



CITY OF ATASCADERO CITY COUNCIL AMENDED AGENDA

*** COVID-19 NOTICE ***

Consistent with Executive Orders N-25-20 and No. N-29-20 from the Executive Department of the State of California and the San Luis Obispo County Health Official's March 18, 2020 Shelter at Home Order, the City Council Meeting will not be physically open to the public and City Council Members will be teleconferencing into the meeting.

HOW TO OBSERVE THE MEETING:

To maximize public safety while still maintaining transparency and public access, the meeting will be live-streamed on SLO-SPAN.org, on Spectrum cable Channel 20 in Atascadero, and on KPRL Radio 1230AM. The video recording of the meeting will repeat daily on Channel 20 at 1:00 am, 9:00 am, and 6:00 pm and will be available through the City's website or by visiting <https://attendee.gotowebinar.com/rt/8539114475191636236>.

HOW TO SUBMIT PUBLIC COMMENT:

Members of the public are highly encouraged to call **805-538-2888** to listen and provide public comment via phone, or submit written public comments to cityclerk@atascadero.org by 5:00 pm on the day of the meeting. Such email **comments must identify the Agenda Item Number in the subject line of the email**. The comments will be read into the record, with a maximum allowance of 3 minutes per individual comment, subject to the Mayor's discretion. All comments should be a maximum of 500 words, which corresponds to approximately 3 minutes of speaking time. If a comment is received after the agenda item is heard but before the close of the meeting, the comment will still be included as a part of the record of the meeting but will not be read into the record.

AMERICAN DISABILITY ACT ACCOMMODATIONS:

Any member of the public who needs accommodations should contact the City Clerk's Office at cityclerk@atascadero.org or by calling 805-470-3400 at least 48 hours prior to the meeting or time when services are needed. The City will use their best efforts to provide reasonable accommodations to afford as much accessibility as possible while also maintaining public safety in accordance with the City procedure for resolving reasonable accommodation requests.

City Council agendas and minutes may be viewed on the City's website: www.atascadero.org.

Copies of the staff reports or other documentation relating to each item of business referred to on the Agenda are on file in the office of the City Clerk and are available for public inspection on our website, www.atascadero.org. Contracts, Resolutions and Ordinances will be allocated a number once they are approved by the City Council. The Minutes of this meeting will reflect these numbers. All documents submitted by the public during Council meetings that are either read into the record or referred to in their statement will be noted in the Minutes and available for review by contacting the City Clerk's office. All documents will be available for public inspection during City Hall business hours once City Hall is open to the public following the termination of the Shelter at Home Order.



CITY OF ATASCADERO CITY COUNCIL

AMENDED AGENDA

Tuesday, November 24, 2020

**City Hall Council Chambers, 4th floor
6500 Palma Avenue, Atascadero, California**

City Council Regular Session:

6:00 P.M.

REGULAR SESSION – CALL TO ORDER: 6:00 P.M.

PLEDGE OF ALLEGIANCE: Council Member Fonzi

ROLL CALL: Mayor Moreno
Mayor Pro Tem Bourbeau
Council Member Fonzi
Council Member Funk
Council Member Newsom

APPROVAL OF AGENDA: Roll Call

Recommendation: Council:

1. Approve this agenda; and
2. Waive the reading in full of all ordinances appearing on this agenda, and the titles of the ordinances will be read aloud by the City Clerk at the first reading, after the motion and before the City Council votes.

PRESENTATIONS: None.

A. CONSENT CALENDAR: (All items on the consent calendar are considered to be routine and non-controversial by City staff and will be approved by one motion if no member of the Council or public wishes to comment or ask questions. If comment or discussion is desired by anyone, the item will be removed from the Consent Calendar and will be considered in the listed sequence with an opportunity for any member of the public to address the Council concerning the item before action is taken.)

1. City Council Draft Action Minutes – November 10, 2020

- **Recommendation:** Council approve the November 10, 2020 Draft City Council Regular Meeting Minutes. [City Clerk]

2. October 2020 Accounts Payable and Payroll

- Fiscal Impact: \$2,764,004.52
- Recommendation: Council approve certified City accounts payable, payroll and payroll vendor checks for October 2020. [Administrative Services]

3. Conflict of Interest Code - Biennial Review

- Fiscal Impact: None.
- Recommendation: Council adopt Draft Resolution, updating and amending the Conflict of Interest Code for the City of Atascadero. [City Clerk]

4. Amendment to the San Luis Obispo Regional Transit Authority Joint Powers Agreement

- Fiscal Impact: None.
- Recommendation: Council approve Draft Resolution authorizing execution of the amended and restated Joint Powers Agreement for the San Luis Obispo Regional Transit Authority allowing consolidation of South County Transit into the San Luis Obispo Regional Transit Authority. [City Manager]

UPDATES FROM THE CITY MANAGER: (The City Manager will give an oral report on any current issues of concern to the City Council.)

COMMUNITY FORUM: (This portion of the meeting is reserved for persons wanting to address the Council on any matter not on this agenda and over which the Council has jurisdiction. Speakers are limited to three minutes. Please state your name for the record before making your presentation. Comments made during Community Forum will not be a subject of discussion. A maximum of 30 minutes will be allowed for Community Forum, unless changed by the Council. Any members of the public who have questions or need information may contact the City Clerk's Office, between the hours of 8:30 a.m. and 5:00 p.m. at (805) 470-3400, or cityclerk@atascadero.org.)

B. PUBLIC HEARINGS: None.

C. MANAGEMENT REPORTS:

1. Discussion of Proposed Pickleball Courts at Colony Park

- Fiscal Impact: None.
- Recommendation: Council provide feedback and staff direction regarding the proposed Pickleball Courts at Colony Park. [Public Works]

2. Cannabis Regulations Update Discussion (CPP 2020-0011)

- Fiscal Impact: None.
- Recommendation: Council direct staff to conduct further analyses on commercial cannabis uses and/or draft ordinance language to amend Title 9-Chapter 15 of the Zoning Regulations to allow for limited commercial cannabis uses. [Community Development]

3. CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project Construction Award

- Fiscal Impact: \$386,296.00
- Recommendations: Council:
 1. Reject the bid protest of JJ Fisher Construction, Inc. and award the contract for the construction of the CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project to G. Sosa Construction, Inc.
 2. Authorize the City Manager to execute a contract with G. Sosa Construction, Inc. for \$286,385 to construct the CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project. [Public Works]

D. DISCUSSION ITEM: Discussion of COVID 19 issues including oral updates by Mayor Moreno and City Manager Rickard, questions by City Council, public comment and comments by City Council.

1. Coronavirus (COVID-19) update – Mayor Moreno
2. Coronavirus (COVID-19) update – City Manager Rickard

E. COUNCIL ANNOUNCEMENTS AND COMMITTEE REPORTS: (On their own initiative, Council Members may make a brief announcement or a brief report on their own activities. The following represent standing committees. Informative status reports will be given, as felt necessary):

Mayor Moreno

1. City Selection Committee
2. County Mayors Round Table
3. Economic Vitality Corporation, Board of Directors (EVC)
4. SLO Council of Governments (SLOCOG)
5. SLO Regional Transit Authority (RTA)

Mayor Pro Tem Bourbeau

1. City / Schools Committee
2. City of Atascadero Finance Committee
3. Integrated Waste Management Authority (IWMA)
4. SLO County Water Resources Advisory Committee (WRAC)

Council Member Fonzi

1. Air Pollution Control District
2. Atascadero Basin Ground Water Sustainability Agency (GSA)
3. City of Atascadero Design Review Committee
4. SLO Local Agency Formation Commission (LAFCo)

Council Member Funk

1. City of Atascadero Finance Committee
2. Homeless Services Oversight Council
3. League of California Cities – Council Liaison

Council Member Newsom

1. California Joint Powers Insurance Authority (CJPIA) Board
2. City / Schools Committee
3. City of Atascadero Design Review Committee
4. Visit SLO CAL Advisory Committee

F. INDIVIDUAL DETERMINATION AND / OR ACTION: (Council Members may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda. The Council may take action on items listed on the Agenda.)

1. City Council
2. City Clerk
3. City Treasurer
4. City Attorney
5. City Manager

ADJOURN

Please note: Should anyone challenge any proposed development entitlement listed on this Agenda in court, that person may be limited to raising those issues addressed at the public hearing described in this notice, or in written correspondence delivered to the City Council at or prior to this public hearing. Correspondence submitted at this public hearing will be distributed to the Council and available for review in the City Clerk's office.



CITY OF ATASCADERO CITY COUNCIL

DRAFT MINUTES

Tuesday, November 10, 2020

**City Hall Council Chambers, 4th floor
6500 Palma Avenue, Atascadero, California**

City Council Regular Session:

6:00 P.M.

REGULAR SESSION – CALL TO ORDER: 6:00 P.M.

Mayor Moreno called the meeting to order at 6:00 p.m. and Council Member Funk led the Pledge of Allegiance.

Council Member Fonzi, Funk, and Newsom, Mayor Pro Tem Bourbeau, Treasurer Sibbach, and Staff wished Mayor Moreno a Happy Birthday.

ROLL CALL:

Present: **By Teleconference** - Council Members Fonzi, Funk, and Newsom, Mayor Pro Tem Bourbeau, and Mayor Moreno

Absent: None

Others Present: City Treasurer Gere Sibbach

Staff Present: **By Teleconference** – City Manager Rachelle Rickard, Interim Police Chief Robert Molle, Fire Chief Casey Bryson, Administrative Services Director Jeri Rangel, Public Works Director Nick DeBar, Community Development Director Phil Dunsmore, City Attorney Brian Pierik, Deputy City Manager/City Clerk Lara Christensen, and IT Manager Luke Knight

APPROVAL OF AGENDA:

MOTION: By Council Member Newsom and seconded by Council Member Fonzi to:

1. Approve this agenda; and,

2. Waive the reading in full of all ordinances appearing on this agenda, and the titles of the ordinances will be read aloud by the City Clerk at the first reading, after the motion and before the City Council votes.

Motion passed 5:0 by a roll-call vote.

PRESENTATIONS: None.

A. CONSENT CALENDAR:

1. City Council Draft Action Minutes – October 27, 2020

- Recommendation: Council approve the October 27, 2020 Draft City Council Regular Meeting Minutes. [City Clerk]

2. September 2020 Investment Report

- Fiscal Impact: None
- Recommendation: Council receive and file the City Treasurer's report for quarter ending September 30, 2020. [City Treasurer]

3. Community Facilities District 2005-1 Annexation Nos. 21 & 22

- Fiscal Impact: None. Assessments for the Curbaril annexation are estimated to be between \$2,800 - \$3,000 annually beginning in fiscal year 2021-2022, and adjusted each year for inflation. Assessments for the Grand Oaks Paseo annexation are estimated to be between \$19,000 - \$20,000 annually beginning in fiscal year 2021-2022, and adjusted each year for inflation. Deed restricted affordable units are exempt from the special tax.
- Recommendations: Council:
 1. Adopt on second reading, by title only, Draft Ordinance A, authorizing the levy of special taxes in Community Facilities District 2005-1 for certain annexation territory identified as Annexation No. 21.
 2. Adopt on second reading, by title only, Draft Ordinance B, authorizing the levy of special taxes in Community Facilities District 2005-1 for certain annexation territory identified as Annexation No. 22. [Community Development]

4. Regional Early Action Planning (REAP) Grant Program

- Fiscal Impact: Adoption of the Draft Resolution will allow the City to receive up to \$104,053 in jurisdictional REAP grant funds for City planning activities and allows the City to act as the lead agency for regional REAP grant funds in the amount of \$181,000 to develop ADU stock plans.
- Recommendation: Council approve Draft Resolution authorizing application for and entering into agreements for the Regional Early Action Planning (REAP) Grant program funds with the San Luis Obispo Council of Governments (SLOCOG) and Association of Monterey Bay Area Governments (AMBAG). [Community Development]

MOTION: By Council Member Funk and seconded by Mayor Pro Tem Bourbeau to approve the Consent Calendar. (#A-3: Ordinance Nos. 642 and 643) (#A-4: Resolution No. 2020-078)

Motion passed 5:0 by a roll-call vote.

UPDATES FROM THE CITY MANAGER:

City Manager Rachelle Rickard gave an update on projects and issues within the City.

COMMUNITY FORUM:

The following citizens spoke by telephone during Community Forum: Brenda Mack

B. PUBLIC HEARINGS:**1. 2021-2028 Housing Element Final Draft Plan (CPP19-0067)**

- Fiscal Impact: None. While review of potential Housing Element policies does not have a direct fiscal impact, changes in land-use policies will generally produce an overall positive or negative fiscal impact for the City depending on the policy.
- Recommendation: Council adopt Draft Resolution, adopting the 2021-2028 Housing Element and submit the element to the State for certification, based on findings. [Community Development]

Ex Parte Communications

Though no recent communications have occurred on this item, Mayor Moreno and Mayor Pro Tem Bourbeau reported speaking with Max Zappas previously. All other Council Members reported having no communications on this item.

Community Development Director Dunsmore gave the presentation and answered questions from the Council. Genevieve Sharrow, MIG, also gave a presentation and answered questions from the Council.

PUBLIC COMMENT:

The following citizens spoke by telephone on this item: None

Mayor Moreno closed the Public Comment period.

MOTION: By Mayor Pro Tem Bourbeau and seconded by Council Member Funk to adopt Resolution No. 2020-079, adopting the 2021-2028 Housing Element and submit the element to the State for certification, based on findings.

Motion passed 5:0 by a roll-call vote.

C. MANAGEMENT REPORTS:**1. Atascadero Mall Plaza Construction Award**

- Fiscal Impact: \$1,091,700.00
- Recommendations: Council:
 1. Council discuss and direct staff on desired design revisions for the Atascadero Mall Plaza Project.

2. Authorize the City Manager to execute a contract with Kirk Construction in an amount not to exceed \$819,344.50 for the construction of the Atascadero Mall Plaza Project subject to project design revisions as identified by Council
3. Authorize the Director of Administrative Services to appropriate up to an additional \$616,700 in Public Facilities Fees Fund balance for FY20/21 toward the Atascadero Mall Plaza project subject to project design revisions as identified by Council. [Public Works]

Public Works Director DeBar and Community Development Director Dunsmore gave the presentation and answered questions from the Council.

Mayor Moreno recessed the meeting at 8:17 p.m.

Mayor Moreno reconvened the meeting with everyone present at 8:25 p.m.

PUBLIC COMMENT:

The following citizens spoke by telephone on this item: None

Mayor Moreno closed the Public Comment period.

MOTION: By Council Member Newsom and seconded by Council Member Fonzi to:

1. Council noted that the desired design revisions for the Atascadero Mall Plaza Project are to replace concrete seat walls and eliminate decorative fencing and replace with bollards (potential design revision options 3 and 5, respectively, as presented at the meeting).
2. Authorize the City Manager to execute Contract No. 2020-013 with Kirk Construction in an amount not to exceed \$819,344.50 for the construction of the Atascadero Mall Plaza Project subject to project design revisions as identified by Council.
3. Authorize the Director of Administrative Services to appropriate up to an additional \$616,700 in Parkland Impact Fees Fund balance for FY20/21 toward the Atascadero Mall Plaza project subject to project design revisions as identified by Council.

Motion passed 5:0 by a roll-call vote.

D. DISCUSSION ITEM: Discussion of COVID 19 issues including oral updates by Mayor Moreno and City Manager Rickard, questions by City Council, public comment and comments by City Council.

1. Coronavirus (COVID-19) update – Mayor Moreno
2. Coronavirus (COVID-19) update – City Manager Rickard

Mayor Moreno provided updates on Coronavirus (COVID-19) and answered questions from the Council.

PUBLIC COMMENT:

The following citizens spoke on this item: None.

Mayor Moreno closed the Public Comment period.

E. COUNCIL ANNOUNCEMENTS AND COMMITTEE REPORTS:

The following Council Members made brief announcements and gave brief update reports on their committees since their last Council meeting:

Mayor Moreno

1. Economic Vitality Corporation, Board of Directors (EVC)
2. SLO Council of Governments (SLOCOG)
3. SLO Regional Transit Authority (RTA)

Mayor Pro Tem Bourbeau

1. Integrated Waste Management Authority (IWMA)

Council Member Fonzi

1. City of Atascadero Design Review Committee
2. SLO Local Agency Formation Commission (LAFCo)

Council Member Funk

1. Homeless Services Oversight Council

Council Member Newsom

1. City of Atascadero Design Review Committee

F. INDIVIDUAL DETERMINATION AND / OR ACTION: None

G. ADJOURN

Mayor Moreno adjourned the meeting at 8:51 p.m.

MINUTES PREPARED BY:

Lara K. Christensen
Deputy City Manager/City Clerk

APPROVED:



Atascadero City Council

Staff Report - Administrative Services Department

October 2020 Accounts Payable and Payroll

RECOMMENDATION:

Council approve certified City accounts payable, payroll and payroll vendor checks for October 2020.

DISCUSSION:

Attached for City Council review and approval are the following:

Payroll

Dated 10/1/20	Checks # 34973 - 34984	\$ 8,252.42
	Direct Deposits	356,764.13
Dated 10/15/20	Checks # 34985 - 34996	11,112.79
	Direct Deposits	354,578.08
Dated 10/29/20	Checks # 34997 - 35006	10,316.70
	Direct Deposits	360,120.57

Accounts Payable

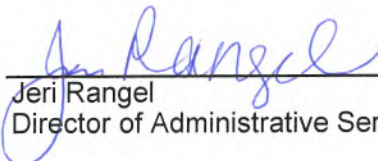
Dated 10/1/20-10/31/20	Checks # 165588 - 165839 & EFTs 3822 - 3857	1,662,859.83
	TOTAL AMOUNT	\$ 2,764,004.52

FISCAL IMPACT:

Total expenditures for all funds is \$ 2,764,004.52

CERTIFICATION:

The undersigned certifies that the attached demands have been released for payment and that funds are available for these demands.


Jeri Rangel
Director of Administrative Services

ATTACHMENT:

October 2020 Eden Warrant Register in the amount of \$ 1,662,859.83

City of Atascadero
Disbursement Listing

ITEM NUMBER: A-2
DATE: 11/24/20
ATTACHMENT: 1

For the Month of October 2020

Check Number	Check Date	Vendor	Description	Amount
3822	10/01/2020	ANTHEM BLUE CROSS HSA	Payroll Vendor Payment	7,725.06
165588	10/01/2020	ATASCADERO MID MGRS ORG UNION	Payroll Vendor Payment	60.00
165589	10/01/2020	ATASCADERO POLICE OFFICERS	Payroll Vendor Payment	1,916.25
165590	10/01/2020	ATASCADERO PROF. FIREFIGHTERS	Payroll Vendor Payment	1,176.50
165591	10/01/2020	MASS MUTUAL WORKPLACE SOLUTION	Payroll Vendor Payment	6,963.88
165592	10/01/2020	NATIONWIDE RETIREMENT SOLUTION	Payroll Vendor Payment	344.38
165593	10/01/2020	NAVIA BENEFIT SOLUTIONS	Payroll Vendor Payment	1,600.88
165594	10/01/2020	SEIU LOCAL 620	Payroll Vendor Payment	806.49
165595	10/01/2020	VANTAGEPOINT TRNSFR AGT 106099	Payroll Vendor Payment	357.85
165596	10/01/2020	VANTAGEPOINT TRNSFR AGT 304633	Payroll Vendor Payment	4,228.47
165597	10/01/2020	VANTAGEPOINT TRNSFR AGT 706276	Payroll Vendor Payment	296.00
165598	10/01/2020	ANTHEM BLUE CROSS HEALTH	Payroll Vendor Payment	183,397.33
165599	10/01/2020	LINCOLN NATIONAL LIFE INS CO	Payroll Vendor Payment	1,647.36
165600	10/01/2020	MEDICAL EYE SERVICES	Payroll Vendor Payment	1,698.17
165601	10/01/2020	PREFERRED BENEFITS INSURANCE	Payroll Vendor Payment	8,544.80
3823	10/02/2020	STATE DISBURSEMENT UNIT	Payroll Vendor Payment	209.54
3824	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	22,884.14
3825	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	35,184.36
3826	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,831.93
3827	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,759.31
3828	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	3,178.07
3829	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	7,000.47
3830	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	8,203.43
3831	10/02/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	12,055.27
3832	10/06/2020	RABOBANK, N.A.	Payroll Vendor Payment	81,066.12
3833	10/06/2020	EMPLOYMENT DEV DEPARTMENT	Payroll Vendor Payment	26,088.02
3834	10/06/2020	EMPLOYMENT DEV. DEPARTMENT	Payroll Vendor Payment	2,154.49
165602	10/09/2020	13 STARS MEDIA	Accounts Payable Check	359.36
165603	10/09/2020	ALHOUSE & MEADE, INC.	Accounts Payable Check	1,018.75
165604	10/09/2020	AMERICAN WEST TIRE & AUTO INC	Accounts Payable Check	776.72
165605	10/09/2020	SHANNON C. ASHBY	Accounts Payable Check	13.30
165606	10/09/2020	AT&T	Accounts Payable Check	66.39
165607	10/09/2020	AT&T	Accounts Payable Check	763.16
165608	10/09/2020	ATASCADERO CHAMBER OF COMMERCE	Accounts Payable Check	249.00
165609	10/09/2020	ATASCADERO HAY & FEED	Accounts Payable Check	1,044.39
165611	10/09/2020	ATASCADERO MUTUAL WATER CO.	Accounts Payable Check	27,243.90
165612	10/09/2020	AURORA WORLD, INC.	Accounts Payable Check	269.41
165613	10/09/2020	TERRIE BANISH	Accounts Payable Check	319.70

City of Atascadero
Disbursement Listing

ITEM NUMBER: A-2
DATE: 11/24/20
ATTACHMENT: 1

For the Month of October 2020

Check Number	Check Date	Vendor	Description	Amount
165614	10/09/2020	BASSETT'S CRICKET RANCH, INC.	Accounts Payable Check	667.57
165615	10/09/2020	BAY AREA DRIVING SCHOOL, INC.	Accounts Payable Check	15.37
165616	10/09/2020	JOSE R. BENITEZ	Accounts Payable Check	120.00
165617	10/09/2020	KEITH R. BERGHER	Accounts Payable Check	56.25
165618	10/09/2020	BERRY MAN, INC.	Accounts Payable Check	1,021.05
165619	10/09/2020	TESSA BETZ	Accounts Payable Check	25.00
165620	10/09/2020	BIG RED MARKETING, INC.	Accounts Payable Check	4,395.00
165621	10/09/2020	BRADS OVERHEAD DOORS, INC.	Accounts Payable Check	150.00
165622	10/09/2020	BRANCH SMITH PROPERTIES	Accounts Payable Check	350.00
165623	10/09/2020	BURKE, WILLIAMS, & SORENSON LLP	Accounts Payable Check	64,938.39
165624	10/09/2020	BURT INDUSTRIAL SUPPLY	Accounts Payable Check	2,562.12
165625	10/09/2020	CA ASSC OF ZOOS & AQUARIUMS	Accounts Payable Check	1,300.00
165626	10/09/2020	CALPORTLAND COMPANY	Accounts Payable Check	333.73
165627	10/09/2020	CARQUEST OF ATASCADERO	Accounts Payable Check	129.59
165628	10/09/2020	CHARTER COMMUNICATIONS	Accounts Payable Check	8,691.89
165629	10/09/2020	CITY OF LOS ANGELES TREAS	Accounts Payable Check	1.10
165630	10/09/2020	CLEVER CONCEPTS, INC.	Accounts Payable Check	47.95
165631	10/09/2020	COASTAL REPROGRAPHIC SERVICES	Accounts Payable Check	150.00
165632	10/09/2020	CRYSTAL CLEAN A-1 WINDOW SVCS	Accounts Payable Check	1,700.00
165633	10/09/2020	CRYSTAL CREAMERY, INC.	Accounts Payable Check	182.86
165634	10/09/2020	CRYSTAL SPRINGS WATER	Accounts Payable Check	20.00
165635	10/09/2020	CULLIGAN/CENTRAL COAST WTR TRT	Accounts Payable Check	70.00
165636	10/09/2020	NICHOLAS DEBAR	Accounts Payable Check	300.00
165637	10/09/2020	DIVISION OF STATE ARCHITECT	Accounts Payable Check	42.00
165638	10/09/2020	DRIVE CUSTOMS	Accounts Payable Check	891.46
165639	10/09/2020	PHILIP DUNSMORE	Accounts Payable Check	300.00
165640	10/09/2020	EIKHOF DESIGN GROUP, INC.	Accounts Payable Check	24,356.80
165641	10/09/2020	ELECTRICRAFT, INC.	Accounts Payable Check	1,538.25
165642	10/09/2020	JENNIFER FANNING	Accounts Payable Check	69.35
165643	10/09/2020	FASTENAL COMPANY	Accounts Payable Check	1,629.61
165644	10/09/2020	FENCE FACTORY ATASCADERO	Accounts Payable Check	427.05
165645	10/09/2020	FERRAVANTI GRADING & PAVING	Accounts Payable Check	217,756.62
165646	10/09/2020	FGL ENVIRONMENTAL	Accounts Payable Check	114.00
165647	10/09/2020	FIESTA MAHAR MANUFACTURING CORP	Accounts Payable Check	775.56
165648	10/09/2020	FIGUEROA MOUNTAIN BREWING, LLC	Accounts Payable Check	245.13
165649	10/09/2020	FRANCHISE TAX BOARD	Accounts Payable Check	179.00
165650	10/09/2020	NANCY GLOYE	Accounts Payable Check	29.00
165651	10/09/2020	HART IMPRESSIONS PRINTING	Accounts Payable Check	790.94

City of Atascadero
Disbursement Listing

ITEM NUMBER: A-2
DATE: 11/24/20
ATTACHMENT: 1

For the Month of October 2020

Check Number	Check Date	Vendor	Description	Amount
165652	10/09/2020	HINDERLITER, DE LLAMAS	Accounts Payable Check	1,976.31
165653	10/09/2020	JOHN HOLDER	Accounts Payable Check	167.49
165654	10/09/2020	HOME DEPOT CREDIT SERVICES	Accounts Payable Check	2,123.28
165655	10/09/2020	IRON MOUNTAIN RECORDS MGMNT	Accounts Payable Check	113.45
165656	10/09/2020	JOE A. GONSALVES & SON	Accounts Payable Check	3,000.00
165657	10/09/2020	K & M INTERNATIONAL	Accounts Payable Check	1,022.54
165658	10/09/2020	K.B. INDUSTRIES, INC.	Accounts Payable Check	1,076.40
165659	10/09/2020	KPRL 1230 AM	Accounts Payable Check	875.00
165660	10/09/2020	KRITZ EXCAVATING & TRUCKNG INC	Accounts Payable Check	660.33
165661	10/09/2020	L.A. CO SHERIFF'S DEPARTMENT	Accounts Payable Check	485.00
165662	10/09/2020	LAYNE LABORATORIES, INC.	Accounts Payable Check	2,208.88
165663	10/09/2020	COLETTE LAYTON	Accounts Payable Check	1,037.15
165664	10/09/2020	LEE WILSON ELECTRIC CO. INC	Accounts Payable Check	1,797.55
165665	10/09/2020	LIFE ASSIST, INC.	Accounts Payable Check	1,611.89
165666	10/09/2020	LONE MADRONE	Accounts Payable Check	936.00
165667	10/09/2020	MADRONE LANDSCAPES, INC.	Accounts Payable Check	1,682.00
165668	10/09/2020	MARBORG INDUSTRIES	Accounts Payable Check	62.28
165669	10/09/2020	MICHAEL K. NUNLEY & ASSC, INC.	Accounts Payable Check	4,719.69
165670	10/09/2020	MID-COAST MOWER & SAW, INC.	Accounts Payable Check	81.88
165671	10/09/2020	MINER'S ACE HARDWARE	Accounts Payable Check	244.50
165672	10/09/2020	MISSION UNIFORM SERVICE	Accounts Payable Check	300.45
165673	10/09/2020	MNS ENGINEERS, INC.	Accounts Payable Check	3,103.75
165674	10/09/2020	JULIAN A. MORA	Accounts Payable Check	850.00
165675	10/09/2020	MV TRANSPORTATION, INC.	Accounts Payable Check	6,757.64
165676	10/09/2020	NASSAU-SOSNICK DISTRIBUTION CO	Accounts Payable Check	267.68
165677	10/09/2020	NBS	Accounts Payable Check	6,964.53
165678	10/09/2020	ANDRES J. NUNO	Accounts Payable Check	5,495.00
165679	10/09/2020	OFFICE DEPOT INC.	Accounts Payable Check	208.41
165680	10/09/2020	TARA ORLICK	Accounts Payable Check	27.60
165683	10/09/2020	PACIFIC GAS AND ELECTRIC	Accounts Payable Check	58,910.76
165684	10/09/2020	PEAKWIFI, LLC	Accounts Payable Check	650.00
165685	10/09/2020	PROCARE JANITORIAL SUPPLY, INC.	Accounts Payable Check	998.48
165686	10/09/2020	PRP COMPANIES	Accounts Payable Check	1,539.23
165687	10/09/2020	QUINCY ENGINEERING, INC.	Accounts Payable Check	11,286.35
165688	10/09/2020	SHIRLEY L. RADCLIFF-BRUTON	Accounts Payable Check	37.80
165689	10/09/2020	RAINSCAPE, A LANDSCAPE SVC CO.	Accounts Payable Check	7,460.36
165690	10/09/2020	JERI RANGEL	Accounts Payable Check	300.00
165691	10/09/2020	RACHELLE RICKARD	Accounts Payable Check	500.00

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Check Number	Check Date	Vendor	Description	Amount
165692	10/09/2020	SAN LUIS POWERHOUSE, INC.	Accounts Payable Check	2,454.94
165693	10/09/2020	SANTA MARIA TIRE, INC.	Accounts Payable Check	2,574.34
165694	10/09/2020	SLO BREWING CO., LLC	Accounts Payable Check	300.00
165695	10/09/2020	SLO COUNTY SHERIFF'S OFFICE	Accounts Payable Check	4,600.00
165696	10/09/2020	SMART AND FINAL	Accounts Payable Check	106.26
165697	10/09/2020	SOFTWAREONE, INC.	Accounts Payable Check	36,871.69
165698	10/09/2020	SOUTHERN COMPUTER WAREHOUSE	Accounts Payable Check	420.99
165699	10/09/2020	SPEAKWRITE, LLC.	Accounts Payable Check	703.26
165700	10/09/2020	SPECIALIZED EQUIPMENT REPAIR	Accounts Payable Check	750.26
165701	10/09/2020	STANLEY CONVERGENT SECURITY	Accounts Payable Check	355.50
165702	10/09/2020	SUNLIGHT JANITORIAL, INC.	Accounts Payable Check	2,661.00
165703	10/09/2020	SUNSET SERVICE CENTER	Accounts Payable Check	150.86
165704	10/09/2020	TARANTULA HILL BREWING CO. LLC	Accounts Payable Check	300.00
165705	10/09/2020	THOMSON REUTERS - WEST	Accounts Payable Check	170.00
165710	10/09/2020	U.S. BANK	Accounts Payable Check	28,941.71
165711	10/09/2020	ULTREX LEASING	Accounts Payable Check	260.76
165712	10/09/2020	UNITED STAFFING ASSC., INC.	Accounts Payable Check	4,847.04
165713	10/09/2020	VERDIN	Accounts Payable Check	5,646.69
165714	10/09/2020	VERIZON WIRELESS	Accounts Payable Check	3,507.02
165715	10/09/2020	VISITOR TELEVISION LLC	Accounts Payable Check	595.00
165716	10/09/2020	JOSEPH WANN	Accounts Payable Check	64.30
165717	10/09/2020	WARM FUZZY TOYS	Accounts Payable Check	374.56
165718	10/09/2020	WCJ PROPERTY SERVICES	Accounts Payable Check	537.00
165719	10/09/2020	WEX BANK - 76 UNIVERSL	Accounts Payable Check	11,787.68
165720	10/09/2020	WEX BANK - WEX FLEET UNIVERSAL	Accounts Payable Check	6,209.89
165721	10/09/2020	WILD FIELDS BREWHOUSE	Accounts Payable Check	3,208.27
165722	10/09/2020	WILKINS ACTION GRAPHICS	Accounts Payable Check	126.71
165723	10/09/2020	WISHPETS CO.	Accounts Payable Check	201.67
165724	10/09/2020	ZOOM IMAGING SOLUTIONS, INC.	Accounts Payable Check	1,142.35
3835	10/15/2020	ANTHEM BLUE CROSS HSA	Payroll Vendor Payment	7,725.06
165725	10/15/2020	ATASCADERO MID MGRS ORG UNION	Payroll Vendor Payment	60.00
165726	10/15/2020	ATASCADERO POLICE OFFICERS	Payroll Vendor Payment	1,916.25
165727	10/15/2020	ATASCADERO PROF. FIREFIGHTERS	Payroll Vendor Payment	1,176.50
165728	10/15/2020	MASS MUTUAL WORKPLACE SOLUTION	Payroll Vendor Payment	6,978.89
165729	10/15/2020	NATIONWIDE RETIREMENT SOLUTION	Payroll Vendor Payment	233.14
165730	10/15/2020	NAVIA BENEFIT SOLUTIONS	Payroll Vendor Payment	1,600.88
165731	10/15/2020	SEIU LOCAL 620	Payroll Vendor Payment	816.58
165732	10/15/2020	VANTAGEPOINT TRNSFR AGT 106099	Payroll Vendor Payment	357.85

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Check Number	Check Date	Vendor	Description	Amount
165733	10/15/2020	VANTAGEPOINT TRNSFR AGT 304633	Payroll Vendor Payment	3,642.33
165734	10/15/2020	VANTAGEPOINT TRNSFR AGT 706276	Payroll Vendor Payment	296.00
3836	10/16/2020	STATE DISBURSEMENT UNIT	Payroll Vendor Payment	209.54
3837	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	23,778.30
3838	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	35,315.59
3839	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,788.14
3840	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,974.67
3841	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	3,160.07
3842	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	7,131.53
3843	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	7,862.93
3844	10/19/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	12,929.65
3845	10/20/2020	RABOBANK, N.A.	Payroll Vendor Payment	78,188.97
3846	10/20/2020	EMPLOYMENT DEV DEPARTMENT	Payroll Vendor Payment	24,941.56
3847	10/20/2020	EMPLOYMENT DEV. DEPARTMENT	Payroll Vendor Payment	2,272.11
165735	10/23/2020	13 STARS MEDIA	Accounts Payable Check	597.40
165736	10/23/2020	A.P.S. AUTOMOTIVE	Accounts Payable Check	283.10
165737	10/23/2020	ADAMSKI,MOROSKI,MADDEN,	Accounts Payable Check	512.50
165738	10/23/2020	ADVANCED INFRASTRUCTURE TECHN	Accounts Payable Check	1,058.20
165739	10/23/2020	AGM CALIFORNIA, INC.	Accounts Payable Check	1,641.00
165740	10/23/2020	AGP VIDEO, INC.	Accounts Payable Check	6,467.50
165741	10/23/2020	ALTHOUSE & MEADE, INC.	Accounts Payable Check	5,393.00
165742	10/23/2020	AMERICAN WEST TIRE & AUTO INC	Accounts Payable Check	2,859.48
165743	10/23/2020	KELLY AREBALO	Accounts Payable Check	1,108.90
165744	10/23/2020	DAVID ARNESEN	Accounts Payable Check	6,835.66
165745	10/23/2020	SHANNON C. ASHBY	Accounts Payable Check	26.60
165746	10/23/2020	ASSOCIATED TRAFFIC SAFETY, INC	Accounts Payable Check	372.49
165748	10/23/2020	AT&T	Accounts Payable Check	1,364.44
165749	10/23/2020	AT&T	Accounts Payable Check	374.43
165750	10/23/2020	AT&T	Accounts Payable Check	250.00
165751	10/23/2020	ATASCADERO HAY & FEED	Accounts Payable Check	1,045.00
165752	10/23/2020	BANK OF NEW YORK MELLON	Accounts Payable Check	1,925.00
165753	10/23/2020	DEMI BARTOLOMEO	Accounts Payable Check	161.00
165754	10/23/2020	BASSETT'S CRICKET RANCH,INC.	Accounts Payable Check	539.73
165755	10/23/2020	BEAR MARKET RIOT, LLC	Accounts Payable Check	300.00
165756	10/23/2020	BERRY MAN, INC.	Accounts Payable Check	687.05
165757	10/23/2020	BRANCH SMITH PROPERTIES	Accounts Payable Check	350.00
165758	10/23/2020	BUREAU VERITAS NORTH AMERICA	Accounts Payable Check	1,365.00
165759	10/23/2020	CA BUILDING STANDARDS COMM.	Accounts Payable Check	261.90

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Check Number	Check Date	Vendor	Description	Amount
165760	10/23/2020	CA DEPT OF TAX AND FEE ADMIN.	Accounts Payable Check	3,451.00
165761	10/23/2020	CAL-COAST IRRIGATION, INC	Accounts Payable Check	554.80
165762	10/23/2020	CALPORTLAND COMPANY	Accounts Payable Check	631.74
165763	10/23/2020	KEVIN CAMPION	Accounts Payable Check	2,200.00
165764	10/23/2020	CCI OFFICE TECHNOLOGIES	Accounts Payable Check	64.29
165765	10/23/2020	CENTRAL COAST BREWING, INC.	Accounts Payable Check	795.60
165766	10/23/2020	CHARTER COMMUNICATIONS	Accounts Payable Check	2,543.19
165767	10/23/2020	CLAY'S SEPTIC & JETTING, INC.	Accounts Payable Check	5,186.96
165768	10/23/2020	COUNTY OF SAN LUIS OBISPO	Accounts Payable Check	5,000.00
165769	10/23/2020	CREWSENSE, LLC	Accounts Payable Check	286.71
165770	10/23/2020	DARRYL'S LOCK AND SAFE	Accounts Payable Check	181.00
165771	10/23/2020	DEPARTMENT OF CONSERVATION	Accounts Payable Check	974.60
165772	10/23/2020	DRIVE CUSTOMS	Accounts Payable Check	5,211.04
165773	10/23/2020	EARTH SYSTEMS PACIFIC	Accounts Payable Check	2,682.00
165774	10/23/2020	ELECTRICRAFT, INC.	Accounts Payable Check	6,578.24
165775	10/23/2020	FARM SUPPLY COMPANY	Accounts Payable Check	675.55
165776	10/23/2020	FASTENAL COMPANY	Accounts Payable Check	738.91
165777	10/23/2020	FERRELL'S AUTO REPAIR	Accounts Payable Check	87.73
165778	10/23/2020	FGL ENVIRONMENTAL	Accounts Payable Check	1,243.00
165779	10/23/2020	FUNFLICKS CENTRAL COAST	Accounts Payable Check	555.45
165780	10/23/2020	GAS COMPANY	Accounts Payable Check	284.81
165781	10/23/2020	GMV SYNCROMATICS	Accounts Payable Check	9,500.00
165782	10/23/2020	HAMNER, JEWELL & ASSOCIATES	Accounts Payable Check	17,658.82
165783	10/23/2020	ROCHELLE O. HANSON-TORRES	Accounts Payable Check	86.25
165784	10/23/2020	HART IMPRESSIONS PRINTING	Accounts Payable Check	413.28
165785	10/23/2020	HINDERLITER, DE LLAMAS	Accounts Payable Check	300.00
165786	10/23/2020	IMPACT ABSORBENTS, INC.	Accounts Payable Check	2,111.89
165787	10/23/2020	JIFFY LUBE	Accounts Payable Check	120.73
165788	10/23/2020	JK'S UNLIMITED, INC.	Accounts Payable Check	6,504.02
165789	10/23/2020	KPRL 1230 AM	Accounts Payable Check	1,195.00
165790	10/23/2020	LEE WILSON ELECTRIC CO. INC	Accounts Payable Check	1,638.80
165791	10/23/2020	LIFE ASSIST, INC.	Accounts Payable Check	2,896.09
165792	10/23/2020	M SPECIAL BREWING, LLC	Accounts Payable Check	364.00
165793	10/23/2020	MATTHEW MADRIGAL	Accounts Payable Check	1,071.00
165794	10/23/2020	TRISTAN MARSEILLES	Accounts Payable Check	2,371.00
165795	10/23/2020	BECKY MAXWELL	Accounts Payable Check	38.30
165796	10/23/2020	MCCROMETER, INC.	Accounts Payable Check	5,461.07
165797	10/23/2020	MID-COAST MOWER & SAW, INC.	Accounts Payable Check	82.47

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Check Number	Check Date	Vendor	Description	Amount
165798	10/23/2020	MINER'S ACE HARDWARE	Accounts Payable Check	520.89
165799	10/23/2020	MINNESOTA ZOO	Accounts Payable Check	170.00
165800	10/23/2020	MISSION UNIFORM SERVICE	Accounts Payable Check	505.22
165801	10/23/2020	JULIAN A. MORA	Accounts Payable Check	520.00
165802	10/23/2020	KYLE NAKAZAWA	Accounts Payable Check	1,071.00
165803	10/23/2020	NATIONAL AUTO FLEET GROUP	Accounts Payable Check	29,048.25
165804	10/23/2020	NEW TIMES	Accounts Payable Check	782.00
165805	10/23/2020	NORTH COAST ENGINEERING INC.	Accounts Payable Check	294.00
165806	10/23/2020	ROCIO OCHOA	Accounts Payable Check	1,188.00
165807	10/23/2020	OFFICE DEPOT INC.	Accounts Payable Check	96.34
165808	10/23/2020	O'REILLY AUTOMOTIVE, INC.	Accounts Payable Check	82.29
165809	10/23/2020	PASO ROBLES SAFE & LOCK, INC.	Accounts Payable Check	150.00
165810	10/23/2020	PERRY'S PARCEL & GIFT	Accounts Payable Check	7.43
165811	10/23/2020	PRAXAIR DISTRIBUTION, INC.	Accounts Payable Check	468.20
165812	10/23/2020	PROCARE JANITORIAL SUPPLY, INC.	Accounts Payable Check	673.08
165813	10/23/2020	PROFORCE LAW ENFORCEMENT	Accounts Payable Check	1,404.09
165814	10/23/2020	QUADIENT, INC.	Accounts Payable Check	692.55
165815	10/23/2020	SHIRLEY L. RADCLIFF-BRUTON	Accounts Payable Check	86.39
165816	10/23/2020	RAMINHA CONSTRUCTION, INC.	Accounts Payable Check	12,150.00
165817	10/23/2020	READYREFRESH BY NESTLE	Accounts Payable Check	166.42
165818	10/23/2020	RECOGNITION WORKS	Accounts Payable Check	80.81
165819	10/23/2020	CHRISTOPHER R. ROBINSON	Accounts Payable Check	1,071.00
165820	10/23/2020	ERIN RUSSELL	Accounts Payable Check	200.00
165821	10/23/2020	SAN LUIS OBISPO CO ARTS COUNCL	Accounts Payable Check	5,000.00
165822	10/23/2020	SAN LUIS POWERHOUSE, INC.	Accounts Payable Check	270.00
165823	10/23/2020	SERVICE SYSTEMS ASSC, INC.	Accounts Payable Check	2,500.00
165824	10/23/2020	SLO CO AUDITOR CONTROLLER	Accounts Payable Check	36.00
165825	10/23/2020	SLO COUNTY HEALTH AGENCY	Accounts Payable Check	81,104.50
165826	10/23/2020	SOUTH COAST EMERGENCY VEH SVC	Accounts Payable Check	13.62
165827	10/23/2020	STATE WATER RES CONTROL BOARD	Accounts Payable Check	2,709.00
165828	10/23/2020	SUNSET SERVICE CENTER	Accounts Payable Check	122.82
165829	10/23/2020	TERRA VERDE ENVIRONMENTAL CONS	Accounts Payable Check	347.50
165830	10/23/2020	ULTREX BUSINESS PRODUCTS	Accounts Payable Check	80.93
165831	10/23/2020	UNITED RENTALS (NORTH AM), INC	Accounts Payable Check	9,311.50
165832	10/23/2020	UNITED STAFFING ASSC., INC.	Accounts Payable Check	1,211.76
165833	10/23/2020	BRIAN VAZQUEZ	Accounts Payable Check	1,071.00
165834	10/23/2020	VERDIN	Accounts Payable Check	991.10
165835	10/23/2020	VERIZON WIRELESS	Accounts Payable Check	248.29

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Check Number	Check Date	Vendor	Description	Amount
165836	10/23/2020	WALLACE GROUP	Accounts Payable Check	10,097.50
165837	10/23/2020	WELL SEEN SIGN CO., LLC	Accounts Payable Check	80.81
165838	10/23/2020	WHITLOCK & WEINBERGER TRANS.	Accounts Payable Check	1,140.00
165839	10/23/2020	ZEE MEDICAL SERVICES CO.	Accounts Payable Check	220.56
3848	10/29/2020	ANTHEM BLUE CROSS HSA	Payroll Vendor Payment	8,505.06
3849	10/30/2020	STATE DISBURSEMENT UNIT	Payroll Vendor Payment	209.54
3850	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	22,129.73
3851	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	34,655.35
3852	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	1,906.29
3853	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	2,009.57
3854	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	3,160.07
3855	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	7,176.53
3856	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	8,203.43
3857	10/30/2020	CALIF PUBLIC EMPLOYEES RETIREMENT SYSTEM	Payroll Vendor Payment	12,759.45
				<u>\$ 1,662,859.83</u>



Atascadero City Council

Staff Report - City Clerk

Conflict of Interest Code - Biennial Review

RECOMMENDATION:

Council adopt Draft Resolution, updating and amending the Conflict of Interest Code for the City of Atascadero.

DISCUSSION:

The Political Reform Act requires every local government agency to review its Conflict of Interest Code biennially and Government Code Section 87306 requires an agency to amend its Conflict of Interest Code when change is necessitated by changed circumstances, including the creation of new positions/titles and the deletion of old ones. The Political Reform Act requires that any amendments to the Conflict of Interest Code be adopted no later than December 30, 2020.

The Conflict of Interest Code is a document that designates the positions within an agency that make, or participate in making, governmental decisions that may foreseeably have a material effect on any financial interest. The Code further sets out, in paragraphs called disclosure categories, the specific types of investments, business positions, interest in real property and sources of income that must be reported by the designated positions.

Though reviewed biennially, the Conflict of Interest Code has not been updated since 2014. Over the past two years, the City Council has approved amendments to the City's Classification Plan. These approved amendments resulted in positions being eliminated or re-named and new positions being added. Following review of the City's current Conflict of Interest Code, it was determined that amendments were necessary to reflect these changes. Furthermore, Fair Political Practices Commission (FPPC) guidance for the review of a Conflict of Interest Code suggests reconsideration of disclosure categories to ensure that disclosure category assignments adequately differentiate between positions and should not be overly broad. Using the model disclosure categories posted on the FPPC website, as well as examples provided by the City Attorney, staff is recommending amending the Code to include more detailed disclosure categories.

This Conflict of Interest Code pertains only to the designated positions listed in Exhibit A to the Draft Resolution. The Council Members, City Treasurer, Planning Commissioners, City Manager and City Attorney are exempt from this Code as they are otherwise required to file disclosure statements pursuant to State Law under Govt. Code 87200.

The City Clerk and the City Attorney have reviewed the current Code. The proposed amendments to the Conflict of Interest Code incorporate the basic provisions required by Government Code Section 87302 and comply with FPPC regulations. The revised list contains a list of designated positions that make, or participate in making, governmental decisions. Designated positions have been appropriately assigned to suitable disclosure categories that reflect job duties and responsibilities. The recommended changes reflect the current staffing of the City of Atascadero.

FISCAL IMPACT:

None.

ALTERNATIVES:

The Code must be updated. The Council is free to add positions to the Code or to suggest any other changes, so long as the changes comply with the Political Reform Act.

ATTACHMENT:

Draft Resolution

DRAFT RESOLUTION

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
ATASCADERO, CALIFORNIA, ADOPTING AN AMENDED
CONFLICT OF INTEREST CODE**

WHEREAS, the Political Reform Act requires every local government agency to review its Conflict of Interest Code biennially (in even-numbered years) to determine if it is accurate and up-to-date, or, alternatively, that the Code must be amended; and

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Atascadero as follows:

SECTION 1. Resolution No. 2014-063, adopted on September 23, 2014, is hereby rescinded.

SECTION 2. That the Conflict of Interest Code attached to this Resolution as Exhibit A be, and hereby is, adopted as the Conflict of Interest Code for the City of Atascadero.

PASSED AND ADOPTED at a regular meeting of the City Council held on the ____th day of _____, 2020.

On motion by Council Member _____ and seconded by Council Member _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney

CONFLICT OF INTEREST CODE
OF THE
CITY OF ATASCADERO

The Political Reform Act, Government Code Section 81000, et. seg., requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs. Section 18730, which contains the terms of a standard conflict of interest code. It can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act. Therefore, the terms of 2 Cal. Code of Regs. Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference and, along with the attached Appendix in which members and employees are designated and disclosure categories are set forth, constitute the conflict of interest code of the City of Atascadero.

Designated employees shall file their statements with the City of Atascadero who will make the statements available for public inspection and reproduction (Gov. Code Section 81008). Statements for all designated employees will be retained by the City of Atascadero.

DESIGNATED EMPLOYEES AND DISCLOSURE CATEGORIES

The following positions entail the making or participation in the making of decisions which foreseeably may have a material effect on financial interests:

<u>Designated Position</u> ¹	<u>Disclosure Category:</u>
Administrative Services Director	1
City Clerk	4 <u>2</u>
Community Development Director	1
Community Services Director	1
Consultants <u>(who make or participate in making of governmental decisions)</u> ²	1
<u>Consultants (who perform the duties of a designated position)</u> ²	Same category as the comparable designated position
Deputy Administrative Services Director	1
Deputy City Manager	1
Deputy Community Development Director	1
<u>Deputy Community Development Director/Chief Building Official/Economic Development Director</u>	<u>1</u>
Deputy Public Works Director	1
Exempt Officials ³	1
Fire Chief	1
<u>Fire Battalion Chief</u>	<u>1</u>
Fire Marshal	4 <u>3, 4, 6</u>
Information Technology Manager	1-4 <u>6</u>
<u>New Positions</u> ⁴	<u>1</u>
Police Chief	1
<u>Police Lieutenant</u>	<u>1</u>
Public Works Director / City Engineer	1
Zoo Director	1-5 <u>6</u>
Members of all permanent City Commissions, Boards and Committees not otherwise required to file Conflict of Interest Statements	4-2
Fire Captain <u>(all specialist designations)</u>	<u>2-5, 6</u>
Police Commander	2
Police Sergeant <u>(all designations)</u>	<u>2-5, 6</u>

¹ In the event that State law or regulations regarding the filing of Conflict of Interest Statements should be amended, this Exhibit shall be changed to include the designated position and category of each official as required by said amendment.

² Consultants (see Definitions) who make or participate in making governmental decisions shall disclose pursuant to the broadest disclosure category in the Code. However, the City Manager may determine in writing that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in the section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The City Manager's determination is a public record and shall be retained for public inspection by the City Clerk in the same manner and location as this Conflict of Interest Code.

³ Exempt Officials include the Mayor, Members of the City Council, City Treasurer, Members of the Planning Commission, City Manager, and City Attorney, who are all otherwise required to file disclosure statements pursuant to State Law.

⁴ New positions that make or participate in making governmental decisions are required to file under the broadest disclosure category in the City's Conflict of Interest Code. If the new position performs limited duties, the City Manager may tailor the disclosure requirements to the duties performed. If the City Manager provides tailored disclosure, a written description of the position's duties and, based upon that description, a statement of the extent of disclosure requirements must be completed as detailed for Consultants above.

CATEGORIES OF REPORTABLE ECONOMIC INTERESTS

Designated Persons in Category "1" Must Report:

All investments, interests in real property, income, and any business entity in which the person is a director, officer, partner, trustee, employee, or holds any position of management. These financial interests are reportable only if located within and subject to the jurisdiction of the City, or if the business entity is doing business or planning to do business in an area subject to the jurisdiction of the City, or has done business within an area subject to the jurisdiction of the City at any time during the two years prior to the filing of the statement.

Designated Persons in Category "2" Must Report:

(1) All interests in real property which is located in whole or in part within, or not more than two (2) miles outside the jurisdiction of the City.

(2) Investments in any business entity that, within the last two years, has contracted or in the future foreseeably may contract with the City.

(3) Income from any source that, within the last two years, has contracted or in the future foreseeably may contract with the City.

(4) His or her status as a director, officer, partner, trustee, employee, or holder of a position of management in any business entity that, within the last two years, has contracted or in the future foreseeably may contract with the City.

Designated persons in Category "3" Must Report:

All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are engaged in development, construction, appraisal, or the acquisition or sale of real property within the jurisdiction of the City.

Designated persons in Category "4" Must Report:

All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, supplies, materials, machinery, vehicles or equipment of a type utilized by the City.

Designated persons in Category "5" Must Report:

All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, supplies, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position's department, unit, or division.

Designated persons in Category “6” Must Report:

All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are subject to the regulatory, permit, or licensing authority of the designated position’s department, unit, or division.

DEFINITIONS

CONSULTANTS

(See Title 2 California Code of Regulations, section 18700.3)

Consultants means those individuals who, pursuant to a contract with the City make (not just recommend) governmental decisions such as whether to approve a rate, rule or regulation; to issue, deny suspend, or revoke any permit, license application, certificate or similar authorization; adopt or grant City approval to a plan, design report, study or similar item; adopt or grant City approval of policies, standards, or guidelines for the City or any subdivision thereof; grant approval to a contract or the specifications thereof; or adopt or enforce any law.

Consultants also means those who serve in a staff capacity with the City, and in that capacity perform the same or substantially all the same duties for the City that would otherwise be performed by an individual holding a designated position in the City’s Conflict of Interest Code.

Consultants also means those who serve in a staff capacity and participate in the making of a governmental decision by providing information, an opinion, or a recommendation to any governmental decision-maker (including, but not limited to, the City Manager or any other City staff with contracting authority) without significant intervening substantive review.

INCOME

(See Government Code section 82030)

(A) "Income" means (except as provided in subdivision B):

A payment received, including but not limited to any salary, wage, advance, dividend, interest, rent, proceeds from any sale, gift, including any gift of food or beverage, loan, forgiveness or payment of indebtedness received by the flier, reimbursement for expenses, per diem, or contribution to an insurance or pension program paid by any person other than an employer, and including any community property interest in the income of a spouse. Income also includes an outstanding loan. Income of an individual also includes a pro rata share of any income of any business entity or trust in which the individual or spouse owns, directly, indirectly or beneficially, a 10 percent interest or greater. "Income," other than a gift, does not include income received from any source outside the jurisdiction and not doing business within the jurisdiction, not planning to do business within the having done business within the jurisdiction during the two years prior to the time any statement or other action is required under this title.

(B) "Income" does not include:

(1) Campaign contributions required to be reported under Chapter 4 (commencing with Section 84100).

(2) Salary and reimbursement for expenses or per diem received from a state, local, or federal government agency and reimbursement for travel expenses and per diem received from a bona fide educational, academic, or charitable organization.

(3) Any devise or inheritance.

(4) Interest, dividends, or premiums on a time or demand deposit in a financial institution, shares in a credit union or any insurance policy, payments received under any insurance policy, or any bond or other debt instrument issued by any government or government agency.

(5) Dividends, interest, or any other return on a security which is registered with the Securities and Exchange Commission of the United States Government or a commodity future registered with the Commodity Futures Trading Commission of the United States Government, except proceeds from the sale of these securities and commodities futures.

(6) Redemption of a mutual fund.

(7) Alimony or child support payments.

(8) Any loan or loans from a commercial lending institution which are made in the lender's regular course of business on terms available to members of the public without regard to official status if:

(a) Used to purchase, refinance the purchase of, or for improvements to, the principal residence of flier; or

(b) The balance owed does not exceed ten thousand dollars (\$10,000).

(9) Any loan from an individual's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, uncle, aunt, or first cousin, or the spouse of any such person, provided that a loan from any such person shall be considered income if the lender is acting as an agent or intermediary for any person not covered by this paragraph.

(10) Any indebtedness created as part of a retail installment or credit card transaction if made in the lender's regular course of business on terms available to members of the public without regard to official status, so long as the balance owed to the creditor does not exceed ten thousand dollars (\$10,000).

(11) Payments received under a defined benefit pension plan qualified under Internal Revenue Code Section 401(a).

ITEM NUMBER: A-3
DATE: 11/24/20
ATTACHMENT: 1A

(12) Proceeds from the sale of securities registered with the Securities and Exchange Commission of the United States Government or from the sale of commodities futures registered with the Commodity Futures Trading commission of the United States Government if the flier sells the securities or the commodities futures on a stock or commodities exchange and does not know or have reason to know the identity of the purchaser.



Atascadero City Council

Staff Report - City Manager

Amendment to the San Luis Obispo Regional Transit Authority Joint Powers Agreement

RECOMMENDATION:

Council approve Draft Resolution authorizing execution of the amended and restated Joint Powers Agreement for the San Luis Obispo Regional Transit Authority allowing consolidation of South County Transit into the San Luis Obispo Regional Transit Authority.

DISCUSSION:

The City of Atascadero is a member of the San Luis Obispo Regional Transit Authority (RTA) Joint Powers Authority (JPA). Other members of the RTA JPA include the cities of Arroyo Grande, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and Atascadero as well as the County of San Luis Obispo.

The RTA provides regional intercity fixed route transit services and regional Americans with Disability Act complementary paratransit services. Route 9 transit services along El Camino Real in Atascadero are provided by the RTA. Costs for core operations of the RTA are funded by fares, grants, dedicated funding sources and contributions from County of SLO and the seven cities in the County. Required contributions from the jurisdictions are set by formula as follows: County of SLO (49%), City of SLO (18%), remaining 6 cities are allocated based on relative population. In fiscal year 2019/2020, the City of Atascadero contributed just over \$350,000 of Local Transportation Funds to fund operations of the RTA.

Although the City is not a member of the South County Transit JPA, it is being asked to execute amendments to the RTA Joint Powers Agreement that would allow consolidation of South County Transit (Soco Transit) services into the RTA. The four South County Transit JPA member agencies include the cities of Arroyo Grande, Grover Beach and Pismo Beach, as well as the County of San Luis Obispo. Following significant analysis by RTA and San Luis Obispo Council of Governments (SLOCOG) staff members over the past several years, as well as recommendations by the Triennial Performance Auditor and the three South County City Managers, the South County Transit Board of Directors requested consolidation into the RTA at its January 9, 2018 meeting. At its March 7, 2018 meeting, the RTA Board of Directors conceptually agreed to the consolidation, pending further input from each jurisdiction and planned April 4, 2018 actions by the SLOCOG

Board of Directors (discussed below).

Of particular interest to the four SoCoTransit member jurisdictions is the issue of continued local control over the local fixed-route services operated within the Five Cities Area under consolidation. To that end, local fixed-route service levels (days, hours, routes, etc.), marketing efforts, and operating/capital budgets for South County local fixed-routes would be solely controlled through a new standing RTA *South County Transit Committee* (SCTC). The SCTC would be comprised of the RTA Board members from the cities of Grover Beach, Arroyo Grande and Pismo Beach, as well as one member from the Board of Supervisors. As detailed in the attached amended and restated RTA Joint Powers Agreement, the SCTC would meet at least annually to address public transit issues of interest to the SCTC members and to consider the following year's budget for local public transit services in the Five Cities Area. Funding of the services authorized by the SCTC would be borne exclusively by the cities of Arroyo Grande, Grover Beach and Pismo Beach, as well as the County on behalf of the communities of Oceano and Avila Beach.

Consolidation of SoCo Transit local fixed-route services into the RTA has significant net financial benefits for the SoCo Transit jurisdictions. In addition, SLOCOG agreed to a concession at its April 4, 2018 meeting on farebox recovery ratio requirements under consolidation in the Arroyo Grande – Grover Beach Urbanized Area that will have long-term financial benefits for the RTA and the SCTC member jurisdictions. The principal benefit to the SCTC member jurisdictions is that consolidation would avoid a roughly \$70,000 annual penalty for failing to achieve the new/higher State of California 20% farebox recovery ratio requirement that was triggered by the Federal designation of the area as “urban” in the 2010 Census (it was 10% prior to the urban designation). In summary, while some operating costs would increase under consolidation (principally as it relates to provision of healthcare benefits to six current part-time SoCo Transit employees who do not currently have health insurance), the on-going net benefit to the SCTC member jurisdictions is anticipated to be on the order of \$82,000 annually.

Each jurisdiction must approve amendments to the RTA joint powers agreement. The attached resolution authorizes the City Manager to execute the proposed amendment to the JPA Agreement. A red-lined version depicting changes to the amended and restated Joint Powers Agreement is included as part of the resolution. The changes outlined in amended Agreement are:

- Establish and set forth the operations of the South County Transit Committee (SCTC)
- Establish that changes to public transportation operated solely within the Arroyo Grande – Grover Beach Urbanized Area require approval of three board members on the SCTC
- Provide for the separation of SCTC services and core services
- Add specific authority to the RTA to purchase insurance and to develop policies and procedures necessary to comply with federal funding requirements.

In order to separate out financing for SCTC services and core services, Article III, Section 1 states “Core RTA services include intercity fixed-routes along the US-101 and SR-1 corridors, and regional Americans with Disabilities Act complementary paratransit

services.” Because this definition is vague and does not seem to encompass all of the services currently provided by RTA, staff has asked the RTA to consider better defining what will and won’t be a core service that is covered under the fixed formula funding. RTA and SLOCOG staff agreed to work on a more appropriate definition of core services over the coming year. The RTA staff was also able to verify that Route 9 along El Camino Real is, and will be, considered a core service for the foreseeable future.

The effective date for the transition would be on January 1, 2021. This date was chosen because it corresponds with the annual start date of employees’ healthcare plans, and thus would minimize disruptions for valued former SoCo Transit employees.

FISCAL IMPACT:

None.

ATTACHMENT:

Draft Resolution

DRAFT RESOLUTION

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ATASCADERO, CALIFORNIA, AUTHORIZING EXECUTION OF THE AMENDED AND RESTATED JOINT POWERS AGREEMENT FOR THE SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY

WHEREAS, South County Transit provides fixed-route public transportation services in the cities of Arroyo Grande, Grover Beach and Pismo Beach, as well as the unincorporated area of Oceano, as authorized under a Joint Powers Agreement originally enacted in 1978 and subsequently amended in 2001 and 2016; and

WHEREAS, South County Transit has been provided professional administrative services, vehicle maintenance and operations oversight under contract to the San Luis Obispo Regional Transit Authority since 1997; and

WHEREAS, both South County Transit Board of Directors and the San Luis Obispo Regional Transit Authority Board of Directors have extensively discussed the possibility of consolidating South County Transit into the San Luis Obispo Regional Transit Authority to realize cost efficiencies and to avoid farebox recovery ratio penalties in the South County Transit service area; and

WHEREAS, the San Luis Obispo Regional Transit Authority Board of Directors will consider an amended and restated Joint Powers Agreement that consolidates South County Transit services into the agency at its December 2, 2020 meeting; and

WHEREAS, the amended and restated Joint Powers Agreement for the San Luis Obispo Regional Transit Authority includes provisions that allow local control of service levels and budgetary control for fixed-route services in the Arroyo Grande – Grover Beach Urbanized Area, which includes the cities of Arroyo Grande, Grover Beach and Pismo Beach, as well as the unincorporated communities of Avila Beach and Oceano; and

WHEREAS, the amended and restated Joint Powers Agreement for the San Luis Obispo Regional Transit Authority becomes effective at 12:00 AM on January 1, 2021 upon ratification by the County of San Luis Obispo Board of Supervisors and by each of the seven City Councils in the county; and

WHEREAS, the existing South County Area Transit Joint Powers Agreement states that the Agency may sell, lease or assign all of its real and personal property and may cease operations upon such terms and conditions as the Board determines to be reasonable and upon affirmative vote by all member agencies; and

WHEREAS, the existing South County Area Transit Joint Powers Agreement also states that the Agreement shall continue in full force and effect until cancelled by affirmative vote of a majority of the member agencies, and

WHEREAS, the South County Transit Board of Directors resolved at its October 6, 2020 meeting to terminate the South County Area Transit Joint Powers agreement effective 11:59 PM on December 31, 2020 upon ratification of the majority of the member agencies and upon full ratification of the amended and restated Joint Powers Agreement for the San Luis Obispo Regional Transit Authority by its member agencies.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Atascadero:

SECTION 1. The City Council hereby finds and determines that all of the recitals are true and correct.

SECTION 2. The City Council supports consolidation of South County Transit into the San Luis Obispo Regional Transit Authority.

SECTION 3. The City Manager is directed to execute a San Luis Obispo Regional Transit Authority amended and restated Joint Powers Agreement in substantial conformance with Attachment A on file in the office of the City Clerk and incorporated herein by this reference.

PASSED AND ADOPTED at a regular meeting of the City Council held on the ____th day of_____, 2020.

On motion by Council Member _____ and seconded by Council Member _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk

APPROVED AS TO FORM:

Brian A. Pierik, City Attorney

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
JOINT POWERS AGREEMENT

WITNESSETH:

This Agreement is made and entered into this 9th day of March, 1990, and amended on 2nd day of September, 1998, and further amended on the 24th day of June, 2013, by and among the incorporated cities of Arroyo Grande, Atascadero, El Paso de Robles, Grover Beach, Morro Bay, Pismo Beach and San Luis Obispo, all being municipal corporations in the County of San Luis Obispo, California (hereinafter called "Cities") and the County of San Luis Obispo, a body politic and corporate, and a subdivision of the State of California, (hereinafter called "County").

WHEREAS, Section 6500 et seq. of the California Government Code (Title 1, Div. 7, Chapter 5, Article 1) provides for agreements between two or more public agencies to jointly exercise any power common to the contracting parties, subject to certain mandatory provisions contained therein; and

WHEREAS, the Cities and County have previously entered into a joint powers agreement for the formation of the San Luis Obispo Council of Governments for the purpose of providing, among other things, for a regional transportation agency; and

WHEREAS, the San Luis Obispo Council of Governments, at a regularly held meeting on May 10, 1989, voted to consolidate the administration of several transportation systems through a regional transit joint powers agreement.

WHEREAS, the cities of Arroyo Grande, Grover Beach and Pismo Beach, and the County of San Luis Obispo, were formerly members of the South County Area Transit Joint Powers Agency which began operating a public transit system within those jurisdictions in January, 1978, and which ceased to exist and transferred its assets to the San Luis Obispo Regional Transit Authority in return for amendments made to this Agreement effective January 1, 2021.

NOW THEREFORE, it is agreed as follows:

ARTICLE I
General Provisions

Section 1. Purpose: The purpose of this Agreement is to exercise the common powers of the member agencies for the formation of a Joint Powers Agreement with full power and authority to own, operate and administer a county-wide public transportation system within the boundaries and over the territory over which the Joint Powers Agency has jurisdiction.

Section 2. Name: The official name of the entity shall be San Luis Obispo Regional Transit Authority and hereafter referred to as the RTA.

ARTICLE II Organization

Section 1. Board Members: The membership of the RTA Governing Board shall be the same as the membership of the San Luis Obispo Council of Governments (hereinafter referred to as SLOCOG).

Section 2. Board Meetings - Voting - Quorum: Regular meetings shall be generally held in the first week of July, September, November, January, March and May or as specified in a biannually adopted meeting calendar. Special meetings may be called by the President or upon written request of at least three (3) members of the RTA Board.

Voting and quorum provisions shall be the same as those provided in the SLOCOG Joint Powers Agreement, however, any vote regarding local fixed-route services or other public transportation services operated solely within the Arroyo Grande – Grover Beach Urbanized Area, including the budgeting and funding of such services, shall require at least three affirmative votes from Board members who also sit on the South County Transit Committee.

Section 3. Officers: The officers of SLOCOG shall serve as officers of RTA.

Section 4. Executive Director: The RTA Board shall designate an Executive Director to operate the RTA. The Executive Director shall serve at the pleasure of the RTA Board, with delegated powers to certify documents of the RTA Board as required by the law and to assume such duties and responsibilities as the Board may direct.

Section 5. Members:

1. The County of San Luis Obispo and all cities incorporated in the County of San Luis Obispo presently or in the future, are declared eligible for membership.
2. Member city agencies may elect to have an alternate member(s) from their city council in addition to any official member, but said alternate(s) shall be able to vote only in the absence of the official representative.
3. Membership shall be contingent upon the execution of this Joint Powers Agreement.

Section 6. Boundaries and Service Levels: The service area boundaries shall be all of the area within the boundaries of San Luis Obispo County as designated by the RTA Board. Any additional services beyond the level recommended by the Regional Transportation Plan or mandated in the Unmet Transit Needs Hearing (PUC Section 99401.5) may be instituted, but shall require unanimous approval of affected

jurisdictions, with costs for the extra service to be distributed on the basis of formula developed by the RTA Board members representing the affected jurisdictions.

Section 7. Committees:

1. Committees and subcommittees may be established as RTA may deem appropriate.
2. Membership on “ad-Hoc” policy committees shall be at the discretion of the President. Nothing herein shall be construed to limit membership on these aforesaid committees to officials of the member agencies. The President may appoint any individual deemed qualified to serve on a committee.
3. Standing committees shall include the:
 - a. Regional Transit Advisory Committee (RTAC) serving as a Regional Transit Productivity Committee to advise the Board on the efficiency and effectiveness of the transit system.
 - b. ~~An~~ Executive Committee comprised of the President, Vice President and the past President and at least one representatives from the county of San Luis Obispo (if none of the above) shall advise the Executive Director and RTA on: draft agendas, personnel issues, budget and Overall Work Program; controversial, sensitive and major policy issues; and shall facilitate the annual performance evaluation of the Executive Director. Items for review shall be selected by the Executive Director in consultation with the President. All Committee members may include agenda items as they desire. For purposes of conducting business, two members shall constitute a quorum.
 - c. South County Transit Committee (SCTC) comprised of RTA Board members representing the four jurisdictions included in the Arroyo Grande – Grover Beach Urbanized Area as defined in the 2010 Decennial Census (hereinafter referred to as the AG-GB UZA). The SCTC member jurisdictions include the cities of Arroyo Grande, Grover Beach and Pismo Beach, and the County of San Luis Obispo, representing the Oceano Area and the Avila Beach Area. The SCTC’s roles and responsibilities include:
 - i. The SCTC shall effectively control local fixed-route services and any other public transportation services operated solely within the AG-GB UZA by virtue of the voting requirements for matters provided above in Section 2 of Article II.

- ii. At a minimum, the SCTC shall meet annually to consider annual service levels, fare levels, major marketing campaigns, capital improvement plans, and to ratify financial commitments for each jurisdiction participating in public transportation services operated solely within the AG-GB UZA. At the request of two or more SCTC members, properly noticed special SCTC meetings may also be conducted.
- iii. For purposes of conducting business, three of the four SCTC members shall constitute a quorum.
- iv. The SCTC shall submit an annual operating budget and multi-year capital improvement plan for fixed-route and other public transportation services operated solely within the AG-GB UZA to the full RTA Board prior to May 1 for consideration as part of the RTA Overall Annual Budget.
- v. Any additional services beyond the level recommended by the Regional Transportation Plan or mandated in the annual Unmet Transit Needs Hearing (PUC Section 99401.5) may be instituted in the SCTC service area, but shall require unanimous approval of affected jurisdictions, with costs for the extra service to be distributed on the basis of a formula developed by the SCTC members representing the affected jurisdictions.
- vi. Each SCTC member agency shall make an annual Transportation Development Act contribution based upon the percentage of total SCTC-served population related to the area served within that member agency. All population percentages utilized shall be those annually adopted by the San Luis Obispo Council of Governments for allocating Transportation Development Act Funds based annually on estimates prepared by the State Department of Finance pursuant to Section 2227 of the Revenue and Taxation Code for Cities and by the County Planning and Building Department for unincorporated communities.
- i-vii. Any member of the SCTC may withdraw from the SCTC after providing written notice to the RTA Board President one year in advance of the requested withdrawal date. A withdrawing member's financial obligation under this subsection is limited to the withdrawing member's pro-

rata share of the currently adopted SCTC operating budget within the service area of the obligated commitments affecting the withdrawing member and any San Luis Obispo Council of Governments finding as to Unmet Transit Needs that are Reasonable to Meet pursuant to Public Utilities Code Section 99401.5. However, the obligations of a withdrawing member under this subsection are limited to the special transportation funds to which the withdrawing member would be entitled, such as Transportation Development Act funds, and this section shall not impose any obligation on the general funds of the withdrawing member.

4. No committee shall commit the RTA on any matter or questions of policy. Such matters or questions can only be decided by the RTA.
5. All committees shall receive clerical assistance from RTA staff and, by agreement, SLOCOG staff for the purpose of maintaining minutes of meetings and other such duties as the Executive Director may direct. The chair of each committee shall sign the original copy of the minutes indicating verification of contents upon committee approval. Copies of minutes of all meetings shall be sent to members of the RTA and the Executive Director.

ARTICLE III Financial Provisions

Section 1. Budget: The Executive Director shall prepare an Overall Annual Budget ~~annual budget~~ for RTA Board adoption prior to commencement of each fiscal year. The Overall Annual Budget shall include financial details on core RTA services, as well as financial details for those various public transportation services provided under agreement to other agencies. Core RTA services include intercity fixed-routes along the US-101 and SR-1 corridors, and regional Americans with Disabilities Act complementary paratransit services. The approval of the Overall Annual Budget shall be in accordance with those procedures prescribed by the Joint Powers Agreement of SLOCOG.

The annual operating and capital budgets for non-core services provided under agreement to another agency requires ratification by its governing body prior to consideration of the Overall Annual Budget by the RTA Board.

Accounting practices to be applied will conform to those used by San Luis Obispo County, consistent with Transportation Development Act rules and regulations.

A Consolidated Fund balance and cash balance for RTA core services will carry forward from one year to the next. Separate Consolidated Fund balances and cash

balances will be maintained for public transportation services provided by RTA under agreement to other agencies, including those public transportation services provided under the direction of the SCTC.

The Overall Annual Budget may additionally carry funds for future fiscal years where necessary to develop a multi-year Capital Improvement Program and to reflect obligations under state or federal funding agreements, to the extent allowable by California law.

No member Agency shall be required to expend any of its general fund monies to support the operations of the RTA. The operation of the transit system shall be funded from revenues derived from operations, member Transportation Development Act fund contributions, grants, and any other appropriate revenue sources. Each member agency shall make an annual contribution to the RTA in accordance with the adopted budget.

Any formula may be amended upon approval of all jurisdictions affected by that formula and ratified by the RTA.

All population percentages utilized shall be those annually adopted by SLOCOG for allocating Transportation Development Act Funds based annually on estimates prepared by the State Department of Finance pursuant to Section 2227 of the Revenue and Taxation Code for cities and by the County Planning and Building Department for unincorporated communities.

Section 2. Expenditures: The RTA may establish procedures and policies to insure competitive prices for the purchases of goods and services. Formal bidding shall not be required unless directed specifically by the RTA or unless required by state or federal law. Particularly in the purchase of equipment, including buses, the RTA may consider the design, maintenance and operating costs, and other similar factors in determining the most suitable equipment and need not purchase equipment having the lowest initial cost.

Section 3. Treasurer and Auditor: Pursuant to Government Code Section 6505.5, the Treasurer of the County of San Luis Obispo is hereby designated as Treasurer of the RTA. The Treasurer shall have the powers and duties set forth in Government Code Section 6505.5. The Auditor/Controller of the County of San Luis Obispo is designated as the Auditor of the RTA pursuant to Government Code Section 6505.5.

Section 4. Annual Audit: The RTA shall cause an annual audit to be prepared and filed in accordance with Government Code Section 6505 and Public Utilities Code Section 99245. This audit shall include RTA core services, as well as those service provided under agreement for other agencies.

Section 5. Annual Report: The Executive Director shall prepare and submit an annual report of the operations to the RTA Board, SLOCOG and State Controller within

~~90 days of the by January 31 following each~~ fiscal year pursuant to Public Utilities Code, Section 99243.

Section 6. Periodic Reporting: The RTA Board may require periodic reporting of ridership, finances, or other information. This periodic reporting shall include RTA core services, as well as those service provided under agreement to other agencies. It shall be the responsibility of the Executive Director to provide such reports in a form acceptable to the RTA Board.

ARTICLE IV Authority

Section 1. Powers: The RTA shall have all Powers necessary to carry out the purpose of this Agreement, except the power to tax. Its power to expend funds shall be limited only by the availability of funds as set forth in ARTICLE III: Finances, Section 1. The Powers of the RTA specifically include, but are not limited to, the following:

1. To solicit bids and negotiate contracts from private enterprise for services and/or operation.
2. To sue or be sued.
3. To employ agents, employees and contract for professional services.
4. To make and enter contracts, including labor, purchase agreement and employment contracts.
5. To acquire, convey, construct, manage, maintain and operate necessary equipment, building and improvements.
6. To acquire and convey real and personal property.
7. To incur debts, liabilities and obligations, as well as obligations of financial assistance from State and Federal agencies, and to obligate RTA to operate the improvements, equipment or transportation system in accordance with the terms and conditions of said financial assistance.
8. To purchase insurance.
- 7.9. To develop policies and procedures necessary to remain in compliance with Federal Transit Administration Section 5307 Urbanized Area Formula Program and other federal grant program funding requirements.

Section 2. RTA is a Public Legal Entity: The RTA is a public entity duly formed and existing under the laws of the State of California. It is a separate and distinct legal entity from its member agencies. The debts, duties and obligations created pursuant to this Agreement, shall be solely the obligations of the RTA and not those of its officers, employees, members of the Board of Directors or the member agencies.

ARTICLE V Miscellaneous Provisions

Section 1. Withdrawal of Member: A withdrawing member's financial obligation under this Section is limited to the withdrawing member's pro-rata share of the currently adopted operating budget based upon ARTICLE III, Section 1 within the service area of the obligated commitments affecting the withdrawing member and any SLOCOG's finding as to unmet transit needs that are reasonable to meet pursuant to Public Utilities Code Section 99401.5.

Section 2. Amendment of Agreement: No amendment to this Agreement shall be made without the consent of all member agencies at the time of the amendment.

Section 3. Ratification - Effective Date: This Agreement shall be deemed effective as to those parties executing this Agreement upon their execution of the Agreement.

Section 4. Assignability: In the event it is deemed in the best public interest to have the RTA operated by another individual or entity, whether public or private, and provided that the assignment complies with State and Federal laws, the agency-RTA on affirmative vote of the majority in accordance with Section 2 of ARTICLE II, may sell, lease or assign all of its real and personal property and cease operations upon such terms and conditions as the RTA determines to be reasonable.

Section 5. Termination: This Agreement shall continue in full force and effect until rescinded by a majority of the member agencies.

Section 6. Notification to Secretary of State: Pursuant to Government Code Section 6503.5, the RTA shall cause a notice of the execution of this Agreement to be prepared and filed with the Office of the Secretary of the State of California, within thirty (30) days after the effective date of any amendment to this Agreement. Until such filings are completed, the RTA shall not incur indebtedness of any kind.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

City of Arroyo Grande

By: _____

Clerk

Date: _____

Resolution No. _____

City of Atascadero

By: _____

Clerk

Date: _____

Resolution No. _____

City of Grover Beach

By: _____

Clerk

Date: _____

Resolution No. _____

City of Morro Bay

By: _____

Clerk

Date: _____

Resolution No. _____

City of Paso Robles

By: _____

Clerk

Date: _____

Resolution No. _____

City of Pismo Beach

By: _____

Clerk

Date: _____

Resolution No. _____

City of San Luis Obispo

By: _____

Clerk

Date: _____

Resolution No. _____

County of San Luis Obispo

By: _____

Date: _____

Clerk

Resolution No. _____

Approved as to form and legal effect:

RITA L. NEAL

County Counsel

By: _____

~~Deputy~~ Assistant County Counsel

Date: _____



Atascadero City Council

Staff Report – Public Works Department

Discussion of Proposed Pickleball Courts at Colony Park

RECOMMENDATION:

Council provide feedback and staff direction regarding the proposed Pickleball Courts at Colony Park.

DISCUSSION:

Background

About two years ago, Council and staff were contacted by residents representing the Atascadero Pickleball Club to request additional pickleball courts at Colony Park. Currently, there are no dedicated pickleball facilities at Colony Park or at any other City park. Pickleball participants play in the Colony Park Community Center gymnasium and on the outdoor basketball courts. In December of 2019, the City Council approved changes to the Colony Park master plan to set aside space for 3 to 4 Pickleball courts. The Council did not direct staff to appropriate funds at that time, but said that it would be amenable to discussing a funding partnership with the Atascadero Pickleball at some time in the future.

Since the Council meeting a year ago, pickleball, fund raising by the Atascadero Pickleball Club and construction of the pickleball courts have all been affected by COVID. Pickleball is currently being played only on the outdoor basketball courts although the hope is to be able to open the Gym to pickleball in the future. Fund raising opportunities have been hampered by COVID restrictions and construction prices have seen some significant increases.

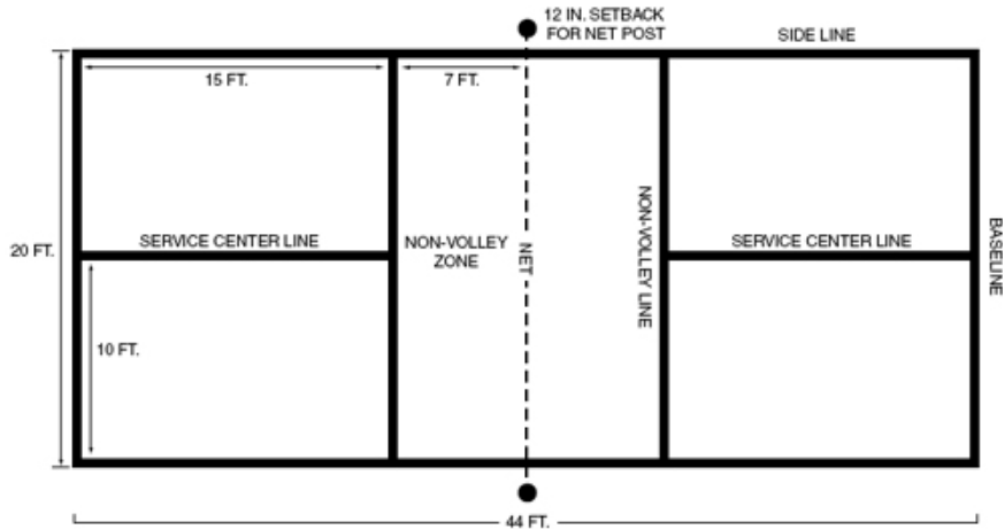
Representatives from the Atascadero Pickleball Club have expressed frustration with increasing estimated construction costs and the lack of a formal funding partnership agreement with the City.

Site Design Analysis

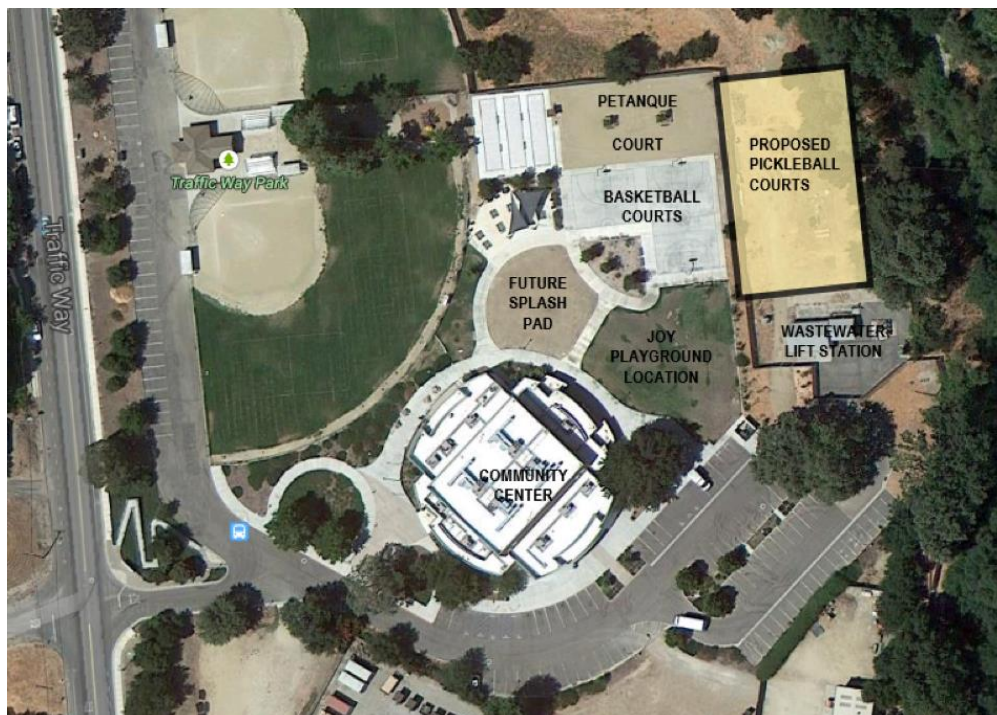
Pickleball has become a very popular sport over the last ten years, particularly among older adults. Pickleball is played as doubles or singles with a paddle and plastic ball with holes. This sport combines many elements of tennis, badminton, and ping-pong. Pickleball is played indoors or outdoors on a badminton-sized court with a slightly modified tennis net. The playing area for pickleball measures 20 feet by 44 feet, with a recommended buffer area of 5 feet and 8 feet outside the sidelines and baselines,

respectively. The minimum recommended total hard surface dimension needed for one pickleball court with buffer areas is 30 feet by 60 feet. These dimensions can be increased, if desired, to provide greater buffer distance to fencing, walls, and other physical barriers.

Pickleball Court Dimensions



Pickleball is currently played in the Community Center gymnasium (three courts) and outside on the basketball courts (three courts). There is a request for three to four additional pickleball courts to accommodate the growing demand of this popular sport. The Master Plan for Colony Park was changed 11 months ago to accommodate additional pickleball courts in an area adjacent to the basketball courts and petanque court (see map below).



The proposed pickleball court location is currently being used as a temporary material storage yard for Public Works and is located just north of Lift Station No. 5 and south of the lift station's overflow pond area. The overflow pond is currently accessed by vehicles (trucks, mowers and a bulldozer one to two times per year) through the area slated for the Pickleball courts. Access to the overflow pond will be built into the Project either through an alternative access point or by designing the courts to allow for limited vehicle traffic. The alternative access to the overflow pond near A-Town State Park appears to be feasible and will require a culvert extension and new fence gate. This alternative access will eliminate the need to design the court pavement for loading from vehicles and heavy equipment. While the lift station and overflow pond are static and cannot be relocated without significant costs, the temporary material storage yard can and will be combined with other nearby Public Works storage yards. This proposed location is relatively flat and can accommodate four pickleball courts as designed below.



The above layout shows four courts with 34-foot by 64-foot dimensions with a 10-foot wide walkway bisecting through the middle to a 10-foot by 20-foot seating area. The total court plus walkway dimension is 66-feet by 138-feet. Eight-foot high fencing would be installed around the perimeter and four-foot high fencing on either side of the walkway and between courts. A concrete sidewalk would also be installed on the west side for access to the courts.

Estimated Project Costs

There is currently no funding source identified in the budget to construct pickleball courts if the Council decides to move forward with these facilities at Colony Park. The Pickleball Club is continuing to raise funds and has obtained \$42,669 to date in funding, pledges and donations labor and materials as follows:

Cash (Bank):	\$ 36,525
GoFundMe (Cash):	\$ 3,144
Home Depot Gift Card:	\$ 3,000
Total:	\$ 42,669

In addition, the Club has applied for the following grants and waiting for award results: Justin Community Grant (\$50,000), Home Depot (\$12,000), and Adidas Corporation. In addition the Club has secured either donations of services or discounted prices for services as follows:

- Pledge for North Coast Engineering to complete the grading and drainage plans
- Pledge by Dane Jensen to complete all soil and concrete testing for a firm price of \$2,500
- Pledge by Central Coast Fencing for fencing, including setting poles for \$20 to \$25 a linear foot.

The value of the services donated to the Atascadero Pickleball Club would bring down the City Project scope and total cash outlay for the Project.

The Pickleball Courts Project proposes construction of four outdoor pickleball courts, built to meet the size and construction methods standards of the USA Pickleball Association. Primary construction items include general site preparation, construction of concrete slab (138' x 66') and associated concrete access pathways, court surfacing (textured acrylic coating), perimeter fencing (8' height) and court separation fencing (4' height). (The estimate does not include costs for permanent nets, poles or storage facilities.) Staff currently estimates construction project costs to be as follows:

No.	ITEM	QUAN	UNIT	UNIT PRICE	TOTAL PRICE
Civil					
1	MOBILIZATION	1	LS	\$ 1,500.00	\$1,500.00
2	WATER POLLUTION CONTROL PLAN/TREE PROTECTION	1	LS	\$ 1,500.00	\$1,500.00
3	EXCAVATION / EARTHWORK	300	CY	\$ 30.00	\$9,000.00
4	REMOVE FENCE	120	LF	\$ 20.00	\$2,400.00
5	INSTALL DRAINAGE SYSTEM	1	LS	\$ 2,500.00	\$2,500.00
6	CONSTRUCT CONCRETE SIDEWALK (4" CONCRETE/4" CL 2 BASE)	1425	SF	\$ 15.00	\$21,375.00
7	CONSTRUCT CONCRETE COURTS (6" CONCRETE/6" CL 2 BASE)	8700	SF	\$ 20.00	\$174,000.00
8	COURT SURFACING	8700	SF	\$ 3.00	\$26,100.00
9	DECOMPOSED GRANITE SURFACING	10	TN	\$ 60.00	\$600.00
10	FENCING (4' HEIGHT)	265	LF	\$ 25.00	\$6,625.00
11	FENCING (8' HEIGHT - NO SLATS)	140	LF	\$ 40.00	\$5,600.00
12	FENCING (8' HEIGHT - SLATTED)	300	LF	\$ 50.00	\$15,000.00
CONSTRUCTION TOTAL:					\$266,200.00

Total project costs including contingencies would bring total project costs to almost \$350,000 as follows:

BUDGET ITEM	EST. COST
SURVEY, ENGINEERING	\$ 15,000
CONSTRUCTION	\$ 266,200
CONSTRUCTION CONTINGENCY (15%)	\$ 51,800
CONSTRUCTION STAKING, INSPECTION & CONSTRUCTION MANAGEMENT	\$ 17,000
TOTAL PROJECT COSTS	\$ 350,000

This is a rough estimated cost based on other bids the City has received for projects. The City of Santa Maria, in partnership with the Santa Maria Pickleball Club and Partners for Leisure and Youth, are completing a project to build six new Pickleball Courts. The cost of the Santa Maria project is estimated to finish at roughly \$125,000 which is significantly less than the current staff estimate for the proposed four courts. The actual cost of the Project will vary significantly either up or down depending on:

1. Thickness of Base and Concrete - The thickness of the base and the concrete will be a significant determining factor in the cost per square feet for the concrete. The Santa Maria courts were constructed using 3" of concrete on a 3" base. The current estimate includes 6" of concrete on 6" of base. There are a number of factors that will go into determining the "right" base and concrete for the courts:
 - Soil Composition - The soil make-up and existing soil compaction will play a significant role in determining the thickness of the required base and concrete. Complete soils testing has not been performed at the site.
 - Driveable - If alternative access to the overflow pond cannot be built, the courts will need to be designed and built to withstand the necessary vehicles and bulldozers driving across the courts a couple of times per year.
 - Upfront Costs vs. Future Maintenance Costs - In general, assuming the same soil composition and use, the thinner the base and concrete, the more prone the surface is to cracking and heaving. This may mean more frequent and costly repairs.
2. Post-tension Slab - The Atascadero Pickleball Club desires that the courts be built using a post-tension slab construction. This type of construction will be significantly more costly than most reinforced concrete, but should be more resistant to cracking and have lower maintenance costs in the long-run.
3. Total Area to be Surfaced - Typically the larger the area that will be surfaced, the more expensive the project will be. The six Santa Maria courts are on a slab that is 100' x 110'. The four courts proposed in the Project are currently designed on a 138' x 66' slab to accommodate the spacing needs requested by the Atascadero Pickleball Club.
4. Bidding Environment - The number of projects being constructed and the availability of labor and materials have a significant impact on the prices that the City can expect to see in their bids.

Staff estimates that eliminating the post tension slab and reducing the thickness of the concrete from 6" to 4" would bring down the estimated construction cost of the Project to just under \$200,000 with an overall projected Project cost of around \$250,000; however, the thinner concrete may lead to slab cracking in the future. Reductions in the size around the pickleball courts and a good bidding environment could further reduce costs. The Atascadero Pickleball Club also believes that with the support and partnerships that they have built, that the cost of the Project will be significantly lower than the current staff estimated Project costs.

City Funding

In the past, the City has collaborated with local groups requesting park facilities. Below is a list of recent City/Community partnership park expansion projects and the relative financial contribution of each.

Project	Park	City	Community
Joy Playground	Colony Park	47.3%	52.7%
ALPS Three Bridges Trail	Open Space	24.8%	75.2%
Zoo Education Center/Thelma Vetter Red Panda Exhibit	Lake Park	50.0%	50.0% Est.
Lake Well Project	Lake Park	0.0%	100.0%
Lake Aeration System	Lake Park	0.0%	100.0%
Bocce Ball Courts	Colony Park	0.0%	100.0%
Petanque Courts	Colony Park	0.0%	100.0%
Horseshoe Pits	Paloma Park	0.0%	100.0%
Skate Park Insulation Project	Colony Park	0.0%	100.0%
Skate Park Outdoor Facility	Colony Park	0.0%	100.0%

At other times, the City has been able to use grant funding and impact fees to complete projects without significant community participation.

Project	Park	City	Community
The Plaza	New Park Area	100.0%	0.0%
Centennial Plaza	Centennial Plaza	100.0%	0.0%
Stadium Park Easement	Stadium Park	100.0%	0.0%
Paloma Park Purchase	Paloma Park	100.0%	0.0%

The City collects Parkland Facilities Fees Funds from new development to help build new or expand existing park facilities. These funds have historically been used to partner with community groups such as the Atascadero Pickleball Club in order to leverage limited funds to build new facilities to serve the public. There currently is a small unallocated balance in the Parkland Facilities Fees Fund and there are significant development projects in process that are expected to pay Parkland Facilities Fees Funds within the next year or two. Since adoption of the current fees the City has received anywhere from \$68,000 - \$612,000 in any fiscal year; however in most average building years, the City will collect about \$150,000 in Parkland Impact Fees.

Conclusion

The Atascadero Pickleball Club has been fundraising for the courts, but they have asked for a City financial commitment to the Project. The City does have available Parkland Impact Fees to partner with the Atascadero Pickleball Ball Club similar to other park projects. Staff is looking for Council direction on both the design of the pickleball courts and direction on whether to bring back a formal funding partnership agreement and appropriation.

FISCAL IMPACT:

None. Council will be providing direction to staff which has no fiscal impact.

ATTACHMENTS:

None.



Atascadero City Council

Staff Report – Community Development Department

Cannabis Regulations Update Discussion (CPP 2020-0011)

RECOMMENDATION:

Council direct staff to conduct further analyses on commercial cannabis uses and/or draft ordinance language to amend Title 9-Chapter 15 of the Zoning Regulations to allow for limited commercial cannabis uses.

REPORT-IN-BRIEF:

In May of 2020, the City Council gave direction to staff to examine the options for an update to the City's Cannabis Regulations with the addition of commercial cannabis business types. The business types consisted of the following:

- Commercial cultivation (Indoor)
- Cannabis manufacturing (non-volatile materials)
- Distribution centers

Staff has evaluated the potential land use factors and tax revenues associated with these business types. Retail cannabis uses remain the predominant tax revenue generating land uses for most regions. However, commercial cultivation and manufacturing can account for up to 25% of the tax revenue associated with cannabis. The demand for cannabis business as a commercial land use, is primarily associated with retail uses, while manufacturing and cultivation space demand tends to be less frequent. However, as retail uses expand on the central coast, the cultivation and manufacturing uses may increase and begin to catch up with the revenue currently found in retail.

Currently, the City allows for retail cannabis deliveries from businesses that are based outside of the City. There are currently eight such delivery businesses that are licensed to deliver both medical and recreational cannabis in Atascadero. The City's existing ordinance can be modified to allow other commercial land uses if it is determined that these land uses are an appropriate fit for Atascadero and that any potential impacts can be adequately addressed through code requirements or use permit conditions.

DISCUSSION:

Background

In 2017, the City Council adopted a new ordinance regulating cannabis activities that repealed Title 9, Chapter 6, Section 9-6.186, Medical Marijuana Facilities, of the Atascadero Municipal Code. 9-6.186 was replaced with an entire new Chapter (Chapter 17), Cannabis Activities and Regulations. The existing ordinance contains cannabis definitions, personal cultivation standards, and a review process to allow for commercial cannabis activities, including a land use table indicating permitted zoning for each land use. The City also developed cannabis land use buffer maps that included 600-foot buffers from sensitive land uses should the ordinance be expanded to include additional cannabis land uses (Attachment 2). Sensitive land uses include parks, youth centers, and schools. Churches were not included in the buffer map but may be considered a sensitive use if utilized as a school or youth center. Other than testing labs, all other commercial cannabis activities are prohibited in the City. However, at this time, no testing labs have located in the City. The State of California requires that local jurisdictions allow for cannabis delivery services, whether or not the jurisdiction allows for commercial cannabis activities.

Chapter 17 was developed in a fashion that would allow for code updates in the future and to incorporate legal and regulatory developments. Since the adoption of Chapter 9-17, the Council also voted to adopt a Cannabis Tax Measure (Municipal Code Chapter 3-18), which allowed the City to adopt a tax based on business gross receipts and square footage of plant canopy. Taxes are currently being collected for retail delivery businesses that are licensed to deliver cannabis products in Atascadero. As of the end of the previous fiscal year, the City has collected approximately \$11,000 from eight licensed delivery services that are located outside of the City. That amount is expected to increase as additional delivery services obtain City business licenses. Many of the existing businesses did not obtain City licenses or begin paying taxes until the middle of the fiscal year.

Cannabis Land Uses in Atascadero

In May of 2020, Council decided to re-examine the existing Cannabis Ordinance and evaluate the potential for other commercial cannabis business land uses in the City. Based on this discussion, the following recommendations were made for further analysis of commercial cannabis in the City:

- **Retail storefront:** *No changes and examine at a future date.*
- **Mobile Dispensaries with no storefront:** *No changes and examine at a future date.*
- **Manufacturing with volatile facilities:** *No changes and examine at a future date.*
- **Manufacturing with non-volatile facilities:** *Consider changes to allow non-volatile manufacturing. Analyze market demand, job creation, and potential tax revenue share.*
- **Outdoor commercial cultivation:** *No changes and examine at a future date.*

- **Indoor commercial cultivation:** Consider changes to allow cultivation in select locations. Analyze potential locations/allowable zoning districts, land use impacts, and odor concerns.
- **Distribution Center:** Consider changes to allow non-storefront storage and distribution of commercial cannabis. Analyze market demand, job creation, and potential tax revenue share.

Based on the Council discussion in May, staff has taken a closer look at non-retail cannabis land uses including manufacturing and indoor cultivation. Additionally, an economic impact study for Sonoma County's Cannabis Industry was utilized to evaluate potential cannabis job creation numbers, as well as economic studies utilized by the City of Grover Beach's cannabis tax and information from permits for cannabis businesses in the County and the State (Attachments 3-4).

1. Manufacturing/non-volatile

There are two types of non-retail manufacturing facilities that are recognized by the State Licensing Authority. The State utilizes the term "Type 1" for non-volatile manufacturing and "Type 2" for volatile manufacturing. A Type 1 facility is a facility that does not use hazardous or volatile solvents. Type 1 manufacturing would typically consist of food products, edible items and finish products for topical use that do not include the use of solvents or heavy manufacturing. Staff has examined Type 1 manufacturing as a potential land use for Atascadero.

Manufacturing Use Considerations

Type 1 manufacturing of cannabis products includes but is not limited to the processing of raw cannabis plant products into a wide variety of edible, topical, and even industrial products that involve the oils, resins, fibers and compounds of the cannabis plant. These products are used in the medical, recreational, and industrial industry. Such manufacturing may also include the manufacturing of non-THC hemp based products where plant fibers are utilized for fiber, cloth and CBD products. Hemp products are not subject to the same tax structure as THC based cannabis products that are specialized to the medical and recreational market.

In our County, there are few manufacturing land uses, however, some small industries have located in the Grover Beach area and unincorporated areas. These land uses account for a smaller portion of the cannabis industry in our region but are anticipated to grow based on predictions by Grover Beach and other areas.

In Atascadero, the Industrial Zones, Service Commercial Zone (CS) and Commercial Park Zone (CPK) appear to be the best fit for Manufacturing uses, as these zones are designed for indoor service, manufacturing and industrial land uses. Such land uses should be subject to a Conditional Use Permit, including a community benefit agreement. Attachment 1 begins to illustrate what an ordinance that allows Manufacturing land uses would look like. However, additional work would be needed to complete this draft ordinance for Council review in the future. Additionally, the City would need to adopt a special review process and separate fee schedule for commercial cannabis uses. Most cities seek full cost recovery for a commercial cannabis application, therefore application fees are very high (currently \$23,000 in SLO, with annual renewal fees over \$75,000).

The following considerations should be incorporated into any use permit for cannabis Manufacturing land uses:

1. *Limitations on the number of specific manufacturing uses and distance requirements between land uses. State Law mandates that any cannabis land uses, including Manufacturing facilities be prohibited within 600 feet from schools, parks, and youth centers.*
2. *Performance criteria for Manufacturing Businesses including submittal of and/or City approval of:*
 - a. *Indemnification Form/Agreement.*
 - b. *Preliminary Security and Operations Plan. It is recommended that all cannabis businesses in the City be required to submit a Security Operations Plan. This is typical of cannabis permitting in adjacent cities and is included in the application for CUP for cannabis business licenses.*
 - c. *Signage Plan.*
 - d. *Employee Safety and Training Plan.*
 - e. *City Tax and Fee Payment Plan.*
 - f. *Vicinity Map showing distance to closest sensitive land uses. Sensitive land uses include uses such as residential uses, schools, and parks.*
 - g. *Community Benefit Agreement to include a program or compensation to be given to the community to mitigate the potential impacts of cannabis business.*
 - h. *Additional conditions to be established through the Conditional Use Permit process.*

It is recommended that any cannabis business in the City be reviewed by the Design Review Committee prior to Planning Commission to ensure neighborhood compatibility and compliance with City appearance review standards.

2. Commercial Indoor Cultivation

The State Department of Food and Agriculture (Department), issues licenses for commercial cannabis cultivation through the CalCannabis Cultivation Licensing program. Indoor cultivation of cannabis consists of the cultivation of cannabis using artificial light or mixed artificial light and outdoor light (mixed-light). Mixed-light commercial operations often utilize hoop houses or greenhouses for growing, while an artificial light operation is in a fully controlled environment. The State issues indoor and mixed light cultivation licenses for various categories of commercial cultivation, based on size of operation. This includes specialty cottage, specialty small, medium, and large operations, as well as indoor nurseries and processors. Staff has examined indoor commercial cultivation (artificial light only) as a potential land use for Atascadero.

Commercial Indoor Use Considerations

Indoor cultivation is a controlled environment where the cultivator can control all factors that go into production of cannabis, including light, dark periods, grow mediums, moisture temperature, and harvest cycles. In general, the cost to produce cannabis fully indoors is higher than outdoor or mixed light production, and is also much less common than outdoor cultivation in the State. In terms of share of production in the State, outdoor cultivation consists of 60 percent, mixed light (indoor with some outdoor light assistance) cultivation 24 percent, and indoor cultivation only 16 percent.

As indoor commercial cultivation is a non-public visitation use, it is recommended that the development standards for indoor commercial cultivation be the same as the underlying zoning districts. However, it could be beneficial to include more restrictive setback requirements than the existing underlying zoning districts to contribute to additional odor control and ensure any nuisance odor emissions from being detected offsite, especially in the case of mixed light operations.

The primary concern that Council discussed in May was potential odor impacts of commercial cultivation operations. Odor impacts should be controlled through odor control devices and techniques, such as air filtration, to control cannabis odors and ensure that cannabis odors are not detectable from the property boundary and adjacent public rights-of-way. Odor control systems may include ventilation and exhaust systems that provide sufficient odor control to meet requirements that would be determined in the ordinance. An odor control system is something that would be reviewed as part of the CUP process and environmental review under CEQA (if size and impacts substantiate an environmental review).

In our County, there are few commercial indoor cultivation land uses, and only the City of Grover Beach and the City of San Luis Obispo allow indoor commercial cultivation. Similar to State trends, indoor commercial cultivation land uses account for a smaller portion of the cannabis cultivation industry in our region.

In Atascadero, we do not have any large Agricultural properties, however, the CPK, and Industrial zones could accommodate smaller indoor commercial cannabis cultivation uses. The City could limit commercial cannabis cultivation to State license types that eliminate the option of very large cultivation facilities, since the larger facilities are not likely to be a good fit for Atascadero. The City can limit the size and scope of indoor cultivation, and the City may choose to limit the maximum size of an indoor cultivation site. For example, there are State licenses that are designed for small, “cottage” type cultivation uses that might be the best fit for Atascadero. A specialty indoor license (Type 1A) allows for indoor sites that are equal to or less than 5,000 square feet. A Type 2A license allows indoor operations between 5,000 square feet and 10,000 square feet. The State also offers a medium indoor license that allows for indoor cultivation spaces that are between 10,000 and 22,000 square feet. All three of these license types may be suitable in a small community such as Atascadero, while a much larger facility may not fit within the smaller commercial properties in our community.

The following considerations should be incorporated into any use permit for Indoor Commercial Cultivation:

1. *Limitations on the number of specific manufacturing uses and distance requirements between land uses. It is recommended that Indoor Commercial Cultivation facilities be prohibited within 600 feet from schools, parks, and youth centers.*
2. *Limitations on the size of an indoor cultivation business. Limits should match those that are licensed by the State. For example, the maximum size could be 22,000 square feet (or smaller).*

3. *Performance criteria for Indoor Commercial Cultivation facilities including submittal of and/or City approval of:*

- a. Indemnification Form/Agreement.*
- b. Preliminary Security and Operations Plan. It is recommended that all cannabis businesses in the City be required to submit a Security Operations Plan. This is typical of cannabis permitting in adjacent cities and is included in the application for CUP for cannabis business licenses.*
- c. Signage Plan.*
- d. Odor Management Plan.*
- e. Employee Safety and Training Plan.*
- f. City Tax and Fee Payment Plan.*
- g. Vicinity Map showing distance to closest sensitive land uses.*
- h. Community Benefit Agreement to include a program or compensation to be given to the community to mitigate the potential impacts of cannabis business.*
- i. Additional conditions to be established through the Conditional Use Permit process.*

It is recommended that any cannabis business, including indoor commercial cultivation, in the City be reviewed by the Design Review Committee prior to the Planning Commission to ensure neighborhood compatibility and compliance with City appearance review standards. Attachment 1 illustrates what an ordinance that allows Commercial Indoor cannabis cultivation land uses would look like. Similar to the discussion regarding Manufacturing uses, a special application process and fee structure would need to be developed for any commercial cannabis use.

3. Distribution Centers (CBB License Type 11)

Development standards, land use impacts, and permitting for Commercial Cannabis Distribution Centers would be similar to manufacturing cannabis land uses. Cannabis distributors are licensed to purchase, sell, conduct quality assurance review of packaging and labeling, and also transport cannabis goods between licensees. Distribution may involve a variety of manufacturing-related activities including purchase of raw material and transportation of raw materials or manufactured materials to other licensed cannabis facilities.

Distribution Use Considerations

Distribution centers generally serve the procurement, sale, and transport of cannabis and cannabis products between entities licensed for and engaged in commercial cannabis activities. A distribution center would distribute cannabis product between licensees, such as from a cultivation site to a retailer, or from manufacturing to retail. Distribution centers do not conduct any retail sales and do not have a public visitation use. It is also important to understand that a distribution center is not a delivery service and cannot distribute cannabis products to the retail consumer. Typically, a distribution center is associated with a manufacturing and cultivation business. It is important to understand that a distribution use does not allow for any retail deliveries or distribution to retail customers. A retail delivery business is a different license (Type 9). A Type 9 license could allow for a non-storefront delivery service to operate in conjunction with another commercial cannabis use, or alone. Such a delivery service would be similar

in nature to a small office or small distribution site. However, at the previous City Council hearing, Council did not suggest exploring a Type 9 license in the City. Attachment 1 provides draft ordinance language to amend the existing ordinance to allow for a cannabis distribution land use.

In our County, cannabis distribution centers are allowed in the unincorporated County, the City of San Luis Obispo, Grover Beach, and the City of Morro Bay (medical distribution center only). The use considerations are similar to manufacturing uses and most permitted manufacturing land uses also serve as distribution centers.

In Atascadero, the Industrial (I), Commercial Service (CS), and Commercial Park Zone (CPK) zones could accommodate a distribution location. Such land uses should be subject to a Conditional Use Permit. Attachment 1 illustrates what an ordinance for a cannabis distribution use would look like. These uses should be limited in size to 2,000 square feet or less or be combined with a cultivation or manufacturing site.

The following considerations should be incorporated into any use permit for cannabis distribution land uses:

1. *Limitations on the number of specific distribution uses and distance requirements between land uses. Maximum size limits may also be prescribed. It is recommended that distribution facilities be prohibited within 600 feet from schools, parks, and youth centers.*
2. *Performance criteria for distribution businesses including submittal of and/or City approval of:*
 - a. *Indemnification Form/Agreement.*
 - b. *Preliminary Security and Operations Plan. It is recommended that all cannabis businesses in the City be required to submit a Security Operations Plan. This is typical of cannabis permitting in adjacent cities and is included in the application for CUP for cannabis business licenses.*
 - c. *Signage Plan.*
 - d. *Employee Safety and Training Plan.*
 - e. *City Tax and Fee Payment Plan.*
 - f. *Vicinity Map showing distance to closest sensitive land uses.*
 - g. *Community Benefit Agreement to include a program or compensation to be given to the community to mitigate the potential impacts of cannabis business.*
 - h. *Additional conditions to be established through the Conditional Use Permit process.*

It is recommended that any cannabis business in the City be reviewed by the Design Review Committee prior to the Planning Commission to ensure neighborhood compatibility and compliance with City appearance review standards.

Zoning and Land Availability

The City's most intensive commercial zones are the Industrial, Commercial-Service, and Commercial Park Zones. These zoning districts are designated for service, manufacturing, and industrial land uses and are designated for larger, indoor land uses.

These land use designations were selected as the most desirable for non-retail cannabis land uses as these land uses can most easily fit within these zones. Manufacturing, cultivation, or storage of cannabis products does not seem appropriate in retail, tourism or residential zones.

The City's Industrial Zone is concentrated around Traffic Way and Via Avenue with substantial additional land along Sycamore Avenue adjacent to the Salinas River. There are approximately 25-30 acres that are vacant within this district, and much more that is underutilized. Much of the vacant industrial land is owned by the Atascadero Mutual Water Company. The existing Sycamore Industrial Park represents one of the largest industrial parks in the City. However, that industrial park is currently 100% occupied with automotive and industrial land uses. Additional industrial land lies along the Traffic Way corridor. However, many of these sites are small and are developed with small industrial buildings, typically less than 5,000 square feet. Several large, underutilized parcels remain in the industrial zone adjacent to Via Avenue. This location could accommodate indoor cultivation, manufacturing or distribution. Allowing such land uses, could accelerate development or redevelopment of several of the underutilized parcels that have been historically utilized for outdoor storage or other non-conforming uses (See Attachment 2).

The City's Service-Commercial zone or CS is primarily located along the southern corridor of EL Camino Real, north of Santa Rosa Road and south of Curbaril Road. Interspersed with the retail zone (both zones share the same general plan designation), this zone is primarily developed with light industrial uses, and service uses such as auto repair, tire shops, and towing facilities. All of the parcels in this zone are fairly small in size (less than one acre) and are developed. This zone could accommodate a small "light manufacturing" facility or distribution facility in the area that sits between El Camino Real and Highway 101, south of Curbaril Road. The likelihood of an indoor cultivation facility is low in this area since there are no significant sized buildings or parcels within this area. Therefore, it is recommended that cultivation not be included in the list of conditionally allowed uses in the CS zone (see Attachment 2).

The City's Commercial Park or CPK zone is located entirely within the strip of land between Highway 101 and EL Camino Real, north of San Anselmo and south of Del Rio Road. This zone has a significant number of medium sized, vacant parcels that could be developed with buildings suitable for light manufacturing or smaller indoor cultivation uses (see Attachment 2).

Overlay Zone Option

Some communities choose to utilize an "Overlay Zone", similar to a "Planned Development" zone to implement cannabis land uses. This can ensure that cannabis land uses only get developed in very specific locations in the City, and that any change to the location would need City Council approval. For example, the City may choose to add an overlay zone to portions of the Industrial, CS and CPK zone while prohibiting cannabis uses in the remainder of these zones. This reduces land use flexibility, but allows ultimate control and neighborhood protection. In some cases, the adoption of an overlay zone could be property owner driven and could be evaluated at the request of the property owner and at the discretion of the City.

Job and Tax Revenue Potential

State law creates a framework that allows for a legal, structured, and taxed statewide industry to develop while giving purview in terms of location and approval of cannabis business to local and regional governments. Cities can prohibit cannabis businesses, or allow businesses to operate within their jurisdiction.

Job Creation

Job creation data from the Bureau of Labor is non-existent as cannabis is still considered to be prohibited under federal law and jobs created in the industry are not counted. However, signs of job growth in the cannabis industry in California are positive. In 2018, Sonoma County had 52 licensed commercial cultivators (indoor and outdoor) that created an estimated 1,674 industry jobs, which is roughly 32 jobs per cultivator (*Economic Impact of the Cannabis Industry, Sonoma County, 2018 (Attachment 3)*). However, data on job creation from manufacturing business is limited, especially on the scale for smaller operations that would operate in the City of Atascadero. Similar to other industries, such as the wine industry, the creation of a local cannabis supply chain (cultivation, manufacturing, and certain types of retail) may align and help expand other industries, including real estate, trucking/transportation, construction, fertilizer and grower supply, printing, labeling, and marketing. There is potential market creation in allowing additional cannabis businesses and this does have the potential for job creation.

In examining existing cannabis permits and environmental documents in unincorporated San Luis Obispo County, a typical commercial cultivation facility of around 20,000 square foot has an estimated 15 employees directly associated with or employed by the business. A 15,000 square foot square foot manufacturing and cultivation project in Hayfork, CA, has an estimated 40 employees. In the City of San Luis Obispo, there is a merit criteria checklist that requires commercial cannabis operators to commit to local hiring of employees. Applicants that commit to hiring local employees receive more application points, as well as applicants that commit to sources from local businesses.

As of August 2020, the City of Grover Beach has approved 30 cannabis use permits. Currently, there are eleven (11) operational businesses, six (6) in the development/construction process, and five (5) under City review. Of the 30 use permits, the majority are manufacturing and distribution facilities.

Existing City Tax 2018

The City Council voted to adopt a resolution to submit a Cannabis Tax Ballot Measure to the voters in June of 2018. The Cannabis Tax Measure came into effect January 1, 2019, and is based on gross receipts of cannabis sales, services, and transactions. The Cannabis Business Tax may be repealed or amended by the City Council without a vote, but voter approval would be required for any amendment that would increase the rate of any tax. The current City cannabis business tax rates are shown in Table 1 and is shown in Chapter 18 of the Atascadero Municipal Code.

Table 1 – City of Atascadero Cannabis Tax Rates

	Initial Rate (beginning January 1, 2019)	Maximum Rate (through January 1, 2021)
Commercial Cultivation	Per square feet of canopy space	
Indoor, permanent artificial lighting	\$7.00 annually	\$10.00 annually + Consumer Price Index (CPI) Increase
Indoor, combination of natural and artificial lighting	\$4.00 annually	\$7.00 annually + CPI Increase
Indoor, exclusively natural lighting	\$2.00 annually	\$4.00 annually + CPI Increase
Nursery, minimal artificial lighting	\$1.00 annually	\$2.00 annually + CPI Increase
Testing, Manufacturing, and Retail	% of Gross receipts	
Testing Lab	1%	2.5%
Retail sales	4%	6%
Distribution	2%	3%
Manufacturing, processing, or other	2.5%	4%

Staff Time and Cost Recovery

While the review process to evaluate a use permit for a commercial cannabis business may require significant staff time, the cost recovery for staff time would be covered by fees and may not be significant when compared to similar use permit applications. Regionally, the cities of Morro Bay and Grover Beach implement cost recovery through cannabis specific fee structures and applicant deposits. For example, the City of Grover Beach collects an annual regulatory fee per retailer or manufacturer. These one-time or annual regulatory fees cover the majority of costs associated with maintenance and law enforcement. Additionally, development fees are charged to applicants for planning, enforcement, and permit review costs. The City of Morro Bay charges a deposit to applicants and an annual fee. As part of an amended ordinance, the City could charge deposits to applicants, annual regulatory fees, and implement 100 percent cost recovery associated with cannabis oversight and permitting. The development of this fee structure would require coordination with City Administration, Fire Department, Police Department, and the Finance Department.

As an example, the City of Grover Beach's basic fee structure for cost recovery is included below.

Cannabis Business Type	Fee Type	Amount	Notes
Retail/Manufacturing	Annual Regulatory Fee	\$20,000	
Distribution	Annual Regulatory Fee	\$10,000	
Labs/Testing	Annual Regulatory Fee	\$5,000	
All	Deposit Account	\$6,000	Redevelopment site
All	Deposit Account	\$10,000	Greenfield site

Market Demand

The California Legislative Analyst's Office estimates that in 2019-2020 tax year, the state will allocate nearly \$300 million from cannabis tax revenues into state programs. The California Department of Tax and Fee Administration (CDTFA) reported that as of August 2019, California's cannabis excise tax generated \$74.2 million in revenue and the cultivation tax generated \$22.6 million, not including taxes collected by local and regional governments. Data also suggests that market opportunities exist in supplying products to retailers as retail operation markets mature and that the primary market in the United States will be California, where retail sales of cannabis is expected to grow by 23 percent, or approximately \$4.7 billion.

Regionally, market demand data is lacking as only a few cities in the County have cannabis ordinances that allow for expanded commercial activities and information on revenue, community impacts, and benefits are limited. In discussions with HdL, the City has been advised that demand for non-retail cannabis land uses is very low. It was noted that these commercial land uses typically locate in larger populations that exceed 500,000 persons where there are direct connections to a large retail market. Furthermore, it was noted that due to Covid-19, the amount of capital to invest in these commercial land uses is very low. Much of the market is still in the illegal market, as high taxes and extensive capital needs continue to drive down the legal market. However, the City of Grover Beach still believes there is a future in the non-retail market, therefore their analysis projects that there is growth potential in this arena. Atascadero has not received any inquiries regarding cultivation or manufacturing allowances, however we do receive inquiries regarding the potential for retail uses on a regular basis.

Tax Revenue

In San Luis Obispo County, the cities of Morro Bay, San Luis Obispo, and Grover Beach have adopted ordinances that allow for retail sales of cannabis products through store fronts or dispensaries, in addition to other commercial cannabis activities. For fiscal year 2018-2019, the City of Grover Beach received an estimated \$1,000,000 in cannabis related revenue for the year and the City of San Luis Obispo received an estimated \$80,000. The City of Atascadero currently collects tax on retail cannabis delivery services from outside of the City, which was implemented in early 2020. The addition of more commercial cannabis business will increase potential tax revenue, however the significant increase would be far less than surrounding communities unless a retail land use was included in the update. In Atascadero, there is very little commercial industrial land that can accommodate significant increases in manufacturing or cultivation uses, and there is virtually no agricultural land available. Currently, there is not substantial or accurate data on the potential for tax revenue from cultivation or manufacturing uses. Most of the data in our County is based on retail uses. While there are commercial cannabis cultivation operations in the unincorporated areas, these primarily exist on large agricultural or rural residential properties, and that type of land is not available in Atascadero.

The three considered uses that have the potential for revenue creation are retail, cultivation, and manufacturing. Retail sales is generally considered to be the greatest source of tax revenue for cities, followed by cultivation and manufacturing. Current revenue by type is unavailable from neighboring jurisdictions due to the small number of business outlets and business information confidentiality laws.

Next Steps

This discussion is intended to be a closer look at the potential land uses that may be appropriate in the City. If the City Council would like staff to return with a draft ordinance, specific direction on the items to include in the draft can be discussed at this time. The Council may also desire to direct staff to provide additional community outreach on this effort prior to returning with a draft ordinance.

Specifically, staff is seeking Council direction on the following items:

1. Should staff return with a draft ordinance amending the existing Cannabis Ordinance to include additional commercial land uses?
2. What Commercial Land uses should be included in a draft ordinance:
 - a) Commercial Cultivation (size limits, small to medium)
 - b) Commercial Manufacturing (non-volatile)
 - c) Commercial distribution (size limits)
 - d) Non-storefront commercial medical or retail delivery
3. Should other land uses, such as a retail storefront, be explored at this time?
4. If staff returns with a draft ordinance, are there specific items that should be incorporated into the ordinance?
 - a) Specific number of each use?
 - b) Should the City establish overlay zones for cannabis?
 - c) Should the City require community benefit programs?
 - d) Are their specific districts other than CS, CPK or Industrial that should be examined?

ATTACHMENTS:

1. Examples of a Draft Ordinance Amendments to Title 9, Chapter 17
2. City zoning maps with buffer zones
3. Sonoma County Cannabis Study
4. City of Grover Beach Revenue Projections
5. LA Times article regarding Cannabis industry trends

Attachment 1: Rough Draft Amendments to Existing Cannabis Ordinance (Chapter 17)

Draft Amendments to AMC Chapter 17:

Chapter 17 CANNABIS ACTIVITIES AND REGULATIONS

Show All

9-17.001 Title.

9-17.002 Purpose and intent.

9-17.003 Definitions. (Amendments for new uses)

9-17.004 Personal cannabis cultivation.

9-17.005 Commercial cannabis activities. (Amendments for new uses)

9-17.006 Commercial cannabis activities development standards. (Amendments for new uses)

9-17.007 Commercial cannabis application and procedures. (Amendments for new uses)

9-17.008 Commercial cannabis application approval or denial of entitlement.

9-17.009 Commercial cannabis operational requirements. (Amendments for new uses)

9-17.010 Suspension and revocation of entitlement.

9-17.011 Enforcement.

9-17.003 (Changes in Red)

For the purposes of this chapter, the following definitions shall apply.

(a) **Accessory Structure.** An accessory structure is a detached structure, with a “u” occupancy that is accessory to and subordinate to the primary residential use.

(b) **Cannabis.** “Cannabis” shall have the meaning set forth in Business and Professions Code Section 26001(f), which includes all parts of the plant Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. “Cannabis” also means the separated resin, whether crude or purified, obtained from cannabis. “Cannabis” does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this chapter, “cannabis” does not mean “industrial hemp” as defined by Section 11018.5 of the Health and Safety Code.

(c) **Cannabis Canopy.** All areas occupied by any portion of a cannabis plant, encompassing all vertical planes (i.e., stacking of plants), whether contiguous or noncontiguous on any one (1) site. Cannabis canopy” shall be measured by taking the longest length and widest width of existing plants (including all gaps and open areas between plants) and multiplying the length and width to get square footage.

(d) **Cannabis Greenhouse.** A fully enclosed permanent structure that is clad in transparent material. Cannabis cultivation within an enclosed, non-transparent greenhouse is considered indoor cultivation.

(e) **Cannabis Hoop Structure.** A readily removable plastic covered hoop structure without in-ground footings or foundations, which are not more than twelve (12) feet in height and do not have vertical sides that exceed four (4) feet in height. Cannabis hoop structures are accessory uses on residential land use categories which shall not exceed one hundred twenty (120) square-feet. Cannabis cultivation within hoop structures is considered outdoor cultivation.

() **Cannabis Manufacturing.** The production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis or by a combination of extraction and chemical synthesis, using volatile or non-volatile organic compounds, at a fixed location, that packages or repackages cannabis or cannabis products, or labels or relabels its containers.

(f) **Cannabis Testing Facility.** A facility, entity, or site that offers or performs testing of cannabis or cannabis products and that is both accredited by an accrediting body that is independent from all other persons involved in the cannabis industry in the state, and registered with and licensed by the California State Department of Public Health.

(g) **Commercial Cannabis Activity.** “Commercial cannabis activity” shall have the meaning set forth in Business and Professions Code Section 26001(k), which includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery or sale of cannabis or cannabis products as provided in MAUCRSA (Business and Professions Code Section 26000 et seq.) and for which a state license is required. Commercial cannabis activity shall also include the sale or distribution of cannabis and/or cannabis products, in exchange for compensation in any form, for medicinal purposes under Health and Safety Code Sections 11362.5 and 11362.7 et seq.

() **Commercial Cannabis Business, Establishment, or Facility.** Any business, establishment, facility, property, location, or site where a commercial cannabis activity occurs or is operated (or is proposed to occur or operate) under this section.

(h) **Cultivation.** “Cultivation” shall have the meaning set forth in Business and Professions Code Section 26001(l), which includes any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.

() **Distribution.** The procurement, sale, and transport of cannabis or cannabis products between entities licensed pursuant to the Medicinal and Adult-Use Cannabis Regulation and Safety Act or as amended.

() **Distributor.** A Person licensed under the Medicinal and Adult-Use Cannabis Regulation and Safety Act to engage in the business of purchasing cannabis from a licensed cultivator, or cannabis products from a license manufacturer, for sale to a licensed retailer or microbusiness.

(i) **Day Care Center.** “Day care center” shall have the same meaning as Health and Safety Code Section 1596.76, which any child day care facility other than a family day care home, and includes infant centers, preschools, extended day care facilities, and school-age child care centers.

(j) **Fully Enclosed Structure.** A fully enclosed space within a building or separate structure that complies with the California Building Code (CBC), as adopted by the City of Atascadero, or if exempt from the permit requirements of the CBC, that has a complete roof, foundation, slab or equivalent base to which the floor is secured by bolts or similar attachments, and non-transparent walls on all sides.

(k) **Indoor Cultivation.** Cultivation, as defined in subsection (h), of this section, within a fully enclosed structure, as defined in subsection (j) of this section.

(l) **Outdoor Cultivation.** Any location within the City of Atascadero that is not within a fully enclosed structure, or cannabis green house, as defined in subsection (d) of this section.

(m) **Personal Cultivation.** Cultivation of cannabis at a private residence, as defined by subsection (n) of this section, for non-commercial cannabis activities, which is defined in subsection (g).

(n) **Private Residence.** A house, apartment unit, mobile unit, or other similar dwelling unit that is legally permitted within the City of Atascadero, and is considered a residential occupancy type in the California Building Code, as adopted by the City of Atascadero.

(o) **Retail Cannabis Delivery Center.** A “retail cannabis delivery center” is a facility from which deliveries of cannabis and/or cannabis products originate pursuant to orders placed by customers inside and/or outside the City.

(p) **School.** A private or public educational facility providing instruction in kindergarten or grades 1 through 12.

(q) **State Cannabis Laws.** “State Cannabis Laws” shall mean and include California Health and Safety Code Sections 11362.1 through 11362.45; California Health and Safety Code Section 11362.5 (Compassionate Use Act of 1996); California Health and Safety Code Sections 11362.7 to 11362.83 (Medical Marijuana Program Act); California Health and Safety Code Sections 26000 through 26211 (Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”)); California Health and Safety Code Sections 26220 through 26231.2; the California Attorney General’s Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use issued in August, 2008, as such guidelines may be revised from time to time by action of the Attorney General; California Labor Code Section 147.5; California Revenue and Taxation Code Sections 31020 and 34010 through 34021.5; California Fish and Game Code Section 12029; California Water Code Section 13276; all State regulations adopted pursuant to MAUCRSA; and all other applicable laws of the State of California.

() **Type 1 Cannabis Manufacturing Facility.** A facility that manufactures cannabis products using nonvolatile solvents, or no solvents, and for which a Type 6 or Manufacturing Level 1 license is required under Business and Professions Code section 26100.

() **Type 2 Cannabis Manufacturing Facility.** A facility that manufactures cannabis products using volatile solvents and for which a Type 7 or Manufacturing Level 2 license is required under Business and Professions Code section 26100.

() **Volatile Solvents.** “Volatile solvents” shall have the same meaning as in Health and Safety Code section 11362.3(b)(3), which includes any solvent that is or produces a flammable gas or vapor that, when present in the air in sufficient quantities, will create explosive or ignitable mixtures.

(r) **Youth Center.** “Youth center” shall have the same meaning as Health and Safety Code Section 11353.1, which includes any public or private facility that is primarily used to host recreational or social activities for minors, including, but not limited to, private youth membership organizations or clubs, social service teenage club facilities, video arcades, or similar amusement park facilities. (Ord. 612 § 2, 2017)

9-17.005 Commercial cannabis activities. (Changes in Red)

All commercial cannabis activities are prohibited unless specifically allowed in this Table 17-1. It is unlawful for any person to commence, operate, engage in, to conduct, or carry on (or to permit to be commenced, operated, engaged in, conducted or carried on) in or upon any property located within the City a commercial cannabis activity unless that person does so in strict compliance with State Cannabis Laws, this section, and all applicable Municipal Code provisions.

(a) Table 17-1 identifies the uses of commercial cannabis activities that are permitted in non-residential districts, and the planning permit required to establish each use, in compliance with Chapters 9-1 and 9-2 of this code.

Table 17-1 – Commercial Cannabis Use Table

Table 17-1 – Commercial Cannabis Use Table										
Allowed Land Uses and Permit Requirements Non-Residential Zones	A	Allowed Use, Zoning Clearance Required								
	CUP	Conditional Use Permit Required (Major)								
	AUP	Administrative Use Permit Required								
	☐	Not Permitted								
Use	Permitted Uses By Zones									
	CN	CP	CR	CS	CT	CPK	DC	DO	IP	I
Commercial Cannabis Activity										
Distribution Center – No On-Site Sales				CUP		CUP			CUP	CUP
Indoor Commercial Cultivation				CUP		CUP			CUP	CUP
Manufacturing - Type 1				CUP		CUP			CUP	CUP
Testing Facility		CUP	CUP	AUP		AUP			AUP	AUP

9-17.006 Commercial cannabis activities development standards. (Changes in Red)

(a) **Commercial Cannabis Businesses.** The following are development standards for all **Commercial Cannabis testing** facilities cannabis testing facilities:

- (1) On-Site Sales. Retail or wholesale sales to the public are prohibited.
- (2) Distance. Cannabis testing facilities shall be prohibited within six hundred (600) feet of schools, parks, and youth centers.
- (3) Signage. Signage shall be limited to fifteen (15) square feet in size.

(b) Cannabis Deliveries. The following standards apply to Cannabis delivery services located outside the incorporated City limits of the City of Atascadero:

(1) Deliveries within Incorporated City Limits. State-licensed retail cannabis delivery centers located outside the City may personally deliver cannabis and cannabis products to individuals located at private residences within the City, provided that such deliveries are in strict compliance with State Cannabis Laws and have obtained a business license tax certificate and are paying the applicable business license tax under Municipal Code Chapter 3-5. All other deliveries of cannabis and/or cannabis products are prohibited.

(2) Vehicle Advertising. Vehicles used in the delivery process must be unmarked without any designation or logo that identifies the vehicle as a cannabis delivery vehicle.

(3) Delivery Times. Cannabis and cannabis product deliveries within the City may not occur between 11:00 p.m. and 7:00 a.m. (Ord. 612 § 2, 2017)

9-17.007 Commercial cannabis application and procedures. (Changes in Red)

(a) Application Requirements. Any person applying for an AUP or CUP for a **commercial cannabis facility** ~~cannabis testing facility~~, as allowed under this chapter, must submit the following information with their application:

(1) The name of the proposed **commercial cannabis facility** ~~cannabis testing facility~~ including, if applicable, the name on file with the California Secretary of State and any fictitious business names and/or DBAs.

(2) The location of the proposed **commercial cannabis facility** ~~cannabis testing facility~~ (must comply with the zoning and location restrictions set forth above).

(3) The names, addresses, and contact information for each owner of the proposed **commercial cannabis facility** ~~cannabis testing facility~~

(4) If the proposed **commercial cannabis facility** ~~cannabis testing facility~~ is incorporated, the names, titles, addresses, and contact information of each corporate officer, the name, address, and contact information of the agent for service of process, a certified copy of the articles of incorporation, and copy of the bylaws.

(5) If the proposed **commercial cannabis facility** ~~cannabis testing facility~~ is a partnership, the names, addresses, and contact information for each partner and the agent for service of process.

(6) The name and contact information for each manager of a proposed commercial cannabis business, establishment, or facility. If such information is not available at the time the application is submitted, the proposed commercial cannabis business, establishment, or facility shall submit such information to the Community Development Department as soon as it becomes available.

(7) For each owner, corporate officer, partner, manager, employee, or volunteer, a criminal history (“LiveScan”) prepared not more than two (2) weeks prior to the date of submitting the application demonstrating that there are no pending charges or convictions for any crime (including, without limitation, theft, fraud, deceit, or assault) within the previous ten (10) years, and that the subject is not currently on parole or probation for the sale, possession for sale, manufacture, transportation, cultivation, or distribution of a controlled substance. For each owner, corporate officer, partner, manager, employee, or volunteer who becomes part of a cannabis testing facility after the required permit is issued, the cannabis testing facility must submit the required criminal history to the Community Development Department within two weeks of the new owner, corporate officer, partner, manager, employee, or volunteer joining the operation.

(8) A site plan and operations plan that demonstrate how the proposed **commercial cannabis facility** ~~cannabis testing facility~~ has already complied or will comply with the requirements of this chapter.

(9) A copy of all required permits and certificates under Title 8 (Buildings Code) of this Code or an acknowledgment that the proposed cannabis testing facility will obtain all required permits and certificates under Title 8 prior to its opening, establishment, operation, and/or commencement.

(10) The name, address, and contact information for the owner of the property on which the proposed ~~commercial cannabis facility~~ ~~cannabis testing facility~~ will be located.

(11) An agreement signed by the owner of the property on which the ~~commercial cannabis facility~~ ~~cannabis testing facility~~ is located consenting to use of the property as a ~~commercial cannabis facility~~ ~~cannabis testing facility~~ and agreeing to indemnify, defend (with an attorney selected by the city), and hold harmless The City of Atascadero from any claims, damages, legal or enforcement actions arising from the use of the property as a cannabis testing facility.

(12) Indemnification Form/Agreement,

(13) Preliminary Security and Operations Plan. It is recommended that all cannabis businesses in the City be required to submit a Security Operations Plan. This is typical of cannabis permitting in adjacent cities and is included in the application for CUP for cannabis business licenses.

(14) Signage Plan,

(15) Odor Management Plan

(16) Employee Safety and Training Plan,

(17) City Tax and Fee Payment Plan,

(18) Vicinity Map showing distance to closest sensitive land uses.

(19) Community Benefit Agreement to include a program or compensation to be given to the community to mitigate the potential impacts of Cannabis business.

(20) Additional conditions to be established through the Conditional Use Permit process.

~~(12)~~ (21) Any supplemental information requested by the Community Development Director or designee to establish compliance with the requirements of this chapter. (Ord. 612 § 2, 2017)

9-17.009 Commercial cannabis operational requirements. (Changes in Red)

Existing:

(a) Operational Requirements.

(1) A ~~commercial cannabis facility~~ ~~cannabis testing facility~~ permitted under this section may only operate between the hours of 7:00 a.m. and 8:00 p.m.

(2) A ~~commercial cannabis facility~~ ~~cannabis testing facility~~ permitted under this chapter must comply with all applicable State Cannabis Laws.

(3) A ~~commercial cannabis facility~~ ~~cannabis testing facility~~ permitted under this chapter must comply with all applicable provisions of Title 8 of this Code.

(4) A ~~commercial cannabis facility~~ ~~cannabis testing facility~~ permitted under this section may not employ any person who is not at least eighteen (18) years of age.

(5) A ~~commercial cannabis facility~~ ~~cannabis testing facility~~ permitted under this section shall not conduct or engage in the commercial or retail sales of any cannabis or cannabis products on the premises of the cannabis testing facility.

~~—(6)—No cannabis cultivation may occur on the property of a cannabis testing facility permitted under this chapter.~~

(7) A ~~commercial cannabis facility~~ ~~cannabis testing facility~~ permitted under this chapter may not allow or permit the use, inhalation, smoking, eating, ingestion, or consumption of cannabis or cannabis products on the property of the commercial cannabis activity, including in the parking areas of such property.

(8) Criminal Background Requirements.

(i) No person who is currently charged with or has been convicted within the previous ten years of a felony, a felony or misdemeanor involving moral turpitude, or any crime involving the sale, possession for sale, manufacture, transportation, cultivation, or distribution of a controlled substance, shall be an owner, corporate officer, partner, manager, employee, or volunteer of a cannabis testing facility permitted under this chapter. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere or no contest.

(ii) Prior to commencing any work within or on behalf of a cannabis testing facility permitted under this chapter, each owner, corporate officer, partner, manager, employee, and volunteer must complete a current criminal history background check that demonstrates compliance with subsection (g)(13)(i). Each criminal history background check must be updated every twelve (12) months.

(iii) A cannabis testing facility permitted under this section shall maintain a complete register of each owner, corporate officer, partner, manager, employee, and volunteer working for and/or associated with the cannabis testing facility, including a copy of each required criminal history background check. The register and required records must be made available for inspection by any city officer or official for purposes of determining compliance with this chapter.

(iv) A cannabis testing facility permitted under this chapter shall notify the city in writing of any disqualifying conviction described in subsection (g)(13)(i) for an owner, corporate officer, partner, manager, employee, or volunteer within ten (10) days of the conviction.

(v) A cannabis testing facility permitted under this chapter may submit to the Police Chief a written request for a waiver of the prohibition in subsection (g)(13)(i) with regard to a particular owner, corporate officer, partner, manager, employee, or volunteer, on the ground that such person's involvement with the cannabis testing facility will not pose a threat to public safety. The Police Chief, in his or her unfettered discretion, may deny such a written request, subject to the appeal procedures set forth in Municipal Code Sections 1-2.13 through 1-2.16.

(9) A cannabis testing facility permitted under this chapter shall provide the name, phone number, facsimile number, and e-mail address of a manager or representative who can be reached twenty-four (24) hours a day in the event that the city decides to provide notice of an operating problem associated with the cannabis testing facility.

(10) Disposal of chemical, dangerous or hazardous waste must be conducted in a manner consistent with Federal, State and local laws, regulations, rules or other requirements. Cannabis waste must be made unusable and unrecognizable prior to leaving the licensed premises by grinding it and incorporating it with fifty percent (50%) non-cannabis waste.

(11) A cannabis testing facility permitted under this chapter must pay any applicable taxes pursuant to Federal, State, and local law.

(12) A cannabis testing facility permitted under this chapter shall provide a secured storage area on-site. All cannabis and cannabis products shall be stored in this area during non-business hours. (Ord. 612 § 2, 2017)

Attachment 2: Draft Buffer Maps

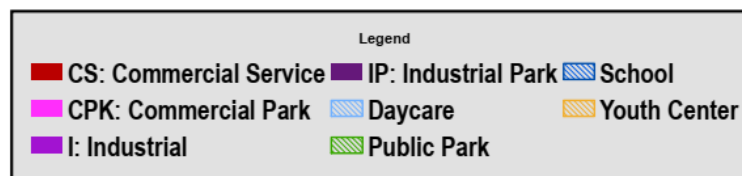


Cannabis Buffer Map - Downtown and Traffic Way

1 inch = 1,000 feet



CITY OF ATASCADERO
Community Development Department





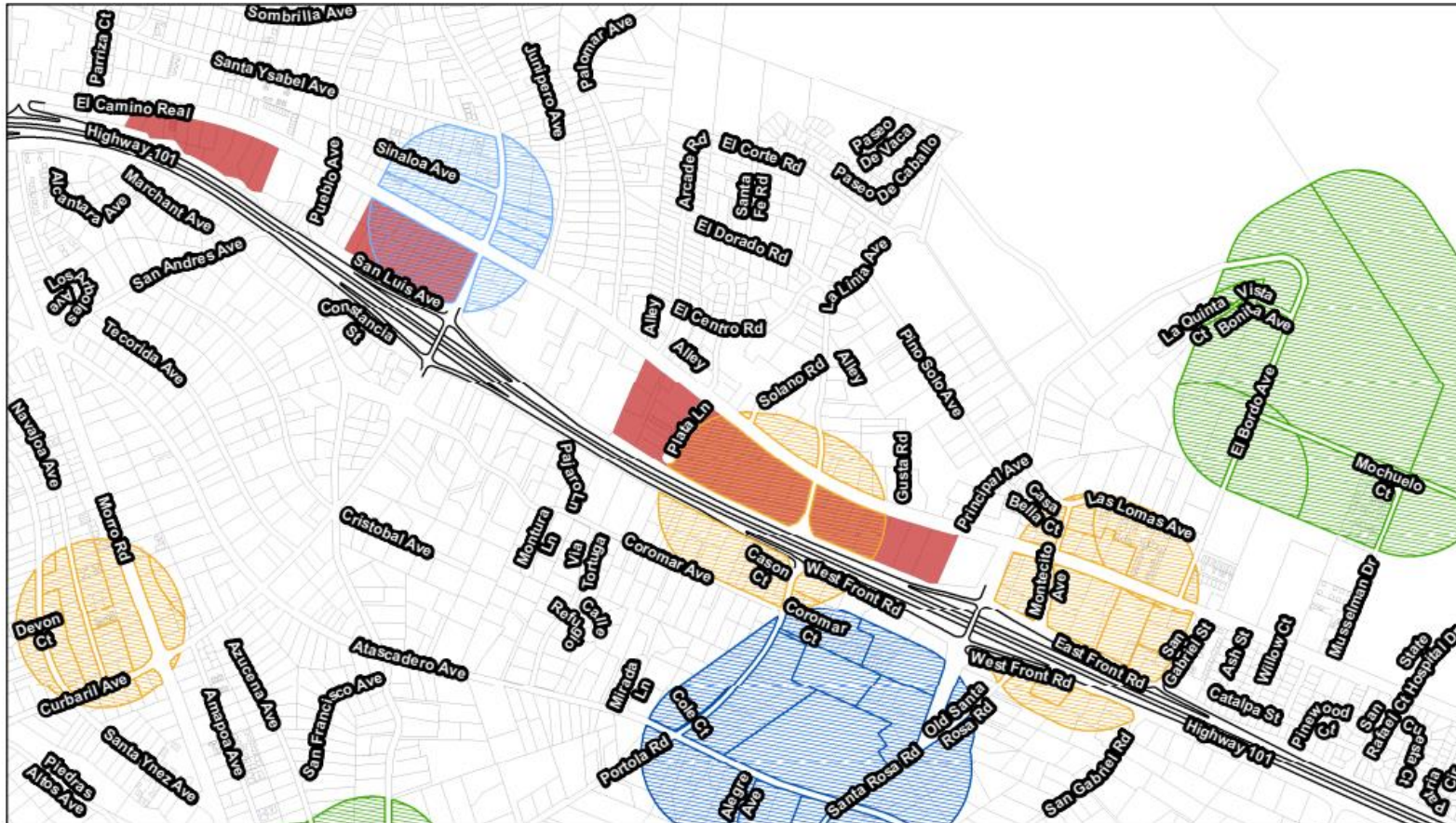
1 inch = 2,000 feet

Cannabis Buffer Map - North El Camino Real



CITY OF ATASCADERO
Community Development Department

Legend		
CS: Commercial Service	IP: Industrial Park	School
CPK: Commercial Park	Daycare	Youth Center
I: Industrial	Public Park	



1 inch = 1,000 feet

Cannabis Buffer Map - South El Camino Real



CITY OF ATASCADERO
Community Development Department

Legend					
CS: Commercial Service	IP: Industrial Park	School			
CPK: Commercial Park	Daycare	Youth Center			
I: Industrial	Public Park				

Attachment 3: Sonoma County Cannabis Study

**The Economic Impact of the Cannabis Industry
Sonoma County, California**

December 2018

Sustaining

Technologies, LLC

Economic Forensics and Analytics, Inc.

This report was generously funded by **Mercy Wellness, The GrowBiz, CannaCraft, and NorCal Cannabis Company** for the benefit of the community. By analyzing economic activity of the cannabis sector, policy makers and the industry can better understand how to regulate and nurture the industry's growth.

Questions and Comments to the authors: Please go to this Google form (<https://goo.gl/forms/aa54zuQnDU0PAP0Z2>) and submit your inquiry. We ask that you don't contact the authors directly.

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Executive Summary

With a long history in Sonoma County, the cannabis industry has new challenges and opportunities as a result of Proposition 64 passing and recreational use of cannabis being legal for adults over 21 starting on January 1, 2018. This study estimates the economic impacts from the current state of the legal cannabis business. Conversion of current, illegal businesses and the expansion of new businesses can lead to broader economic impacts. This study was sponsored by several Sonoma County cannabis businesses; this report is not advocating a position for or against cannabis consumption. This report instead shows the gains and economic consequences from more cannabis businesses coming to Sonoma County rather than locating elsewhere or remaining illegal.

The cannabis supply chain, like any other agricultural good, determines its ability to support a broad number of industries and jobs regionally. Local agriculture is likely to produce more products than can be sold within Northern California, which implies export possibilities. As of 2018, the legal cannabis market cannot legally sell products outside California; for Sonoma County cannabis businesses, one challenge is to optimize cultivation, manufacturing, distribution, and retail business opportunities inside the county. This balance between leakages (losses of revenue to vendors outside the local area) and exports (sales outside Sonoma County) is a major part of economic development for any industry. Recent data collected by this study's authors, and available from sources such as [BDS Analytics](#), provide the baseline data as of July 1, 2018.

Key Findings for Sonoma County

- Sonoma County's overall retail sales of cannabis products are projected to be \$150 million in 2018 based on the first two quarters of legal, taxable activity and estimates of illegal activity;
- 52 licensed cultivators are currently identified by the state of California as of July 1, 2018 in Sonoma County; ○ Another 178 businesses licenses are in Sonoma County, predominantly temporary cultivation licenses;
- There is an estimated 64.33 million grams of cannabis product or 64,330 kilograms of raw product to be produced in Sonoma County in 2018;

- The estimated amount of cannabis legally cultivated in Sonoma County is \$233 million for 2018;
- Estimated sales in Sonoma County are \$150 million in 2018 of cannabis products, suggesting some cultivation is exported to other parts of California and beyond;
- In 2018, given the current level of economic activity and supply-chain connections, state and local taxes of over \$33 million are estimated from the economic impacts paid across many categories in Sonoma County; and
- In the legal market, as many as 2,800 jobs may be supported in this industry through all the supply chain connections;
- For every kilogram of cannabis produced in Sonoma County, the county economy generates \$7,800 of business revenue across hundreds of industries; ○ If all local retail sales came from local production, there would be a 31 percent increase in economic impacts within Sonoma County.

Sonoma County Cannabis	Economic Impact
Full-time Equivalent Jobs	2,814
Wages Paid	\$164.0 million
Retail Value of Cannabis Sold	\$150.0 million
Cultivator Revenue	\$233.3 million
Number of Cultivators	52
Number of Licensed Businesses Beyond Cultivation	178
Taxes Paid: State and Local	\$33.4 million
Total Impacts	\$504.4 million
Total Impacts per kg harvested	\$7,800

* Estimated production is 64,330 kilograms in 2018 for Sonoma County for legal cultivation.

Recommendations

- Public policy should focus on incentives for conversion of current illegal businesses, enhancing the hedgers and wait-and-see possibilities for conversion by reducing tax rates and compliance costs;

- Public costs exist for enforcement and compliance in the legal environment and to enforce laws against continued, illegal activity;
- Provide entrepreneurship training and support for business conversions;
- Centralize distribution and use of local product such that benefits can be maximized across county economy;
- Make provisions for local processing of plant material into saleable flower and supply for manufacturers to make concentrates;
- Support cannabis tourism through Sonoma County Tourism; and
- Create a long-term vision for development of the cannabis industry in Sonoma County.

Economic Impact of Cannabis in Sonoma County

1. Introduction

The 2016 passage of Proposition 64 in California allows for recreational adult use of cannabis products beginning on January 1, 2018, opening up the current marketplace for cannabis beyond medical use only. The nationalization of cannabis for recreational use in Canada (October 2018) provides an example of how national policies can provide a framework for further economic opportunities. The U.S. does not have a national policy in place yet, which restricts the economic impacts of California's legalization. It is in production where Sonoma County, the focus of this study, has advantages to generate economic benefits across the county. This report is not advocating a position for or against cannabis consumption. This report instead shows the gains and economic consequences from more cannabis businesses coming to Sonoma County rather than locating elsewhere or remaining illegal.

Public policy continues to struggle with a regulatory framework that both discourages consumption while simultaneously providing incentives for illegal operations to become legal. There are few strong, historic examples: the end of alcohol prohibition in December 1933 has some similarities, but currently California cannabis production does not have a national, legal market. The tax structure for legal cannabis is still evolving with every California municipality left to its own choices. Some risks also exist of having adjacent "dry" and "wet" cities and counties in terms of recreational cannabis availability, while state legislation continues to develop its policies for cultivation to retail and other supply-chain partners in between.¹

This study's purpose is to look at the legal cannabis industry's potential economic impacts on the Sonoma County. Data remain problematic in defining the market's size: a 2017 study by ERA Economics (see the following [link](#)) provides estimates of the supply and demand sides of the state-level market for the medical cannabis market only. ERA Economics' methodology (as discussed later) is one way to consider estimating the total market size; however, the ERA study does not measure Sonoma County directly.

Because an illegal market continues to exist, estimates of total market size with precision are tricky. This study provides projected consumption and production levels in Sonoma County. For each new business

¹ The best place to watch this evolution is the California Cannabis Portal of the state government: <https://cannabis.ca.gov/> ² See a study on [Oliver's Market](#) for one methodology to examine the capture of local supply chains and the economic impacts.

that converts somewhere along the supply chain in Sonoma County, there are different regional effects; however, the data reflect the power of regional, vertical integration to capture as much of the supply chain in Sonoma County as possible.²

Using information available from various industry sources, we provide a per-kilogram, algorithm by which policymakers can consider how to provide incentives to generate more legal jobs and economic activity through converting activity already occurring in illegal markets. After conversion, those benefits become taxable and traceable as well as safer for all.

This study has the following organization:

- Section 2 provides research examples and basic concepts to consider both caveats and opportunities in estimating this marketplace and monitoring its evolution;
- Section 3 explores the supply chain of cannabis and how each part has its own economic impacts;
- Section 4 provides the economic impact analysis showing the greater economic effects. The IMPLAN® model is used to identify the business revenues, wages, jobs and estimated tax revenue amounts supported by this industry per kilogram of product, regardless of recreational or medical use²; and
- Section 5 offers conclusions and policy recommendations.

2. Basic Concepts and Literature Review

This section provides a brief overview of a nascent, expanding literature on the cannabis industry's economics based on a legal marketplace.

Basic Concepts

The current, overarching issue in the cannabis industry is the Schedule 1 drug designation by the United States government: an illegal drug for recreational use. Because Sonoma County is located in California's premium wine area, we are able to point out some similarities and connections between the cannabis and wine industries as they exist:

- Cannabis, like wine grapes, is an agricultural product;
- Each have harvest cycles that create local labor and vendor demand annually at a minimum, however unlike wine grapes, cannabis has multiple harvests per year;
- Both harvests then go to a processor for conversion into at least one "value-added" product from raw materials;
- These products manufactured from raw agricultural materials are then packaged and distributed to a wholesale entity or direct to a retail or consumer endpoint; ○ After wholesale, a retail entity delivers product to consumers; and
- Each step of this process has some taxation and governmental monitoring involved.

Each supply-chain link, as shown in Figure 1, is a step where value is added to the previous step's product, then tracked and traced. Chemical testing happens as required by California's regulations,

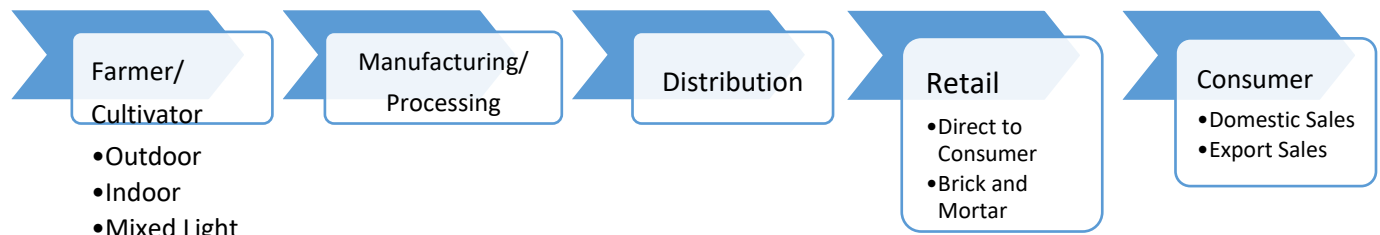
² See <http://www.implan.com> for more on this model and economic impact examples.

creating scientific jobs to process legal cannabis as it moves from one link in Figure 1’s chain toward the consumer.

Wine and beer and spirits are different than other products that come from agricultural raw materials in terms of compliance and governmental regulations because they contain alcohol. Each state in the United States regulates alcoholic beverages differently, though some states are “reciprocal” and have very similar laws (California and Colorado are examples in the alcohol industry).

Until cannabis is a federally legal product, reciprocity and exporting are only future possibilities. Vertically integrating the supply chain in Figure 1 is critical in taking advantage of regional connections from cultivator to retail. This can happen in one business or through regional economic development.

Figure 1: The Cannabis Supply Chain



As of 2018, California grows more cannabis than it consumes. Estimates suggest there may be \$10 to \$12 billion of market value of legal cannabis in California in terms of potential supply; for the United States overall, the retail sales number may be as high as \$40 billion, where California is a major potential supplier.³

Demand is nationwide. For Sonoma County, legitimate export markets for now are the rest of California outside of Sonoma County. However, because demand is nationwide, incentives remain to grow and ship through longstanding interstate markets illegally unless incentives to convert and redirect focus on California’s market are a norm for policymakers.

Recreational use and availability of cannabis does not stop illegal activity; it simply changes how markets compete and the costs of continuing to operate in an illegal marketplace. What should concern policymakers is placing taxes on a product where competition is fierce. The illegal market, where no taxes are collected, is a mature substitute for a legal market where costs are relatively large to conform and comply.

Concerns over costs of enforcement are somewhat alleviated by new tax revenue, but data so far do not allow any precise conclusions as to how law enforcement and other city and county agencies adapt to new regulations and compliance support needs. There are generations of cannabis business entrepreneurs regionally in Sonoma County, and circumvention of taxes and laws has been a long-standing part of that industry. Making both compliance costs and tax rates a relatively low barrier to

³ See <https://bdsanalytics.com/press/new-report-legal-marijuana-industry-to-generate-40-billion/> for more. ⁵ [Sustaining Technologies](#) estimates that at least \$1.5 billion in cannabis flower/buds were sold before 2018, which connects to the estimate of \$150 million in local consumption.

entry allows new, legal markets to start more easily with these revenues generating new government revenue.

Throughout this study the idea of “leakage” or loss of economic value from a market is addressed. A legal seller of cannabis cannot export from California if the seller wants to remain legal. For Sonoma County specifically, local growers historically have been able to outpace local demand by a factor of around ten, generating “export” (outside of Sonoma County) sales from a base of approximately \$1.5 billion in production.⁵

To summarize, Sustaining Technologies’ estimation model, surveys by the authors and third-party sources like BDS Analytics and the California Department of Tax and Fee Administration (CDTFA) suggest the following baseline estimates in 2018:

- Sonoma County consumes about \$150 million in cannabis, of which \$20 million is due to non-residents visiting Sonoma County and making purchases;
- There is a mix of legal and illegal production of \$1.5 billion in final value, perhaps as much as \$2 billion in market value from Sonoma County growers as 2018 began (pre-legalization); and
- California has a \$10 billion retail marketplace (combined illegal and legal) and the United States has as much as \$40 billion retail nationally.

Taxation

Taxation faced by converting businesses concerns both advocates and policymakers. The potential economic impact of this industry may fall because taxes lead to an artificial constraint on growth. There are two basic truths related to this issue:

- The tax structure for cannabis

businesses is a key marginal variable in decisions converting an illegal market business into a legal business as compliance with tax codes is another cost; and

- In Sonoma County and California, so many of the value-chain and supply-chain relationships are already in place, albeit in ways that violate state and federal laws.

Economic development is most effective when there is regional, vertical integration that captures as much of an industry’s supply chain (see Figure 1) locally as possible. This includes local capture of sales, use and excise taxes placed on the cannabis market. The literature on cannabis as a legal, recreational product and the economic impacts is limited as of September 2018.

Literature Review

Tax Rates, Sonoma County, July 1, 2018

Outdoor Cultivation		Mixed Light Cultivation	
Cultivation License Type	Rate per Sq ft	Cultivation License Type	Rate per Sq ft
1C - Specialty Cottage	\$1.00	1C - Specialty Cottage	\$2.25
- Specialty Outdoor	1.50	1B - Specialty Mixed-light	4.50
- Small	2.00	2B - Small	6.50
- Medium	2.00	3B - Medium	6.50
Indoor Cultivation		Operator Type	% of Gross Receipts
Cultivation License Type	Rate per Sq ft	Manufacturer	3.0%
1C - Specialty Cottage	\$3.75	Transporter	0.0%
1A - Specialty Indoor	7.50	Distributor	0.0%
2A - Small	11.25	Cannabis Nursery	0.0%
3A - Medium	11.25	Dispensary	2.0%
		Testing Laboratory	0.0%

Three main strains to this nascent research field affect our economic impact analysis. First are some economic impact analyses available as of September 2018.⁴ Tax collection and compliance at the cultivation, manufacturing, distribution, and retail levels are similar in structure (not exactly the same in terms of full compliance) to the wine industry. The supply-chain relationships define “allied” industries and other business dependent on the core industry. Related literature includes studies on the wine industry. There are scores of these studies now, some of which are about California and Sonoma County (see <http://www.wineeconomy.com/> for the latest version for California from 2017 and at this link for the Sonoma County report in 2014 [link](#)).

The second literature thread is on measuring market activity, perhaps to be combined with economic impact studies. This literature looks at how to measure a market where there is illegal activity as the basis or parallel to a legal marketplace. The medical cannabis market provides one way to look at demand and supply, thus pricing and volume. How large and precise an indicator the medical market is of the legal, recreational market remains to be seen. ERA Economics completed an extensive study in 2017 for the California Department of Finance that helped inform our analysis (see the ERA Economics study [here](#)).

ERA Economics’ analysis centers on the decision function for cultivators: the core risk premium, the direct cost of regulation, and the regulatory risk premium. The core risk premium for a cultivator is continuing to operate in an illegal market at the potential cost of losing their business and personal freedom. The direct cost is initial compliance of making the conversion, including permitting, fees, taxes, and other requirements. The regulatory risk premium is keeping the compliance in place, including ongoing tax payments (which may rise in cost over time) and increased costs and regulatory complexities. The regulatory risk premium also includes costs of local permits, fees and other compliance processes; this includes the cost of not producing while waiting for local government to provide legal clearance. Currently, the cost of outdoor and mixed light are by far the most expensive growing operations and styles.

Another important insight comes directly from the ERA Economics study. One might argue that the economic impacts of this industry already exist, and the conversion from illegal to legal business is simply a transfer of the same market to a different environment. We argue that because the choice to convert is costly and the legal marketplace is “new” and complex in structure, the economic impacts of the illegal market loses an enormous amount of supply-chain partnerships, and new, legal businesses from formerly illegal operators are like new market entrants.

⁴ Two such studies are used here as ways to model thinking about the market’s structure and the supply-chain relationships that help proliferate the economic impacts. University of the Pacific (UOP) has produced two studies on Sacramento and Calaveras counties as models (see the UOP studies [here](#)). UC Davis’ Agricultural Issues Center has also released a study on the cut flower industry and how legal cannabis may intrude on their growth (see the UC Davis study [here](#)).

Other studies are more academic in nature and have extensive bibliographies in terms of recent studies. Butsic, et al. (2017) investigates the ecological economics of where cannabis production is located. Its focus is on Humboldt County, California. Humboldt along with Del Norte and Mendocino counties make up the “Emerald Triangle” of major, historic cannabis production in California. Locations in this area tend to be close to each other, and the authors see positive, “cluster” effects in terms of where cannabis is grown. Doussard (2017) examines the labor market for cannabis supply-chain jobs with a focus on the Colorado market. Many of the gains come from import-substitution effects, where due to the lack of potential imports, the legalization of recreational cannabis in Colorado created jobs across the supply chain to fulfill the demand for legal cannabis. The gains may not last, especially if there is nationalization, and Colorado is generating gains from being a first mover. These two studies elucidate how economic development efforts need to support initial gains when conversion takes place.

ERA Economics estimated a total supply of 13.5 million pounds in 2016 (650,000 lbs. was for medical use), of which 1/3 comes from the “North Coast” region of California that includes the “Emerald Triangle” counties and Sonoma County (as well as Lake, Marin and Napa counties).

Firms like BDS Analytics are using big data to follow the cannabis market. Studies such as Caulkins, et al. (2018) look at data available in Washington State after two years of legal use. Data show where market opportunities may lie and how data perhaps increase competition in some areas and lower the current 3:1 retail to wholesale price ratio for value-added products. Yates and Speer (2018) look at the Colorado market and how data of all kinds can help inform regulatory decisions and evolution to maximize social welfare or gains to Sonoma County from market activity being legal. Their results suggest that increasing the amount of available data is better for all and may inform how other states or national decisions evolve.

Costs to Public Sector: Enforcement and Compliance

Some concern exists over increased costs to the public sector as a result of cannabis legalization for recreational use in California. Since Proposition 64 passed, law enforcement and city and county agencies have been concerned with shifting burdens and rising costs versus estimated new tax revenues. Data to draw conclusions are not available as of this writing, but the literature has a couple of studies that provide some perspective. Carnavale, et al. (2017) uses recent evidence in Colorado and Washington to investigate the public costs, benefits and concerns of cannabis legalization for recreational use without a parallel federal policy. Their study suggests a need to align public policy with public goals. This study advocates for a single, state-wide system, a public health approach, and practical goals as primary. Reducing youth exposure and use and increasing transparency are examples. For each stage of the supply chain, this study shows examples (page 75, Table 3) of regulatory considerations. Their conclusions provide specific recommendations for a well-balanced, regulatory environment where public costs are balanced with business support.

The depth and breadth of literature will also change. The next section explores market entry and the basics of how new business may come into the cannabis space in Sonoma County.

Market Entry and Industry Challenges

A key challenge is to provide the correct incentives and entice current illegal businesses to become legitimate. Tax and regulatory environments must balance between conditions of temperance and also

business support to keep local businesses as involved as possible. Sustaining Technologies in Santa Rosa has identified four different types of market entrants.

All in	Businesses that see the potential and are willing to do the initial heavy lifting to convert to a legitimate business
Hedgers	Businesses that have both legal and illegal operations where full conversion (becoming “all in” businesses) depends on cost of legal market entry
Wait and See	Businesses that are illegal and considering conversion but are not going toward legitimate businesses yet
Not in	Businesses that have no intention to convert

These categories are important to understand moving forward. There is some evolution of hedgers into all-in businesses and wait-and-see operators into hedgers. The speed at which this evolution happens may be slow; however, local policy can help shape and augment such choices. Local governments should want entrepreneurs in this market to convert from illegal to legal businesses.

Another challenge is determining how much supply-chain revenue can stay local versus being lost to adjacent counties due to lack of raw materials supply or capacity along the supply chain. More established industries (such as agriculture and food systems) vertically integrate by connecting local and regional raw materials sources with local processors/manufacturing, distribution and retail. For example, a grocery store is both a retailer and manufacturer simultaneously in cases where a full-service grocery store includes amenities such as a bakery, deli, taqueria, etc.

A recent study commissioned by Oliver’s Market in Sonoma County shows the power of vertical integration as an approach to retail.⁵ By sourcing local inputs, Oliver’s Market revenues in Sonoma County were increased by 55 percent compared to a grocery store that sourced from outside Sonoma County. Tax revenues generated were increased by approximately 73 percent due to multiple layers of additional taxes paid by local vendors and wholesalers versus similar entities paying other counties and cities those taxes. We provide a similar analysis below to show the economic power of local, vertical integration and monitoring licenses in a way to fill supply chain gaps. Doing such work is the essence of economic development.

Suppose there is a Sonoma County business that sources raw cannabis from Mendocino County farmers. Farmers and suppliers in Mendocino County are generating income where Sonoma County farmers could be gaining that income instead. This represents a leakage and loss to the county economy. This is precisely the situation in October 2018 because of regulations related to land use in Sonoma County that have rendered 8090 percent of the incumbent cultivators illegal.

Manufacturing and testing and distribution have similar outcomes. If local growers need to send their product to another county, for instance, to Yolo County as businesses choose to locate close to UC Davis and its scientific talent, that location choice represents a leakage to Sonoma County. By encouraging such businesses to locate in Sonoma County and take on local contracts with local farmers, one part of the supply chain links to another through vertical integration. Retail works the same way; local retailers should attempt to source as much local product as economically feasible and possible to maximize the local economic impacts.

⁵ See the Oliver’s Market study from 2016 at <https://bit.ly/2QpE4Oe>
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Cannabis businesses may not only grow their own supply, but may combine manufacturing, testing, packaging, distribution, and retail in one space as a business model (microbusiness licensing allows supply-chain links to be integrated inside the same license). A cannabis business may hold other links within supply chain.

3. Cannabis Supply Chains

Earlier, we introduced similarities between cannabis and other agricultural crops. Some simple differences between cannabis and other “crops” are:

- Cannabis remains federally illegal, thus no legal exports from California to other states;
- It is a high-value product to weight; and • The compliance network is vast and costly.

Labor resources also make up a large part of the value chain as raw cannabis is converted to various products by adding value.

Sonoma County Cannabis Industry: Transition from Illegal to Legal Marketplace

The cultural divide between the cannabis marketplace and mainstream culture is more evident now that cannabis is legal statewide. In a pre-legal environment, there was little need for non-cannabis consumers (around 70 percent of the general population) to pay much attention to the marketplace. It was mostly out of sight, out of mind.

That changed dramatically on January 1, 2018 when recreational cannabis consumption became legal. Cities and counties throughout California had to wrestle with regulatory apparatus in short order to align with the everchanging state regulations. Decisions about where to legally grow and manufacture cannabis products and where to sell them became a source of controversy and disagreement between residents.

The distribution of Sonoma County cultivators (farmers) was in the thousands pre-2016. Most were small growers operating on small parcels of land and, in some cases, in residential neighborhoods. Some farmers could make a living wholly, but most saw cannabis as a supplement to their household income. Their transition to a legally-sanctioned pathway has slowed in Sonoma County in the face of restrictive land-use policies balancing temperance and legal production incentives.

While pre-2018 production was illegal, it represented an economic presence that was difficult to ignore due to its multiplier effects in the local economy. Thousands of people have been employed in the cannabis market over past decades, and their expenditures for commercial and private consumption stimulated local economic activity.

In 2018, very little grown flower has made it to the legal Sonoma County retail marketplace. Local manufacturers likewise have relied on biomass supplies from outside Sonoma County. This loss of local biomass supply clips the wings of economic growth as it represents a major leakage at a time when retail sales are growing statewide in search of high-quality product.

The downside for the legal market at this critical time is that the illegal market is thriving in 2018. Since track and trace does not kick in until 2019, available product from illegal cultivation and even in some cases from legally sanctioned operations are found in the illegal market. A portion of the illegal market supplies the California consumer market through legacy channels that are comfortable to long-time consumers. In reality, most of the illegal market production leaves the state in the forms of flower and concentrates. Due to massive oversupply in Oregon, that product is also finding its way into the national supply and illegal market prices have fallen significantly—to approximately \$700 per pound for outdoor and \$1,600 for indoor. That’s a price decline of nearly 40 percent over the past two years.

Legal cultivators will find it more difficult to divert production to the illegal market once track and trace begins, but not impossible. While it is not ideal for cultivators and manufacturers to bifurcate into markets, it is a matter of survival due to regulatory costs rising quickly for most operators, slow permit process in cities and counties, and rising taxes from all levels of government. These concerns are at the heart of the ERA economics study mentioned above.

Two years ago, Sonoma County was perched to become a robust center of supply chain activity largely due to the presence of thousands of small cultivators. Given the drastic reduction of local suppliers, it is not clear the role Sonoma County will play on the state, or national, stage in the coming years.

Modeling the Legal Cannabis Industry

A major challenge is finding a model of what legitimate businesses are currently doing to measure what the benefits are for illegal businesses to convert to legal businesses in Sonoma County. Aggregating these benefits over the entire county economy is the next step. The data here are based on the grams of cannabis involved, the standard unit of measure in a final product and the basis of pricing in cannabis markets. Figures 2 and 3 provide the licenses volume as of July 1, 2018 for California across different parts of the supply chain. These data also provide some perspective on how many potential businesses may spring up in this marketplace and the economic possibilities if more conversions and entrepreneurs take place.

Like the wine industry, the cannabis industry has allied industries as part of its normal operations. These include fertilizer, commercial real estate, trucking/transportation, crop management, field design and maintenance, fencing, water, packaging, printing, labeling, marketing, track and trace, and research. Each of these “allied” industries have their own connections to cannabis and also help accelerate and proliferate the economic impacts of these jobs.

Cannabis Cultivation

Outdoor cultivation is the classic growing condition associated with forested areas. Sonoma County is part of the

“Emerald Triangle” region, but is at its southern vertex. Being proximate to the central counties of Mendocino, Humboldt and Del Norte, exporting product out of state remains illegal but still exists (interstate trade will not be allowed legally until a national policy is passed); Sonoma County remains a hub for logistics and retail in the illegal market.

Indoor cultivation is associated with a highly-controlled environment, where cultivators set up optimal growing conditions as possible. Pests and other agricultural concerns can be mitigated through an

indoor setting, but space management, energy and other costs of such cultivation can be relatively large. New innovations in LED lighting design and environmental control can significantly lower energy consumption.

Mixed light cultivation is similar to indoor with less control and a focus on manipulating the light as the key factor in growing. Greenhouses or hoop houses are a classic example of such agricultural practices, which use artificial light, as with indoor growing, that can be controlled in combination with the use of natural light. Because of the similarities, some areas may see a conversion to indoor grow if product prices are high enough to cover the additional cost.

ERA Economics (2017) identifies three types of cultivation as the cornerstone of cannabis supply:

- Outdoor;
- Indoor; and • Mixed Light.

Figure 2: Cannabis Supply Chain Licenses Across California, July 1, 2018 (number of licenses)

Manufacturing		Temporary Cultivation		Retail Storefront	
Licenses			censes		
Alameda	80	Santa Barbara County	1,288	Los Angeles	130
Los Angeles	76	Humboldt County	843	Riverside	32
Riverside	53	Mendocino County	616	San Francisco	32
Humboldt	36	Monterey County	405	Sacramento	27
Monterey	32	Calaveras County	195	Orange	18
Sacramento	32	Trinity County	191	San Diego	18
San Bernardino	31	Riverside County	189	Stanislaus	16
San Francisco	29	Los Angeles County	156	Santa Cruz	14
Santa Cruz	22	Sonoma County	103	Mendocino	13
Sonoma	16	Yolo County	91	Solano	13
San Diego	13	Sacramento County	88	Alameda	12
Santa Clara	11	Alameda County	81	Sonoma	11
Yolo	61	All Others	310	Santa Clara	10
All Others	603	Totals	4,556	All Others	68
Totals				Totals	414

Retail: Non-store		Testing Facilities	
Alameda		Los Angeles	
Sacramento	44	Alameda	7
San Francisco	25	Humboldt	6
Los Angeles	23	San Diego	3
Marin	8	Monterey	3
Monterey	6	Sacramento	2
Riverside	3	Sonoma	2
San Bernardino	2	Marin	2
SLO	2	Orange	1
Colusa	2	Riverside	1
Lake	1	San Francisco	1
Orange	1	Santa Cruz	1
Totals	1	Ventura	1
	118		1
		Totals	31

Each license type has a financial performance model unique to its link in the supply chain, but ultimately each is based on weight and value. For example, indoor growing operations with 22,000 square feet (sq ft) of canopy produce 17,600 kg in volume (weight) per year at \$5,000 per kg in value (dollars). These models were developed over the past two years by interviewing cultivators and researching average performance metrics. Cultivators employ many different techniques that produce many different results, even within the same license class.

Survey interviews noted differences among different yield levels and best practices in pursuit of higher yields.

Figure 3: Cannabis Supply Chain Licenses Across California, July 1, 2018 (number of licenses)

Microbusiness	Distributor – Transport	Distributor	
Los Angeles	Mendocino 25	Los Angeles	57
Alameda 25	Humboldt 16	Alameda	32
Santa Clara 18	Alameda 4	Monterey	30
San Francisco 10 8	Riverside 2	Humboldt	29
Riverside 7	Monterey 1	Riverside	26
Humboldt 4	Sacramento 1	Sonoma	19
Santa Cruz 4	Sonoma 1	Santa Cruz	15
Siskiyou 4	Trinity 1	San Francisco	11
El Dorado 2	Totals 51	San Diego	10
San Diego 2		Mendocino	10
Santa Barbara 2		San Bernardino	70
Sonoma 2		All Others	383
Stanislaus 2		Totals	
Mendocino 1			
Sacramento 1			
San Bernardino 1			
Shasta 1			
Solano Totals 1			
95			

Sources: California Cannabis Portal (<https://cannabis.ca.gov/>) and Bureau of Cannabis Control (<https://www.bcc.ca.gov/>) and California Department of Public Health (<https://www.cdph.ca.gov/Programs/CEH/DFDCS/MCSB/Pages/LicenseeLookup.aspx>)

Figure 4 provides the data that lead to \$233.3 million in wholesale value of recreational cannabis product produced in Sonoma County by legal, licensed cultivators.

Figure 4: Estimated Wholesale Value from 52 Cultivator Licenses in Sonoma County, as of July 1, 2018

Cultivation License Type	# of licenses	Sq Ft	Grams per license	Total Grams	Price per gram	\$ value per license	Estimated Total Value
Medium Indoor	4	88,000	4,400,000	17,600,000	\$5.00	\$22,000,000	\$88,000,000
Medium Outdoor	13	567,450	1,658,700	21,563,100	\$2.00	\$3,317,400	\$43,126,200
Small Indoor	2	20,000	2,000,000	4,000,000	\$5.00	\$10,000,000	\$20,000,000
Small mixed light Tier 1	1	10,000	1,400,000	1,400,000	\$3.00	\$4,200,000	\$4,200,000
Small Outdoor	12	120,000	380,000	4,560,000	\$2.00	\$760,000	\$9,120,000
Specialty Cottage Mixed Light Tier 1	1	2,500	350,000	350,000	\$3.00	\$1,050,000	\$1,050,000
Specialty Cottage Mixed Light Tier 2	2	10,000	700,000	1,400,000	\$3.00	\$2,100,000	\$4,200,000
Specialty Indoor	12	60,000	1,000,000	12,000,000	\$5.00	\$5,000,000	\$60,000,000
Specialty Mixed Light Tier 1	1	5,000	700,000	700,000	\$3.00	\$2,100,000	\$2,100,000

Specialty Outdoor	4	20,000	190,000	760,000	\$2.00	\$380,000	\$1,520,000
Total	52	902,950	12,778,700	64,333,100			\$233,316,200

Cannabis Manufacturing

Categorically, refined oils, the flowers/buds, and biomass (the remaining, usable parts of the cannabis plant) are main products for value-added goods. Value-added goods and services have many forms and many directly and indirectly related components to take raw materials to finished products. Equipment purchases, commercial space, heating and air conditioning (HVAC), transportation, mechanical engineering, architects, and many other sub-industries may need to be engaged to complete value-added services.

Compliance is another value-added component in terms of track and trace and understanding each product's chemistry and origin (like "terroir" and viticultural areas in the wine industry). Hence, quality assurance and quality control are also major elements of cannabis manufacturing. The possibilities of final products may be somewhat unlimited. From gummies to candies to simply refined buds, the craft-manufacturing process is analogous to wine or beer or confection making, and likely has a lot of the same processing elements. Market possibilities are vast.

Starting with a harvested, agricultural product, the raw inputs become products based on adding value. Each of these allied industries are potential places of economic development and business growth in Sonoma County once legalization and conversion begins in earnest:

- Quality control and sorting;
- Preparation;
- Extraction and processing;
- Post-processing and quality assurance;
- Drying or initial storage;
- Packaging and final processing; and
- Final Storage.

Cannabis Distribution

Distribution in the legal form has compliance (taxation and track and trace) and involves many of the same costs as any other food distribution:

- Warehousing;
- Logistics (trucking, last-mile delivery, refrigeration, etc.); and
- Security.

Additional expenses follow other business settings: electricity, water/sewer, roadway maintenance, building maintenance, etc. Each step or link in these relationships generates more economic activity and more connections to households throughout Sonoma County as more workers are affected. Because distribution companies look to optimize scale and perhaps take on multiple clients to spread risk and to

grow, as the cannabis industry evolves and matures, California locations where distribution is most likely to thrive will also evolve.

Cannabis Retail

Once distribution takes place, retail begins. Retail is a cash activity for now. This is likely not the preference of legitimate businesses long-term. Because the United States government’s scheduling does not allow for credit market activity, merchant activity in banks and credit unions (depository institutions where cash can be stored) may be limited also. Due to consistent cash needs, cannabis businesses, from farmer to retailer, are faced with additional security costs and concerns to complete transactions.

Some debate exists on what retail analog best describes cannabis. While the future likely includes a mix of specialty shops and grocery shelf space, regulated retail is the only, current choice. Three major issues apply to a tightly monitored environment where cannabis retail is handled more like a high-end jewelry shop than a specialty food store:

- Until removal from Schedule 1 status with the federal government, merchant banking services are going to be largely unavailable and thus all transactions continue to be in cash;
- The product by volume is relatively high value, like diamonds in glass cases, and thus have different security conditions and transport needs/costs; and
- The nascent market aspects suggest something more like an educational wine-tasting experience rather than a mass marketing and shelf space competition.

There are some inherent inefficiencies from such models, and this industry’s evolution and success as it moves forward legally depends on innovations and regulatory generalizations to help reduce costs.

Cannabis Supply Chain Summary and Direct Economic Impacts

As shown above, this study used multiple sources of data to estimate the current (as of June 30, 2018) level of economic activity in the cannabis markets in Sonoma County. These “direct impacts” are the basis of estimates for the broader economic impacts of this industry; the amount of economic activity possible with more regional, supply-chain integration; and the benefits of conversion of illegal regional businesses into legitimate ones. Figure 5 summarizes the direct impacts from the full supply chain including allied industries.

Figure 5: Direct Economic Impacts, Legal Cannabis Industry, June 30, 2018 (per kilogram (kg) based on 64,330 kilograms produced in Sonoma County in 2018)

Category	Direct Impacts: Aggregate	Direct Impacts per kg
Cultivation – Greenhouse	\$11,550,000	
Cultivation – Indoor Grow	\$168,000,000	
Cultivation – Outdoor Grow	\$53,766,200	
Manufacturing	\$70,427,000	
Distribution – Transport	Allied	
Distribution	Allied	
Testing	Allied	
Retail – Storefront (Added Value)*	\$27,571,200	

Totals	\$331,314,400	\$5,150
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*Note: There is an estimated amount of gross retail sales of \$140,584,000, but due to leakages along the supply chain, only \$27.5 million remains local in Sonoma County.

These direct impacts are new to the economy because they generate new tax revenues for city, county and state government. Sonoma County's economy, according to the [Bureau of Economic Analysis](#), is approximately \$25 billion in 2009 dollars as of January 1, 2018. The methodology below provides one way to measure the current market size.

Methodology

We initially arrived at a range of \$54 million low end and \$65 million on the high end using estimated, legitimate sales in Sonoma County from statewide customers for 2018. These estimates are based on current tax collection with the other period forecasts divided by all retailers currently licensed in the state. No weights were applied for location. We then multiplied that average with the number of licensed dispensaries in Sonoma County to arrive at a \$70 million estimate. This estimate is very close to the one implied by CDTFA data extrapolating tax collections on legal cannabis sales from Sonoma County after 2018 quarter 2 (July 1, 2018).

Sustaining Technologies LLC has developed a consumption model multiplying an estimated percent of the population that consumes cannabis with average consumption (seven consumer segments at varied volumes of annual consumption derived from Colorado's data and two other sources). The results suggest that Sonoma County residents consume around \$130 million of product per year. Another \$20 million are likely sold to tourists for a total sales projection of \$150 million per year. That would produce a conclusion that the legal retail is around 47 percent (\$70 million of \$150 million) of total sales with the rest coming from illegal or imported sales.

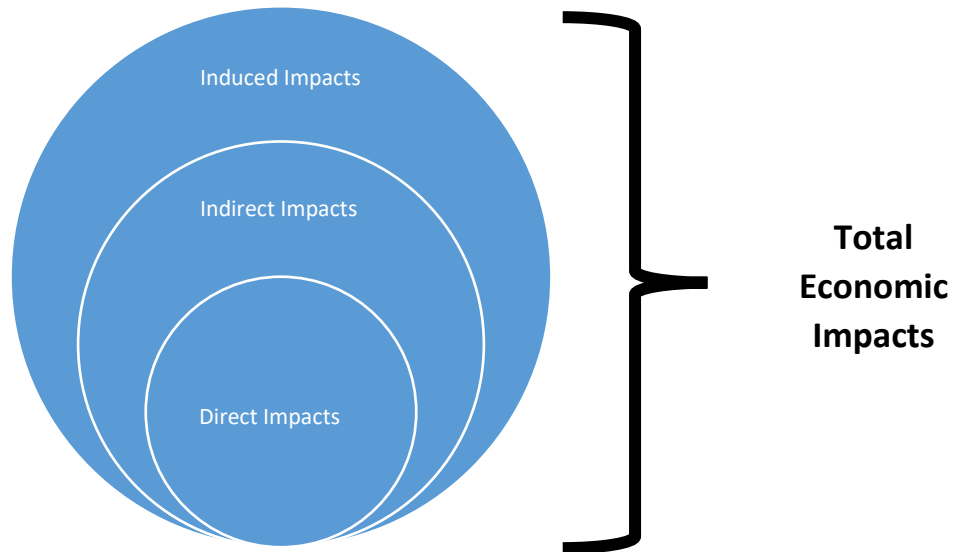
The next section provides the economic impacts generated from these direct impacts.

4. Broader Effects (IMPLAN®)

Economic impacts come in three "flavors" that start the same way ripples come from throwing a rock into a still pond. The rock, in this case, is a new cannabis cultivator, manufacturer, distributor, or retail business. The new revenues ripple out as additional economic impacts produced from by new employers.

Direct effects come from these projects and the subsequent business and worker gains. **Indirect** effects come from workers employed by vendors to these cannabis businesses or allied businesses (wholesale, testing, etc.), producing broader spending. For example, a testing business may purchase more office furniture due to new cannabis businesses providing more demand for services. This spending supports some portion of office furniture businesses and its employees locally as an example. This type of spending has **induced** effects on the broader economy. The furniture store's employees spend wages on groceries, medical visits, restaurant meals, and various other industries that have nothing to do with the original businesses affected. Figure 6 shows the multiplier effect of these rounds of new spending.

Figure 6: Economic Impacts



Description of Direct to Total Impacts

In each figure below, we assume 64.33 million grams or approximately 64,330 kilograms of product annually. Notice the breadth and depth of industries and workers affected by an expansion and the current economic footprint of this industry in Sonoma County. The business revenues derived from the cannabis industry involve its licensee businesses and allied industries (as shown in each figure from Figures 7 through 11) as well as hundreds of other industries that have nothing to do with Figure 1's supply chain, but everything to do with the regional economy.

From these revenues, wages are paid to support full-time employment and taxes of various kinds are paid indirectly due to the new economic activity. Per kilogram of raw product produced in Sonoma County, there is approximately \$7,800 of business revenue spread throughout countywide businesses. If Sonoma County did not cultivate cannabis, allied industries (manufacturing, distribution and testing) would have less incentive to locate here; the \$7,800 acts as an algorithm for the economic impact of one additional kilogram of raw cannabis biomass grown in Sonoma County **legally**.

Estimated wages of \$2,549 are paid per kilogram, while \$519 in tax revenues (including the excise taxes paid to the state of California) are supported per kilogram. One job full-time worker is supported per 25 kilograms. These numbers are connected by the general activity of \$7,800 per kilogram in business revenues. Other costs, profits and leakages to businesses and workers outside Sonoma County make up the remaining amount.

Figure 7: Business Revenues

Category	Direct Impacts	Indirect and Induced Impacts	Overall Impacts	Per kg
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Cultivator – Indoor	\$11,550,000	\$7,761,600	\$19,321,600	
Cultivator – Greenhouse	\$168,000,000	\$94,882,000	\$262,882,000	
Cultivator – Outdoor	\$53,766,200	\$11,943,000	\$65,709,200	
Manufacturing	\$70,427,000	\$35,830,900	\$106,257,900	
Distribution	\$0	\$8,650,100	\$8,650,100	
Testing	\$0	\$103,200	\$103,200	
Retail (\$140,584,000)				
Retail margin	\$27,571,200	\$13,970,200	\$35,541,400	
Total	\$331,314,400	\$173,141,000	\$504,455,400	\$7,840

*Note: There is an estimated amount of gross retail sales of \$140,584,000, but due to leakages along the supply chain, only \$27.5 million remains local in Sonoma County.

Cultivation gains are seen as being local by definition, and it is in manufacturing and retail where the gains expand. The more those processes can use local markets, the better. We assume that Sonoma County cultivators are producing more cannabis than is consumed in Sonoma County, thus there is an intrastate export market where Sonoma County's economy is the "domestic" market.

Figure 8 shows how sourcing more local products affects manufacturing, allied industries and retail environments in such a way to increase the economics gains of conversion to a legitimate business per raw cannabis kilogram. We estimate the sum of these additional, integration gains as 31.2 percent more than the status quo. By connecting Sonoma County links in the supply chain more completely, the Sonoma County economy reaps 31 percent more economic benefits.

Figure 8: Sourced Locally Versus Outside Sonoma County, Manufacturing and Retail Value-Added 2x (from current amount of economic activity)

Category	Direct Impacts	Indirect and Induced Impacts	Overall Impacts	Per kg
Cultivator – Indoor	\$11,550,000	\$7,761,600	\$19,321,600	
Cultivator – Greenhouse	\$168,000,000	\$94,882,000	\$262,882,000	
Cultivator – Outdoor	\$53,766,200	\$11,943,000	\$65,709,200	
Manufacturing	\$140,854,000	\$71,661,800	\$212,515,800	
Distribution	\$0	\$17,300,200	\$17,300,200	
Testing	\$0	\$206,400	\$206,400	
Retail (\$140,584,000)				
Retail margin	\$55,142,400	\$27,940,400	\$71,082,800	
Total	\$429,312,600	\$231,695,400	\$661,008,000	\$10,275
Percentage gain from baseline in Figure 5				+31.2%

Figures 9, 10 and 11 complete the data summary by providing the annual wages, jobs supported and annual tax revenues at the state and local level collected from our estimated level of cannabis cultivated, manufactured and sold in Sonoma County.

Figure 9: Wages

Category	Direct Impacts	Indirect and Induced Impacts	Overall Impacts	Per kg
Cultivator – Indoor	\$5,625,900	\$2,976,700	\$8,602,600	
Cultivator – Greenhouse	\$46,886,900	\$23,885,600	\$70,722,500	
Cultivator – Outdoor	\$23,498,000	\$17,270,000	\$40,768,000	
Manufacturing	\$13,771,700	\$13,248,500	\$27,020,200	
Distribution	\$0	\$2,703,600	\$2,703,600	
Testing	\$0	\$47,000	\$47,000	
Retail	\$9,425,000	\$4,681,800	\$14,106,800	
Total	\$99,207,500	\$64,813,200	\$164,020,700	+\$2,549
Gain from baseline in Figure 5 if more local				+\$3,344

Jobs, wages and taxes come from business revenues. For the jobs numbers, notice that the per-kilogram figures are less than one full-time equivalent job. An alternative way of viewing the estimate of 0.04 jobs per kilogram produced is that one full-time equivalent worker is supported somewhere in the cannabis supply chain for every 25 kg of raw product cultivated. The projected production in 2018 for Sonoma County is estimated to support 1,674 jobs in cannabis directly and over 2,900 jobs throughout the county **just in the legal market**.

Taxes include those projected through the end of the year from California Department of Tax and Fee Administration (www.cdtfa.ca.gov) and are reflected on the line item called “Excise Taxes” (excise tax on retail sales is 15 percent).

Figure 10: Jobs Supported, Direct, Indirect, Induced and Total Impacts

Category	Direct Impacts	Indirect and Induced Impacts	Overall Impacts	Per kg
Cultivator – Indoor	86.0	61.0	147.0	
Cultivator – Greenhouse	712.0	478.0	1,190.0	
Cultivator – Outdoor	412.0	249.0	761.0	
Manufacturing	256.0	218.0	474.0	
Distribution		37.0	37.0	
Testing		0.6	0.6	
Retail	208.0	97.0	305.0	
Total	1,674.0	1,140.6	2,814.6	+0.04 jobs
Gain from baseline in Figure 5 if more local				+0.05 jobs

Figure 11: Tax Revenues Supported Annually

Type of Tax	Amount	Per kg
Employment Taxes	\$840,800	
Sales taxes	\$6,854,800	
Excise Tax	\$10,500,000	
Property taxes	\$6,026,500	
Personal Income	\$6,752,500	
Other Taxes and Fees	\$2,451,200	
Total State and Local taxes	\$33,425,800	+\$520
Gain from baseline in Figure 5 if more local		+\$680

As Sonoma County considers the use of agricultural and commercial space for economic development, it would be wise to study and compare cannabis to other agricultural industries in Sonoma County and regionally to gain a complete perspective on land use choice and the economic impacts conversion. It is difficult to imagine another crop that has as much economic impact and value per kilogram of raw production for Sonoma County agriculture.

5. Conclusions and Policy Recommendations

This study shows the economic impacts from the current state of legal cannabis business, where conversion of illegal businesses and the expansion of new businesses can lead to broader economic impacts. This study was sponsored by several Sonoma County cannabis businesses. The cannabis supply chain, like any other agricultural good, determines its ability to support a broad number of industries and jobs. Agriculture grown locally is likely to produce more products than can be sold locally, which implies export possibilities. The legal cannabis market cannot sell products outside California legally as of 2018. For Sonoma County, the challenge is determining how to maximize the opportunities of cultivation, manufacturing, distribution and retail businesses within the county versus purchasing those goods and services from outside the county. This balance between leakages and exports is a major part of economic development and support for legal cannabis. Major findings include:

- Sonoma County's overall retail sales of cannabis products are projected to be \$150 million in 2018 based on the first two quarters of legal, taxable activity and estimates of illegal activity;
- 52 licensed cultivators are currently identified by the state of California as of July 1, 2018 in Sonoma County;
 - Another 178 businesses licenses are in Sonoma County, predominantly temporary cultivation licenses;
- There is an estimated 64.33 million grams of cannabis product or 64,330 kilograms of raw product to be produced in Sonoma County in 2018;
- The estimated amount of cannabis legally cultivated in Sonoma County is \$233 million for 2018;
- Estimated sales in Sonoma County are \$150 million in 2018 of cannabis products, suggesting some cultivation is exported to other parts of California and beyond;
- Public costs exist for enforcement and compliance in the legal environment and to enforce laws against continued, illegal activity

- In 2018, given the current level of economic activity and supply-chain connections, state and local taxes of over \$33 million are estimated from the economic impacts paid across many categories in Sonoma County; and
- In the legal market, as many as 2,800 jobs may be supported in this industry through all the supply chain connections;
- For every kilogram of cannabis produced in Sonoma County, the county economy generates \$7,800 of business revenue across hundreds of industries; ○ If all local retail sales came from local production, there would be a 31 percent increase in economic impacts within Sonoma County.

Recommendations

- Public policy should focus on incentives for conversion of current illegal businesses, enhancing the hedgers and wait-and-see possibilities for conversion by reducing tax rates and compliance costs;
- Encourage the development of a craft, artisanal sector;
- Provide entrepreneurship training and support for business conversions;
- Centralize distribution and use of local product such that benefits can be maximized across county economy;
- Make provisions for local processing of plant material into saleable flower and supply for manufacturers to make concentrates;
- Support cannabis tourism through Sonoma County Tourism; and
- Create a long-term vision for development of the cannabis industry in Sonoma County.

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BDS Analytics provided data that helped complete the estimation of market size. See <https://bdsanalytics.com/> for more.

California Department of Tax and Fee Administration Staff provided sales/excise tax information for each quarter of quarter 1 and 2 in 2018 directly through e-mail. See <https://www.cdtfa.ca.gov/> for more.

Sustaining Technologies provided both survey and estimation data that helped inform this report. Those surveyed were told they would remain anonymous.

Attachment 4: City of Grover Beach Revenue Projections and Staff Report



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** April 16, 2018

FROM: Matthew Bronson, City Manager

PREPARED BY: Matthew Bronson, City Manager

SUBJECT: Options for Amending Commercial Cannabis Tax Structure

RECOMMENDATION

Receive information on potential options for amending the City's commercial cannabis tax structure and provide direction to staff on desired amendments.

BACKGROUND

On April 2, 2018, the Council received an update on the implementation of the City's commercial cannabis ordinances and regulatory processes and provided direction to staff on policy issues related to commercial cannabis. These policy issues included the following items:

- Development application review and permit process changes
- Retailer businesses with no storefront
- Level Two manufacturing with volatile solvents other than ethanol
- Adult use commercial cannabis businesses
- Onsite consumption
- Regulatory budget and permit fees
- Tax structure changes

Based on Council direction, staff is currently amending the commercial cannabis land use and regulatory ordinances to: 1) change the development application review process for the Planning Commission to issue Use Permits for non-retailer businesses, 2) allow Level Two manufacturing with volatile solvents, 3) allow adult use commercial cannabis businesses in addition to medicinal businesses, and 4) draft standards for greater restrictions on personal cultivation in residences. The amended ordinances will be brought to the Council for consideration in May.

In addition, the Council requested that staff conduct further analysis into the commercial cannabis tax structure changes and bring back information for the Council to consider for potentially

amending this structure. The cannabis tax approved by voters in November 2016 (Measure L-16) includes a 5% gross receipts tax on medical commercial cannabis activities and a 10% tax on adult use/recreational commercial cannabis activities. This gross receipts tax does not apply to cultivation businesses which have a \$25/square foot tax on the first 5,000 square feet of canopy space and \$10/square foot on square footage beyond that. Pursuant to Proposition 218, these rates represent the maximum tax rates for cannabis businesses unless voters approved a higher rate structure. Since the City's rates were approved, numerous jurisdictions have established cannabis tax rates as shown in Attachment 1. This compilation includes San Luis Obispo and Santa Barbara counties which have each placed a measure on the June 2018 ballot to establish a commercial cannabis tax.

Agenda Item No. _____ 12

*Staff Report: Options for Amending Commercial Cannabis Tax
Structure April 16, 2018*

Staff identified the following four general options for changing the cannabis tax structure at the April 2nd meeting:

- Reduce the 10% gross receipts tax rate for adult use businesses
- Create a flat gross receipts tax rate of 4-5% for all cannabis businesses except cultivation
- Charge different gross receipts tax rates for different cannabis uses
- Lower the cultivation square foot tax

The Council concurred in reducing the 10% gross receipts tax for adult use businesses and requested further information and initial revenue estimates of the following tax rate structures:

- *Retail:* 4-5% of gross receipts
- *Manufacturing/Distribution:* 2%, 3%, and 5% of gross receipts
- *Cultivation:* Change from canopy area to building area and reduce to \$5/square foot

Staff has developed initial revenue estimates for the current baseline tax structure and six potential options shown in Attachment 2. These estimates include next fiscal year 2018-19 along with three years out (2021-22) to match the timeframe of the existing baseline estimates realizing the degree of uncertainty in projecting out these revenues. Given that this is a new industry in Grover Beach, the current baseline tax structure assumes a conservative estimate for business revenues (gross receipts) along with the number of businesses operating. The current structure does not include a specific estimate of increased business revenues with allowing adult use businesses and products at this time though some increase is likely once businesses start operating.

Below is a brief summary of the current tax structure and each of the six options for the Council's consideration:

- *Current Baseline Structure – 5% tax and \$25/square foot cultivation tax.* Baseline structure is based on a projection of 10 separate businesses to operate beginning in 2018-19 based on previous and impending permits issued (4 retailers and 6 manufacturers). Under this structure, revenues for 2018-19 are projected at \$800,000 and 2021-22 revenues projected at \$2 million.
- *Option 1 – 5% tax and \$5/square foot cultivation tax.* This option retains the 5% tax rate while lowering the cultivation tax to \$5/square foot. Revenue estimate for 2018-19 remains at \$800,000 given a lack of cultivation businesses assumed next year while 2021-22 revenues are projected at \$1.74 million or approximately \$260,000 (13%) lower than the baseline.
- *Option 2 – 5% retailer tax, 3% manufacturing/distribution tax, \$5/sf cultivation tax.* This option retains the 5% tax rate for retail businesses while lowering the tax to 3% for manufacturing and distribution businesses and the cultivation tax to \$5/square foot. Revenue estimate for 2018-19 is lowered to \$560,000 with lower tax revenues expected from manufacturing businesses while 2021-22 revenues are projected at \$1.22 million or approximately \$780,000 (39%) lower than the baseline.
- *Option 3 – 5% retailer tax, 2% manufacturing/distribution tax, \$5/sf cultivation tax.* Similar to the above option, this option retains the 5% tax rate for retail businesses while lowering the tax further to 2% for manufacturing and distribution businesses and the cultivation tax to \$5/square foot. Revenue estimate for 2018-19 is lowered to \$440,000 with less revenues expected from manufacturing businesses while 2021-22 revenues are projected at \$960,000 or approximately \$1 million (48%) lower than the baseline.

Staff Report: Options for Amending Commercial Cannabis Tax Structure April 16, 2018

- *Option 4 – 4% tax and \$5/square foot cultivation tax.* Similar to Option 1, this option uses a consistent tax rate for all businesses (4% in this case) while lowering the cultivation tax to \$5/square foot. Revenue estimate for 2018-19 is lowered to \$640,000 while 2021-22 revenues are projected at \$1.41 million or approximately \$590,000 (30%) lower than the baseline.
- *Option 5 – 4% retailer tax, 3% manufacturing/distribution tax, \$5/sf cultivation tax.* This option includes a 4% tax rate for retail businesses and 3% for manufacturing and distribution businesses with the lowered cultivation tax to \$5/square foot. Revenue estimate for 2018-19 is lowered to \$520,000 while 2021-22 revenues are projected at \$1.15 million or approximately \$850,000 (43%) lower than the baseline.
- *Option 6 – 4% retailer tax, 2% manufacturing/distribution tax, \$5/sf cultivation tax.* This option includes a 4% tax rate for retail businesses and 2% for manufacturing and distribution businesses with the lowered cultivation tax to \$5/square foot. Revenue estimate for 2018-19 is lowered to \$400,000 while 2021-22 revenues are projected at \$892,000 or approximately \$1.1 million (55%) lower than the baseline.

These six options provide choices for the Council to consider in amending the current tax structure. The Council could also consider a tax cap where a business would not pay taxes above a certain level of gross receipts (e.g., \$3-5 million). While the majority of jurisdictions identified in Attachment 1 charge the same tax rate for businesses other than cultivation, several jurisdictions have different rates for retailers and manufacturers including Long Beach, Watsonville, and Santa Barbara County if approved by voters.

Of the six options, Option 2 (5% retailer and 3% manufacturer/distributor rates) might particularly meet the Council's expressed interest in encouraging substantial manufacturing investment while still generating desired tax revenues to address community needs. The 5% retailer rate is lower than the initial 4% rate proposed for San Luis Obispo County that increases to 6% in 2019 or the 6% rate proposed for Santa Barbara County and the 3% manufacturing rate is similar to the Santa Barbara County rate. These rates in Option 2 would be half the median tax rate in jurisdictions listed in Attachment 2 which is 10% for retailers and 6% for manufacturers. The median cultivation square footage tax for jurisdictions using this methodology is \$25/square foot of canopy space in contrast to \$5/square foot of building area as identified by the Council. Staff is researching this change in methodology from canopy space to building area to ensure Proposition 218 compliance.

Staff is seeking Council's direction in determining the most appropriate commercial cannabis tax structure and corresponding amendments to the existing structure. Pending this direction, staff would bring a resolution to the Council in May to formally change the tax amount to be charged under the maximum amount authorized by Measure L-16. This amended tax structure would be retroactive to be applicable for any cannabis businesses starting to operate in April.

FISCAL IMPACT

Staff has estimated that the City's commercial cannabis tax will generate approximately \$800,000 in 2018-19 and up to \$2 million annually over time under the current tax structure. Council direction for an amended structure with lower rates would change these estimates and staff would incorporate updated estimates into the City's budget development for next year and long-term financial forecasting. There would be a decrease in anticipated tax revenue projected from lowering rates, but conversely there could be an increased level of cannabis business activity particularly with adult use businesses that would ultimately lead to greater tax revenues.

Staff Report: Options for Amending Commercial Cannabis Tax Structure

April 16, 2018

ALTERNATIVES

The Council has the following alternatives to consider:

1. Receive information on potential options for amending the City's commercial cannabis tax structure and provide direction to staff on desired amendments; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

ATTACHMENTS

1. Examples of Adult Use Tax Rates in California Jurisdictions
2. Cannabis Tax Rate Revenue Estimates

Examples of Adult Use Cannabis Tax Rates in California Jurisdictions

Jurisdiction	Retail	Manufacturing	Cultivation	Other/Comment
Adelanto	5%	5%	5%	Cultivators can pay \$5/sf of facility as alternative
Berkeley	5%	5%	5%	Recently reduced from 10%
Carson	18%	18%	\$25/sf	Tax increased annually by CPI
Cathedral City	-	-	\$25/sf	\$1 per gram/unit of cannabis concentrate or product
Coachella	6%	6%	\$15/sf	Only wholesale cannabis businesses allowed
Coalinga	10%	-	\$25/sf	\$10/sf after first 3,000 sf of cultivation space
Dixon	15%	15%	15%	-
Fillmore	15%	15%	\$30/sf	\$15/sf after first 3,000 sf of cultivation space
Gonzales	-	5%	\$15/sf	Rates can be raised in 3 years to 15% and \$25/sf
Greenfield	5%	5%	\$15/sf	Rates increase after 2020; nursery rate \$2/sf
<i>Grover Beach (current)</i>	<i>10%</i>	<i>10%</i>	<i>\$25/sf</i>	<i>\$10/sf after first 5,000 sf of cultivation space</i>
Hayward	15%	15%	15%	-
King City	-	\$30,000	\$25/sf	\$10/sf after first 5,000 sf of cultivation space
Long Beach	10-12%	6-8%	\$12-15/sf	Marijuana business license tax also imposed
Oakland	10%	10%	10%	Considering ballot measure to lower rates
Perris	10%	-	\$25/sf	-
Pittsburgh	10%	10%	10%	-
Point Arena	10%	10%	10%	-
Richmond	5%	5%	5%	-
Sacramento	4%	4%	4%	-
SLO County (if apprv)	4%	4%	4%	Raised 2% every year to 10% maximum
Salinas	5%	5%	\$15/sf	Rates increase in 2019 to 10% and \$25/sf
San Diego	5-15%	5-15%	5-15%	-

San Jacinto	15%	15%	\$50/sf	-
San Leandro	10%	10%	10%	-
Santa Barbara (city)	20%	20%	20%	-
Santa Barbara Co (if apprv)	6%	3%	4%	Also 1% on nurseries and distributors
Santa Cruz	7%	7%	7%	Maximum rate of 10%
Watsonville	10%	2.5%	\$20/sf	Manufacturing rate selected within 2-5% range

Commercial Cannabis Tax Structure
Revenue Estimates

Current -- 5% Tax and \$25/SF Cultivation Tax

<u>2018-19</u>				<u>2021-22</u>			
#	Type	Gross Receipts	Tax Amount	#	Type	Gross Receipts	Tax Amount
4	Retailer	\$1,000,000	\$200,000	4	Retailer	\$1,700,000	\$340,000
6	Manufacturing	\$2,000,000	\$600,000	10	Manufacturing	\$2,600,000	\$1,300,000
-	Cultivation	-	-	2	Cultivation	\$2,500,000	\$350,000
TOTAL			\$800,000	TOTAL			\$1,990,000

Option 1 -- 5% Tax and \$5/SF Cultivation Tax

<u>2018-19</u>				<u>2021-22</u>			
#	Type	Gross Receipts	Tax Amount	#	Type	Gross Receipts	Tax Amount
4	Retailer	\$1,000,000	\$200,000	4	Retailer	\$1,700,000	\$340,000
6	Manufacturing	\$2,000,000	\$600,000	10	Manufacturing	\$2,600,000	\$1,300,000
-	Cultivation	-	-	2	Cultivation	\$2,500,000	\$100,000
TOTAL			\$800,000	TOTAL			\$1,740,000

Option 2 -- 5% Tax Retailer, 10% Manufacturer/Distributor, and \$5/SF Cultivation Tax

<u>2018-19</u>				<u>2021-22</u>			
#	Type	Gross Receipts	Tax Amount	#	Type	Gross Receipts	Tax Amount
4	Retailer	\$1,000,000	\$200,000	4	Retailer	\$1,700,000	\$340,000
6	Manufacturing	\$2,000,000	\$360,000	10	Manufacturing	\$2,600,000	\$780,000
-	Cultivation	-	-	2	Cultivation	\$2,500,000	\$100,000
TOTAL			\$560,000	TOTAL			\$1,220,000

Option 3 -- 5% Tax Retailer, 10% Manufacturer/Distributor, and \$5/SF Cultivation Tax

<u>2018-19</u>				<u>2021-22</u>			
#	Type	Gross Receipts	Tax Amount	#	Type	Gross Receipts	Tax Amount
4	Retailer	\$1,000,000	\$200,000	4	Retailer	\$1,700,000	\$340,000
6	Manufacturing	\$2,000,000	\$240,000	10	Manufacturing	\$2,600,000	\$520,000
-	Cultivation	-	-	2	Cultivation	\$2,500,000	\$100,000
TOTAL			\$440,000	TOTAL			\$960,000

Option 4 -- 4% Tax and \$5/SF Cultivation Tax

<u>2018-19</u>				<u>2021-22</u>			
#	Type	Gross Receipts	Tax Amount	#	Type	Gross Receipts	Tax Amount
4	Retailer	\$1,000,000	\$160,000	4	Retailer	\$1,700,000	\$272,000

6	Manufacturing	\$2,000,000	\$480,000	10	Manufacturing	\$2,600,000	\$1,040,000
-	Cultivation	-	-	2	Cultivation	\$2,500,000	\$100,000
TOTAL			\$640,000	TOTAL			\$1,412,000

Attachment 5: Los Angeles Times Article

<https://www.latimes.com/california/story/2019-08-14/californias-biggest-legal-marijuana-market>

----- Page 1-----

California now has the biggest legal marijuana market in the world. Its black market is even bigger

A new study predicts record legal cannabis sales in California this year. (Genaro Molina / Los Angeles Times)

By PATRICK MCGREEVY | STAFF WRITER

AUG. 15, 2019 | 5 AM

SACRAMENTO — California is on track to post a record \$3.1 billion in licensed cannabis sales this year, solidifying its status as the largest legal marijuana market in the world, according to a study released Thursday by financial analysts who advise the industry.

Legal sales are up significantly from an approximate \$2.5 billion in 2018, the first year of licensed cannabis sales in California, according to the analysis by sales-tracking firms Arcview Market Research and BDS Analytics. After a rocky start in 2018, retailers that have survived California's tough licensing, testing and packaging regulations are "battle hardened" and stronger because of an influx of investment that has allowed them to take advantage of the state's large population and pent-up demand for legal products, said Tom Adams, managing director and principal analyst for BDS Analytics.

"Any market in the world would be ecstatic about a 23% growth rate," Adams said. "That is fabulous for any industry to have that kind of growth."

But California's black market for marijuana continues to flourish as high taxes and a refusal by most cities to allow licensed shops makes it cheaper and easier for people to buy from illicit dealers, he said. An estimated \$8.7 billion is expected to be spent in the illegal cannabis market in 2019 — more than double the amount of legal sales.

The size of the black market continues to trouble many supporters of Proposition 64, the statewide initiative approved by voters in 2016 that legalized growing and selling cannabis for recreational use.

"The illegal market is competitive because legal marijuana is so expensive to produce under Prop. 64," said Dale Gieringer, director of Cal NORML, which supported the initiative though it preferred other regulations.

Assemblyman Rob Bonta (D-Alameda) tried unsuccessfully this year to win legislative approval to temporarily reduce cannabis taxes.

"It's abundantly clear that the illicit market is still undercutting the licensed and regulated market," Bonta said. "The much lower than projected statewide cannabis tax revenue indicates that significant numbers of cannabis businesses remain in the illicit market not paying their taxes, rather than migrating to the regulated market."

California cannabis markets

2019 spending

Legal market: \$3.1 billion

Illicit market: \$8.7 billion

2024 projection

Legal market: \$7.2 billion

Illicit market: \$6.4 billion

Tamar Todd, an attorney who lectures on cannabis law at UC Davis and UC Berkeley and is vice chairwoman of a state advisory panel on marijuana, said the growth of the legal market and the continued existence of a large illicit market is not a surprise.

More than 20 years after California became the first state to legalize the sale of medical marijuana, it will take years more to move many longtime growers and sellers into a complicated licensing system, she said. "I personally take a really long view of the transition toward legalization, especially in California that had a really large illicit and quasi-legal market under medical [marijuana law] for 20 years that operated without state oversight and state enforcement," Todd said.

California remains easily the biggest government-sanctioned market in the nation, topping the \$1.6 billion in legal sales projected this year for Colorado, which legalized cannabis in 2014. Legal pot sellers here are expected to sell nearly triple the \$1.1 billion in legal cannabis that will be sold this year in Canada, which began allowing pot shops in Adams said California's legal market this year is also larger than those in Germany, which he projected to reach \$240 million this year, and the Netherlands, which he expects will have smaller sales.

The first year of licensed cannabis sales in California saw spending drop from \$3 billion to \$2.5 billion because many medical marijuana shops closed once licensing began or kept operating outside the legal market. There are currently 583 licensed pot shops in California and 263 licensed home-delivery firms.

The climb back this year is happening "despite these huge levels of taxation and regulatory woes that we think add 77% to the cost of a gram in the legal market versus what it costs on the open market," Adams said. Jerred Kiloh's Sherman Oaks store, the Higher Path, has seen sales hold steady after spiking in the first months after legalization. He said many licensed stores in the San Fernando Valley have seen an uptick in sales because of the city's enforcement against illegal operators in the area. But he is skeptical of the \$3.1-billion projection because many other pot shops have seen sales declines in the last year as they struggle with a competitive disadvantage against the illegal market. "If you look at Los Angeles, it's 10 to 1 when it comes to illegal operators versus legal ones," said Kiloh, who is president of the United Cannabis Business Assn.

Contributing to the size of the illicit market, industry officials say, some 76% of cities and 69% of counties have banned cannabis stores. Proposition 64 gave local governments the power to prohibit legal marijuana sales in their jurisdictions.

The local control provision of the initiative "requires by design that there is going to be a very long transition period because it's saying there are communities in California that are going to wait and see and are going to opt to keep an illicit market," Todd said.

As more states allow cannabis and the federal government changes laws, more cities may decide that it is better to license pot shops than have home deliveries they can't control come from outside their jurisdictions. If federal and state law change to allow California cannabis to be legally exported out of the state, that also could reduce the illicit market, Todd said.

The release of the report coincides with the return of the California Legislature for its last two months of work for 2019, and is likely to add urgency to the debate on a cluster of bills aimed at bolstering the legal market and reducing illegal sales. Lawmakers have shelved a measure that would have cut the state excise tax on cannabis sales from 15% to 11% for three years, but bills still under consideration would fine websites that advertise unlicensed pot dealers and create a state-sanctioned bank for use by cannabis firms.

Assemblyman Phil Ting (D-San Francisco) was unable to get the votes needed for a bill that would have required cities to allow pot shops if their voters supported Proposition 64. But he noted enforcement is stepping up. "California's cities and counties need our support to go after the illicit cannabis market," Ting said. "At the same time, local governments need to do their part and help bring legal cannabis businesses to light, so they can thrive and pay taxes that help fund public services."

Without changes to make it easier for illegal pot sellers to get licenses and compete, the illicit market will continue to be a significant part of cannabis sales in California, according to the report released Thursday. Adams' Colorado-based firm projects legal cannabis sales in California will grow to \$7.2 billion in 2024, but illegal sales will still be \$6.4 billion that year. More cities are expected to allow pot shops, and state efforts to get illegal operators licensed, in part through tougher enforcement, will help with the shift, officials say. "Unless the state acts to lower the taxes and lower the regulatory load, they are making the illicit market participants happy campers by keeping them in business," Adams said.

Patrick McGreevy is a reporter covering California state government and politics in the Sacramento Bureau. He previously worked in the Los Angeles City Hall Bureau for The Times. He is a native of San Diego and a graduate of San Jose State University.



Atascadero City Council

Staff Report – Public Works Department

CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project Construction Award

RECOMMENDATIONS:

Council:

1. Reject the bid protest of JJ Fisher Construction, Inc. and award the contract for the construction of the CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project to G. Sosa Construction, Inc.
2. Authorize the City Manager to execute a contract with G. Sosa Construction, Inc. for \$286,385 to construct the CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project.

DISCUSSION:

Background

A portion of the City's Community Development Block Grant (CDBG) must be used for public facility projects. The City is eligible to apply for these funds, and has traditionally used these funds for design and construction of sidewalk and pedestrian improvements to remove barriers related to the Americans with Disabilities Act (ADA). Generally, these projects are smaller in nature (\$100,000-\$150,000) and address non-compliant pedestrian ramps and sidewalks, as well as pedestrian connectivity issues by constructing "missing links" between sidewalks and other upgrades to the existing infrastructure to provide greater accessibility.

The CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project was awarded a \$100,612 grant during the 2017 funding cycle, with a second \$198,449 grant award during the 2018 funding cycle. Additional funding in the amount of \$87,235 was reallocated to this project for a total of \$386,296.

The City prioritized this project to remove pedestrian barriers along Traffic Way and at the intersection with El Camino Real. The current sidewalk, adjacent to the property at the northwest corner of the intersection (5970 El Camino Real), was constructed long before current accessibility requirements when the property was developed as a refueling and service station. Subsequently, a full frontage driveway approach was constructed that doubled as a sidewalk and it does not meet the cross-slope

requirements of ADA between El Camino Real and the 101 undercrossing. Furthermore, the pedestrian ramp at the northwest corner of Traffic Way and El Camino Real is substandard. This project will address these deficiencies.

The project will reconstruct approximately 220 lineal feet of 10-foot wide concrete sidewalk along the north side of Traffic Way, 140 lineal feet of 8-foot wide concrete sidewalk along the south side of Traffic Way, two pedestrian ramps at the corners, concrete curb and gutter, driveway approaches, storm drain improvements, fire hydrant relocation, and pavement replacement of the outside lanes in both directions. Additionally, Traffic Way will be widened by two feet to add a lane to provide three eastbound lanes (left, through, right). Narrowing of all four lanes will be needed to accommodate the added lane, but the proposed widths still meet minimum City and California Manual on Uniform Traffic Control Devices (CA-MUTCD) standards. This lane reconfiguration was identified as an important mitigation measure for improving traffic flow in the traffic analysis for the Downtown El Camino Real Infrastructure Enhancement Project.

The project schedule was delayed due to on-going discussions and negotiations for permanent and temporary construction easements with the property and business owners on the northwest corner of Traffic Way/El Camino Real (5970 ECR). A permanent easement was needed to accommodate construction of an ADA-compliant pedestrian ramp on that corner, while temporary construction easements were needed for encroachments to the property to construct the new sidewalk. Much of the discussion focused on vehicle access to the property, which currently has unfettered access due to existing driveway approach ramps across the full frontage of the property (Traffic Way and ECR). The current business (Pflum's Atascadero Muffler and Auto Sales) situates vehicles for sale on the perimeter of the property and has no internal circulation, requiring direct access to Traffic Way and El Camino Real on an infrequent basis. A combined driveway approach for public alleyway and auto repair structure (on the westerly side) will be constructed on Traffic Way, while a standard vertical curb will be constructed on the El Camino Real frontage of the property. A mountable concrete curb will be constructed between the combined driveway approach and the pedestrian ramp on the northwest corner to allow the occasional need to access the property. In addition, concrete sidewalk will be thicker in these locations to accommodate vehicle loads. The City has secured needed easements at no direct cost.

Discussions were also held with the property owner on the south side of Traffic Way (6040/6090 El Camino Real) regarding access onto Traffic Way from those properties. The original design was modified to accommodate requested access improvements, including a rolled curb for delivery access to Colony Deli, and a right out only egress from the 6090 El Camino Real parcel.

Bid Analysis

The project was advertised for a minimum of 30 days, from October 9, 2020 through November 12, 2020. Six bids were received ranging from \$236,930 to \$319,380 with the low bid submitted by R. Burke Corporation, with the next lowest bid of \$286,385 submitted by G. Sosa Construction, Inc. The bids were reviewed for accuracy and compliance with the City of Atascadero and Federal bidding requirements, and the City Engineer determined that R. Burke Corporation was the lowest responsive bidder.

However, R. Burke Corporation notified the City on November 16, 2020 that their bid contained a substantial clerical error related to traffic control working days and requested their bid to be withdrawn. The City Engineer agreed that the error was material and finds that G. Sosa Construction, Inc. of Santa Maria to be the next lowest responsible bidder. G. Sosa Construction's bid of \$286,385 is very competitive and roughly \$18,000 less than the next lowest bid amount.

The City Clerk received a written bid protest from the third lowest bidder, JJ Fisher Construction, Inc., on November 17, 2020 (see attachments). The bid protest alleges that bids received from R. Burke Corporation and G. Soso Construction, Inc. are not responsive to Technical Specification Section 10-2, Mobilization. Mobilization is an itemized pay item on the bid form and Section 10-2.1 list activities that are to be included with the Mobilization bid item, such as obtaining bonds, moving equipment onto the project site, etc. JJ Fisher Construction alleges that the two low bidders did not include costs associated with one of the mobilization activities listed in Section 10-2.1 as follows: "Designation of the Contractor's superintendent who will be present at the job site full time". JJ Fisher Construction's bid protest alleges that the mobilization price of the two low bidders could not possibly cover the costs of a superintendent for the project. JJ Fisher Construction's bid included \$61,176 for mobilization, while R. Burke Corporation and G. Sosa Construction bids included \$13,000 and \$20,400, respectively, for this item.

Staff reviewed the bid protest of JJ Fisher Construction and finds that the protest has no merit (see attached response letter). In the bid protest, JJ Fisher Construction incorrectly interprets "Designation of the Contractor's superintendent who will be present at the job site full time" to include the cost of providing a superintendent for the project. Mobilization is widely known to be associated with preconstruction activities as evidenced by the other listed activities in Section 10-2.1, such as identifying key personnel who will be representing the contractor. The words "designation" and "who will be" in the said clause also support this notion of preconstruction. Furthermore, JJ Fisher Construction's mobilization price of \$61,176 was roughly 2 to 4 times higher than the bid prices of the other five bidders (\$13,000, \$20,000, \$20,400, \$31,000, and \$33,000), further supporting that the bidding documents were clear and this interpretation was a mistake made by JJ Fisher Construction. For these reasons and others stated in the City Engineer's response letter, staff recommends rejecting the bid protest of JJ Fisher Construction.

Environmental Review

The proposed project is Categorically Exempt (Class 1) from the provisions of the California Environmental Quality Act (California Public Resources Code §§ 21000, et seq., "CEQA") and CEQA Guidelines (Title 14 California Code of Regulations §§ 15000, et seq.) pursuant to CEQA Guidelines Section 15301, because it is limited to repair and maintenance of existing facilities. A finding of exemption is on file in the project records.

Since the project is federally funded, a review under the National Environmental Policy Act (NEPA) is also required. As the funding recipient agency, the County of San Luis Obispo completes the NEPA analysis. This project was found to be Categorically Excluded per 24 CFR 58.35(a). This finding of exemption is on file with the project records, and associated mitigation requirements are included in the project bid documents.

Conclusion

Staff recommends that the City Council reject the bid protest from JJ Fisher Construction for the reasons stated above and award a contract for the construction of the CDBG Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project to G. Sosa Construction for \$286,385. In an environment where construction costs have been consistently escalated and available bidders scarce, this bid environment for this project was very competitive provides good value for the City.

If awarded, construction is expected to begin before the end of this year and continue during winter as weather permits. Significant inconveniences to vehicular and pedestrian traffic along the roadway segments are anticipated during construction. The Contractor will be required to prepare a traffic control plan, and City staff will work with the Contractor and adjacent business owners to minimize travel delays and impediments to driveways.

FISCAL IMPACT:

Award of this contract for the construction of the Traffic Way Sidewalk Accessibility and Pedestrian Ramp Project will result in the expenditure of an estimated \$386,300 in budgeted CDBG funds.

ESTIMATED EXPENDITURES	
Design and Bid Phase	15,000
Construction	286,385
Staff / Inspection / Testing / Construction Administration @ 12.5%	36,000
Contingency @ 17%	48,911
Total Estimated Expenditure:	\$386,296

BUDGETED FUNDING	
2017CDBG Allocation	100,612
2018 CDBG Allocation	198,449
CDBG Reallocation	87,235
Total Funding:	\$386,296


ALTERNATIVES:

Staff does not recommend any other alternatives.

ATTACHMENTS:

1. Bid Summary
2. JJ Fisher Construction Bid Protest
3. City Response Letter to JJ Fisher Construction Bid Protest

City of Atascadero
Office of the City Clerk
Bid Summary

TO: Public Works
FROM: Amanda Muther, Deputy City Clerk 
BID NO.: 2020-005
OPENED: 11/12/2020
PROJECT: CDBG Barrier Removal/Traffic Way Sidewalk Accessibility & Pedestrian Ramp Replacement
6 Bids were received and opened today, as follows:

<u>Name of Bidder</u>	<u>Bid Total</u>
R. Burke Corporation	\$236,930.00
G. Sosa Construction, Inc.	\$286,385.00
JJ Fisher Construction, Inc.	\$304,276.20
CalPortland Construction	\$307,216.50
Papich Construction Co., Inc.	\$314,879.00
AAAA Engineering Contracting, Inc.	\$319,380.00

Lara Christensen

From: Kevin Dodd <kevin@jjfisherconstruction.com>
Sent: Tuesday, November 17, 2020 4:16 PM
To: City Clerk
Cc: JJ Fisher
Subject: CDBG Barrier Removal/Traffic Way Sidewalk Bid Protest
Attachments: ATASCADERO BID PROTEST.jpg; ATASCADERO BID PROTEST2.jpg

Lara,

JJ Fisher Construction would like to submit a bid protest for this project. The reason for this protest is the apparent non responsive inclusion of an item requested in the special provisions 10-2.01

10-2.01

"Designation of the contractors superintendent who will be present at the job site full time"

After reviewing the bid items of bidders 1 & 2 it doesn't seem possible that costs were factored in for this item due to the bid total of line item #1. Attached is the special provision from the bid set and a copy of my bid software for that line item. Since this project is federally funded, the cost for the superintendent should be the same for everyone involved in this bid. Bidder 1 & 2 final bid number does not even come close to this cost and when you figure bond and insurance in there also I don't see how they could have factored this required specification into their bid.

Thank you for your time,

Kevin Dodd

Superintendent

JJ Fisher Construction, Inc.

Lic.# 939644

PO Box 2219

Nipomo, Ca. 93444

Office: (805)723-5220

Cell: (805)801-1417

ATTENTION:

This email originated from outside the City's network. **Use caution when opening links and attachments.**

10-2 MOBILIZATION

10-2.01 General

Mobilization includes, but is not limited to the following:

- Obtaining all required bonds, insurance, and permits (including Caltrans Encroachment Permit)
- Posting all OSHA required notices and establishment of safety programs and injury and illness prevention plan (IIPP).
- Moving onto the site of all Contractors' equipment required for project operations.
- Arranging for and erection of Contractor's work and storage yard.
- Providing and installing temporary construction power, wiring, and lighting.
- Providing and installing temporary communication facilities.
- Providing and installing construction water facilities and on-site sanitary facilities.
- Designation of the Contractor's superintendent who will be present at the job site full time.
- Submittal of detailed work plan describing the order of Work, coordination with Owner's staff, local agency coordination, and other key aspects of the Work.
- Submittal of the work schedule and schedule of values.
- Preparing and submitting field record drawings.
- General construction site management, including furnishing all labor, materials, tools, equipment, and incidentals and for doing all Work involved in spill prevention and control, material management, waste management, storm and non-storm water management, and other activities required for the Work.
- Removing equipment, personnel, temporary facilities, and other construction resources at job completion, site cleanup.
- All other incidental work necessary to complete mobilization in accordance with the Contract Documents.

ITEM NUMBER

C-3

DATE:

11/24/20

ATTACHMENT:

2

ITEM	DESCRIPTION	UNIT	QUANTITY	UNIT COST	LABOR	EQUIP	MATERIAL	SUBCONT.	TOTAL COST
#1	MOBILIZATION	0	0.0						
DESC.									\$ -
DESC.									\$ -
MAT.	CAL TRANS ENCROACHMENT PERMIT	LS	1.0	1,000.00			1,000		\$ 1,000.00
MAT.	BOND	LS	1.0	5,759.00			5,759		\$ 5,759.00
MAT.	INSURANCE	LS	1.0	8,638.00			8,638		\$ 8,638.00
MAT.		DAY	40.0	0.00					\$ -
MAT.	MOB & DEMOB	LS	2.0	1,000.00			2,000		\$ 2,000.00
MAT.	PORTA POTTY	MO.	2.0	160.00			320		\$ 320.00
MAT.	WATER METER	LS	1.0	1,000.00			1,000		\$ 1,000.00
MAT.		UNIT	0.0	0.00					\$ -
SUBS.		UNIT	0.0	0.00					\$ -
SUBS.		UNIT	0.0	0.00					\$ -
	CREW	LABOR	EQUIP.						
	BAD FORMULA	0.00	0.00						
	SUPERINTENDEN	762.00	100.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	0	0.00	0.00						
	COST / DAY	762.00	100.00 X 40 DAYS	LABOR	#DIV/0!	30,480			\$ 30,480.00
				EQUIP.	#DIV/0!	4,000			\$ 4,000.00
	EQUIP. MOVES :			0	0				\$ -
	WATERFEES :			0	0				\$ -
				UNIT COST	#DIV/0!	#####	#####	\$ 18,717.00	\$ -
									\$ 53,197.00



CITY OF ATASCADERO

PUBLIC WORKS DEPARTMENT

6500 Palma Avenue, Atascadero CA 93422
(805) 470-3456 | publicworks@atascadero.org

November 18, 2020

VIA EMAIL

Kevin Dodd, Superintendent
JJ Fisher Construction, Inc.
P.O. Box 2219
Nipomo, CA 93444

RE: BID PROTEST FOR CDBG TRAFFIC WAY SIDEWALK ACCESSIBILITY AND PEDESTRIAN RAMP PROJECT | CITY PROJ. NO. C2016M05

Dear Mr. Dodd:

We have received and reviewed your bid protest dated November 17, 2020 for the above reference project. In your protest, you allege that the two lowest bidders, R. Burke Corporation and G. Sosa Construction Inc., were non-responsive in their bids to include costs associated with superintendence as defined in Section 10-2.01 of Technical Specification 10-2 (Mobilization). Section 10-2.01 list the various activities that Mobilization is comprised of, such as obtaining bonds and permits, moving equipment to the project site, and installing temporary facilities. Specifically, your protest is focused on the mobilization activity of "Designation of the Contractor's superintendent who will be present at the job site full time" as itemized in Section 10-2.01. You claim that the line item bid price for Mobilization on the two lowest bid proposals could not have possibly accounted for the cost of a superintendent for the project.

We have reviewed your bid protest and have concluded that JJ Fisher Construction misinterpreted the above "Designation of the Contractor's superintendent" clause of Section 10-2.01. Mobilization is an industry standard and conventionally known to be related to preconstruction activities as evidenced by the items listed in Section 10-2.01. Introducing and identifying personnel who will be representing the contractor is also an item that occurs before construction commences. The words "designation" and "who will be" in the said clause also support this notion of preceding construction. Section 7-2.7, (Superintendence) of the bidding documents supports this concept, stating "*Contractor designate in writing before starting work an authorized representative who shall have the authority to represent and act for Contractor*". Furthermore, JJ Fisher Construction's mobilization price of \$61,176 was roughly 2 to 4 times higher than the bid prices of the other five bidders (\$13,000, \$20,000, \$20,400, \$31,000, and \$33,000), further supporting that the bidding documents were clear and this interpretation was a mistake made by JJ Fisher Construction.

For the above reasons, we will recommend that the City Council reject your bid protest without merit and recommend awarding the project to the lowest responsible bidder.

Bid Protest for CDBG Traffic Way Sidewalk Accessibility Project
Page 2

Please contact me at 805-470-3456 or ndebar@atascadero.org if you should have any questions regarding this matter. You will also have an opportunity to address the City Council when they consider awarding this project and may present any evidence rebutting our recommendation. The City Clerk will provide you with the needed information if you choose to participate at the City Council meeting.

Sincerely,



Nicholas D. DeBar, PE
Director of Public Works/City Engineer

xc: Lara Christensen, City Clerk
Greg Soso, G. Sosa Construction, Inc.