supervisors took action on October 1, 2019, to recognize that additional revenue and place it into fund balance. In accordance with the County's 18% maintenance policy, \$234,000 should be set aside for allocation to deferred maintenance projects in FY 2020-21. This would leave a net available balance of \$1.066 million for one-time allocation. This funding is considered one-time in nature. Historical budget practice at the County is to appropriate one-time funds during the following fiscal year's budget development process. This practice allows the CEO and Board of Supervisors to hear from Departments and understand all the issues facing the County, and then prioritize the allocation of these one-time funds to the areas of greatest need.

Discussion:

In previously discussion about cannabis revenue, a desire was expressed to possibly appropriate some, or all, of the unspent FY 2018-19 revenue in the general fund equal to unanticipated cannabis tax revenues in the current 2019-20 fiscal year to address community needs, rather than wait to do so in the FY 2020-21 budget process.

Below is a list of projects and purchases that the Board may wish to consider, if there is a desire to move forward with appropriating any of these funds in the current year. These projects are one-time in nature, and are consistent with board priorities or will provide community benefit. A few departments also requested new full-time equivalent positions for their offices to expand cannabis enforcement activities. These are ongoing expenses, which if approved at this time, would reduce the Board's flexibility in future fiscal years. Staff can evaluate these needs during the FY 2020-21 budget development process along with other competing priorities.

If the Board does decide to appropriate funds during this hearing, a motion will need to be made, with a 4/5 vote, approving recommended action B and specifying the dollar amount to be drawn from the committed fund balance within the general fund.

Staff recommends that the Board continue the past practice of appropriating funding through the normal budget cycle. If funding is to be appropriated now, staff recommends not allocating more than half of the available funding to ensure greater flexibility when making budget decisions in the spring and summer. Lastly, if there is not sufficient Board support for appropriating funding at this time, a majority of the Board could also direct the CEO now to include selected items in the FY 2020-21 recommended budget to be discussed at Budget Workshops.

Potential One-Time Uses:

Handheld THC Analyzers: \$54,000

The Sheriff's Cannabis Compliance Team was recently appropriated funds to purchase a piece of equipment that is able to analyze the THC content of a plant in the field, rather than sending to a lab for results. This will allow the team to quickly identify whether a plant is hemp or marijuana, which will assist in enforcement actions against unpermitted marijuana grows being farmed under the guise of hemp. At

\$18,000 apiece, the Sheriff's Office and the Agricultural Commissioner's Office have requested \$54,000 to fund an additional 3 analyzers, which will assist in their enforcement and regulatory efforts.

Parks Projects: \$250,000 - \$325,000 One-Time

The Community Services Department has identified several parks throughout the County suitable for the installation of outdoor fitness equipment or expanded recreation facilities. Total costs could range from \$250,000 to \$325,000 to install equipment or new sports courts at four County parks to encourage healthy activities for our County residents.

Electric Vehicle Charging Infrastructure Installation: \$450,000 - \$550,000 One-Time

The Board of Supervisors provided direction to the General Services Department to significantly expand the number of all electric vehicles in the County's fleet. The Department intends replace approximately 250 gasoline-powered vehicles with electric-powered vehicles over the next five to seven years. The incremental cost to purchase an electric vehicle versus the purchase price of conventional gasoline powered replacement vehicles will be borne by user departments. However, General Services estimates the upfront cost of installing the vehicle-charging infrastructure necessary to support this electric fleet transition to range between \$450,000 and \$550,000. Allocating funds at this time will allow the Department to move forward this fiscal year, thereby accelerating the transition to a more carbon-friendly fleet.

Active Transportation Projects: \$375,000 One-Time

The Public Works Department has identified the need for \$375,000 to fund pedestrian and cycling related projects in various areas of the County. Projects could include: school access improvements; pedestrian safety improvements, such as filling gaps in pedestrian pathways and sidewalk replacement/infills; and improvements and/or expansions to existing bicycle paths.

Infrastructure and Maintenance Projects

In addition to the \$234,000 that will be set-aside for maintenance pursuant to the 18% policy, the Board could also appropriate more funding at this time for County roads, parks and facility maintenance projects.

Potential Ongoing Uses:

Additional Enforcement Resources: Over \$1 million ongoing

In the FY 2019-20 Budget, \$2.8 million has been allocated to ongoing enforcement (12.65 FTE), \$2.1 million to licensing and permitting (13.75 FTE), and \$330,000 to Tax Collection and Program Administration (1.75 FTE). The licensing and permitting costs are covered through fees. Specific amounts and positions are shown in Attachment A. Two departments have made requests for additional enforcement resources that exceed the \$1.066 million available in fund balance. Not all departments involved in cannabis enforcement have come forward with requests at this time, and are likely waiting to evaluate needs during the normal budget process. The Board could appropriate the additional one-time revenue toward enforcement efforts. If not allocated now, requests for greater enforcement resources can also be evaluated during FY 2020-21 budget development.

Fiscal and Facilities Impacts:

Budgeted: No

Narrative: There is \$1.066 million of one-time revenue available in fund balance, due to unanticipated cannabis revenues. Subject to the Board discussion and direction, a Budget Revision Request may be necessary to appropriate funds from the existing fund balance to into the County's current year budget.

Attachments:

Attachment A – FY 2019-20 County Cannabis Program Costs

Authored by:

Paul Clementi, Principal Fiscal & Policy Analyst, CEO's Office