

CANNABIS LICENSING PROPOSED BUDGET • FY 2019-20 & 2020-21

PROPOSED BUDGET

All Funds	FY 2018-19	FY 2019-20	Δ	FY 2020-21	Δ
Revenues	1,598,934	520,000	-67.5%	645,000	24.0%
<i>General Fund</i>	0	427,296	N/A	336,522	-21.2%
Total Financing	1,598,934	947,296	-40.8%	981,522	3.6%
Total Expenditures	1,598,934	947,296	-40.8%	981,522	3.6%
Total Staffing	5.00	5.00	0.0%	5.00	0.0%
<i>Unfunded Staffing</i>	0.00	(1.00)	-20.0%	(1.00)	0.0%
Funded Staffing	5.0	4.0	-20.0%	4.0	0.0%

FOCUS AREAS



Sustainable Environment



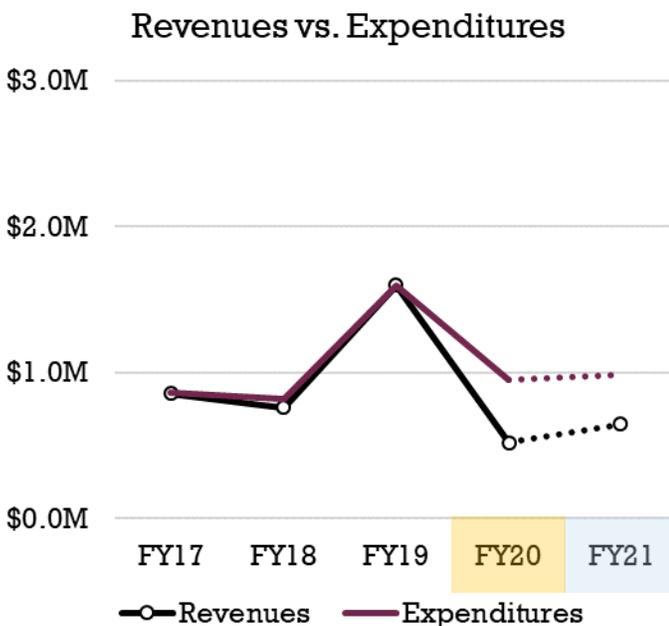
Dynamic Economy



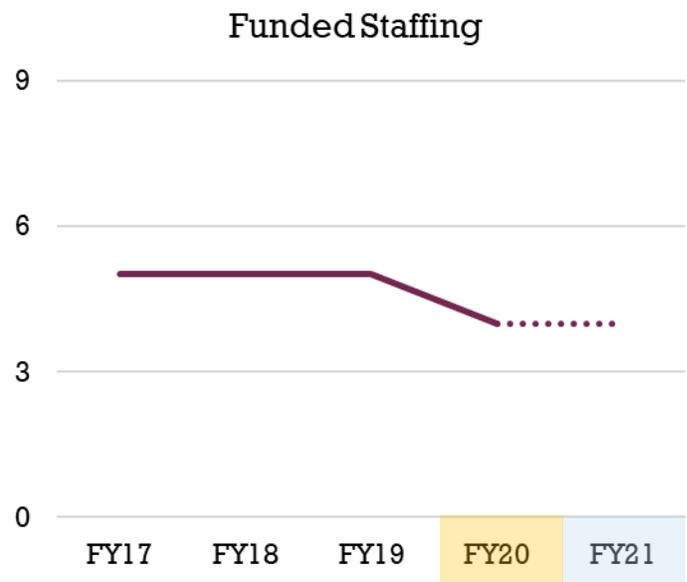
Operational Excellence

For Department Priorities:
[Operational Plan Section III](#)

BUDGET TRENDS



The gap between expenditures and revenues is funded by General Fund contribution.



The unit was created in 2016-17.

OVERVIEW

Mission

To create the licensing and regulatory framework, at the local level, that balances medical use, adult recreational use, and the health, safety and welfare of residents and businesses within Santa Cruz County.

Cannabis
Licensing

CANNABIS LICENSING

The Cannabis Licensing Office (CLO) was formed to implement State legislative actions for the regulation of medical and adult recreational cannabis use. Its mission is to create the licensing and regulatory framework, at the local level, that balances medical use, adult recreational use, and the health, safety and welfare of residents and businesses within Santa Cruz County.

YEAR 1 BUDGET OVERVIEW

2019-20 RECOMMENDED BUDGET

The 2019-20 recommended budget provides for a decrease of \$651,638 in expenditures and a decrease of \$1,078,934 in revenues, which results in a \$427,296 increase in General Fund contribution.

EXPENDITURES

The recommended decrease in expenditures of \$651,638 reflects changes in the financing of Sheriff and Planning services, reductions in one-time expenses incurred in 2018-19 and a staffing change.

The recommended decrease in Salaries and Benefits of \$120,844 is the result of unfunding of one Planner position offset by increases to support current staff.

The CLO strives to develop and maintain an effective regulatory and licensing program that ensures consistent licensing and compliance within the cannabis industry. Additionally, the CLO endeavors to minimize environmental degradation and maximize neighborhood harmony while helping this industry develop into one that can serve as a model for the state.

BUDGET HIGHLIGHTS

Based on the first year of experience with the licensing process, the 2019-20 budget for the CLO unfunds one Planner position and transfers costs of two Deputies to the Sheriff's Office. Licensing revenue expectations have been adjusted based on application activity and increased revenues are expected from compliance actions.

The CLO will focus on improving the licensing process through ordinance updates, technology and data systems improvements, coordination with other departments and agencies, increased education and outreach on best practices to the industry and robust compliance activities.

The recommended decrease in Services and Supplies of \$450,794 is primarily the result of changes in the financing of Sheriff and Planning services, the elimination of one-time expenses incurred in 2018-19 and a right-sizing of the budget to more accurately reflect actual expenses based on two year's worth of data.

REVENUES

The recommended decrease in revenues of \$1,078,934 is a reflection of anticipated licensing activity based on the current experience from one year of the enacted legal licensing process.

STAFFING

Staffing is status quo for 2019-20 with the exception of unfunding one Planner position.

YEAR 1 BUDGET DETAIL

Budget Unit: 17

All Funds	Actual 2017-18	Adopted 2018-19	Estimated 2018-19	Recommended 2019-20	Change from 2018-19	
Revenues						
Licenses & Permits	280,365	1,598,934	120,000	350,000	(1,248,934)	-78.1%
Fines & Assessments	0	0	30,000	125,000	125,000	0.0%
Charges for Services	0	0	3,000	45,000	45,000	0.0%
Total Revenues	280,365	1,598,934	153,000	520,000	(1,078,934)	-67.5%
<i>General Fund</i>	<i>490,834</i>	<i>0</i>	<i>1,061,887</i>	<i>427,296</i>	<i>427,296</i>	<i>0.0%</i>
Total Financing	771,199	1,598,934	1,214,887	947,296	(651,638)	-40.8%
Expenditures						
Salaries & Benefits	607,886	753,734	630,470	632,890	(120,844)	-16.0%
Services & Supplies	163,313	765,200	515,917	314,406	(450,794)	-58.9%
Other Financing	0	80,000	68,500	0	(80,000)	-100.0%
Total Expenditures	771,199	1,598,934	1,214,887	947,296	(651,638)	-40.8%
Total Staffing		5.00	5.00	5.00	0.00	0.0%
<i>Unfunded Staffing</i>		<i>0.00</i>	<i>0.00</i>	<i>(1.00)</i>	<i>(1.00)</i>	<i>N/A</i>
Funded Staffing		5.00	5.00	4.00	(1.00)	-20.0%

YEAR 1 FINANCING CHANGES

Financing Sources	Description/ Impact	Increase/ (Decrease)
Licenses & Permits	Decrease in licensing revenue based on 2018-19 experience.	(1,248,934)
Fines & Assessments	Increase due to anticipated increase in compliance checks and resulting fines in 2019-20. Civil fines and assessments are levied based on compliance violations.	125,000
Charges for Services	Increase from change in the Unified Fee Schedule to charge for compliance checks associated with the licensing process.	45,000
General Fund	Increase in General Fund contribution.	427,296
Total		(651,638)

YEAR 1 EXPENDITURE CHANGES

Financing	Description/	Cost/
Salaries & Benefits	Increase for existing staff.	25,041
	Decrease due to unfunding one Planner position.	(145,885)
Services & Supplies	Decrease due to Planning Department unfunding one Planner position partially supported by the Cannabis Licensing Office.	(84,876)
	Decrease due to Sheriff's Office supporting two Deputy positions with Cannabis Business Tax funds originally allocated in 2016-17 instead of licensing revenue. No impact to compliance and enforcement activities.	(292,396)
	Decrease due to one-time expenditures for equipment and professional services in 2018-19.	(73,522)
Other Financing	Decrease due to one-time expenditure for vehicles in 2018-19.	(80,000)
Total		(651,638)

ACCOMPLISHMENTS & ACCOUNTABILITY

PRIOR YEAR GOALS

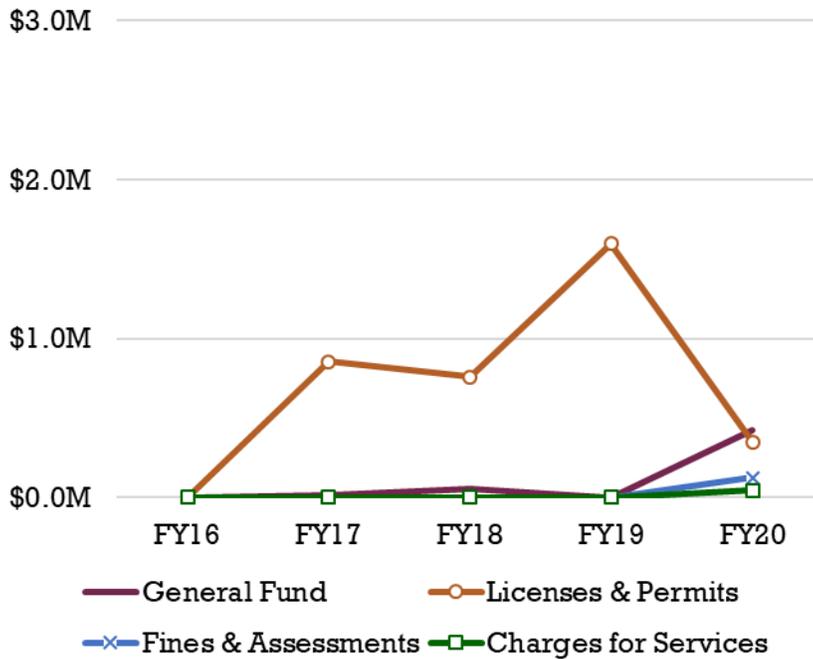
1. Begin local licensing for cultivators, manufacturers and distributors based on the new ordinance with a goal of issuing at least 150 licenses by the end of 2018-19.
2. In conjunction with the State and other County departments, develop database tracking mechanisms and performance measures in order to analyze the impacts of the industry on our local economy and environment
3. In cooperation with the State and other departments robustly enforce new regulations to ensure compliance and the protection of the health and safety of the County.
2. Cannabis Licensing worked closely with the Planning Department to develop a new module for licensing tracking within the established land-use database system (Hansen). In addition, coordination with the Auditor allows for the tracking of cannabis business tax information. The State track and trace system is still in process, but upon "go-live" will be able to provide a mechanism for auditing sales and tax payments.
3. Cannabis Licensing and the Sheriff's Office have partnered to develop a compliance and enforcement division. To date, they have performed 153 compliance checks on operating cannabis businesses, abated 27,390 unlawfully cultivated cannabis plants, 1,295 pounds of processed cannabis, and issued 35 Notices of Violation.

2018-19 ACCOMPLISHMENTS

1. Local licensing opened on June 8, 2018 for registrants. To date, 48 have completed the pre-application process and have been cleared to continue with the land use process. Seven have submitted applications for their land-use permits and one has had their use permit approved. Currently there are 131 potential licensees based on applications in process. Local licensing requires individual CEQA determinations.
4. The Cannabis Licensing Office successfully recruited a new Cannabis Licensing Manager in 2018-19.

FINANCING TRENDS

5-Year Financing by Sources



GENERAL FUND

General Fund contributions are used to make up any shortfall in licensing fee revenue.

LICENSING & PERMITS

The Cannabis Licensing Office is partially financed through licenses and permit fees.

FINES & ASSESSMENTS

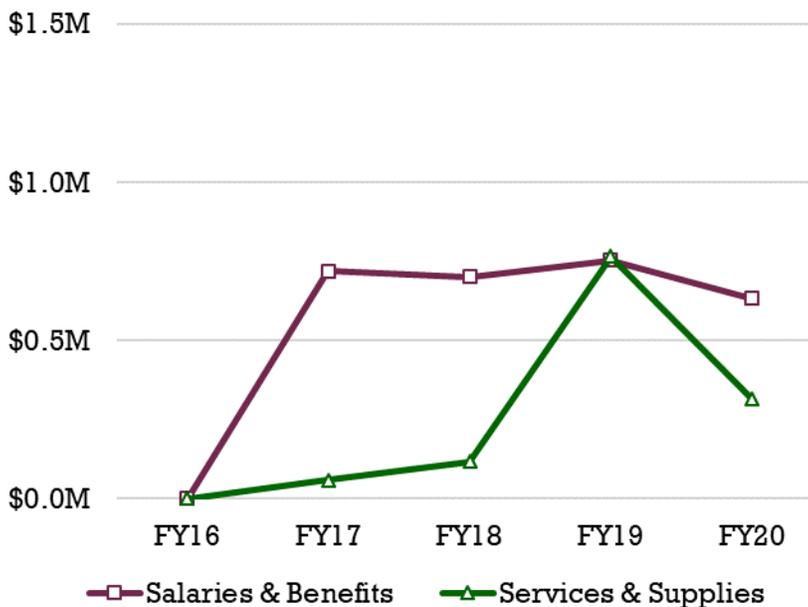
The Cannabis Licensing Office is partially financed through fines assessed for non-compliance.

CHARGES FOR SERVICES

The Cannabis Licensing Office is partially financed through charges assessed for compliance services.

EXPENDITURE TRENDS

5-Year Expenditures by Uses



SALARIES & BENEFITS

The majority of the Cannabis Licensing Office's budget is spent on staff.

SERVICES & SUPPLIES

Includes costs for overhead such as office supplies, telephone service and travel and training costs.

YEAR 2 PROJECTED BUDGET OVERVIEW

2020-21 PROJECTED BUDGET

The estimates included in the 2020-21 projected budget assume a status quo operation and reflect any known changes with a reduction in the General Fund contribution of \$90,744.

EXPENDITURES

The recommended increase in expenditures of \$34,226 support existing staff.

REVENUES

The recommended increase in revenues of \$125,00 is a reflection of a slight increase in licensing activity, including renewal licensing.

STAFFING

Staffing is status quo for 2020-21 with the continued unfunding of one Planner position.

YEAR 2 PROJECTED BUDGET DETAIL

Budget Unit: 17

All Funds	Adopted 2018-19	Recommended 2019-20	Projected 2020-21	Change from 2019-20	
Revenues					
Licenses & Permits	1,598,934	350,000	525,000	175,000	50.0%
Fines & Assessments	0	125,000	75,000	(50,000)	-40.0%
Charges for Services	0	45,000	45,000	0	0.0%
Total Revenues	1,598,934	520,000	645,000	125,000	24.0%
<i>General Fund</i>	<i>0</i>	<i>427,296</i>	<i>336,522</i>	<i>(90,774)</i>	<i>-21.2%</i>
Total Financing	1,598,934	947,296	981,522	34,226	3.6%
Expenditures					
Salaries & Benefits	753,734	632,890	664,425	31,535	5.0%
Services & Supplies	765,200	314,406	317,097	2,691	0.9%
Other Financing	80,000	0	0	0	0.0%
Total Expenditures	1,598,934	947,296	981,522	34,226	3.6%
Total Staffing	5.00	5.00	5.00	0.00	0.00%
<i>Unfunded Staffing</i>	<i>0.00</i>	<i>(1.00)</i>	<i>(1.00)</i>	<i>0.00</i>	<i>0.00%</i>
Funded Staffing	5.00	4.00	4.00	0.00	0.00%