

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND
10 NOV 18 PM 12: 21

TO: Oakland City Council Public Safety Committee
ATTN: Larry Reid, Chair
FROM: Council Member Rebecca Kaplan and Council Member Larry Reid
DATE: December 7th, 2010

RE: AN ORDINANCE AMENDING THE MASTER FEE SCHEDULE (ORDINANCE NUMBER 9336, AS AMENDED) TO ESTABLISH A MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FEE OF \$5,000 AND AN ANNUAL REGULATORY FEE FOR PERMITTED MEDICAL DISPENSARIES OF \$60,000.

On November 9th, 2010 the Oakland City Council approved the increase in total number of dispensaries from four to eight. As part of this discussion was the proposal to establish an application fee of \$5,000 and increase the annual regulatory fee for permitted dispensaries from \$30,000 to \$60,000.

The application developed by the City Administrator's office includes background checks, tests on legal knowledge, business plan review, site and planning review, etc., ranked by a point system is not currently cost recovering. The cost recovering application fee of \$5,000 compensates the City for administrative costs of reviewing, scoring, and selecting the permit awardees.

The annual permit fee of \$60,000 supported by 8 dispensary permits will provide for:

.35 FTE Administrative Analyst II (.04 FTE, 85 hours per dispensary per year) Primary staff to administer and over see the permit renewal, and coordinate annual renewal documentation, application, schedule regular site inspections, track product reports, and verify dispensary information on an ongoing basis, as well as assist in annual permit renewal inspection and audit;

.35 FTE Administrative Assistant II (.04 FTE, 85 hours per dispensary per year) Primary responsibilities will be to provide administrative support to permit staff and inspector, including but not limited to sending out violations notices, scheduling meetings, managing budget, purchasing office supplies and equipment, and other general clerical as required.

.2 FTE Special Combination Code Enforcement Inspector III (.025 FTE, 49 hours per dispensary per year) Responsible for monitoring all the construction of building, electrical, plumbing, and other structural changes throughout the life of the permit. Complexity of the structures, electrical and plumbing equipment installation necessary for a cultivation require senior level position, as well as the clean exhaust and air systems required for all medical cannabis related activities. Inspectors will also be asked to

conduct surprise inspections to make sure no expansion through unpermitted construction occurs, monitor electrical components are maintained properly, respond to complaints, and assist in annual inspection;

.4 FTE Step 6 Police Officer (.05 FTE, 97 hours per dispensary per year fully loaded to include vehicle maintenance) to assess and monitor dispensaries for Security and safety of the facilities to assess security, verify security measures implemented, conduct spot security assessments and recommendations, and assure that adequate security measures are utilized to maintain a secure facility, to safe guard against diversion, theft, and nuisance behavior, including adequate background checks on all employees. .

.26 FTE Tax Enforcement Officer II and .7 FTE Level 3 Tax Auditor (totally 219 hours per dispensary per year) who will comprise a team that will be responsible for quarterly review of financials and sales submitted by dispensaries and reconciling this information with reported cultivation sales reported, as well as annual review of audited financials and industry related tax enforcement. (see below)

.2 FTE Deputy City Attorney II (.025 FTE, 48 hours per dispensary per year) Due to the novel scope of regulation, subject area specialist is needed to advise on changing laws related dispensary operations.

The fee is not cost recovering on a one to one basis, but the eight dispensaries together ensure adequate staffing to address the variety of dispensary related issues that arise. Specific issues that have come up over the past two years that the city will be expected to address once are: product safety, testing, systems development, implementation and enforcement of sales tax policies related to small cultivators, edibles and topical product manufacturer that sell to dispensaries, as well as emerging ancillary services such as delivery, online sales, etc. that are expected to occur through.


Action Requested Of the City Council

1. Accept this Staff Report
2. Amend The Master Fee Schedule (Ordinance Number 9336, As Amended) To Establish A Medical Cannabis Dispensary Permit Application Fee Of \$5,000 And increase the annual Medical Cannabis Dispensary permit fee to \$60,000

FILED
OFFICE OF THE CITY CLERK
OAKLAND

REVISED

APPROVED AS TO FORM AND LEGALITY


City Attorney

2010 NOV 17 AM 1:10

OAKLAND CITY COUNCIL

ORDINANCE NO. _____ C.M.S.

AN ORDINANCE AMENDING THE MASTER FEE SCHEDULE (ORDINANCE NUMBER 9336, AS AMENDED) TO ESTABLISH A MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FEE OF \$5,000 AND AN ANNUAL REGULATORY FEE FOR PERMITTED MEDICAL DISPENSARIES OF \$60,000.

WHEREAS, on February 17, 2004, the City of Oakland adopted Ordinance No. 12585, amending Title 5 of the Oakland Municipal Code, Entitled Business Licenses and Regulations, To Add Chapter 5.8, Pertaining to Medical Cannabis Dispensaries, permitting the distribution of medical cannabis to authorized patients through four licensed dispensaries.

WHEREAS, the fee modifications and additions proposed herein have been justified and are identified in a report to the Council, entitled "an ordinance amending the master fee schedule (ordinance number 9336, as amended) to establish a medical cannabis dispensary permit application fee and an annual regulatory fee for permitted medical dispensaries."; and

WHEREAS, it is the City Council's intention to ensure that the city has the capacity and resources to permit, regulate and monitor Medical Cannabis Dispensaries permitted under the above referenced ordinance

WHEREAS, the City Administrator Office determines that additional staffing is needed to administer and regulate permitted medical cannabis dispensaries, to include Tax Enforcement Officer II, Tax Auditor II, Special Combination Code Enforcement Inspectors, City Attorney, related administrative support and such resources including third party security services total \$60,000 on an annual basis, therefore the City intends to charge an annual permit fee of \$60,000 to cover the costs of this program. (Attached Exhibit A)

WHEREAS, the City Council finds and determines that establishing a medical cannabis Dispensary permit application fee of \$5,000 and an annual regulatory fee of \$60,000 for permitted medical cannabis dispensaries are necessary to reimburse the City for the costs of performing the various municipal and regulatory functions associated with Chapter 5.8; and

WHEREAS, a Public Hearing was held on November 30th, 2010, to review the proposed fees; now therefore

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

Section 1. The Master Fee Schedule as set forth in Ordinance Number _____ CMS, as amended is hereby amended to modify and establish a medical cannabis dispensary permit application fee of \$5,000 and an annual regulatory fee of \$60,000 for permitted medical cannabis dispensaries

REVISED

Section 2. This ordinance shall be effective upon approval by the Council of the City of Oakland, December 1, 2010.

In Council, Oakland, California, _____, 2010

PASSED BY THE FOLLOWING VOTE:

AYES-

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

Latonda Simmons
CITY CLERK AND CLERK OF THE COUNCIL
OF THE CITY OF OAKLAND, CALIFORNIA