

RIO DELL CITY COUNCIL
REGULAR MEETING
OCTOBER 18, 2016
MINUTES

The closed session/regular meeting of the Rio Dell City Council was called to order at 5:00 p.m. by Mayor Wilson.

ROLL CALL: Present: (Closed Session) Mayor Wilson, Mayor Pro Tem Johnson, Councilmembers Garnes, Marks and Thompson, City Manager Knopp and City Attorney Gans

Present: (Regular Meeting) Mayor Wilson, Mayor Pro Tem Johnson, Councilmembers Garnes and Thompson

Absent: Councilmember Marks (excused)

Others Present: City Manager Knopp, Finance Director Woodcox, Community Development Director Caldwell, City Clerk Dunham and City Attorney Gans

Absent: Chief of Police Hill, Water/Roadways Superintendent Jensen and Wastewater Superintendent Trainee Yaple (excused)

ANNOUNCEMENT OF ITEMS TO BE DISCUSSED IN CLOSED SESSION AS FOLLOWS:

Public Employee Performance Evaluation – Title: City Manager

Conference with Labor Negotiator – City Manager – Concerning Labor Negotiations with Rio Dell Employees Association, Rio Dell Police Officers Association, and all Contract Employees

The Council recessed into closed session at 5:00 p.m. with the City Manager to discuss the items as posted.

The Council reconvened into open session at 6:30 p.m.

Mayor Wilson announced there was no reportable action taken in closed session.

PUBLIC PRESENTATIONS

None

CONSENT CALENDAR

Mayor Pro Tem Johnson asked that Item 1 (minutes of the October 4, 2016 regular meeting) be removed from the consent calendar for separate discussion.

Motion was made by Garnes/Thompson to approve the consent calendar to receive and file the check register for September. Motion carried 4-0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Approve Minutes of the October 4, 2016 Regular Meeting

Mayor Pro Tem Johnson stated that he wished to abstain from voting on approval of the minutes as was not in attendance at the October 4th meeting. Councilmember Garnes also wished to abstain as she too was absent. As such, approval of the minutes was tabled to the November 1, 2016 regular meeting.

SPECIAL PRESENTATIONS/STUDY SESSIONS

Presentation by Sara Faught related to Activities and Programs provided by the Rio Dell Community Resource Center

City Manager Knopp announced that he would provide a brief update on this item as Ms. Faught was unable to attend.

He provided a handout from the Community Resource Center which identified resources and referrals in Humboldt County available to the community including current programs and events (Attachment 1 to these Minutes).

City Manager Knopp noted that one of the assets the City has is the Community Resource Center as they provide a wide array of services to the community; everything from emergency food and shelter to children's play groups, bus tickets, mental health services, assistance with putting together resumes, providing access to a computer, phone or fax machine, counseling referrals,

alcohol and drug program referrals, youth programs, and senior, disabled and Veteran resource and referral assistance to name a few.

City Manager Knopp noted the Resource Center will also be putting together a community Giving Tree program to provide Christmas toys for children and that the City will be hosting one of the trees.

He reported the following as the number of persons served through the Community Resource Center from July 1st to September 30th:

- Food: 657 children and 706 adults
- Playgroup: 131 children and 93 adults
- Housing Assistance: 8 children and 73 adults
- Face-to-Face Encounters: 816 children and 1,026 adults
- Employment Assistance: 43 children and 56 adults
- Transportation Assistance: 28 children and 50 adults

SPECIAL CALL ITEMS/COMMUNITY AFFAIRS

Public Hearing on Unmet Transit Needs and direction to staff to send a letter to Humboldt County Association of Governments (HCAOG) relaying the comments made during the public hearing

City Manager Knopp provided a brief staff report and explained that each spring the Humboldt County Association of Governments (HCAOG), as the Regional Transportation Planning Agency, conducts a citizen participation process to access unmet transit needs within Humboldt County. He said the annual unmet transit needs process helps HCAOG properly apply funds provided by the Transportation Development Act (TDA).

He further explained that HCAOG recommends each entity conduct a separate hearing to receive comments specific to their jurisdiction for inclusion in the Unmet Transit Needs Report of Findings.

Debra Dees from HCAOG was present to provide additional information on the process.

She explained that one of HCAOG's committees, the Special Services Transportation Advisory Council (SS-TAC) solicits input from the general public and their role is to recommend a finding on unmet transit needs to the HCAOG Board.

She noted that comments are accepted throughout the year by mail, email, in person or through public hearings. For this year's cycle, the deadline for submittal of comments is November 30th; comments received after that date will be included in the next year's report of findings. She said SS-TAC reviews all comments and if an unmet transit need is identified, the SS-TAC will apply criteria to the comments to determine if the unmet transit need is reasonable to meet then make a recommendation to the HCAOG Board.

Ms. Dees said at the end of the process the Board will need to determine one of the three following findings:

1. There are no unmet transit needs;
2. There are no unmet transit that are reasonable to meet; or
3. There are unmet transit needs that are reasonable to meet.

She stated that if the HCAOG Board finds there are no unmet transit needs or no unmet transit needs that are reasonable to meet, then entities may request funds for non-transit purposes. However, if a finding is determined that there is an unmet transit need that is reasonable to meet, then the affected entity will need to satisfy that need before any funds are allocated for non-transit purposes.

She further explained that although HCAOG is required annually to access unmet transit needs, local entities do not need to wait for a finding through the unmet transit needs process to implement new service. Jurisdictions can implement a service anytime during the year using funds that were previously used for non-transit purposes.

She pointed out that TDA funds are not HCAOG funds and these funds are allocated to the entities and the entities determine how to spend the funds. It is simply HCAOG's role to identify any unmet transit needs and make a finding if it is reasonable to meet.

A public hearing was opened at 6:45 p.m. to receive public comment on any local unmet transit needs.

Community Development Director Caldwell commented on the bus stop at the Davis Street off ramp and Highway 101 and said there are typically three (3) to five (5) people there in the morning when he comes to work except when it's raining and there may be one (1) or no one there. He said he would encourage a bus shelter at that location as well as other locations in town when funds are available as he believes it would increase ridership on the public transit system.

There being no further public comment, the public hearing closed.

ORDINANCES/SPECIAL RESOLUTIONS

Introduction and First Reading (by title only) of Ordinance No. 345-2016 Amending the Rio Dell Municipal Code (RDMC) adding Chapter 13.35 to Title 13 authorizing participation in the Community Choice Aggregation Program implemented and operated by the Redwood Coast Energy Authority (RCEA)

City Manager Knopp provided a staff report and said back in November, 2015 discussions began regarding the development of a Community Choice Aggregation (CCA) program in Humboldt County. At that time, the City Council authorized the mayor to sign Resolution No. 1279-2015 which amended and restated the Redwood Coast Energy Authority (RCEA) JPA allowing the authority to develop a CCA program.

A proposed ordinance was presented to the Council on April 5, 2016 amending the Rio Dell Municipal Code (RDMC) authorizing the City's participation in the CCA program but the item was tabled by the Council pending further review of the program. He said on October 4, 2016, the item was brought back to the Council as an informational item in which the Council received an update on the CCA program and the participation by other entities and also received a copy of the technical study gauging the feasibility of the program.

City Manager Knopp said what is before the Council tonight is once again the introduction of the Ordinance to allow the City's participation in the program. He stated that Matthew Marshall from RCEA was present to provide a brief update and answer any further questions of the Council or the public.

Matthew Marshall reiterated for the benefit of the public what the Community Choice Aggregation (CCA) program is and RCEA's role as far as implementation.

He explained that the CCA program allows local governments to basically take on the procurement component of electricity generation while keeping PG&E in place for transmission distribution and customer billing. He said from a customer stand point, they will still get one bill in the mail and it's just that generation line item that transitions over to the CCA program.

He explained that customers can opt back into PG&E at the launch period of the program or later if they change their mind.

He noted that the reason for CCA programs is to gain local control of where electricity comes from and to control a portion of the rates. He said their goal is to make sure there is a rate savings to customers and at the same time, provide renewable energy.

He said they are in the process of launching the program and so far the jurisdictions that are participating are the County of Humboldt, Eureka, Arcata, Fortuna, Blue Lake and Trinidad. The Board adopted an implementation plan and will be following up with the state and they are on track for a May, 2017 launch date of the program. He said the key objectives of that are to insure rates are competitive and below PG&E rates because if not, the customers will opt out of the program. As such, the rate design will represent a modest rate savings with the goal of a collective rate savings over the 5-year period of the program of \$10 million or \$2 million annually on average. Another key component is to build up reserves for financial stability and then investing in local procurement so another one of the goals is to also take about \$50 million a year they spend on the generation component of the electricity service and reinvest in local savings on local procurement from local generation projects and keep those dollars in Humboldt County.

Matthew noted that as far as existing facilities, they are looking at local biomass plants and possibly contracting with one or more of those facilities. He said the Board approved a "request for offers" that will be going out to the three (3) existing biomass plants and once they begin the rate setting process, they will consider those proposals.

Matthew also explained that they are contracting with a company called TEA to do the back office technical activities because energy markets are complicated to deal with and there is a lot of complexity to it. He said they are a nonprofit corporation who works on behalf of about 50 publically owned or municipal power agencies to handle their procurement and helping to manage the market portfolio.

Mayor Wilson asked if they are currently negotiating with Humboldt Redwood Co. (HRC) regarding purchase of electricity from their biomass plant.

Matthew stated that they are not negotiating one-on-one with departments as it is unlikely they will be able to afford to contract with all three (3) biomass plants which is why they sent out the "request for offers" so each plant can respond with their pricing. He said he would say that they have been in conversations with all three (3) existing operators for the past year so they have been involved in the process. He noted that HRC's operator was in attendance at the Board meeting last night and heard the discussion so overall has been participating as an observer and will likely be responding to the "request for offers."

Mayor Wilson asked City Attorney Gans, if he, as an employee of HRC should step out of this conversation.

City Attorney Gans stated that he doesn't believe there is any pending action at this time which would compromise his ability to participate.

Mayor Pro Tem Johnson thanked Matthew Marshall for coming down and said in the information handed out, it indicated there are about 1,000 CCA programs in operation and questioned why there are only three (3) or four (4) in California.

Matthew stated there are currently five (5) operators in California delivering electricity to customers and quite a few cities exploring the possibility of launching the program.

Mayor Pro Tem Johnson asked what TEA's record is in forecasting success or failure with a document like this.

Matthew pointed out that no one has a crystal ball but he would say that they have a good track record and many years of experience and guessed them to be in the top ten (10) of wholesale marketers. He noted that the driver for these programs is ultimately to provide lower rates which have typically been true to municipal utilities over larger private utility companies that have a much larger regulatory burden. With having a regulated monopoly, they haven't necessarily been incentivized to have competitive rates. He pointed out that they wouldn't be able to do this however; without PG&E.

Mayor Pro Tem Johnson asked if it is fair to say that the energy that the CCA will procure will be green and/or renewable.

Matthew said the target for the program overall is to have about 5% more renewable energy than PG&E, 5% lower carbon emissions, and also to have 5% going toward rate savings. As far as the makeup of that initial mix it would be about one-third renewable energy, one-third large hydroelectric, and one-third system power from the open market; primarily biomass then eventually solar. He estimated 15-20% of the renewable energy would come from local biomass plants.

Mayor Pro Tem Johnson said he also saw where some of the energy will be purchased from out of state and with that comes someone else's transmission lines. He asked if the CCA program pays for that.

Matthew said that all of that is factored into the overall price. He explained that the energy in California as far as the grid and what power plants are ramping up and down is sort of the transactional part of it. Then there's the electron part making sure there's enough power to keep the lights on and that's managed by the California Independent System Operator who also assigns costs for where the power is coming from and where the power is going to, what the losses are and what the use of that infrastructure is. He said it is a piece of the cost that is built into the modeling and cost projections. He noted that as far as today, some of the power will likely be coming from local sources, some from other parts of the state, and some from adjacent areas and that system is set up to allocate those costs.

Mayor Pro Tem Johnson said in the report, it appears that the overhead and profit is projected to be around 20-22%. He asked how that compares to PG&E's profits.

Matthew explained that if you look at PG&E's actual profits, their shareholder profit is based off of return investments so their profits actually come from their return investments in infrastructure. He said he forgot what the percentage is but it's actually on transmission lines, distribution lines, and maintaining transformers and that's actually where they go when they are setting rates. For those costs, they get to build in a share cost for investors so the state doesn't actually let them mark up prices by buying wholesale power and selling it at retail prices. He noted that PG&E has a much higher overhead percentage as far as staff costs, marketing and advertising and is a big part of the spread as far as pricing whereas; a smaller public utility company bases pricing off of market conditions and can be more responsive to short term market conditions.

Mayor Pro Tem Johnson asked where the \$700,000 seed money is coming from.

Matthew explained that one of the key challenges in launching these types of programs is the startup costs so they structured their proposal where the contractor will basically foot some of the costs for the startup phase and recover those costs once rate payments start coming in. He said what isn't included in that is staff costs, community outreach and other internal costs for the first year. As such, they proposed a line of credit to manage the cash flow from now until they start bringing in revenue. He noted that they actually just did a presentation today to the Headwaters Fund board that fund infrastructure investments through loans. He pointed out that it is not a deal breaker if it doesn't go through but the chances of it being approved look good.

Mayor Pro Tem Johnson asked if the City decides to wait six months or longer to make sure the program is successful before jumping in if there will be a cost to the City.

Matthew said there would not be any cost to the City but it would require the CCA to go through the enrollment process again and there would be the cost for staff to revise and resubmit the implementation plan.

Mayor Pro Tem Johnson then asked about the process for putting in a hydroelectric plant, assuming that it would take a lot of time.

Matthew explained it was included in the analysis but it was actually referring to existing hydroelectric plants. He noted there is about 11 MW of power by the small hydroelectric generation facilities, the largest being the Humboldt Bay Municipal Water District. He said they wanted to leave it in the analysis as a possibility should they want to contract with them for part of their power mix as an option down the road possibly in 5-10 years.

Mayor Pro Tem asked if there was any interest in wind energy.

Matthew said Shell Wind Energy who expressed interest a few years ago with a wind energy project on Bear River Ridge walked away from the project but his understanding is that the property owners are still interested in leasing property for that purpose so perhaps in 5-10 years it may also be an option.

Mayor Pro Tem Johnson asked if he could see any circumstances where they would purchase energy from coal generation plants.

Matthew commented that there is not a lot of coal generation in California and they are not trying to pursue those facilities. Similarly they are not trying to procure any energy from nuclear generation either.

Councilmember Thompson commented that as of now, there hasn't been a lot of input from the public. He said to start the process, the Council would have to vote to participate in the program then customers would then have to make the choice to opt in or opt out as he understands it.

Matthew explained if the Council chooses to participate, customers would receive a notice with the options to opt in or opt out but if the Council choose not to participate in the program at this time; the citizens of course would not have that choice.

Councilmember Thompson said his concern is in agreeing to participate in the CCA program without adequate notification to customers. His opinion was to poll PG&E customers first to avoid potential controversy with the public.

Matthew commented that he had a legitimate concern but the law requires multiple notifications be sent to customers (at least 4) before switching them over to another provider. He said between now and January 1, 2017 when they are actually ramping up to set rates they will be doing community workshops, placing ads in the newspaper, radio, and doing everything they can to let people know about the program so when they get the notice prior to May 1st letting them know what the rates are going to be and giving them the option to opt out they will already be well aware of the program. He noted that they do need to know what the customer base is going to be before they can set the rates.

Councilmember Garnes questioned the process for opting out of the program.

Matthew explained that 60 days before the May 1st launch date customers will be mailed notification with a post card then a letter. After the enrollment period two (2) more notices will be sent out; one typically will be a PG&E bill insert. He said as far as the process for opting out, the customer will simply go to the RCEA website and click a button to opt out, or they can call the number provided on the notices which goes to a 24/7 staffed call center.

Councilmember Garnes commented that if there is a number or website address on the bill it may be easily overlooked. She noted that there are a lot of non-internet customers in the community and suggested there be a simple means for people to opt out; perhaps a sheet of paper to check off and return.

Matthew reiterated that there will be a toll free telephone number to call 24 hours a day, 7 days a week. He said the Board will ultimately decide on the notification process but the sheet of paper could certainly be an option to consider.

Councilmember Garnes asked that in the event the City doesn't join the CCA in the beginning if rates would then need to be adjusted to add the additional Rio Dell customers.

Matthew commented that Rio Dell is probably only about 3% of the overall load so the rates would probably not need to be adjusted as the additional customers would not result in a significant shift in costs.

Mayor Pro Tem Johnson referred to the rates identified in the TEA report ranging from \$15 to \$25 per MW and asked what he sees as a rate structure for this program.

Matthew explained there will be rates for various rate categories as well as sub-categories and the standard practice is to follow the same rate structure as PG&E so customers can make a fair comparison. He said as far as the rate setting, the discussion so far has been to equitably spread the rate savings among customers across the board on the same percentage basis.

Mayor Pro Tem Johnson noted that it certainly appears that PG&E favors industrial user's over agricultural users noting the 50% surcharge to agricultural customers.

Matthew said the implementation plan reserves them the right to adjust rates within a fair range for example; to attract certain types of business. As such, the Board has the ability to develop a rate structure that promotes those uses depending on local factors.

Mayor Wilson stated if the City joins the program, customers will be opted in by default. He said as he understands it, it is a weighted system so the County and the larger cities pretty much have the say in what happens. With Rio Dell being only 3%, it can "ride on the bus but really doesn't know what the cost is to ride that bus." He said he is of the mind set to ride it out and see how it goes before making a decision.

A public hearing was opened at 7:33 p.m. to receive public input on the CCA program.

Michael Richards, Operations Director from Humboldt Redwood Co. (HRC) stated that he met with Matthew Marshall several times and has been working with them since the onset of the program. He said HRC is of the opinion that it's good for the local community, the economy, is a chance to stabilize the industry and keep the infrastructure intact, provide jobs and support the local tax base.

He said the other thing is that it allows HRC the opportunity to continue to invest and modernize their biomass plant and eventually expand it depending on how

things work out. He said they would like the Council's consideration in supporting the program.

There being no further public comment, the public hearing closed. Councilmember Thompson asked what the deadline is for joining the program and whether there is enough time to get a survey out to the citizens to see if they would support the program.

Matthew stated that it would be a challenge to get a survey out to all of the affected Rio Dell customers prior to the May launch date and expressed concern about the associated costs.

He noted that the City would basically need to adopt the ordinance by the next meeting in order to get in on the initial start date and said the rest of the jurisdictions are ready to proceed and the plan is to submit the implementation plan on Friday. He said they would be willing to help with education and additional outreach if necessary and said one option would be to move forward between now and December, before the formal launch occurs.

Councilmember Thompson then questioned the possibility of City staff sending a survey to Rio Dell residents.

City Manager Knopp commented that staff discussed sending out a City Newsletter and would be more than willing to include information on the CCA program.

He pointed out that the participation in the CCA program will lower electric bills for residents and there is every incentive for RCEA and the operators of this program to make sure the rates are always competitive if not less than PG&E rates. He said one of his concerns in moving forward is that if the Council decides to wait a year in order to watch the rates, they will also see a year of rate savings that citizens missed out on. At this point in time, all of the other local jurisdictions, with the exception of Rio Dell and Ferndale have joined and are ready to move forward. His concern is that this is an opportunity to lower residents bills and also see some potential investment in the community in terms of solar and wind projects over the long term which would certainly benefit this area as well as investment in our biomass plants. As such he thinks the Council

should think long and hard about this as it is an important decision. He said the Council may not get around to it for another year and by then the call center will be opened up for people to opt out and it will probably not be quite as active as the initial rollout so those are some concerns with waiting to join. Also, in a year the City will really need to make a push to make this happen. He said he doesn't want the City to lose sight of potential rate savings for residents.

Councilmember Thompson suggested postponing the decision temporarily to allow staff to aggressively work on getting a survey out to residents.

City Manager Knopp recommended the Council move forward with the first reading of the ordinance and schedule the second reading and potential adoption for November 1, 2016. In the meantime, staff will solicit citizens to try and get an opinion as to whether they would support the program. He commented that it's hard to see why they would not support lower electricity rates.

Councilmember Garnes commented that she worked for SMUD in Sacramento and there was a time when they tried to reach out to the community for this same kind of program and PG&E came out ahead of the game.

She said she thinks its offensive to put people in a pool and make them opt out if they don't like it. She said she is still inclined to move forward with the first reading of the ordinance even though it is somewhat disturbing the way it works. She said she also knows that PG&E is not going to give anyone any breaks and there are a lot cheaper ways to go as far as electricity.

Mayor Wilson said he likes Councilmember Thompson's idea of sending out a survey and commented there is a lot of wasted local biomass.

Motion was made by Johnson/Garnes to introduce and conduct the first reading (by title only) of Ordinance No. 345-2016 amending the Rio Dell Municipal Code (RDMC) to participate in the Community Choice Aggregation Program implemented and operated by the Redwood Coast Energy Authority (RCEA) and continue the consideration and approval of the ordinance to the November 15, 2016 regular meeting. Motion carried 4-0.

Mayor Wilson called for a 5 minute recess at this time, 7:45 p.m.

The meeting reconvened at 7:50 p.m.

Conduct Second Reading (by title only) and Adopt Ordinance No. 348-2016 Establishing Medical Cannabis Land Use Regulations Section 17.30.195 of the Rio Dell Municipal Code (RDMC)

City Manager Knopp provided a staff report and said as the Council is aware, the City has held close to 20 public meetings including Planning Commission meetings to receive public input regarding the proposed Commercial Medical Cannabis Land Use regulations and possible taxing options. He said at the September 6, 2016 regular City Council meeting the Council approved by a 4-1 vote (Councilmember Marks dissenting) to introduce and conduct the first reading of Ordinance 348-2016 with the inclusion that the Sawmill Annexation area be clearly defined in the definitions section of the Ordinance, including a map with APN's, and language regarding revocation of permits by "Operation of Law" included. He noted those changes were included in the proposed ordinance.

He then referred to the drawings on the wall of proposed development projects and commented that there is a great amount of potential with the proposed developments. He pointed out that cannabis is here and the question is if there is a way to benefit the community and do it legally.

He continued by pointing out the positive reasons for allowing cannabis activities in the City and noted the most obvious benefits are the creation of job opportunities, tax revenue, economic development, and the clean-up of a Brownfield's site. He said this will also allow the City to work on more public activities and noted that whether anyone likes it or not, cannabis is what has been knocking on our doors. He said just today, staff received calls from potential developers. He noted that aside from jobs and tax revenue, a \$10 million facility will generate \$1 million in property taxes of which \$60,000 will go to the local schools. Another benefit is additional industrial water customers as well as increased property values. He noted that the additional taxes can be redirected to the police department to combat illegal grows in the City. He said another method of getting a handle on the illegal indoor grows is to implement high-user electricity tax like the City of Arcata did but without those businesses it would not be possible.

City Manager Knopp then identified some challenges and said if the Council decides to move forward with adoption of the ordinance, the next step will be to develop a cannabis tax and put it before the electorate. He said another challenge is getting through state regulations. He pointed out that staff is looking forward to addressing the challenges then turned the discussion over to Community Development Director Caldwell.

Community Development Director Caldwell continued with review of the changes to the ordinance as recommended by the Council at their meeting on September 6, 2106.

He said Councilmember Thompson suggested that the Sawmill Annexation area be clearly defined in the definitions section of the Ordinance and that language regarding revocation of permits by "Operation of Law" be included. Also, Mayor Wilson suggested that the definition include a map with the assessor parcel numbers. He noted another change is that the Council expanded the required setbacks of cultivation areas to schools from 600 feet to 1,000 feet.

He stated that staff was also directed to look into potential fees associated with cannabis activities so language was included under **(16) Fees, Taxes and other Charges** as recommended by the City Attorney to basically say that the Council may establish, fees, taxes or other charges for a commercial cannabis activity permit by resolution or ordinance. He noted that the City can't charge more than the actual cost of providing the service and staff will be working with the City Attorney to develop a potential fee schedule related to cannabis activities.

Community Development Director Caldwell said with regard to indoor cultivation using artificial lighting (State license types 1A, 2A and 3A), staff is recommending the use not be based on parcel sizes in light of a recommendation by the State. He commented that he sat down with Councilmember Thompson today and discussed the change and said the Food & Drug Administration is encouraging everyone to try and get applications for Type 3 permits in as soon as possible as the State is going to limit the number of permits issued. He did note that the reference to the parcel size was deleted but it doesn't matter either way in the event the Council would rather leave it in because it can be facilitated either way.

He also reported that Calaveras County has already grandfathered and approved almost 900 cultivation licenses which are mostly Type 3. He noted those permits alone have generated \$4 million in permit fees.

He commented that there are currently two (2) serious developers interested in investing at the Sawmill Annexation area. One of the investors has estimated the creation of 75 jobs; the other 20-25 jobs and both are in support of a cannabis tax measure.

Mayor Wilson reviewed an estimated property tax breakdown on a \$10 million facility and said property taxes are based on 1% of the assessed value of a property. As such the taxes would be \$10,000 according to the breakdown of property taxes for Humboldt County. He said cities receive an average of 2.5% so on that assessment, the City would receive approximately \$2,500.

Community Development Director Caldwell stated that staff actually contacted the County Auditor/Controller to find out what the City's revenue would be and he estimated \$4,000 on a \$10 million assessed property value. He said the local schools would receive the largest cut at around \$60,000.

Mayor Wilson suggested staff not blow the revenue up more than it really is. He said one of the reasons he voted no during the last discussion on this issue is that the plan was for the Council to meet jointly with the Planning Commission and discuss how to bring in industries that work well for the community and keep out the riff-raff and focus on getting higher end cannabis businesses into the Sawmill Annexation area but it didn't happen. He said he expressed his support for the medical side of cannabis and said the one of the proposals on the wall he supports.

He said Councilmember Thompson met with the Community Development Director and the City Clerk in the City Manager's absence and redrafted the ordinance and brought it back to the Council in the form pretty much as it is today. That's another problem he has. He said the Council also went through a lot of deliberation as recommended by Councilmember Garnes on several occasions to bring this to the electorate at the November 8th general election as an advisory vote to hear the voice of the public. He said if the Council passes the ordinance tonight, it will be passed before hearing the voices of the public.

He asked if the vote on Measure T comes back as a resounding “No” if the Council will be willing to repeal the ordinance.

Councilmember Garnes response was yes, Mayor Pro Tem Johnson’s response was that he would be willing to revisit and discuss the ordinance, and Councilmember Thompson’s response was that it didn’t apply to him as he would be off the Council in November.

Mayor Wilson opened the public hearing to receive public input on the proposed ordinance.

Michael Martino addressed the Council and said with regard to the Brownfields cleanup he hired Laco Associates to not only mitigate the issue but to bring about a study to close it out once and for all. He said there is no point in moving forward if the ordinance is not approved. He commented that he has the property in escrow and will be investing \$10 million, creating a least 75 jobs and his proposed operation will be strictly indoors. He noted that the City has potential to generate \$.5 million dollars in taxes from this business alone.

He also pointed out that the Sawmill Annexation area will be a beautiful business district and if things change with the cannabis industry down the road, the facility can be used for other purposes. He said with loading docks and with the location right off Highway 101, there is tremendous business opportunities for shipping and receiving operations. He said the other positive thing with redevelopment of the Sawmill site is that there will be substantial money going to the local schools. He said he is excited about becoming legal and glad to pay taxes to benefit the community.

Julie Woodall commented on the idea about the Council revisiting the ordinance after the election and pointed out that when the discussion first started it was a split decision with the Council. She said when she suggested the Council let the citizens decide people present in the audience disagreed and said they voted for this Council to make decisions and they should choose for the citizens. She said now that the vote is not going quite the same way, all of a sudden the Mayor wants to rely on the results of the advisory vote. She commented that she thinks there’s a little hypocrisy in doing that.

Ken Kirtley asked why the Council is putting the future of the City in an area that is all flood zone and asked if the Council and the developers are aware of the flood regulations.

Community Development Director Caldwell explained that any development over there not only has to comply with City flood regulations but FEMA regulations as well so the foundations will have to be designed above that one foot flood base elevation and designed hydraulically to be able to accept the loads there. He noted at the north end of the Sawmill annexation area (the former Moore Fuel) its roughly 8 inches so that's how much they had to raise their building. He said at the far south end it is roughly 7 feet so they would have to build up the foundation although no one has proposed to develop at that end.

Mayor Wilson noted that the developers are aware of the flood zone and will have to deal with the required regulations and that's part of the cost of doing business.

Dennis Wendt stated that he agrees with Julie Woodall and said the reason the Council put off voting on the ordinance at the last meeting was because Mayor Pro Tem Johnson was not going to be present. He said the introduction and first reading of the ordinance was held and he hopes the Council will move forward with the second reading and adoption tonight so these developers can get on with their business. He pointed out that this has been dragging on for almost a year and needs to get finalized. He also commented that he is excited that Michael Martino is willing to move forward with the environmental cleanup as he has been putting money into it for 10 years and hasn't had the resources to complete it.

There being no further public comment, the public hearing closed.

Motion was made by Johnson/Thompson to conduct the second reading (by title only) and adopt Ordinance No. 348-2016 Establishing Medical Cannabis Land Use Regulations, Section 17.30.195 of the Rio Dell Municipal Code (RDMC). Motion carried 3-1; with Mayor Wilson dissenting.

REPORTS/STAFF COMMUNICATIONS

City Manager Knopp distributed a written City Manager update of recent activities and events (Attachment 2 to these minutes), including the announcement that the \$665,000 DWSRF grant paperwork for the remainder of the Metropolitan Wells Project was received, Wahlund Construction signed the Notice of Award and the project is back on track; PG&E will be replacing street lights with LED lights; an update on the ADA improvements on the front of City Hall; an update on the Old Ranch Road water line replacement project; and on work the High Rock crew will be doing around town.

Councilmember Thompson asked how many of the 134 street lights the City pays for and the electricity cost of each light.

City Manager Knopp noted that the City is billed for all 134 although there are a few lights that have been turned off. He quoted the monthly cost of \$12.19 per light.

Finance Director Woodcox noted the annual expense for street lighting is \$20,000 - \$22,000.

Mayor Pro Tem Johnson pointed out that with the \$665,000 DWSRF grant; it means that almost \$2 million in improvements to the Metropolitan Wells will be realized with a City contribution of only \$57,000. He commended the City Manager and staff for making this possible.

He also asked if High Rock will be working at the end of Painter St.

City Manager Knopp said the work on Painter St. is at the drainage ditch at Painter and May St.

Councilmember Garnes asked what the deadline is for the RFP's for the Old Ranch Road waterline project.

City Manager Knopp stated he would have the item on the November 1st agenda.

Finance Director Woodcox reported on recent activities in the finance department and said she attended the annual training conference in Redding for SCORE and reported Workers' Comp rates for 2017-2018 will be reduced by \$16,000 and after three (3) years of working in savings it represents a \$13,000 overall savings.

Community Development Director Caldwell reported on recent activities and events in the community development department and said the next Planning Commission meeting will be on October 25, 2016. On that agenda will be a Conditional Use Permit application for Brian & Stormi Davis at 1000 Pine St. for placement of a shop building on the parcel prior to the construction of a residence next year; an amendment to the Rio Dell Municipal Code related to enforcement provisions; a discussion on cargo containers; and hopefully update of the Safety Element.

COUNCIL REPORTS/COMMUNICATIONS

Councilmembers had nothing to report.

ADJOURNMENT

Motion was made by Johnson/Garnes to adjourn the meeting at 8:32 p.m. to the November 1, 2016 regular meeting. Motion carried 4-0.

Frank Wilson, Mayor

Attest:

Karen Dunham, City Clerk