

MEMORANDUM

DATE: September 1, 2023

TO: Chris Macon, City Manager | City of Laguna Woods

FROM: Terry Madsen, Principal Consultant | ClearSource Financial Consulting
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SUBJECT: Cost of Service Analysis and Proposed Fee Structure for the City of Laguna Woods' Commercial Cannabis Permit – Cannabis Storefront Retailer

On August 16, 2023, the Laguna Woods City Council adopted an ordinance that included, but was not limited to, establishment of a regulatory framework for cannabis storefront retailers.

The regulatory framework includes the establishment of commercial cannabis permitting requirements. As part of the permitting requirements, an application and routine inspection fee, as approved by resolution of the City Council, is payable annually by cannabis storefront retailers. The City of Laguna Woods does not have an existing fee for the review and issuance of cannabis storefront retail permits.

ClearSource Financial Consulting (“ClearSource”) has assisted with the calculation of the City’s anticipated cost of permitting and routine inspection services. ClearSource provides cost of service analysis for municipalities throughout the State and assists the City with the establishment of various user and regulatory fees.

The following fee structure is intended to fully compensate the City for commercial cannabis permit processing-related costs.

Description	Fee
Commercial Cannabis Permit – Cannabis Storefront Retailer	
a. Application and Routine Inspection Fee	
i. Application Fee Component (Annual Fee)	\$4,064
ii. Routine Inspection Fee Component (Annual Fee; refundable if application is denied)	\$2,738

The proposed fee is intended to comply with applicable state, and local laws including providing confirmation that the proposed fee/charge is not a tax as defined in Article 13C of the California Constitution and that the proposed fee/charge is no more than necessary to cover the reasonable costs of the City’s activities and services addressed in the fee. Additionally, the manner in which the costs are allocated to a payor bear a fair and reasonable relationship to the payor’s burdens on, or benefits received from the activities and services provided by the City.

MEMORANDUM

Findings from the ClearSource analysis are included in the appendices of this memorandum.

- **Appendix A** identifies the City's anticipated cost of service
- **Appendix B** includes a proposed schedule of fees for adoption by the City Council

COST OF SERVICE ANALYSIS

City of Laguna Woods
 Cost of Service Study for Analyzing User and Regulatory Fees
 Calculation of the Estimated Cost of Service
 Commercial Cannabis Permit - Cannabis Storefront Retailer

Service Time

Service Description		Dev / PW Administrator / Admin	GIS Consultant	Planning	Building	Code Enforcement Officer	City Engineer	Total
1	Commercial Cannabis Permit - Cannabis Storefront Retailer: a) Application and Routine Inspection Fee							
	i) Application Fee Component (Annual Fee)	12.00	4.00	3.00	2.75	1.25	1.25	24.25
	ii) Routine Inspection Fee Component (Annual Fee; refundable if application is denied)	7.50			6.00	6.00		19.50

Fully-Burdened Hourly Rate

Service Description		Dev / PW Administrator / Admin	GIS Consultant	Planning	Building	Code Enforcement Officer	City Engineer	Note
1	Fully-Burdened Hourly Rate	\$161	\$205	\$161	\$167	\$88	\$208	[a],[b]

Cost of Service

Service Description		Dev / PW Administrator / Admin	GIS Consultant	Planning	Building	Code Enforcement Officer	City Engineer	Total
1	Commercial Cannabis Permit - Cannabis Storefront Retailer: a) Application and Routine Inspection Fee							
	i) Application Fee Component (Annual Fee)	\$1,932	\$820	\$483	\$459	\$110	\$260	\$4,064
	ii) Routine Inspection Fee Component (Annual Fee; refundable if application is denied)	\$1,208			\$1,002	\$528		\$2,738

[a] Hourly rates for Dev / PW Administrator / Admin, Planning and Building based on user and regulatory fee study completed in 2023.

[b] Hourly rates for GIS Consultant, Code Enforcement Officer, and City Engineer based on current contract service agreements. Amounts include allocable citywide overhead based on the City's Central Service Cost Allocation Plan and Indirect Cost Rate Calculation - Full Cost Plan for use in Fiscal Year 2023-24.

PROPOSED FEES

City of Laguna Woods
Commercial Cannabis Permit - Cannabis Storefront Retailer

Description		Fee
1	Commercial Cannabis Permit - Cannabis Storefront Retailer: a) Application and Routine Inspection Fee i) Application Fee Component (Annual Fee) ii) Routine Inspection Fee Component (Annual Fee; refundable if application is denied)	 \$4,064 \$2,738