

 <p>County of Sonoma Agenda Item Summary Report</p> <p>SEE MINUTES FOR FINAL ACTION OTHER THAN RECOMMENDED</p> <p>Clerk of the Board 575 Administration Drive Santa Rosa, CA 95403</p>	<p>Agenda Item Number: 33 (This Section for use by Clerk of the Board Only.)</p> <p>THE WITHIN INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THIS OFFICE.</p> <table border="1" data-bbox="812 315 1101 510"> <thead> <tr> <th></th> <th>AYE</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>GORIN</td> <td>✓</td> <td></td> </tr> <tr> <td>RABBITT</td> <td>✓</td> <td></td> </tr> <tr> <td>ZANE</td> <td>✓</td> <td></td> </tr> <tr> <td>GORE</td> <td>✓</td> <td></td> </tr> <tr> <td>HOPKINS</td> <td>✓</td> <td></td> </tr> </tbody> </table> <p>ATTEST: APR 11 2017</p> <p>SHERYL BRATTON, Clerk/Secretary BY [REDACTED] SECRETARY</p>		AYE	NO	GORIN	✓		RABBITT	✓		ZANE	✓		GORE	✓		HOPKINS	✓	
	AYE	NO																	
GORIN	✓																		
RABBITT	✓																		
ZANE	✓																		
GORE	✓																		
HOPKINS	✓																		
<p>To: Board of Supervisors</p>																			
<p>Board Agenda Date: April 11, 2017</p>	<p>Vote Requirement: Majority & 4/5</p>																		
<p>Department or Agency Name(s): Board of Supervisors, County Administrator's Office, Permit and Resource Management Department, Department of Health Services, Department of Agriculture/Weights and Measures, Fire and Emergency Services, County Counsel's Office, Auditor-Controller-Treasurer-Tax Collector, Economic Development Department</p>																			
<p>Staff Name and Phone Number:</p> <p>Rebecca Wachsberg 707-565-3782 Sita Kuteira 707-565-3771</p>	<p>Supervisorial District(s):</p>																		
<p>Title: Cannabis Ad Hoc Committee Charter and Program Implementation</p>																			
<p>Recommended Actions:</p>																			
<p>A. Adopt the 2017 Cannabis Ad Hoc Committee Charter and approve Phase 2 of the County's Cannabis Program;</p> <p>B. Approve the Cannabis Advisory Group Selection and Work Plan;</p> <p>C. Adopt a Resolution amending the Fiscal Year 2016-17 position allocation lists for various departments to add 12 full time staff members, increasing appropriations for staffing and related costs, and allocating \$525,168 from unanticipated actual sales tax revenue to be reimbursed by revenues collected in Fiscal Year 2017-18 from the Cannabis Business Tax to implement and enforce the County's cannabis ordinances; (4/5 vote); and</p> <p>D. Adopt a Resolution establishing the Code Enforcement Temporary Penalty Relief Program to incentivize compliance and guide implementation of the Transition Period established in the Cannabis Land Use Ordinance.</p>																			
<p>Executive Summary:</p>																			
<p>In December 2016, the Board adopted a series of ordinances establishing a comprehensive local program for the medical cannabis industry. In order to guide the County through the next phase, the Chair created the 2017 Cannabis Ad Hoc Committee. This item recommends adoption of the Committee charter and approval of Phase 2 of the Cannabis Program, which will focus on ordinance implementation, data collection and analysis, inclusion and exclusion zones, programs to address industry impacts, community engagement, and convening of the Cannabis Advisory Group. Additionally, staff presents the initial steps to implement the ordinance in order to initiate permitting on July 1, 2017, and recommends the Board allocate additional staff and resources in order to launch the County's</p>																			

Cannabis Program.

Discussion:

Background

Over the last several years, the State of California and the County of Sonoma have made significant strides toward establishing legal regimes to enable the cannabis industry to move into a regulated commercial market. In September 2015, the State passed the Medical Cannabis Regulation and Safety Act (MCRSA), which established a regulatory scheme for commercial medical cannabis businesses, which had been operating as collectives and cooperatives. Then in November 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act, legalizing personal and commercial nonmedical cannabis. Both of these State laws maintain substantial local control, particularly in the areas of land use and revenue generation, enabling the County to develop a local cannabis program that is tailored to the unique characteristics of Sonoma County. In December 2016, the Board of Supervisors adopted a series of ordinances to establish a comprehensive local program to permit and regulate medical cannabis cultivators, nurseries, manufacturers, transporters, distributors, testing laboratories, and dispensaries.

Sonoma County's ordinances regulating medical cannabis businesses include:

- 1) The Medical Cannabis Land Use Ordinance setting forth permit requirements and where and how each cannabis business type may operate;
- 2) The Medical Cannabis Health Ordinance establishing regulations and permitting for medical cannabis dispensaries and manufacturing to address product safety, labeling and advertising; and
- 3) The Cannabis Business Tax Ordinance imposing a tax on both medical and nonmedical commercial cannabis businesses operating in the unincorporated County.

2017 CANNABIS AD HOC COMMITTEE

Recognizing a continued need for prioritization and leadership in this area, the Chair formed the 2017 Cannabis Ad Hoc Committee on January 10, 2017, and appointed Supervisors Gorin and Hopkins to serve. The primary purpose of the Ad Hoc is to ensure the successful implementation of the County Cannabis Program that enables and incentivizes the industry to come into compliance while ensuring the interests of all residents and the environment are protected. To accomplish this, the Ad Hoc will provide policy direction and work with the community to accomplish the items outlined in Phase 2 below. (Attachment C: 2017 Ad Hoc Committee Charter).

Phase 2 Scope

The goal of Phase 1 was to work with the community to develop a comprehensive regulatory scheme for the local cannabis industry that was consistent with new State laws and the County's mission. Having established a local regulatory scheme, Phase 2 will focus on implementation, community engagement, and evaluating and addressing impacts.

Ordinance Implementation

A primary focus of Phase 2 is to implement and enforce the Medical Cannabis Ordinances. To prepare for and begin permitting and collecting taxes, the departments will need to hire and train staff, develop specific rules and guidelines based on the ordinance, develop materials such as checklists and fact sheets, engage and educate the community, and build out multi-departmental online permitting, tax collection, and database systems. Ordinance implementation, staffing and resourcing is discussed in detail below.

Data Collection and Analysis

While the medical cannabis industry has existed for decades, there is very little hard and reliable data on its size, operations, and impacts. This work would focus on collecting data from participating industry operators as well as from community organizations such as schools, hospitals, and the tourism community. This will enable a better understanding of the industry and its impacts on the community, and where possible, an understanding of how local regulations are affecting both. Some of this work will be performed by the regulatory/permitting departments as well as the Economic Development Department. For health and human services impacts, additional resources will be needed to the extent this work exceeds the data collection and analysis performed under current programs.

Inclusion and Exclusion Zones

In December 2016, the Board gave direction to staff to develop inclusion and exclusion combining zones for future consideration. The Ad Hoc will work on the development of combining zones that would allow the Board to carve out specific areas or properties on which to include or exclude certain cannabis land uses separately from what is allowed pursuant to the base zoning district.

Programs to Address Industry Impacts

Departments will focus on working with the community to develop programs that address and prevent impacts of the cannabis industry, such as programs related to health and human services, schools, and environmental protection and clean up. This may also include programs that assist the industry directly such as job training and education on how to obtain a permit and run a business. The Health and Human Services Subcommittee of the Marijuana Technical Advisory Committee (MTAC) has already begun doing research and outreach to community stakeholders to begin scoping community need. With existing resources staff is able to assess current programs and any necessary adjustments, but will require additional resources to fully scope and design, as well as implement, new programs to address the impacts of the new cannabis industry, including outreach and education around cannabis risks, safe use and youth prevention. It is anticipated that a preliminary plan and resource estimate will come before the Board this fall.

Advisory Group and Community Engagement

The Ad Hoc and staff propose to convene an advisory group of stakeholders and subject matter experts to evaluate the implementation of the new cannabis ordinance, including data on trends and impacts, and provide feedback for the next phases of implementation. If approved by the Board, applications will be made publicly available in late-April. It is anticipated that the group will consist of 12-20 members and include representatives from varying operator categories (*i.e.* nursery, cultivator, distributor, etc.), other industries in Sonoma County, city government representatives, education, health care, non-industry residents, and other stakeholders. (Attachment D: Cannabis Advisory Group Plan and Scope). There will also be broader community engagement to receive more feedback and input as implementation progresses.

CANNABIS ORDINANCE IMPLEMENTATION

Once the new ordinances were adopted by the Board of Supervisors, and by the voters in the case of the Cannabis Business Tax, considerable work is needed to turn those ordinances into an operable program. That work is laid out below.

Information Gathering/Sharing

Staff has been and will continue to establish connections and resources to work collaboratively with the industry to gain a better understanding of standard practices and needs while sharing information about regulatory requirements and working together to fully develop a program that benefits the industry and community at large.

Staffing and Resources

Regulating the cannabis industry and accepting permit applications on July 1, 2017, present a new and sizable workload that cannot be absorbed within existing resource allocations. Based on projected permit volume and the time to process each permit, the departments have estimated staffing needs. A phased-in approach for adding new staff has been developed due to uncertainty in initial permit volume and anticipated workloads gradually increasing as cannabis businesses prepare permit applications, become permitted, and begin operating. Once staffing needs are assessed and approved by the Board, the departments will recruit and complete the hiring process, assess space issues and complete office reconfigurations, if necessary, and train new staff.

Fee Development

Each department involved in permitting, monitoring, or inspections must develop a fee to cover the cost of providing the service to the permit applicant or permit holder. This has included a review of existing fee schedules, time task analyses, and preparing fees for Board approval. Fees are estimated below and will be included in the fee packet that goes before the Board at the consolidated fee hearing.

Program Development

Prior to accepting applications in July, staff will create a medical cannabis program infrastructure from the ordinances in order to permit and tax each operator type. This work includes writing policies and procedures; creating application forms and checklists; designing data collection and evaluation plans; developing a flow chart of the permitting process; creating processes for plan check, design review, site reviews, and permit applications; developing inspection standards; and designing the permit renewal process. Staff will then develop and conduct internal and external trainings. Additionally, staff will identify metrics to measure program effectiveness and budget allocation.

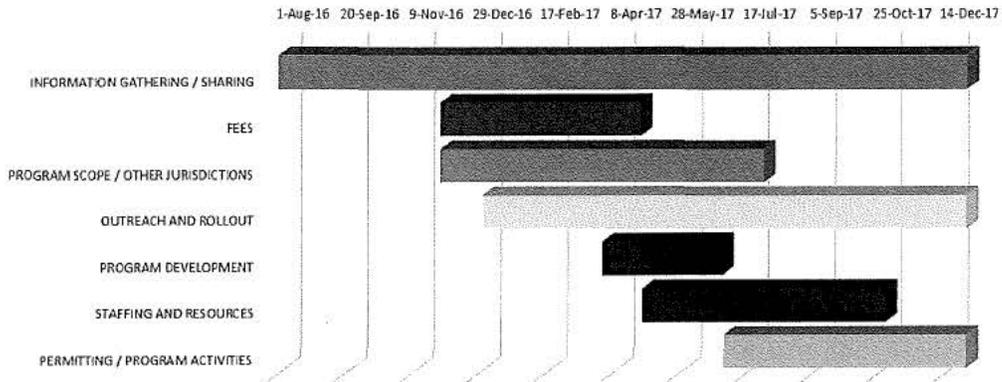
Database and System Development

The online permit system will need to be expanded to accommodate cannabis permitting. Additionally, because multiple agencies will be permitting, monitoring, inspecting, and collecting taxes from each operator, it is essential that the online system be developed to integrate permits and processes among departments. This will serve to minimize confusion for permit applicants, streamline workload for permit staff, and increase compliance with various program requirements.

Outreach and Education

Starting a new program with a previously largely unregulated industry will require substantial outreach and education to the industry. Staff will develop a process for education that provides information and support to business owners to increase compliance. This will include convening the Advisory Group, developing methods for widespread notification, creating outreach materials, and providing educational trainings starting in May focusing on the local regulations, application development, permitting process, inspections, coming into compliance and any additional State regulations.

PROJECT TIMELINE AND KEY TASKS



Estimated Permitting Volume and Fees

The permit estimates below are primarily based on a survey performed by the California Department Food and Agriculture to assess permit interest in Sonoma County. The results of that survey have been adjusted based on discussions with the industry and permitting volumes in other jurisdictions.

Operator	Permits/Inspections/Review Required	Est. Permit / Inspection Fee	No. of Applications
Cultivation			
Outdoor (1C, 1, 2)	Cannabis zoning permit (AWM) Ag inspection (AWM) Building/Well and Septic (Permit Sonoma)	\$1,500-\$2,100 \$600-\$1,200 Existing fee	50-150
Outdoor (1, 2, 3)	Cannabis use permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Ag inspection (AWM) Legal review (CC)	\$11,500 (at cost) Existing fee \$200 \$600-\$900 Incl. in use permit	15-55
Indoor (1C)	Cannabis zoning permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Ag inspection (AWM)	\$2,880 Existing fee \$200 \$600	15-35
Indoor (1A, 2A, 3A)	Cannabis use permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Ag inspection (AWM) Legal review (CC)	\$7,200 (at cost) Existing fee \$200 \$600 Incl. in use permit	15-55
Mixed-light (1C)	Cannabis zoning permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Ag inspection (AWM)	\$4,320 Existing fee \$200 \$600	5-20

Mixed-light (1C, 1B, 2B, 3)	Cannabis use permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Ag inspection (AWM) Legal review (CC)	\$8,700 (at cost) Existing fee \$200 \$600 Incl. in use permit	40-135
Supply Chain Businesses			
Nursery (4)	Cannabis use permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Ag inspection (AWM) Legal review (CC)	\$5,800 (at cost) Existing fee \$200 \$600-\$900 Incl. in use permit	10-30
Manufacturer (6)	Cannabis use permit (Permit Sonoma) Cannabis health permit (DHS) Health plan & site review (DHS) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Legal review (CC)	\$8,700 (at cost) \$3,640-\$4,732 \$728-\$1,820 Existing fee \$200 Incl. in use permit	10-30 (County) 20-50 (cities)
Testing Lab (8)	Cannabis use permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Legal review (CC)	\$3,600 (at cost) Existing fee \$200 Incl. in use permit	3-10
Distributor (11)	Cannabis use permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Legal review (CC)	\$8,700 (at cost) Existing fee \$200 Incl. in use permit	5-15
Transporter (12)	Cannabis use permit (Permit Sonoma) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Legal review (CC)	\$3,600 (at cost) Existing fee \$200 Incl. in use permit	5-15
Dispensary (10, 10A)	Cannabis use permit (Permit Sonoma) Cannabis health permit (DHS) Health plan & site review (DHS) Building/Well and Septic (Permit Sonoma) Fire review & inspection (FES) Legal review (CC)	\$8,700 (at cost) \$2,621-\$3,058 \$546-\$1,456 Existing fee \$200 Incl. in use permit	6-9 (County) 10-30 (cities)
Total Permit Applications			180-560 (County) 40-80 (cities)

Staffing and Budgetary Requests

The following request focuses on staff needed to develop and initiate the permitting and tax ordinances, with additional resources for enforcement. Staffing is based on the anticipated number of initial permit applications, as well as capacity to develop the program and begin accepting applications and tax payments. Because the permit and tax volume is uncertain, the staffing proposal is preliminary and conservative. It is recommended that in addition to the permanent positions described below, funding for extra help also be allocated to each department to address workload above the staffed capacity.

Additionally, staff will track permit volume and potential backlogs, and expects to return in the fall with additional staffing requests once it is clear those positions can be supported by steady fee revenue. Note that these staffing and resource requests are on the lowest end of what was estimated in the December 6 Board report. If a start date is not specified in the bullets below the position would be effective upon approval. While Fire and Emergency Services (FES) will also experience additional workload, the department will cover any permit demand that cannot be absorbed within the existing staff levels with extra help until it can determine that permit levels require additional permanent staff.

Permit and Resource Management Department (Permit Sonoma)

- 2.0 FTE Planner III (Project Review) – The Project Review Planners will be responsible for establishing permitting procedures and requirements, building databases, checklists and forms, public outreach and education, and processing permit applications. One Planner III will begin immediately and one will begin in the new fiscal year.
- 1.0 FTE Accounting Technician – The Accounting Technician will be responsible for handling the increased amount of billing services that will result from the cannabis program related to the high number of use permits. This position would start in July 2017.
- 1.0 FTE Code Enforcement Inspector – The Code Enforcement Inspector will be dedicated to cannabis-related code violations including conducting investigations, determining violations, gaining compliance, conducting abatement hearings, and helping to establish permitting requirements.
- 1.0 FTE Secretary (Code Enforcement) – The Secretary will support and strengthen the Code Enforcement Section by maintaining records, producing legal notices, reports and graphs, coordinating hearings, and supporting the Code Enforcement Manager.

Department of Agriculture / Weights and Measures (AWM)

- 2.0 FTE Agricultural Biologist / Standards Specialist – The Agricultural Biologists will be responsible for establishing permitting procedures and standards, public outreach and education, processing permit applications, inspections and monitoring, applying Best Management Practices, and responding to complaints.
- 1.0 FTE Senior Office Assistant – The Senior Office Assistant will support the cannabis program by completing financial transactions, developing website content and outreach materials, interacting with the public and responding to field calls, and assisting with the development of program forms.

Department of Health Services (DHS)

- 1.0 FTE Senior Environmental Health Specialist – The Senior Environmental Health Specialist will develop and administer the new cannabis health permit program including developing forms, procedures and trainings, conducting plan and site review activities, conducting enforcement and non-compliance inspections, and performing industry training and educational courses.
- 1.0 FTE Program Planning and Evaluation Analyst (PPEA) – The Analyst will work in the Environmental Health and Safety Section to develop and implement mechanisms for reaching out to the industry about best management practices for safe food handling, increase compliance, receive information and input to adapt to a changing industry, and overall enhance education, collaboration and awareness around the cannabis program.

County Counsel's Office (CC)

- 1.0 FTE Deputy County Counsel – The Deputy County Counsel would counsel departments in the development of permitting procedures, requirements and materials, review use permit applications and environmental documents, support staff in public hearings, ensure compliance with federal, state and local regulations, and research and develop additional code provisions.

Auditor-Controller-Treasurer-Tax Collector (ACTTC)

- 1.0 FTE Supervising Accountant – The Supervising Accountant will manage the collection and enforcement of the Cannabis Business Tax, develop and review procedures and guidelines for collection and ordinance implementation, work with the multi-departmental team to create an integrated collection system, and supervise accounting personnel.
- 1.0 FTE Accountant – The Accountant will supervise accounting personnel, coordinate administration across departments and other taxing agencies, review and update procedures and guidelines, and assist with managing overall administration.

Economic Development Department (EDB)

- 1.0 Business Development Manager – The Department Program Manager will coordinate the day-to-day multi-departmental implementation efforts, be the primary point of contact in the County for cannabis-related inquiries and feedback, coordinate community outreach and engagement, collect and analyze data, track and recommend advocacy positions related to new legislation and regulations, provide business startup and support services, and serve as an ombudsman to assist businesses in navigating the permitting process.

Department	Permanent Positions	FY 16-17	FY 17-18		
		Total Expenditures	Total Expenditures	General Fund	Cost Recovery
Permit Sonoma	5.0 FTE**	\$137,000	\$753,000*	\$133,000	\$620,000
AWM	3.0 FTE	\$175,000	\$674,000*	\$298,000	\$376,000
DHS	2.0 FTE	\$52,000	\$319,000	\$194,000	\$125,000
CC	1.0 FTE	\$40,000	\$326,000*	\$163,000	\$163,000
ACTTC	2.0 FTE	\$84,000	\$451,000*	\$451,000	\$0
EDB	1.0 FTE	\$37,000	\$206,000	\$206,000	\$0
Totals	14.0 FTE	\$525,000	\$2,729,000	\$1,445,000	\$1,284,000

*Cost includes allotment for extra help. **2.0 FTE to start in FY 17-18.

Expenditures not paid for by cost recovery will be funded by revenue from the Cannabis Business Tax collected in FY 17-18 as shown below. Use of additional potential revenue will be discussed at a later date.

FY 16-17 Expenditures	\$525,000
FY 17-18 Expenditures	\$2,729,000
Total Expenditures	\$3,254,000
FY 17-18 Tax Revenue	\$1,970,000
FY 17-18 Cost Recovery	\$1,284,000
Total Revenues	\$3,254,000

Enforcement

The cannabis industry heavily impacts code enforcement, public safety, and justice services. With the Code Enforcement Manager added in March, the staffing recommended in this item would bring the total additions to Permit Sonoma's Code Enforcement Section to 3 full-time employees this fiscal year, a 33% increase over previous staffing levels. Still, code enforcement cases related to cannabis are rising and staff anticipates this trend to continue. The staffing here presents a conservative approach, given that a large portion of code enforcement costs will be funded by the cannabis business tax. Staff plans to return by the end of the calendar year with requests for additional code enforcement staff, which may include an additional supervisor, senior inspector, and other inspectors, dependent on resource availability. At that point, the Transition Period will be ending, enabling code enforcement to more readily identify violators, and operators will have registered with the Tax Collector's Office and begun making tax payments, supplying a revenue source for the code enforcement expenditure.

It is estimated that current cannabis-related costs in just the Sheriff's and District Attorney's Offices total upwards of \$1.9 million annually. The Sheriff's Office is responsible for responding to and investigating all cannabis related crimes, including violent crimes such as assaults, home invasions, and homicides. Investigative work includes responding to complaints, writing and serving search warrants, identifying and eradicating illegal grow sites, researching growers medical claims, curtailing illegal cannabis trafficking, forensic analysis of cell phone and financial records, and court appearances. The District Attorney's Office frequently handles violent crimes related to cannabis, including a triple homicide last year, another murder case pending, and many home invasion robbery cases. In addition to violent crimes, there is a large workload related to more generic cases and day-to-day enforcement, as well as work on environmental crimes. Going forward this enforcement will be critical to not only protecting the community at large, but also those in the industry who are properly operating. Public safety costs will also be considered by the Ad Hoc, staff, and the Advisory Group in making recommendations for tax revenue expenditures.

Transition Period and Penalty Relief

A key goal of the County is to bring the cannabis industry out of the grey and into the regulated market, which is beneficial for operators and the community at large. Recognizing this goal, the Cannabis Land Use Ordinance established a Transition Period to allow existing cannabis cultivation collectives and cooperatives to come into compliance with new local regulations (So. Co. Ord. 6189, Section III). The Penalty Relief Program recommended in this item expands the County's ability to incentivize existing operators to come in for a permit by establishing the authority to waive certain penalties which would have otherwise automatically attached to a new permit application.

The Penalty Relief Program allows the enforcement agency to waive only those penalties associated with the cannabis land use. Penalties for failing to comply with other code requirements, such as obtaining a building or septic permit, will not be waived because those permits have been available to cannabis operators. The recommended Penalty Relief Program will be administered as follows:

- **Non-Permit-Eligible Locations:** Cannabis cultivation cooperatives or collectives that existed prior to January 1, 2016, that are not eligible for permitting due to zoning district, parcel size or some other reason, may continue until January 1, 2018, provided they do not increase the cultivation area, and follow the ordinance operating standards and Best Management Practices. If a complaint is received, as long as the operator is able to establish compliance with these requirements, no land use fines or penalties will be assessed.

- **Permit-Eligible Locations:** For all types of cannabis operations, other than dispensaries, in locations that are eligible for land use permits, land use fines and penalties will not be applied so long as the operator submits a complete application by July 31, 2017, and operates in compliance with the site development standards, operating standards, and Best Management Practices where applicable.

Note that operations that do not qualify for the transition period and are located on parcels that are not permit-eligible must cease immediately and will be subject to fines and penalties. Additionally, if at any time the County establishes that a cannabis operation poses environmental, health or safety risks, it will be subject to immediate enforcement and penalty relief will not apply.

CANNABIS BUSINESS TAX

In the March 2017 special election, Sonoma County voters passed the Cannabis Business Tax (Measure A) with 71% voter approval. As with the permitting ordinances, additional policy and program development is needed to begin implementing the ordinance.

Tax Policies and Guidelines

The tax ordinance sets a framework for taxation and maximum rates at which each operator may be taxed. Additionally, the ordinance sets out initial tax rates for cultivators and manufacturers at rates far below the maximum. The County recognizes that it is beneficial for all residents to set tax rates and policies that incentivize compliance and do not unduly burden the industry. In order to begin implementing the tax ordinance, several policies must be established and some may be reconsidered in order to maximize compliance and success. Staff held a town hall meeting and elicited feedback via a community survey on initial rates, different rate structures, procedures for evaluating and changing rates, and revenue expenditures, among other issues. In the next month, staff will release draft policies and procedures for public comment and bring a final proposal to the Board before permitting begins.

Additional Fiscal Impact Considerations

The County has spent considerable resources addressing the cannabis industry in the areas of regulatory development, code enforcement, health and human services, and public safety and justice services. Whereas a large portion of program implementation costs going forward can be covered by fees charged to the industry, costs to date have been covered fully by Sonoma County taxpayers and should be considered as tax rates and tax expenditures are assessed. The County estimates that it has expended approximately \$500,000 over the last year and half to develop the comprehensive County Cannabis Program involving staff time in the MTAC departments for research, community outreach, analysis, drafting, legal review, and the public hearing process. When assessing expenditures of cannabis business tax revenue, expenses could be considered for repayment.

Additional costs to the County will be incurred to address the impacts of the cannabis industry and will not be recoverable by fees, such as health education and environmental cleanup. For example, the Agricultural Preservation and Open Space District, in addition to collaborating on ordinance development, holds coordinated cleanups of illegal grows. This work typically benefits from considerable in-kind labor from organizations such as the Conservation Corps North Bay. It is estimated that the hazardous material assessment and cleanup of one illegal grow at the Cresta Ranch cost up to \$100,000. These costs will also be considered as part of a revenue expenditure plan once actual revenues are realized.

Prior Board Actions:			
December 20, 2016: Final adoption of Cannabis Land Use Ordinance.			
December 13, 2016: Final adoption of Cannabis Business Tax Ordinance and Cannabis Health Ordinance.			
December 6, 2016: Calling the March Special Election for the Cannabis Business Tax Ordinance.			
Strategic Plan Alignment Goal 1: Safe, Healthy, and Caring Community			
Implementing the County's cannabis ordinances and approving work on Phase 2 of the Cannabis Program supports the County's Strategic Plan goals by permitting, regulating, and taxing cannabis operations in a way that maintains the health and safety of our communities, protects our environmental resources, and promotes positive economic activity.			
Fiscal Summary			
Expenditures	FY 16-17 Adopted	FY 17-18 Projected	FY 18-19 Projected
Budgeted Expenses		\$2,729,238	\$2,729,238
Additional Appropriation Requested	\$525,169		
Total Expenditures	\$525,169	\$2,729,238	\$2,729,238
Funding Sources			
General Fund/WA GF	\$525,169	\$1,445,334	\$1,100,000
State/Federal			
Fees/Other		\$1,283,904	\$1,629,238
Use of Fund Balance			
Contingencies			
Total Sources	\$525,169	\$2,729,238	\$2,729,238
Narrative Explanation of Fiscal Impacts:			
<p>Costs for staffing and services and supplies for the remainder of FY 16-17 is \$525,169. These expenses will be financed from unanticipated local sales tax revenue in FY 16-17 and reimbursed by revenue generated from the Cannabis Business Tax in FY 17-18 in excess of FY 17-18 programmatic expenses. Cost recovery is not anticipated this fiscal year due to onboarding and the July 1 permitting start date. Total costs to begin implementing the County Cannabis Program in FY 17-18 are \$2,729,238, with \$1,445,334 coming from the General Fund and \$1,238,904 being recovered from funding sources including fees and penalties. In future fiscal years, cost recovery for many of the requested positions will increase as policies are established and a higher percentage of time can be dedicated to fee-based activities. In addition to these new staffing costs, costs related to existing staff, particularly management, will continue in order to achieve the objectives laid out in Phase 2.</p>			

Staffing Impacts			
Position Title (Payroll Classification)	Monthly Salary Range (A – I Step)	Additions (Number)	Deletions (Number)
Secretary	\$3,800 - \$4,618	1.0	0.0
Code Enforcement Inspector	\$5,814 - \$7,068	1.0	0.0
Accounting Technician	\$4,052 - \$4,926	1.0	0.0
Planner III (Project Review)	\$6,279 - \$7,634	2.0	0.0
Agricultural Biologist / Standards Specialist	\$4,863 - \$5,912	2.0	0.0
Senior Office Assistant	\$3,470 - \$4,219	1.0	0.0
Program Planning and Evaluation Analyst	\$5,514 - \$7,068	1.0	0.0
Senior Environmental Health Specialist	\$6,256 - \$7,604	1.0	0.0
Deputy County Counsel III	\$9,383 - \$11,404	1.0	0.0
Supervising Accountant	\$6,675 - \$8,115	1.0	0.0
Accountant	\$5,340 - \$6,491	1.0	0.0
Business Development Manager	\$8,159 - \$9,919	1.0	0.0
Narrative Explanation of Staffing Impacts (If Required):			
12.0 FTE are recommended for FY 16-17 and an additional 2.0 FTE starting in FY 17-18 (14.0 FTE total). The recommended positions are needed to develop, promote, initiate and enforce the permitting and tax ordinances. Staffing is conservatively based on the anticipated number of initial permit applications, as well as capacity to develop the program and begin accepting applications and tax payments.			
Attachments:			
Attachment A: Position Allocation Change and Budgetary Adjustment Resolution Attachment B: Code Enforcement Temporary Penalty Relief Program Resolution Attachment C: 2017 Cannabis Ad Hoc Committee Charter Attachment D: Cannabis Advisory Group Selection and Work Plan			
Related Items "On File" with the Clerk of the Board:			