

Minutes of the Blythe City Council
March 13, 2018

The March 13, 2018 Meeting of the Blythe City Council was called to order at 6:00pm in the Council Chambers by Mayor Reynolds. Also in attendance were Vice Mayor Egan and Council Members DeConinck, Rodriguez and Halby. Staff in attendance included: Interim City Manager and City Clerk Crecelius, City Treasurer and Finance Director Elms, Police Chief Wade, Public Works Director Baldizzone, Chief Building Official Garnica and City Attorney Bettenhausen.

The Pledge of Allegiance was led by Mayor Reynolds. The invocation was offered by Vice Mayor Egan.

CONSENT CALENDAR: *Items on the Consent Calendar are considered routine and will be enacted with one motion of the Council. If any item requires individual consideration, it will be removed from the consent calendar and acted upon separately.*

1. Posting of the Agenda.

The summary of agenda items were posted on the bulletin boards on the outside of the public entrance to the Council Chamber and near the inside entrance of the Council Chamber on Friday, March 9, 2018.

2. Approval of the Warrant Register.

Recommendation: Approve **3/13/18**, warrants numbered 67605 through 67674 in the amount of \$289,282.57 and **3/13/18**, warrants numbered 67529 through 67593 and Utility Billing Warrants numbered 67594 through 67604 in the amount of \$327,219.38.

3. Approval of the Payroll Register.

Recommendation: Approve **3/13/18**, warrants numbered 50105 through 50130 and Direct Deposits numbered 41365 through 41420 in the amount of \$245,847.57; **3/13/18**, warrants numbered 50131 through 50132 in the amount of \$2,054.88; **3/13/17**, warrants numbered 50133 through 50136 and 50140 through 50166 and Direct Deposits numbered 41421 through 41475 in the amount of \$250,001.13; **3/13/18**, warrants numbered 50137 through 50139 in the amount of \$2,480.76 and **3/13/18**, warrants numbered 50167 through 50172 and Direct Deposits numbered 41476 through 41577 in the amount of \$64,818.21.

4. Minutes of the February 13, 2018 City Council Meeting.

Recommendation: Approve the Minutes of the February 13, 2018 meeting.

5. Minutes of the February 22, 2018 Special City Council Meeting.

Recommendation: Approve the Minutes of the February 22, 2018 meeting.

6. City of Blythe Permits Issued for the Month of February 2018.

Recommendation: Receive and file this monthly report.

7. City of Blythe Fire Department Monthly Activity Report for February 2018.

Recommendation: Receive and file this monthly report.

8. Donation of Funds to Purchase Police Equipment.

Recommendation: Accept a donation of \$2,500 from Gr&Be Inc. to purchase police equipment.

9. Agreement for CFD No. 2004-1 Special Tax Administration Services.

Recommendation: Authorize the City Manager to enter into an agreement with David Taussig and Associates for CFD. No. 2004-1 Special Tax Administration Services.

10. Third Amendment to CVAG's Joint Powers Agreement,

Recommendation: Authorize the Mayor to execute the Third Amendment and Restatement of Joint Powers Agreement of the Coachella Valley Association of Governments.

11. **Engagement of Executive Search Services with Municipal Solutions.**

Recommendation: Authorize the Mayor to execute the Engagement Letter and Scope of Work for Executive Search Services with Municipal Solutions.

12. **Commercial Cannabis Tax Ordinance.**

Recommendation: Conduct the second reading by title only, waiving further reading of Ordinance No. 888-18.

ORDINANCE NO. 888-18. AN ORDINANCE OF THE PEOPLE OF THE CITY OF BLYTHE, CALIFORNIA APPROVING A TAX ON CANNABIS RELATED BUSINESS ACTIVITIES BY ADDING CHAPTER 3.36 (COMMERCIAL CANNABIS BUSINESS TAX) TO TITLE 3 (REVENUE AND FINANCE) OF THE BLYTHE MUNICIPAL CODE.

Interim City Manager Crecelius asked to pull item #12 for discussion.

No public comment. Vice Mayor Egan moved approval of Consent Calendar items 1-11. The motion was seconded by Councilman Halby with a unanimous aye vote.

Commercial Cannabis Tax Ordinance. Interim City Manager Crecelius stated the Ordinance as currently written implies that the business license would apply to everyone but cultivators. The intent of the Ordinance however was to apply a business license fee to all operators issued a commercial cannabis business permit. Under Section 1, Subsection (b) has been amended to read every person engaged in commercial cannabis activity except cultivation shall pay a maximum tax of 2% of gross receipts due and payable monthly. A Subsection (c) has been added to read: Every person engaged in commercial cannabis activity shall pay an annual business license fee of \$5,000. Due to this change, it is staff's recommendation Council conduct another first reading of this Ordinance as amended. We will conduct the second reading at the next Council meeting. This ordinance will not go into effect unless the cannabis tax, Measure D is passed in June.

No public comment. Councilman DeConinck moved approval of the first reading of the Ordinance as Amended. The motion was seconded by Vice Mayor Egan with a unanimous aye vote. City Clerk Crecelius read the title of the Ordinance into the record.

ORDINANCE NO. 888-18. AN ORDINANCE OF THE PEOPLE OF THE CITY OF BLYTHE, CALIFORNIA APPROVING A TAX ON CANNABIS RELATED BUSINESS ACTIVITIES BY ADDING CHAPTER 3.36 (COMMERCIAL CANNABIS BUSINESS TAX) TO TITLE 3 (REVENUE AND FINANCE) OF THE BLYTHE MUNICIPAL CODE.

NEW BUSINESS:

Issuance of Commercial Cannabis Dispensary Business Permits to Have A Heart and Flora Holding. Interim City Manager Crecelius stated Council Adopted Ordinance No's. 883-17 and 885-17 which authorizes and regulates Commercial Cannabis Businesses operating in the City of Blythe and Resolution No's. 2017-027 and 2017-033 setting the Commercial Cannabis Application Process and fee schedule. The application process consists of four phases. Phase 1: Determination of Eligibility consists of a criminal history check, review of application for completeness; verifying the business location and a signed agreement indemnifying the City of liability. Phase 2: Initial Ranking, consists of scoring the following criteria: location, business plan,

neighborhood compatibility plan, safety and security plan and labor and employment plan. Phase 3: Second Ranking consists of an interview with staff. Staff asks questions about the application and scores are based on the responses given by the applicant. Items covered in the interview include: community benefits, enhanced product safety, labor and employment, neighborhood compatibility and safety and security plan. Phase 4: is the City Manager's Recommendation to Council for Approval. Eight dispensary/Micro-business licenses were received. Of the eight, six were eligible to move on to the Phase III Interview. The interview panel consisted of myself, Police Chief Wade, Finance Director Elms, Building Inspector Brown and Kami Miller with HDL. Each member individually scored each applicant. The scores were combined for a weighted average. Phase II scores were then combined with the Phase II scores for an overall score. Based on the commercial cannabis applicant guidelines set by the City Council and applied by staff, the applicants that achieved the highest combined scores were Have a Heart and Flora Holding Group. Due to their scores and information provided to staff during the interview process, it is recommended Council issue dispensary licenses to Have a Heart and Flora Holding. Cannabis Permits will be issued once the site plan has been inspected and a certificate of occupancy has been issued by the Building Department. It should also be noted that Have A heart will not receive their permit until their Live Scan results have are received by the City. Through no fault of their own, there was a delay in receiving their results, probably due to operator error when they were originally fingerprinted by another agency. They were asked to do another Live Scan at Blythe PD which they agreed to. The DOJ results have returned, but the FBI results are still pending. Our third party investigator has completed his investigation and nothing was found that would exclude them from receiving a license. Due to this, staff is comfortable moving forward with issuing their license at this time contingent on receiving the live scan results.

Vice Mayor Egan asked if the applicants would be rehabilitating any dilapidated buildings. Interim City Manager Crecelius stated Have A Heart would be locating on E. Hobsonway and Intake in an abandoned gas station and they do plan to rehabilitate that facility. Flora Holding will be locating into a currently vacant building, but it is not considered to be blighted structure.

Councilman DeConinck asked if permits were issued to Flora Holding last month. Interim City Manager Crecelius stated Flora Holding applied for three separate licenses: Dispensary, Distribution and Manufacturing. At the time the distribution and manufacturing licenses were issue we had not yet completed the dispensary interviews and needed to finish that process before those licenses could be brought to Council for approval.

Councilman Halby asked why Flora did not apply for a micro-business permit. Interim City Manager Crecelius stated I would assume it's due to the fact we only have two dispensary/micro-business licenses available. If he applied for a micro-business and was not awarded a license, he's out. This way he has three chances of obtaining a license.

Public comment. Travis Pollock of Flora Holding stated I submitted three individual licenses due to the limitation on the micro-business licenses available. My goals in the

future are to continue to grow this business and invest in the community. As my manufacturing and distribution business grows I would love to purchase another, larger business in the community. I am looking to relocate to Blythe and operate my business here.

Councilman Halby asked about licenses held in other jurisdictions and states. Mr. Pollock stated at this time he will be focusing his attention on Blythe.

Councilman Rodriguez asked Mr. Pollock if he would move forward with manufacturing and distribution if he was unsuccessful in obtaining a dispensary license. Mr. Pollock stated most definitely. My goal was to obtain all three, but regardless of what happens I am invested in those two licenses.

Leslie Jessop Watkins of 1250 E. Hobsonway asked about the combining of the two scores and the methods used. Interim City Manager Crecelius stated it was a weighted average between phases II and III.

Mike Farrage with El Rancho Verde, LLC stated Cannabis could bring opportunity to this town. I have been in this town and donated to this town. I want the license and think I brought a good application and team with me. We are not as polished maybe, but I know the guy behind me has three dispensaries that have never closed and operates manufacturing, distribution and cultivation operations. I feel if we were voted on to get this, we would make Blythe proud. There are opportunities to do good things here and we are missing it. I hear a lot about shop Blythe and support the community and I am giving you an opportunity to do that.

Councilman Rodriguez asked if they would be building a new building or rehabbing the existing building. Mike Farrage stated they would be rehabbing the El Rancho Verde. We also have a plan B. It is currently in use now, but would give the proper notices and not leave anyone stranded. We will start in the front to get the dispensary going right away.

Tom Farrage of 476 N. 10th stated we were one of 6 teams applying for 2 dispensary licenses. I believe we, the El Rancho Verde, LLC are the best team and bring added value above all other teams. We will be a greater conduit to employ the people of Blythe, utilize the resources and solve the problems of our team. Michael and I were born and raised here and David spent many summers and holidays in Blythe. We are all successful in our fields which complement each other, high tech innovation, sales, design, manufacturing, architecture and real estate. David has had high tech cannabis businesses in Arizona for over 4 years. I am excited to work with the City of Blythe and retire on my farm here. We are ready to go and have the funds, commitment, property and experience necessary to do so.

David Basila of Tucson Arizona stated he has been coming to Blythe since he was a kid. I was blessed to be in a successful company of high technology which grew from 2 to 600 people. I bring a wealth of business experience to this new industry and have applied my experience to my cannabis manufacturing facilities. I invested in the medical cannabis

industry in Arizona and now own three licenses and have been operating dispensaries for the past 4 years. We have an employee centric company culture with low employee turnover. We are looking at profit sharing and stock options. We have an impeccable safety record and employ the latest techniques in security. We have developed the reputation as one of the best dispensaries in Arizona and one of the best dispensaries to work for in Tucson. We are very community minded and sponsor community organizations. We have demonstrated our ability to operate in the regulated cannabis industry. We are known commodities in Blythe and do not believe there are any other applicants that have our unique mix of qualifications. I would like to ask you the Council to consider these things. A vote for us is a vote for Blythe.

Kenny Kalian stated Dick Farrage was my first baseball coach and his uncle sat next to me on the Council. He was Mayor before me. I would like to see local. I shop Blythe, built my house here and been here all my life. I would like to see us use local. Tom and I both grew up here. We want that local feel.

Councilman Rodriguez asked if there was an overall ranking of the applicants. Interim City Manager stated yes and it was provided to Council.

Councilman Halby stated the Phase III scores are subjective as it's an interview with five individuals. If you had 100 individuals it would be a different score. It's so subjective and five individuals is a small sample size. Interim City Manager Crecelius stated the reason for the interview is due to the fact that you can hire professionals to prepare your plan. We wanted to make sure that the individual obtaining the license had the knowledge and knew what needed to be done to make these businesses successful. There are a lot of consultants out there writing these applications and it kind of helps us determine who knows what they are doing, who's been in the business, and it's not some consultant writing a pretty picture that's not the reality of the business.

Councilman Halby stated one security plan could be different from the other and you may be looking at security a different way and give them a lower score and that is subjective. That doesn't mean it won't work. I am just giving you an example. It's in the eyes of the beholder and what you think is right or wrong. To me, that's a skewed situation and should not be going with it and should not be part of the score. Interim City Manager Crecelius stated in this case most of the scoring is based on what's required by State law and what's required of our Ordinance.

Councilman Halby stated the whole application process was set up by HDL Companies and this is how they like to do things. Interim City Manager Crecelius stated yes, HDL was hired to help with the process but they are only advisers. At the end of the day this is the process Council adopted and Council had input into the process and that is why there is such a high score for community benefit and the addition of economic development component.

Vice Mayor Egan stated this looks like a huge amount of work. How many hours have been put into this? It was reported a lot.

Vice Mayor Egan asked how much weight rehabbing a building carried. Interim City Manager stated there were different points based on what you were doing. The main part of the process was the community benefit for Phase III.

Councilman Halby asked questions related to the score for community benefit.

Councilman Rodriguez asked if the Have A Heart location had been remediated.

Ryan Kunkel of Have A Heart stated it will be a full rehab/remodel, not a tear down. There are minimal upgrades necessary on the interior. We have full documentation of full remediation and sign off from the State of CA as of last year. That site is primed and ready to be brought back into service.

Councilman Halby stated at the last meeting I wanted to look into increasing our distribution limits in the future to potentially unlimited as it's essentially trucking. I received a lot of push back from Mr. Pollock the next day via email as he does not want any competition. In the spirit of business that is not a wise choice. When things go good at the dispensaries I will ask Council to raise those limits. The way I read the letter was not very friendly. I had a good aura about him until then so I started doing my homework and I need to question our background investigator and HDL Companies. I am not pleased with their work at all.

Vice Mayor Egan likes the fact they are rehabbing a building. I would like to go with staff's recommendation and get that gas station fixed up.

Councilman Rodriguez does not want to go with staff's recommendation. Councilman Halby agreed.

Mayor Reynolds asked for a motion.

Councilman Rodriguez would like to award licenses to Have a Heart and El Rancho Verde, LLC so that two buildings are rehabilitated. Flora Holding was already given two permits. I would like to spread the permits around a little bit. We can get more bang for our buck by spreading it out.

City Attorney Bettenhausen stated the Council has full discretion over who is issued permits. This procedure was put into place to create a subject process. The fourth stage was with the Council for approval and/ or your decision within your discretion.

Councilman Rodriguez moved approval of licenses being awarded to both Have a Heart and El Rancho, LLC. The motion was seconded by Vice Mayor Egan with a unanimous aye vote.

Purchase of a Portable Generator for the Waste Water Treatment Plant.
Public Works Director Baldizzone stated the City has a 1998 diesel powered pump to provide pumping during emergencies and blackouts. This piece of equipment no longer

meets CA emission requirements and has restrictions on how much it can be used. As this was addressed in emergency table tops, staff requested quotes from vendors following the purchasing policy of the City. With the purchase of a new generator the City will be compliant with CA emissions and will be able to power the existing pumps on any sewer lift station for an extended period of time. It is recommended Council authorize the purchase of an Atlas Copco QAS 70 portable generator from valley power systems in the amount of \$48,691.94.

No public comment. Vice Mayor Egan moved approval of staff's recommendation. The motion was seconded by Councilman Rodriguez with a unanimous aye vote.

7th Street Rehabilitation Project. Public Works Director Baldizzone stated this project was identified in 2013. The funds for this project were budgeted this fiscal year. The project consists of the removal and overlay of asphalt pavement, demolition and construction of curb, gutter and sidewalks and the construction of ADA ramps. The project specifications were prepared by Amir Engineering. On March 1st the City received bids for this project from Pyramid Construction, Hardy and Harper, Granite Construction and SRH Contracting and Paving. The low bidder was Granite Construction Company. It has been determined Granite Construction is a responsive and responsible bidder and its recommended Council authorize the Mayor to execute an agreement with Granite Construction in an amount not to exceed \$321,355 plus a contingency of \$16,068 and authorize the City Manager to approve change orders not exceeding \$10,000 and execute an agreement with Amir Engineering for construction surveying.

No public comment. Vice Mayor Egan moved approval of staff's recommendation. The motion was seconded by Councilman Rodriguez with a unanimous aye vote.

April's City Council Meeting Schedule. Interim City Manager Crecelius stated for the last several years Council has held one Council meeting per month, on the second Tuesday of every month. Council then goes dark for the meeting scheduled for the fourth Tuesday. The City must hold at least one regularly scheduled meeting each month. Per the Blythe Municipal Code, regular meetings of the Blythe City Council are held on the second or fourth Tuesday. I will be out of the office the first week of April and will be unavailable to review and prepare an Agenda. Due to this it is recommended Council go dark on April 10th and instead hold the Council meeting on the fourth Tuesday of the month. Should any pressing items arise between now and April 24th, a Special Meeting may be called.

No public comment. Vice Mayor Egan moved approval of staff's recommendation. The motion was seconded by Councilman Halby with a unanimous aye vote.

ORAL REPORTS: None

PUBLIC COMMENT: None

MEMBER COMMENT:

Councilman DeConinck just learned that 320 acres was recently purchased by the Palo Verde Ecological Reserve in Blythe. The land is the old crescent shores project and includes land from Hidden Beaches down to the land they already own. They never contacted the City about this even though it's in the City limits. It's not habitat, but they are going to turn it into habitat. They already have 2,000 acres up river. This land will never be developed.

John Osborne stated he met with former City Manager Cosentini and Public Works Director Baldizzone about getting it developed. I was told whoever developed it would need to pay over \$1 million for infrastructure improvements and it didn't work. I did go to the City to try to get something else to happen there other than the State buying it. The owners will sell to whoever is paying the most money and if the City doesn't help these developers it's going to continue to be a problem. The sale has not closed yet. If we don't change things going forward it will continue to happen. I didn't know you were unaware of this.

Councilman DeConinck stated this information was not relayed back to Council.

Mayor Reynolds stated this is not on the Agenda, so let's put it on an agenda so we can really discuss it.

Councilman Halby stated they are paying way over market value for this property with public funds. This is out of hand.

City Attorney Bettenhausen stated we don't have enough information at this time; we need to find out what we can do and we will schedule a special council meeting to discuss if necessary.

Councilman DeConinck discussed a locomotive he found in Desert Center Ca. that could possibly be located to the track in Blythe.

ADJOURN: The City Council meeting was adjourned at 7:24pm.

Dale Reynolds, Mayor

ATTEST:

Mallory Crecelius, City Clerk