

# **STAFF REPORT – CITY COUNCIL MEETING**

November 06, 2024

**TO:** Honorable Mayor and City Council Members

**FROM:** Tabatha Miller, Finance Director

**PREPARER:** Tabatha Miller, Finance Director

**DATE:** October 30, 2024

**TITLE:** **Adopt Resolution No. 245-14, A Resolution of the City Council of the City of Arcata Revising The Effective Date of Decreases to Certain Fees and Service Charges Associated with Commercial Cannabis Activity Permits from January 1, 2025, to October 25, 2024.**

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## **RECOMMENDATION:**

It is recommended that the Council adopt Resolution No. 245-14, A Resolution of the City Council of the City of Arcata Revising The Effective Date of Decreases to Certain Fees and Service Charges Associated with Commercial Cannabis Activity Permits from January 1, 2025, to October 25, 2024.

## **INTRODUCTION:**

On October 16, 2024, the City Council adopted Resolution No. 245-12, revising fees and service charges associated with Commercial Cannabis Activity Permits (CCAP). The fee revisions included both increases, decreases, and new charges associated with the CCAP program. In addition to a noticed public hearing, California Government Code requires a waiting period of 30 to 60 days for any new fees or increases in fees to become effective. However, California Government Code does not require those same waiting periods for fees that are reduced.

## **BACKGROUND:**

Typically, as part of the budget preparation process, staff review current fees to determine whether such fees and charges are sufficient to recoup costs associated with providing services to the public. However, if and when needed, fees may be updated outside that cycle to ensure that the charges recoup the reasonable cost of the service provided but no more than that. The adjustments to fees associated with the CCAP program, approved by the City Council on October 16, 2024, included new fees, increases to existing fees and decreases to existing fees to ensure that the charges only recouped the reasonable cost of the services provided.

## **DISCUSSION:**

For consistency with prior practice and to ensure the requirements of California Government Code are met, all fee changes are included in the noticing requirements, the public hearing requirement, and the waiting period for implementation. However, fee decreases do not require these additional steps.

The local Cannabis Industry has and continues to struggle with costs and deflated pricing for cannabis products. The costs include regulatory fees from local and state government agencies. To provide a small amount of relief to the industry, staff recommends that the City Council approve implementing the fee reductions as of October 25, 2024, instead of January 1, 2025. New fees and fee increases would remain effective on January 1, 2025, to comply with California Government Code.

**ENVIRONMENTAL REVIEW (CEQA):**

The adoption of this Resolution is exempt from the California Environmental Quality Act (“CEQA,” Public Resources Code Sections 21000 et seq.), because it approves and sets forth a procedure for determining fees for the purpose of meeting the operating expenses of City departments, as set forth in Public Resources Code Section 21080(b)(8)(A) and Section 15273 of the California Environmental Quality Act Guidelines.

**BUDGET/FISCAL IMPACT:**

The fee adjustments adopted on October 16, 2024, include new fees and both increases and decreases to service charges associated with the CCAP program. However, the most significant changes in dollars were decreases to the New Permit Application Fee, New Permit Operating Fee and the Renewal Permit Operating Fee. Because these reduced fees are the bulk of the revenues received for the CCAP program, early implementation of the reductions will further reduce the revenues to the CCAP program. As reported on October 16, 2024, overall, the fee changes to the CCAP program are estimated to impact revenue by 40% in an annual period. For FY 2024-25, the City budgeted \$240,000 but anticipates that annual ongoing revenues will be closer to \$175,000. In the following year, FY 2025-26, staff estimates that falling to \$140,000.

Early implementation of the fee reductions is expected to impact a few Cannabis Businesses with renewal or new permits falling between October 25, 2024 and December 31, 2024. The budget impact of this action is estimated at approximately \$5,000- \$7,500 less but certainly in line with the requirement that fees charged are no more than the cost to provide the service.

**ATTACHMENTS:**

- A. Resolution No. 245-14 Fees Effective Date Revision (DOCX)