



AGENDA
RIO DELL CITY COUNCIL
SPECIAL VIRTUAL "ZOOM" MEETING
TUESDAY, DECEMBER 14, 2021 – 4:00 P.M.

***WELCOME . . .** By your presence in the meeting, you are participating in the process of representative government. Copies of this agenda, staff reports and other material available to the City Council are available at the City Clerk's office in City Hall, 675 Wildwood Avenue. Your City Government welcomes your interest and hopes you will attend and participate in Rio Dell City Council meetings often.*

**SPECIAL PUBLIC HEALTH EMERGENCY ALTERATIONS TO MEETING FORMAT
CORONAVIRUS (COVID-19)**

Due to the unprecedented public health threats posed by COVID-19 and the resultant need for social distancing, changes to the City Council and Planning Commission meeting format are required. Executive Order N-25-20 and N-29-20 from Governor Gavin Newsom allow for telephonic Council meetings of the City Council and Planning Commission and waives in-person accessibility for Council meetings, provided that there are other means for the public to participate. Therefore, and effective immediately, and continuing only during the period in which state or local public health officials have imposed or recommended social distancing measures, the Rio Dell City Council will only be viewable via livestreaming through our partners at Access Humboldt via their YouTube channel or Suddenlink channels on Cable TV or directly through Zoom.

Public Comment by Email:

In balancing the health risks associated with COVID-19 and need to conduct government in an open and transparent manner, public comment on agenda items can be submitted via email at publiccomment@cityofriodell.ca.gov. Please note the agenda item the comment is directed to (example: Public Comments for items not on the agenda) and email no later than one hour prior to the start of the Council meeting. Your comments will be read out loud, for up to three minutes.

Meeting can be viewed on Access Humboldt's website at <https://www.accesshumboldt.net/>. Suddenlink Channels 10, 11 & 12 or Access Humboldt's YouTube Channel at <https://www.youtube.com/user/accesshumboldt>.

Zoom Public Comment:

When the Mayor announces the agenda item that you wish to comment on, call the conference line and turn off your TV or live stream. Please call the toll free number **888-475-4499**, enter Meeting ID **987-154-0944** and press star (*) 9 on your phone – this will raise your hand. You will continue to hear the meeting on the call. When it is time for public comment on the item you wish to speak on, the Clerk will unmute your phone. You will hear a prompt that will indicate your phone is unmuted. Please state your name and begin your comment. You will have 3 minutes to comment.

- A. CALL TO ORDER
- B. ROLL CALL
- C. PLEDGE OF ALLEGIANCE
- D. PUBLIC PRESENTATIONS

This time is for persons who wish to address the Council on any matter not on this agenda and over which the Council has jurisdiction. As such, a dialogue with the Council or staff is not intended. Items requiring Council action not listed on this agenda may be placed on the next regular agenda for consideration if the Council directs, unless a finding is made by at least 2/3 of the Council that the item came up after the agenda was posted and is of an urgency nature requiring immediate action. Please limit comments to a maximum of 3 minutes.

- E. CONSENT CALENDAR

The Consent Calendar adopting the printed recommended Council action will be enacted with one vote. The Mayor will first ask the staff, the public, and the Councilmembers if there is anyone who wishes to address any matter on the Consent Calendar. The matters removed from the Consent Calendar will be considered individually following action on the remaining consent calendar items.

- 1) 2021/1214.01 - Approve Hazard Premium Pay Bonus for Eligible Essential Public Employees During the COVID-19 Pandemic **(ACTION)** 1
- 2) 2021/1214.02 - Adopt Resolution No. 1517-2021 Recommending Governor Newsom and the California Legislature Immediately Eliminate or at Least Significantly Reduce the Current Cannabis Tax **(ACTION)** 2
- 3) 2021/1214.03 - Authorize the Mayor to Sign a Letter of Recommendation for Councilmember Johnson to be Appointed to LAFCo **(ACTION)** 7

- F. SPECIAL PRESENTATIONS

- 1) 2021/1214.04 - Presentation on Sustainable Groundwater Management Act **(RECEIVE & FILE)** 9

- G. ANNOUNCEMENT OF ITEMS TO BE DISCUSSED IN CLOSED SESSION

1) 2021/1214.05- **Conference with Labor Negotiator:** Designated
Representative: City Manager Kyle Knopp, Employee
Organizations: Rio Dell Police Officers Association, Rio
Dell Employees Association and all Contract Employees
(Pursuant to Gov't Code Section 54957.6)

H. PUBLIC COMMENT REGARDING CLOSED SESSION

I. RECESS INTO CLOSED SESSION (REMOTELY/ZOOM)

J. RECONVENE INTO OPEN SESSION

K. ORAL ANNOUNCEMENTS

L. ADJOURNMENT

*The next Regular City Council meeting is scheduled for
Tuesday, January 4, 2022 at 6:30 p.m.*



675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
(707) 764-5480 (fax)

DATE: December 14, 2021

TO: Mayor and Members of the City Council

FROM: Cheryl Dillingham, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Hazard Premium Pay for Essential Public Employees during the COVID-19 Pandemic

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Approve the use of American Rescue Plan Act (ARPA) funds to provide a hazard premium pay stipend for eligible essential public employees during the COVID-19 Pandemic for an amount not to exceed \$2,500 per employee.

BACKGROUND AND DISCUSSION

Staff is requesting that the council approve retroactive hazard premium pay for our essential workers for hours worked during the pandemic. The maximum premium pay allowed by ARPA is \$13/hour, staff proposes to pay employees an additional \$10/hour for hours worked between March 20, 2020 through November 30, 2021 up to a maximum of 250 hours (\$2,500). This supplemental pay would be considered as hazard COVID-19 pay. Under this proposal, currently active full-time employees that worked at least 250 hours during the pandemic would receive a \$2,500 premium pay bonus. Employees who worked part-time would receive a prorated amount of the \$2,500 maximum premium pay bonus. To be eligible an employee: must be in contact with the public; or, must be working in an environment where the employee physically handles items handled by others; and, must have 250 hours of work time onsite or in the community between March 20, 2020 and November 30, 2021; and must be explicitly designated as an essential worker in ARPA or designated as such by the City Manager; and currently employed by the City.

Staff estimates the total cost of the proposed hazard premium pay to be \$51,125. The City is expected to receive \$801,152 in ARPA funding. Previously the Council earmarked \$640,922 for wastewater system projects, \$140,201 for the Open Space Facility concept and \$20,028 for COVID-19 related expenses. It is recommended that the wastewater amount be reduced to provide for the proposed hazard premium pay.

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532



For Meeting of: December 14, 2021
 Consent Item; Public Hearing Item

To: City Council

From: Kevin Caldwell, Community Development Director

A handwritten signature in blue ink, appearing to be "K Caldwell", written over the name Kevin Caldwell.

Through: Kyle Knopp, City Manager

A handwritten signature in blue ink, appearing to be "K Knopp", written over the name Kyle Knopp.

Date: December 9, 2021

Subject: Cannabis Cultivation Tax Reform Resolution

Recommendation:

That the City Council:

1. Receive staff's presentation; and
2. Open public hearing and receive public comment; and
3. Close the public hearing, deliberate; and
4. Adopt Resolution No. 1517-2021 recommending Governor Newsom and the California Legislature immediately eliminate or at least significantly reduce the current cultivation taxes.

Background

As the Council is aware the state of the cannabis industry has changes dramatically over the past few years. The legal cannabis market is currently experiencing a price collapse. The average wholesale price for dried cannabis flower has fallen to approximately five hundred dollars (\$500) a pound, and that the average wholesale price for dry leaves and trim has fallen to thirty dollars (\$30) a pound making the current tax rate for dry flower equivalent to thirty-

one percent (31%) of gross receipts and the current tax rate for dry leaves and trim equivalent to one hundred fifty-three percent (153%) of gross receipts.

The consequences of high state taxes combined with what many perceive as over-regulation has continued to economically challenge legal cannabis businesses and disincentivize the permitting and licensing of new cannabis businesses by local jurisdictions, including the City of Rio Dell. In addition, due in large part of the State's current cannabis cultivation taxes, the cultivation farmers not only in Rio Dell, have experienced increased challenges paying their cultivation taxes.

ATTACHMENT 1: Resolution No. 1517 2021 recommending Governor Newsom and the California Legislature immediately eliminate or at least significantly reduce the current cultivation taxes.

RESOLUTION NO. 1510-2021



**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIO DELL
REQUESTING STATE CANNABIS CULTIVATION TAX REFORM**

WHEREAS, California voters passed Proposition 64 in 2016, establishing two commercial cannabis taxes that, effective January 1, 2018, imposed an excise tax upon the retail sale of cannabis or cannabis products at a rate of fifteen percent (15%), and a cultivation tax on all harvested cannabis that enters the commercial market at a rate of nine dollars and twenty-five cents (\$9.25) for dry-weight flower per ounce, and two dollars and seventy-five cents (\$2.75) per dry-weight leaves/trim per ounce; and

WHEREAS, the City of Rio Dell embraced legalization and established a regulatory framework to permit and facilitate commercial cannabis businesses, including cultivation; and

WHEREAS, cannabis farmers have been burdened by the onerous nature of State regulations, rapidly expanding illicit cultivation, and the economic instability of the legal market has impacted the jurisdiction's ability to provide other core mandated services; and

WHEREAS, Proposition 64 required that the Bureau of Cannabis Control convene a committee to advise the licensing authorities on the development of standards and regulations, including best practices and guidelines that protect public health and safety while ensuring commercial cannabis regulations do not impose barriers that perpetuate, rather than reduce and eliminate, the illicit market for cannabis. This committee came to be known as the Cannabis Advisory Committee (CAC); and

WHEREAS, in 2018, and again in 2019, the California Legislature considered, but did not approve, bills to temporarily eliminate the cultivation tax. California State Treasurer Fiona Ma, sponsor of Assembly Bill 286 (Bonta, 2019) argued that "given that we now have seen a year of severe under-collection of expected tax revenue and that the black market still exists, it is understood that excessive taxation is an obstacle to establishing a fully viable legal market. Compliant businesses are at a significant disadvantage, and this high tax rate incentivizes businesses to stay underground." Treasurer Ma characterized the bill as "imperative to temporarily lessen California's total tax on cannabis, and give these businesses and the State enough time to fully implement Prop 64."; and

WHEREAS, in 2019, Harinder Kapur, Senior Assistant Attorney General, testified to the California Legislature stating that upwards of 80 percent of California’s cannabis businesses remained in the illicit market; and

WHEREAS, in November 2019, the California Department of Tax and Fee Administration announced that effective January 1, 2020, per statutory mandate, the cultivation tax would increase to account for inflation leading the CAC to express concern in its 2019 Annual Report that the increase in taxation would, “...come[s] at a time when the complex regulatory framework, coupled with high taxation, pose[s] significant challenges to the licensed cannabis market,” noting a report published by Arcview Market Research, that these two factors could disadvantage the licensed market by as much as 77 percent on pricing compared to well-established illicit market operations.; and

WHEREAS, in 2020, the Legislature again considered a bill to eliminate the cultivation tax, but, due to emergency orders and economic uncertainty caused by the COVID-19 pandemic, held the bill in Committee, and instead approved Assembly Bill 1872 (Committee on Budget, Chapter 93, Statutes of 2020) which suspended for one year the California Department of Tax and Fee Administration’s authority to adjust the cannabis cultivation tax for inflation; and

WHEREAS, on November 17, 2021, the California Department of Tax and Fee Administration announced that effective January 1, 2022, the cultivation tax would increase from nine dollars and sixty-five cents (\$9.65) to ten dollars and eight cents (\$10.08) for flower per dry-weight ounce; from two dollars and eighty-seven cents (\$2.87) to three dollars (\$3.00) for leaves/trim per dry-weight ounce; and, from one dollar and thirty-five cents (\$1.35) to one dollar and forty-one cents (\$1.41) for fresh cannabis plant per ounce; and

WHEREAS, a November 2021 sales report from BDS Analytics shows that legal sales in California fell by more than eleven percent (11.4%) to \$293.1 million when compared to last year and are down nearly eight percent (7.7%) from August 2021, additionally showing that cannabis flower sales fell twenty-three percent (23%), while concentrates, the second-largest product category, declined eight percent (8%); and

WHEREAS, the licensed cannabis market is currently experiencing a price collapse and that the average wholesale price for dried cannabis flower has fallen to approximately five hundred dollars (\$500) a pound, and that the average wholesale price for dry leaves and trim has fallen to thirty dollars (\$30) a pound making the current tax rate for dry flower equivalent to thirty-one percent (31%) of gross receipts and the current tax rate for dry leaves and trim equivalent to one hundred fifty-three percent (153%) of gross receipts; and

WHEREAS, the ongoing consequences of high state taxes combined with over-regulation has continued to economically challenge legal cannabis businesses and disincentivize the permitting and licensing of new cannabis businesses by local jurisdictions, including the City of Rio Dell; and

WHEREAS, due in large part to the State’s current cannabis cultivation taxes, the City of Rio Dell, has experienced increased challenges collecting cultivation taxes; and

WHEREAS, on November 8, 2016, Proposition 64 was enacted by a vote of the People to, “...accomplish [...] taxation on the growth and sale of cannabis in a way that drives out the illicit market for marijuana and discourages use by minors, and abuse by adults.”

NOW, THEREFORE BE IT RESOLVED, the Rio Dell City Council strongly urges Governor Newsom and the California Legislature to immediately eliminate or significantly reduce the current cultivation taxes.

I HEREBY CERTIFY that the forgoing Resolution was PASSED, APPROVED and ADOPTED at a SPECIAL MEETING of the City Council of the City of Rio Dell on December 14, 2021 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Debra Garnes

ATTEST:

I, Karen Dunham, City Clerk for the City of Rio Dell, State of California, hereby certify the above and foregoing to be a full, true and correct copy of Resolution No. 1516-2021 adopted by the City Council of the City of Rio Dell on December 14, 2021.

Karen Dunham, City Clerk, City of Rio Dell

*Rio Dell City Hall
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
cityofriodell.ca.gov*



December 14, 2021

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Authorization for the Mayor to Sign a Letter of Recommendation for Councilmember Johnson to be Appointed to LAFCo

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the Mayor to sign.

BACKGROUND AND DISCUSSION

A City vacancy has appeared on LAFCo. It is recommended that the Mayor be authorized to endorse Councilmember Johnson to be appointed to fill the vacancy.

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December 14, 2021

Mayor City Selection Committee
Humboldt County Local Agency Formation Commission
1125 16th Street, Suite 202
Arcata, CA 95521

RE: Support for Gordon Johnson on LAFCo

To whom it may concern,

At a special meeting of the Rio Dell City Council held on December 14, 2021, the City Council voted to approve the endorsement of Councilmember Gordon Johnson as the City Representative to the Local Agency Formation Commission (LAFCo).

Councilmember Johnson has previously served on LAFCo and would like to be considered for additional time on the Commission. Councilmember Johnson has a wealth of experience in both private and public sectors, experience with LAFCo, and has the temperament required for this leadership position.

Councilmember Johnson would be a tremendous asset to LAFCo and on the behalf of the Rio Dell City Council we thank you for your consideration of his continued appointment to the Commission.

Sincerely,

Debra L. Garnes
Mayor, City of Rio Dell



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December 14, 2021

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager

SUBJECT: Presentation on Sustainable Groundwater Management Act (SGMA)

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Receive the presentation.

BACKGROUND AND DISCUSSION

Summer Daugherty and Jack Rice from the County of Humboldt will provide a brief year-end update on implementation of the SGMA in the Eel River basin.

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