

RESOLUTION NO. 2017-0123

Adopted by the Sacramento City Council

April 4, 2017

APPROVING MARIJUANA MANUFACTURING PERMIT PROGRAM FEE AND MARIJUANA TESTING LABORATORY PERMIT PROGRAM FEE

BACKGROUND

- A. In 2016, the City Council adopted regulations for the establishment of marijuana cultivation businesses (Ordinance No. 2016-0051.), and directed staff to develop regulations for additional marijuana-related businesses, including manufacturing, lab testing, distribution, transportation and delivery.
- B. On March 7, 2017, the City Council adopted the fee resolution containing the program permit fees for cultivation businesses.
- C. On this date, the City Council approved regulations for manufacturing businesses and testing laboratories. Pursuant to those regulations, the amounts of the marijuana manufacturing permit program fee and marijuana testing laboratory permit program fee are established by City Council resolution.
- D. The permit fees collected from the various marijuana-related businesses will comprise a marijuana program that is estimated to have an initial cost of \$6,346,429.95 (Exhibit A) and an ongoing cost of \$5,428,930 annually (Exhibit B).
- E. City staff has estimated the initial permit fees based on the staff time and start-up costs required to administer and enforce each of the different types of permits in the marijuana program, which include marijuana manufacturing and lab testing (Exhibit C). The permit renewal fees do not reflect the start-up costs associated with the initial permit (Exhibit D).
- F. Pursuant to California Constitution, article XIII, §1(e)(3) (Proposition 26), the marijuana manufacturing permit program fees and marijuana testing laboratory permit program fees are not taxes because they are for the reasonable regulatory costs to a local government for issuing permits; performing

investigations, inspections, and audits; and the administrative enforcement and adjudication thereof.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The background statements A through F are true.

Section 2. The amounts of the fees are established as follows:

Marijuana manufacturing permit program fee (initial)	\$30,900.00
Marijuana manufacturing permit program fee (renewal)	\$26,680.00
Marijuana testing laboratory permit program fee (initial)	\$15,870.00
Marijuana testing laboratory permit program fee (renewal)	\$13,570.00

Section 3. Exhibits A, B, C, and D are part of this resolution.

Table of Contents:

Exhibit A - Marijuana Program Initial Permit Costs

Exhibit B - Marijuana Program Permit Renewal Costs

Exhibit C - Marijuana Program Permit Initial Fees

Exhibit D - Marijuana Program Permit Renewal Fees

Adopted by the City of Sacramento City Council on April 4, 2017, by the following vote:

Ayes: Members Carr, Guerra, Harris, Jennings, Schenirer, and Mayor Steinberg

Noes: Members Ashby and Warren

Abstain: None

Absent: Member Hansen

Attest:

The presence of an electronic signature certifies that the foregoing is a true and correct copy as approved by the Sacramento City Council.

MARIJUANA PROGRAM STARTUP COSTS

Exhibit A

New FTE	Position	Salary and Benefits	Service and Supplies	1-Time Start Up Costs †	ADMINISTRATION AND PERMIT PROCESSING		Notes	ENFORCEMENT		New FTE Costs	Program FTE	Department	MD
					Percentage to Program	Program Costs		Percentage to Program	Program Costs				
	Admin Tech	84,592.00	5,000.00		15.00%	13,438.80		0.00%	-		0.15	FIN	
1	Animal Control Officer	69,968.00	10,000.00	80,000.00	10.00%	15,996.80	3	90.00%	143,971.20	159,968.00	1	CDD	
	Building Inspector	126,697.00	10,000.00		5.00%	6,834.85		10.00%	13,669.70		0.15	CDD	
4	Building Inspector	506,788.00	30,000.00	177,000.00	0.00%	-	1	50.00%	356,894.00	356,894.00	4	CDD	
	Code and Housing Chief	141,800.00	-		0.00%	-		5.00%	7,090.00		0.5	CDD	
	Code Manager	150,000.00	5,000.00		15.00%	23,250.00		15.00%	23,250.00		0.3	CDD	
4	Code Officer	560,778.00	60,000.00	177,000.00	0.00%	-		100.00%	797,778.00	797,778.00	4	CDD	
	CSR - Community Development	61,592.00	5,000.00	-	5.00%	3,329.60		95.00%	63,262.40		1	CDD	
1	CSR - Finance	61,592.00	5,000.00		80.00%	53,273.60		20.00%	13,318.40	66,592.00	1	FIN	**
	CSR - Finance	61,592.00	5,000.00		20.00%	13,318.40		20.00%	13,318.40		0.4	FIN	
	Director of Government Affairs	175,244.00	5,000.00		10.00%	18,024.40		5.00%	9,012.20		0.15	CMO	
	DOU Analyst	125,011.00	5,000.00		5.00%	6,500.55		5.00%	6,500.55		0.1	DOU	
	DOU Analyst	98,362.00	5,000.00		5.00%	5,168.10		5.00%	5,168.10		0.1	DOU	
	Fire Inspector (FPO)	139,377.00	10,000.00		5.00%	7,468.85		10.00%	14,937.70		0.15	FIRE	
	Fire Inspector (FPO)	139,377.00	10,000.00		10.00%	14,937.70		10.00%	14,937.70		0.2	FIRE	
2	Fire Inspector (FPO)	278,754.00	60,000.00		10.00%	-	1	50.00%	169,377.00	169,377.00	2	FIRE	
	GIS I and IT Support	70,000.00	-		10.00%	7,000.00		5.00%	3,500.00		0.15	IT	
1	Marijuana Program Manager	165,719.00	20,000.00	150,000.00	85.00%	285,361.15	4	15.00%	50,357.85	335,719.00	1	FIN	**
	Planner, Assistant	110,000.00	-		25.00%	27,500.00		0.00%	-		0.25	CDD	
	Planning Director	150,000.00	5,000.00		5.00%	7,750.00		0.00%	-		0.05	CDD	
	Police Captains	573,895.00	10,000.00		5.00%	29,194.75		5.00%	29,194.75		0.1	PD	
12	Police Officer @12	1,655,196.00	124,000.00	324,000.00	0.00%	-		100.00%	2,103,196.00	2,103,196.00	12	PD	
1	Police Program Analyst	105,571.00	5,000.00		0.00%	-		100.00%	110,571.00	110,571.00	1	PD	
1	Police Property Assistant	88,700.00	45,000.00	32,000.00	0.00%	-		100.00%	165,700.00	165,700.00	1	PD	
3	Police Sgt @3	548,721.00	36,000.00	66,000.00	5.00%	32,536.05		95.00%	618,184.95	650,721.00	3	PD	
	Police Sgt	182,907.00	12,000.00		20.00%	38,981.40	2	0.00%	-		1	PD	
	Principal Planner	162,810.00	5,000.00		25.00%	41,952.50		5.00%	8,390.50		0.10	CDD	
	Program Analyst	105,571.00	5,000.00		25.00%	27,642.75		15.00%	16,585.65		0.4	FIN	
1	Program Analyst	114,953.00	5,000.00		85.00%	101,960.05		15.00%	17,992.95	101,960.05	1	FIN	**
	Program Specialist	124,331.00	5,000.00		85.00%	109,931.35		15.00%	19,399.65		1	FIN	**
	Revenue Manager	165,719.00	20,000.00		20.00%	37,143.80		15.00%	27,857.85		0.35	FIN	
1	Senior City Attorney	200,043.00	15,000.00		80.00%	172,034.40		20.00%	43,008.60	215,043.00	1	CAO	
	Waste Planning Superintendent	130,000.00	10,000.00		10.00%	14,000.00		10.00%	14,000.00		0.2	PW	
	Zoning Investigator	91,475.00	10,000.00		15.00%	15,221.25	1	85.00%	86,253.75		1.00	CDD	
	Community Outreach Efforts		250,000.00		100.00%	250,000.00			-				
32	Totals			1,006,000.00		1,379,751.10			4,966,678.85	5,233,519.05	39.65		

Notes:

- 1 - Assumes 50% cost recovery of enforcement from permit fees and notice and orders
- 2 - Security Plan Checks
- 3 - Includes Animal Control Vehicle
- 4 - Online Application System, office space and equipment

Total Program Cost:

6,346,429.95

** New Division

† With phase-in, we should be able to absorb one-time costs in the first year

MARIJUANA PROGRAM RENEWAL COSTS

New FTE	Position	Salary and Benefits	Service and Supplies	1-Time Start Up Costs †	ADMINISTRATION AND PERMIT PROCESSING			ENFORCEMENT		New FTE Costs	Program FTE	Department	MD
					Percentage to Program	Program Costs	Notes	Percentage to Program	Program Costs				
	Admin Tech	84,592.00	5,000.00	-	15.00%	13,438.80		0.00%	-		0.15	FIN	
1	Animal Control Officer	69,968.00	10,000.00	-	10.00%	7,996.80	3	90.00%	71,971.20	79,968.00	1	CDD	
	Building Inspector	126,697.00	10,000.00	-	5.00%	6,834.85		10.00%	13,669.70		0.15	CDD	
4	Building Inspector	506,788.00	30,000.00	-	0.00%	-	1	50.00%	268,394.00	268,394.00	4	CDD	
	Code and Housing Chief	141,800.00	-	-	0.00%	-		5.00%	7,090.00		0.5	CDD	
	Code Manager	150,000.00	5,000.00	-	15.00%	23,250.00		15.00%	23,250.00		0.3	CDD	
4	Code Officer	560,778.00	60,000.00	-	0.00%	-		100.00%	620,778.00	620,778.00	4	CDD	
	CSR - Community Development	61,592.00	5,000.00	-	5.00%	3,329.60		95.00%	63,262.40		1	CDD	
1	CSR - Finance	61,592.00	5,000.00	-	80.00%	53,273.60		20.00%	13,318.40	66,592.00	1	FIN	**
	CSR - Finance	61,592.00	5,000.00	-	20.00%	13,318.40		20.00%	13,318.40		0.4	FIN	
	Director of Government Affairs	175,244.00	5,000.00	-	10.00%	18,024.40		5.00%	9,012.20		0.15	CMO	
	DOU Analyst	125,011.00	5,000.00	-	5.00%	6,500.55		5.00%	6,500.55		0.1	DOU	
	DOU Analyst	98,362.00	5,000.00	-	5.00%	5,168.10		5.00%	5,168.10		0.1	DOU	
	Fire Inspector (FPO)	139,377.00	10,000.00	-	5.00%	7,468.85		10.00%	14,937.70		0.15	FIRE	
	Fire Inspector (FPO)	139,377.00	10,000.00	-	10.00%	14,937.70		10.00%	14,937.70		0.2	FIRE	
2	Fire Inspector (FPO)	278,754.00	60,000.00	-	10.00%	-	1	50.00%	169,377.00	169,377.00	2	FIRE	
	GIS I and IT Support	70,000.00	-	-	10.00%	7,000.00		5.00%	3,500.00		0.15	IT	
1	Marijuana Program Manager	165,719.00	20,000.00	-	85.00%	157,861.15	4	15.00%	27,857.85	185,719.00	1	FIN	**
	Planner, Assistant	110,000.00	-	-	25.00%	27,500.00		0.00%	-		0.25	CDD	
	Planning Director	150,000.00	5,000.00	-	5.00%	7,750.00		0.00%	-		0.05	CDD	
	Police Captains	573,895.00	10,000.00	-	5.00%	29,194.75		5.00%	29,194.75		0.1	PD	
12	Police Officer @12	1,655,196.00	124,000.00	-	0.00%	-		100.00%	1,779,196.00	1,779,196.00	12	PD	
1	Police Program Analyst	105,571.00	5,000.00	-	0.00%	-		100.00%	110,571.00	110,571.00	1	PD	
1	Police Property Assistant	88,700.00	45,000.00	-	0.00%	-		100.00%	133,700.00	133,700.00	1	PD	
3	Police Sgt @3	548,721.00	36,000.00	-	5.00%	29,236.05		95.00%	555,484.95	584,721.00	3	PD	
	Police Sgt	182,907.00	12,000.00	-	20.00%	38,981.40	2	0.00%	-		1	PD	
	Principal Planner	162,810.00	5,000.00	-	25.00%	41,952.50		5.00%	8,390.50		0.10	CDD	
	Program Analyst	105,571.00	5,000.00	-	25.00%	27,642.75		15.00%	16,585.65		0.4	FIN	
1	Program Analyst	114,953.00	5,000.00	-	85.00%	101,960.05		15.00%	17,992.95	101,960.05	1	FIN	**
	Program Specialist	124,331.00	5,000.00	-	85.00%	109,931.35		15.00%	19,399.65		1	FIN	**
	Revenue Manager	165,719.00	20,000.00	-	20.00%	37,143.80		15.00%	27,857.85		0.35	FIN	
1	Senior City Attorney	200,043.00	15,000.00	-	80.00%	172,034.40		20.00%	43,008.60	215,043.00	1	CAO	
	Waste Planning Superintendent	130,000.00	10,000.00	-	10.00%	14,000.00		10.00%	14,000.00		0.2	PW	
	Zoning Investigator	91,475.00	10,000.00	-	15.00%	15,221.25	1	85.00%	86,253.75		1.00	CDD	
	Community Outreach Efforts		250,000.00	-	100.00%	250,000.00			-				
32	Totals			-		1,240,951.10			4,187,978.85	4,316,019.05	39.65		

Notes:

- 1 - Assumes 50% cost recovery of enforcement from permit fees and notice and orders
- 2 - Security Plan Checks
- 3 - Includes Animal Control Vehicle
- 4 - Online Application System, office space and equipment

Total Program Cost:

5,428,929.95

** New Division

† With phase-in, we should be able to absorb one-time costs in the first year

MARIJUANA PROGRAM STARTUP PERMIT FEES

Exhibit C

PERMIT TYPE	ESTIMATED NUMBER OF PERMITS	ESTIMATED PERMIT/ADMIN EFFORT	PERMIT/ADMIN COST	PERMIT/ADMIN FEE	ESTIMATED ENFORCEMENT EFFORT	ENFORCEMENT COST	ENFORCEMENT FEE	OPERATING PERMIT FEE	TOTAL BY PROGRAM TYPE
Cultivation up to 5,000 sq ft	70	6%	\$ 1,379,751.10	\$ 1,182.64	12%	\$ 4,966,678.85	\$ 8,514.31	\$ 9,700.00	\$ 679,000.00
Cultivation up to 10,000 sq ft	65	16%	\$ 1,379,751.10	\$ 3,396.31	22%	\$ 4,966,678.85	\$ 16,810.30	\$ 20,210.00	\$ 1,313,650.00
Cultivation up to 22,000 sq ft	65	21%	\$ 1,379,751.10	\$ 4,457.66	32%	\$ 4,966,678.85	\$ 24,451.34	\$ 28,910.00	\$ 1,879,150.00
Dispensary	30	10%	\$ 1,379,751.10	\$ 4,599.17	10%	\$ 4,966,678.85	\$ 16,555.60	\$ 21,150.00	\$ 634,500.00
Dispensary - Delivery Only	30	15%	\$ 1,379,751.10	\$ 6,898.76	10%	\$ 4,966,678.85	\$ 16,555.60	\$ 23,450.00	\$ 703,500.00
Distribution Center	5	10%	\$ 1,379,751.10	\$ 27,595.02	2%	\$ 4,966,678.85	\$ 19,866.72	\$ 47,460.00	\$ 237,300.00
Manufacturing	25	20%	\$ 1,379,751.10	\$ 11,038.01	10%	\$ 4,966,678.85	\$ 19,866.72	\$ 30,900.00	\$ 772,500.00
Testing Lab	4	1%	\$ 1,379,751.10	\$ 3,449.38	1%	\$ 4,966,678.85	\$ 12,416.70	\$ 15,870.00	\$ 63,480.00
Transportation	5	1%	\$ 1,379,751.10	\$ 2,759.50	1%	\$ 4,966,678.85	\$ 9,933.36	\$ 12,690.00	\$ 63,450.00
	299	100%	\$ 1,379,751.10		100%	\$ 4,966,678.85			\$ 6,346,530.00

MARIJUANA PROGRAM RENEWAL PERMIT FEES

Exhibit D

PERMIT TYPE	ESTIMATED NUMBER OF PERMITS	ESTIMATED PERMIT/ADMIN EFFORT	PERMIT/ADMIN COST	PERMIT/ADMIN FEE	ESTIMATED ENFORCEMENT EFFORT	ENFORCEMENT COST	ENFORCEMENT FEE	OPERATING PERMIT FEE	TOTAL BY PROGRAM TYPE
Cultivation up to 5,000 sq ft	70	6%	\$ 1,240,951.10	\$ 1,063.67	12%	\$ 4,187,978.85	\$ 7,179.39	\$ 8,240.00	\$ 576,800.00
Cultivation up to 10,000 sq ft	65	16%	\$ 1,240,951.10	\$ 3,054.65	22%	\$ 4,187,978.85	\$ 14,174.70	\$ 17,230.00	\$ 1,119,950.00
Cultivation up to 22,000 sq ft	65	21%	\$ 1,240,951.10	\$ 4,009.23	32%	\$ 4,187,978.85	\$ 20,617.74	\$ 24,630.00	\$ 1,600,950.00
Dispensary	30	10%	\$ 1,240,951.10	\$ 4,136.50	10%	\$ 4,187,978.85	\$ 13,959.93	\$ 18,100.00	\$ 543,000.00
Dispensary - Delivery Only	30	15%	\$ 1,240,951.10	\$ 6,204.76	10%	\$ 4,187,978.85	\$ 13,959.93	\$ 20,160.00	\$ 604,800.00
Distribution Center	5	10%	\$ 1,240,951.10	\$ 24,819.02	2%	\$ 4,187,978.85	\$ 16,751.92	\$ 41,570.00	\$ 207,850.00
Manufacturing	25	20%	\$ 1,240,951.10	\$ 9,927.61	10%	\$ 4,187,978.85	\$ 16,751.92	\$ 26,680.00	\$ 667,000.00
Testing Lab	4	1%	\$ 1,240,951.10	\$ 3,102.38	1%	\$ 4,187,978.85	\$ 10,469.95	\$ 13,570.00	\$ 54,280.00
Transportation	5	1%	\$ 1,240,951.10	\$ 2,481.90	1%	\$ 4,187,978.85	\$ 8,375.96	\$ 10,860.00	\$ 54,300.00
	299	100%	\$ 1,240,951.10		100%	\$ 4,187,978.85			\$ 5,428,930.00