



Willows City Council Regular Meeting

July 9, 2019
Willows City Hall
7:00 p.m.

Agenda

201 North Lassen Street
Willows, CA 95988
(530) 934-7041

City Council
Gary Hansen, Mayor
Kerri Warren, Vice Mayor
Lawrence Mello, Council Member
Joe Flesher, Council Member
Larry Domenighini, Council Member

Interim City Manager
Wayne Peabody

City Clerk
Tara Rustenhoven

1. CALL TO ORDER- 7:00 p.m.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. PUBLIC COMMENT/WRITTEN COMMUNICATIONS

a. Public Comments:

Members of the public wishing to address the Council on any item(s) not on the agenda may do so at this time when recognized by the Mayor/Vice Mayor; however, no formal action will be taken unless a majority consensus of the Council directs staff to place the item on a future agenda. Public is advised to limit discussion to one presentation per individual. While not required, please state your name and address for the record. (Oral communications will be limited to three minutes)

5. CONSENT AGENDA

Consent items are considered to be routine by the City Council and will be enacted in one motion. There will be no separate discussion on these items unless a Council Member requests, in which event the item will be removed from the consent agenda. It is recommended that the Council:

- a. Approval of minutes of the Special Meeting –Sewer Rate Adjustment Public Hearing Meeting held on June 12, 2019.
- b. Approval of minutes of the Regular City Council meeting held on June 25, 2019.
- c. Approval of minutes of the Special Meeting Continuance of the Sewer Rate Adjustment in Accordance With Proposition 218 held on June 28, 2019.

Comments from the public are welcome. The Mayor will allow an opportunity for comments related to Public Hearings and each action item on the agenda. Please limit comments to three minutes per topic, and one comment per person per topic. Once comments conclude, please allow the Council the opportunity to continue its consideration of the item without interruption.

6. ORDINANCES

- a. Consider reading by title only, passage of the second reading and adoption of an Ordinance Amending Certain Section of Chapter 9.20 of the Willows Municipal Code Regarding Cannabis Sales and Delivery in the City of Willows.

- i. **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WILLOWS AMENDING WILLOWS MUNICIPAL CODE CHAPTERS 9.20.070 (“RETAIL/DISPENSARY CANNABIS BUSINESS LICENSES”), 9.20.071 (“RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE APPLICATIONS”), 9.20.074 (“RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE FEES AND TAXES”), AND 9.20.080 (“GENERAL CONDITIONS FOR ALL RETAIL/DISPENSARY CANNABIS LICENSES”) FOR THE REGULATION OF CANNABIS USE, CULTIVATION, SALES AND OTHER CANNABIS ACTIVITIES IN THE CITY OF WILLOWS.**

7. REGULAR BUSINESS AGENDA/ITEMS REQUIRING COUNCIL ACTION

- a. By motion, extend the Contract for Audit Services with Roy R. Seiler, CPA for one additional year (FYE June 30, 2020) with cost of services not to exceed \$12,500 for FYE June 30, 2020 and authorize the Administrative Services Director to sign the contract extension.

8. COUNCIL/ STAFF REPORTS/COMMENTS

- a. Staff Reports/Comments:
- b. Council Reports/Comments:

9. RECESS TO CLOSED SESSION

- a. PUBLIC COMMENT-Pursuant to Government Code Section § 54954.3, the public will have an opportunity to directly address the legislative body on the item below prior the Council convening into closed session. Public comments are generally restricted to three minutes.
- b. LIABILITY CLAIM, pursuant to Government Code Section § 54956.9,
Claimant Name: Elaine Alexander
Agency Claimed Against: City of Willows
- c. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code Section 54956.9:
Number of cases:1

10. ADJOURNMENT

This agenda was posted on July 3, 2019



Tara Rustenhoven, City Clerk

A complete agenda packet, including staff reports and back-up information, is available for public inspection during normal work hours at City Hall or the Willows Public Library at 201 North Lassen Street in Willows or on the City's website at www.cityofwillows.org.

In compliance with the Americans with Disabilities Act, the City of Willows will make available to members of the public any special assistance necessary to participate in this meeting. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132). The public should contact the City Clerk's office at 934-7041 to make such a request. Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

The City of Willows is an Equal Opportunity Provider



CONSENT AGENDA


**ACTION MINUTES OF THE WILLOWS CITY COUNCIL
SPECIAL MEETING-SEWER RATE ADJUSTMENT PUBIC HEARING IN ACCORDANCE
WITH PROPOSITION 218 HELD JUNE 12, 2019**

*Meeting audio is available at the City of Willows website. This is not a live feature. Audio recordings are posted the succeeding business day following the scheduled City Council Meeting.
Please visit www.cityofwillows.org for free PodBean recordings.*

Mayor Hansen called the meeting to order at 6:00 p.m.

The meeting opened with the Pledge of Allegiance led by Council Member Domenighini.

Roll Call:

Council Members Present: Council Members Flesher, Domenighini, Mello, Vice Mayor Warren, Mayor Hansen

Council Members Absent:

Staff Present: Interim City Manager Wayne Peabody, Administrative Services Director Tim Sailsbery, Community Services Director Steve Soeth, City Attorney Robert Hunt and City Clerk Tara Rustenhoven.

Public Comment/ Written Communications: No public comments or written communications.

Staff Introduction: Interim City Manager Wayne Peabody welcomed the public for attending.

Administrative Services Director Tim Sailsbery provided a brief introduction of aged infrastructure and rate history.

Consultant Presentation: Consultants Mary Fleming and Jean Thompson with RCAC provided a brief presentation of facts and the process regarding the development adoption of the proposed rate adjustment.

Public Hearing:

The City Council of the City of Willows will open and conduct a public hearing regarding the following:

“Proposed 5-year Rate Increase Program for the City of Willows Sewer Enterprise Fund”

Open public hearing at 6:24 p.m.

Members of the public took the opportunity to speak at this time.

Closed public hearing at 7:33 p.m. and recess to count protest letters.

Reconvened from recess at 8:13 p.m.

By consensus, council will continue this meeting after the verification process of protest letters on June 28th 2019.

Adjournment:

The Meeting was adjourned at 8:36 p.m.

Dated: June 28, 2019

Tara Rustenhoven, City Clerk



ACTION MINUTES OF THE WILLOWS CITY COUNCIL REGULAR MEETING HELD JUNE 25, 2019

*Meeting audio is available at the City of Willows website. This is not a live feature. Audio recordings are posted the succeeding business day following the scheduled City Council Meeting.
Please visit www.cityofwillows.org for free PodBean recordings.*

Mayor Hansen called the meeting to order at 7:00 p.m.

The meeting opened with the Pledge of Allegiance led by Council Member Flesher.

Roll Call:

Council Members Present: Council Members Flesher, Domenighini, Mello, Mayor Hansen

Council Members Absent: Vice Mayor Warren

Staff Present: Administrative Services Director Tim Sailsbery, John Wagner, City Clerk Tara Rustenhoven

Moment of Silence for fallen Sacramento PD Officer Tara O'Sullivan.

Public Comment/ Written Communications:

Jody Samons, Glenn County Community Development Director had a few announcements for Glenn County.

Consent Agenda:

- a. Approval of general checking, payroll & direct deposit check registers 36978-37000, Z0998-Z10029, 38084-38104.
- b. Approval of minutes of the Regular City Council Meeting held on June 11, 2019.

Action:

Motion: Council Member Flesher /Second: Council Member Domenighini

Moved to approve the Consent Agenda as amended above and the following item(s).

The motion passed unanimously 4/0 carried by the following voice vote:

AYES: Flesher, Domenighini, Mello, Mayor Hansen

NOES:

ABSENT: Vice Mayor Warren

ABSTAIN:

Public Hearing:

- a. Conduct the required public hearing, open and review any received ballots and consider the attached resolution approving the Engineer's Report as filed.

Public hearing opened at 7:14 p.m.

Public hearing closed at 7:14 p.m.

Action:

Motion: Council Member Domenighini /Second: Council Member Flesher

Moved to approve a resolution entitled, A Resolution Approving the Annual Engineer's Report, Confirming the Assessment Diagram and the Annual Assessments Amounts and Authorizing the Levy and Collection of Assessments for Fiscal Year 2019-20 for the City of Willows Landscaping and Lighting Assessment District Zone A-Birch Street Village, Zone B-Walmart, Zone C-South Willows Commercial and Industrial Center (Pursuant to the Landscaping and Lighting Act of 1972).

The motion passed unanimously 4/0 carried by the following roll call vote:

AYES: Flesher, Domenighini, Mello, Mayor Hansen

NOES:

ABSENT: Vice Mayor Warren

ABSTAIN:

Regular Business:

- a. Approve, by motion, the Purchase of Government Crime Insurance form Alliant Insurance Services, Direct the Administrative Services Director to Sign the Coverage Binder, and Appropriate General Fund Expenditures in the amount of \$2,074 for the 2019-20 Budget.

Action:

Motion: Council Member Domenighini /Second: Council Member Mello

Moved to approve the purchase of Government Crime Insurance from Alliant Insurance Services, direct the Administrative Services Director to sign the Coverage Binder, and Appropriate General Fund Expenditures in the amount of \$2,074 for the 2019-20 budget.

The motion passed unanimously 4/0 carried by the following voice vote:

AYES: Flesher, Domenighini, Mello, Mayor Hansen

NOES:

ABSENT: Vice Mayor Warren

ABSTAIN:

Council/Staff Reports/Comments:

- a. Staff Reports/Comments:

- Tim Sailsbery announced the 4th of July Celebration
- Reminder of the Continuance of the Sewer rate meeting on Friday June 28th at 6 p.m.

- b. City Council Reports Comments:

Mayor Hansen:

- June 20th Glenn County Transportation meeting. Gave Kudos to CalTrans.
- June 12th Ambulance Task Force meeting.

- Glenn County Fish, Game, and Recreation Commission having the annual fish plant at Plaskett Meadows 4th of July weekend and Labor Day weekend.

Council Member Mello:

- Went to Grants Pass, Oregon over the weekend.

Adjournment:

The Meeting was adjourned at 7:28 p.m.

Dated: June 28, 2019

Tara Rustenhoven, City Clerk



**ACTION MINUTES OF THE WILLOWS CITY COUNCIL
SPECIAL MEETING-SEWER RATE ADJUSTMENT MEETING CONTINUANCE IN
ACCORDANCE WITH PROPOSITION 218 HELD JUNE 28, 2019**

*Meeting audio is available at the City of Willows website. This is not a live feature. Audio recordings are posted the succeeding business day following the scheduled City Council Meeting.
Please visit www.cityofwillows.org for free PodBean recordings.*

Mayor Hansen called the meeting to order at 6:00 p.m.

The meeting opened with the Pledge of Allegiance led by Council Member Mello.

Roll Call:

Council Members Present: Council Members Flesher, Domenighini, Mello, Vice Mayor Warren, Mayor Hansen

Council Members Absent:

Staff Present: Interim City Manager Wayne Peabody, Administrative Services Director Tim Sailsbery, City Attorney Robert Hunt, City Clerk Tara Rustenhoven

Continuation of Consideration of Proposed Sewer User Fee Adjustment Resolution

City Attorney Robert Hunt went over the validation process and protest letter results.

Public Comment/ Written Communications:

Members of the public took the opportunity to speak at this time.

Action:

Motion: Mayor Hansen/Second: Mello

Moved that proposed sewer fee increase now pending before the council be rejected, and direct staff to review the Sewer Enterprise's finances and come back with more palatable proposal sewer fees.

The motion passed unanimously 5/0 carried by the following voice vote:

AYES: Flesher, Domenighini, Mello, Vice Mayor Warren, Mayor Hansen

NOES:

ABSENT:

ABSTAIN:

Adjournment:

The Meeting was adjourned at 6:31 p.m.

Dated: July 1, 2019

Tara Rustenhoven, City Clerk

Mayor Hanson,

Due to an unforeseen family situation I am unable to attend the continued meeting in regards to the proposed Sewer Rate Proposition 218. I would respectfully request that my letter be read into record at the meeting. I will admit to have failed my due diligence in educating myself to the Proposition 218 process and becoming familiar with the law that spells out those logistics. I do not claim to be a legal scholar, but find a great deal of concern with the conduct of The City of Willows and counsel alike. There are a couple critical elements that I would like to address.

1. Access to Protest Ballots- Persons have been denied access to such records including information as to what information was used to determine the weight of each ballot.

53753(e)(2)

The governing body of the agency may, if necessary, continue the tabulation at a different time or location accessible to the public, provided the governing body announces the time and location at the hearing. The impartial person may use technological methods of tabulating the assessment ballots, including, but not limited to, punchcard or optically readable (bar-coded) assessment ballots. During and after the tabulation, the assessment ballots and the information used to determine the weight of each ballot shall be treated as disclosable public records, as defined in Section 6252, and equally available for inspection by the proponents and the opponents of the proposed assessment. The ballots shall be preserved for a minimum of two years, after which they may be destroyed as provided in Sections 26202, 34090, and 60201.

2. Legitimacy of Protest Ballot- There has been information shared that City of Willows is discounting protest ballots from a tenant.

53755(b)

One written protest per parcel, filed by an owner or tenant of the parcel, shall be counted in calculating a majority protest to a proposed new or increased fee or charge subject to the requirements of Section 6 of Article XIII D of the California Constitution.

There are some actions by the City Council, such as scheduling a continued meeting on a Friday evening during summertime vacation when many people leave town and denying access to the assessment ballots and the information used to determine the weight of each ballot which shall be treated as disclosable public records. These actions create a greater distrust in the process and many actions seem in direct conflict with the law. Interpretation of law is necessary when things are not expressly written into the law. Interpretation of the law that serves a specific purpose is legal opportunism at its finest.

I appreciate the opportunity to address some ongoing concerns about the validity of this Proposition 218 process hope that the City Council represents its constituents. I appreciate the service from each council member and understand some of the challenges that present.

Respectfully,

Janelle Kelly, Willows City Resident

Property Owners Opposed to Unfair Taxes

We keep people informed

June 28, 2019

Dear Mayor Hansen and City Council members:

Personal plans prevent me from attending tonight's meeting regarding the proposed sewer rate increase. Therefore, I ask that this letter be entered into the public record. Further, I respectfully request that Mayor Hansen read the comments below during the public hearing. Thank you in advance for that courtesy.

We have attempted to reason with the City of Willows on the matter of the highly suspect sewer rate increase you are considering. It is our sense that the public's concerns have been ignored and that meetings behind closed doors were held to formulate a strategy to impose the increase in sewer fees anyway.

Our attitude is best supported by the Resolution before you tonight beginning with the last "whereas" statement. **Enough protests were received to invalidate the rate increase** had the City not dealt from the bottom of the deck.

Before the City mailed its rate increase notices, the City had to know that dozens of Willows property owners formerly lived in Paradise. In addition to the Notices not received in Paradise, another 68 other Notices were returned as undeliverable because of changed addresses. However, the City had no way of knowing that because the City selected bulk mail, which does **NOT forward or return undeliverable mail**.

We used the same mailing list as did the City. In the two weeks following our Notice to property owners, more than eleven hundred protests were sent back because we rightly sent our Notices by first class mail. Over the next few days after the June 12 deadline, other 30-plus protests were received, so they won't be counted.

So if the total of undeliverable notices were deducted from the total number of parcels, and if the protests received after the deadline were counted, the 50% threshold to overturn the fee increase would certainly have been met.

We also take issue with two "be it resolved" statements in the Resolution. As discussed below, items 3 and 4 are clearly false declarations. The revenues collected by the City **do, in fact, exceed the cost of providing the services**, and the revenues have **clearly been used for other purposes** for which they were collected.

As most of you know, I have held seats on the Willows Planning Commission, the Glenn County Planning Commission, and the Glenn County Board of Supervisors. For seven years I was the chief of staff for a state senator and a consultant to several senate committees.

3. The City staff purposely failed to announce in a conspicuous place and in plain language that a majority protest would result in abandonment of the proposed increases. Instead, the City deliberately misled readers by saying that a majority protest vote would only cause the City Council to “reconsider” the rate increase.
4. The City made no provision for limited English proficient ratepayers in its notification, effectively disenfranchising many of its over 30% Latino citizens. By state law, if 5% of the City’s population is considered to be in the Limited English Proficiency category, information was required to be provided in their language.

VIOLATIONS OF THE LAW IN BUDGET IMPROPRIETIES

1. Under the heading of “General Administration” in the proposed budget for rate increase, in the past the City’s accountant has siphoned \$77,234 of sewer service funds into the general fund, without explanation.
2. The City provided unreliable and bloated budget numbers in support of the rate increase.
3. The City’s budget exceeds the cost of providing services; for example, the allowance of \$14,000 for vehicle fuel represents a 56,000 mile trip taken *twice around the world*.

In other words, this would mean that city vehicles would have to drive every street, running north, south, east, and west within the sewer district at least five times a day, for five days a week, for every week of the year. *Do you expect a judge to swallow that one?*

VIOLATION OF THE LAW IN CITY AGENCY EXEMPTION

1. The City has failed to assess the 31 City-owned parcels for sewer fees.

VIOLATIONS OF THE LAW IN HEARING PROCEDURES

1. The City failed to provide an interpreter for Limited English Proficient ratepayers in its protest hearing, again effectively disenfranchising many of its over 30% Latino citizens.
2. During its hearing, the City Council refused to permit all protests to be heard, cutting off speakers at an arbitrary and insufficient three minutes, regardless of how many important points they had to make.

VIOLATIONS OF THE LAW IN PROTEST COUNTING PROCEDURES

1. The City has not proportionately weighed the financial burden imposed on those with multiple users on one sewer connection, compared to those with just one user on a single sewer connection.



REGULAR BUSINESS

AGENDA ITEM

TO: Wayne Peabody, Interim City Manager
FROM: Tim Sailsbery, Finance Director
SUBJECT: Contract Extensionl-Audit Services

RECOMMENDATION

By Motion, Extend the Contract for Audit Services with Roy R. Seiler, CPA for one additional year (FYE June 30, 2020) with cost of services not to exceed \$12,500 for FYE June 30, 2020 and authorize the Administrative Services Director to sign the contract extension

SITUATION (or BACKGROUND):

Staff requests that the contract for audit services with Roy R. Seiler, CPA be extended for one additional year, through FYE 6/30/2020. Mr. Seiler has provided quality, independent audit services for the City in the past, and Staff finds that Mr. Seiler's services not only as the independent auditor for the City to be consistent and valuable, but his role in providing contract finance services for several neighboring communities to be an outstanding resource of back and forth regarding a wide variety of municipal finance issues. Further, Staff believes that consistency in auditor oversight during the South Willows Infrastructure Project and the corresponding Federal funding sources (EDA and CDBG-OTC funds) is important. By extending Mr. Seiler to FYE 6/30/2020, we will have that consistency of oversight.

Mr. Seiler had originally planned to exit audit services following the FYE 6/30/19 audit but has decided to extend services for one more year. Please note that his fee for the upcoming audit (FYE 6/30/19) is NTE \$11,700.

NOTIFICATION

Roy R. Seiler, CPA

ALTERNATE ACTIONS

Decline Audit Contract Extension

RECOMMENDATION

By Motion, Extend the Contract for Audit Services with Roy R. Seiler, CPA for one additional year (FYE June 30, 2020) with cost of services not to exceed \$12,500 for FYE June 30, 2020 and authorize the Administrative Services Director to sign the contract extension

Respectfully submitted,

/s/ Tim Sailsbery

Tim Sailsbery
Administrative Services Director

Attachment

Audit Services Extension Proposal

ROY R. SEILER

CERTIFIED PUBLIC ACCOUNTANT

201 C. North Tehama
Willows, CA 95988

Phone: 530-934-8841

Fax: 530-934-8849

June 20, 2019

Timothy L. Sailsbery, Finance Director
Members of the Willows City Council
City of Willows
Willows, California

2019-20 Audit.

When I prepared the current audit engagement letter two year ago, I anticipated 2019 as being my last year doing audits. I've since decided to perform audits until the end of 2020. Accordingly, I would ask management and the City Council to consider the enclosed one year extension of our current audit contract.

Thank you for your time and consideration.

Sincerely,



Roy R. Seiler, CPA

ROY R. SEILER

CERTIFIED PUBLIC ACCOUNTANT

201 C. North Tehama
Willows, CA 95988

Phone: 530-934-8841
Fax: 530-934-8849

June 20, 2019

Timothy L. Sailsbery, Finance Director
Members of the Willows City Council
City of Willows
Willows, California

Audit Engagement Letter, 2019-2020:

I am pleased to confirm my understanding of the services I will to provide the City of Willows, California (the City) for the year ended June 30, 2020. I will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the City as of and for the years then ended. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of my engagement, I will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.

I have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. I will subject the following supplementary information to the auditing procedures applied in my audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America, and I will provide an opinion on it in relation to the financial statements as a whole, a report combined with my auditor's report on the financial statements

- 1) Schedule of expenditures of federal awards.

Audit Objectives

The objective of my audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

My audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures I consider necessary to enable me to express such opinions. I will issue written reports upon completion of my Single Audit. My reports will be addressed to the Council of the City. I cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for me to modify my opinions or add emphasis-of-matter or other-matter paragraphs. If my opinions are other than unmodified, I will discuss the reasons with you in advance. If, for any

reason, I am unable to complete the audit or am unable to form or have not formed opinions, I may decline to express opinions or issue reports, or I may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because I will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by me, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, I will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential, and of any material abuse that comes to my attention. I will include such matters in the reports required for a Single Audit. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I am not engaged as auditors.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions I will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of my audit, I will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

My audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be

performed to test the effectiveness of certain controls that I consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. My tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in my report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, I will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that I consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, my tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in my report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material Weaknesses. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and I will not express such an opinion in my report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that I also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. My procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in my report on compliance issued pursuant to the Uniform Guidance.

Other Services

I will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the City in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These non-audit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. I will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. I, in my sole

professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for (1) designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to me and for the accuracy and completeness of that information. You are also responsible for providing me with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that I may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom I determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to me in the management representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing me about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that I report. Additionally, as required by the

Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include my report on the schedule of expenditures of federal awards in any document that contains and indicates that I have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes my report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with my report thereon. Your responsibilities include acknowledging to me in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which I have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include my report on the supplementary information in any document that contains, and indicates that I have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes my report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with my report thereon. Your responsibilities include acknowledging to me in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to me corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on my current findings, conclusions, and

recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other non-audit services I provide. You will be required to acknowledge in the management representation letter my assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the non-audit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

I may from time to time and depending on the circumstances, use third-party service providers in serving your account. I may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, I maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, I will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and I will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that I am unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, I will remain responsible for the work provided by any such third-party service providers.

I understand that your employees will prepare all cash, accounts receivable, or other confirmations I request and will locate any documents selected by me for testing.

At the conclusion of the engagement, I will complete the appropriate sections of the Data Collection Form that summarizes my audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. I will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

I will provide copies of my reports to the City Council; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of my reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Roy R. Seiler, CPA and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation

and appropriate individuals will be made available upon request and in a timely manner to an oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. I will notify you of any such request. Furthermore, upon request, I may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Oversight Agency for Audit. If I am aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, I will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

I affirm that my firm is properly licensed for public practice and it meets the independence requirements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions. My firm consists of one certified public accountant, which is the owner, one professional staff person, and support staff. Roy Seiler will be the contact person with the City.

My fees for examination of the City of Willows' financial statements referred to above will not exceed the following (*):

	<u>For Year ended June 30:</u>
	<u>2020</u>
Audit of General Purpose Financial Statements	\$8500
If Applicable, Single Audit Procedures Under Office of Management and Budget Circular A-133	\$3300
Assurance services pertaining to Appropriation Limit Calculations	<u>\$ 700</u>
Totals	<u>\$12500</u>

(*) If at any time during the engagement, extraordinary matter come to my attention (such as unexpected grant/construction activity) and an extension of services appears to be required, the finance director will be consulted before the additional work is undertaken.

The person authorized to make representation for this firm is Roy R. Seiler, CPA. Enclosed is a copy of my latest peer review report, which was unmodified, and letter of comments.

I would like to take this opportunity to thank you for allowing me to submit this proposal. Should you have any questions or a need for additional information, please feel free to call upon me at any time.

Sincerely,



Roy R. Seiler, CPA

STATEMENT OF AFFIRMATION:

AUDIT PROPOSAL APPROVED


SIGNATURE/Title

DATE



www.CoughlanNapaCPACo.com
Company@CoughlanNapaCPACo.com

Report on the Firm's System of Quality Control

September 21, 2018

To Roy R. Seiler, CPA and the Peer Review
Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Roy R. Seiler, CPA (the firm) in effect for the year ended March 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Deficiencies Identified in the Firm's System of Quality Control

We noted the following deficiencies during our review:

1) The firm does not have a written quality control document as required by standards. And, the firm did not document monitoring procedures with regard to the functional elements of its system of quality control for the peer review year.

2) Quality control standards require the firm to consult its technical practice aids and other resources when it encounters matters with which it is less familiar. The firm did not consult and as a result, deficiencies were noted on an audit under government auditing standards which was a single audit of a governmental unit. The firm did not document client skills, knowledge, and experience and the threats and safeguards related to non-attest services, for preparation of the schedule of federal awards (SEFA), using the required conceptual framework. The SEFA notes were incomplete and SEFA reconciliation to the accounting records was not documented. The firm did not identify a major program cluster. It was not evident why an extra program was audited. The firm did not issue a standard SEFA opinion. It was not evident which version of the compliance supplement was used. Not all applicable compliance requirements were identified nor the reason some were considered not direct and material. Testing of controls relative to compliance and of compliance itself was not adequate. Audit programs were not appropriately tailored and were partially incomplete. The risk of noncompliance due to fraud was not documented nor was major program materiality or subsequent events relative to program compliance. The required supplementary pension schedules were missing the prior year. Consultation is a repeat finding from the firm's prior peer review. These matters resulted in a single audit engagement being considered nonconforming.

3) Quality control standards require the firm to perform adequate review procedures prior to closing the audit file. On an audit engagement reviewed the firm failed to complete any audit programs. The firm had completed the programs with regard to prior period issuances. However, failure to complete current year programs resulted in an audit of a nonprofit organization being considered nonconforming.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Roy R. Seiler, CPA in effect for the year ended March 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Roy R. Seiler, CPA has received a peer review rating of *pass with deficiencies*.

Coughlan Napa CPA Company, Inc.

Coughlan Napa CPA Company, Inc.



ORDINANCES

AGENDA ITEM

TO: Wayne Peabody, Interim City Manager
FROM: Tim Salsbery, Administrative Services Director
SUBJECT: Amending Certain Sections of Chapter 9.20 of Willows Municipal Code

RECOMMENDATION

Consider Reading By Title Only, Passage of Second Reading, and Adoption of an Ordinance Amending Certain Sections of Chapter 9.20 of the Willows Municipal Code Regarding Cannabis Sales and Delivery in the City of Willows

SITUATION (or BACKGROUND):

Council conducted a public hearing on June 11, 2019 regarding the above noted Ordinance amendment. At that time, Council further, by majority, agreed to reading by title only and passage of first reading.

This item is returning to Council for reading by title only, passage of second reading, and possible adoption of said ordinance amendment. The ordinance is noted as:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WILLOWS AMENDING WILLOWS MUNICIPAL CODE CHAPTERS 9.20.070 (“RETAIL/DISPENSARY CANNABIS BUSINESS LICENSES”), 9.20.071, (“RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE APPLICATIONS”), 9.20.074 (“RETAIL/DISPENSARY CANNABIS LICENSSE FEES AND TAXES”) AND 9.20.080 (“GENERAL CONDITIONS FOR ALL RETAIL/DISPENSARY CANNABIS LICENSES”) FOR THE REGULATION OF CANNABIS USE, CULTIVATION, SALES AND OTHER CANNABIS ACTIVITIES IN THE CITY OF WILLOWS

NOTIFICATION

Public Hearing Notice in Sacramento Valley Mirror in Advance of June 11, Public Hearing on this Topic

ALTERNATE ACTIONS

Decline Reading by Title Only and Passage of Second Reading (Creates reading of full text of Ordinance)
Decline Adoption of Said Ordinance

RECOMMENDATION

Consider Reading By Title Only, Passage of Second Reading, and Adoption of an Ordinance Amending Certain Sections of Chapter 9.20 of the Willows Municipal Code Regarding Cannabis Sales and Delivery in the City of Willows

Respectfully submitted,

/s/ Tim Sailsbery

Tim Sailsbery
Administrative Services Director

Attachments

Documents Presented at June 11, 2019 Public Hearing

July 9, 2019

AGENDA ITEM

TO: Hon. Mayor and City Council Members

FROM: Robert W. Hunt, City Attorney

SUBJECT: Consideration and pass by first reading and subsequent Adoption of Ordinance Amending Certain Sections of Chapter 9.20 of the Willows Municipal Code Regarding Cannabis Sales and Delivery in the City of Willows

SUMMARY

This proposed Ordinance:

1. Deletes the prohibition against deliveries in WMC 9.20.070(1).
2. Adds WMC 9.20.070(1)(a) regulating cannabis deliveries in the City of Willows by:
 - a. Providing that deliveries can be made only by licensed cannabis retail establishments in the City;
 - b. Prohibits sales exclusively by delivery;
 - c. Requires the disclosure of intended delivery operations in required use permit applications;
 - d. Requires detailed operational and security plans.
3. Adds WMC 9.20.070(1)(b) requiring a Glenn County Health Permit if licensee sells or manufactures edible cannabis products.
4. Adds 9.20.070(1)(c) prohibiting drive-through or walk-up window sales.
5. Deletes subparagraph 5 of 9.20.070 which required copies of state licenses prior to being issued a city license.
6. Makes subparagraph 6 of 9.20.070 subparagraph 5 and revises it to make explicit the requirement for a use permit.
7. Revises 9.20.074(1)(g) to clarify that payments to the City under this section are regulatory “fees” and not taxes.

Staff Report re Adoption of Ordinance Amending Portions of WMC Chap. 9.20

8. Revises subparagraph (1) of 9.20.080 creating concept of Certificate of Authorization (“COA”) which is issued only after applicant holds a city license, use permit and state licenses. Only after being issued a COA can a licensee open doors for business.

BACKGROUND

In response to California’s passage of Prop. 64 in 2016 legalizing the adult use of marijuana in our state, on November 28, 2017 the City Council adopted Ordinance 736-17 regulating the cultivation, sales and delivery of cannabis within the City of Willows. Since adoption of that Ordinance, California formed a regulatory agency, the Bureau of Cannabis Control (“BCC”) to promulgate regulations effectuating the provisions of Prop. 64, as well as incorporating and coordinating the provisions 1996’s adoption of Prop. 215 legalizing medical marijuana in the state.

Importantly, the BCC has overruled the objections of a majority of California cities and authorized the delivery of cannabis and cannabis products statewide, despite cities’—like Willows’—prohibition against such deliveries. In addition, the BCC’s recently adopted procedures preclude the issuance of state licenses until after an applicant holds a locally-issued license. These provisions are contrary to Willows’ regulatory scheme set forth in Chap. 9.20 of the Willows Municipal Code.

ANALYSIS

The City’s Ordinance 736-17 established a comprehensive regulatory scheme for the cultivation and sales of cannabis products in the City of Willows. By way of that Ordinance, the City established regulations pertaining to the private residential cultivation of cannabis and created a detailed licensing process for those wishing to engage in retail sales of cannabis and cannabis products. The Ordinance also prohibited the commercial cultivation of cannabis and deliveries of cannabis and cannabis products in the City.

The BCC has issued a regulation permitting deliveries of cannabis and cannabis products throughout the State, including in those cities—like Willows—that have banned such deliveries. The announced rationale for such a rule is that failing to permit deliveries to everybody was somehow discriminatory to those residing in municipalities that banned cannabis deliveries and deprived those people of the purported benefits inherent in Prop. 64.

Nonetheless, Staff believes that the City should continue to exert regulatory efforts over such deliveries to the extent possible. Therefore, if the City authorizes *regulated* cannabis deliveries within the City, it is believed that the BCC’s rationale will be significantly weakened, if not disposed of entirely. As drafted in the proposed

Staff Report re Adoption of Ordinance Amending Portions of WMC Chap. 9.20

Ordinance, such deliveries would be permitted only by licensed retailers and subject to a set of requirements similar to those imposed on retail sales.

It should be noted that there is a lawsuit pending in Fresno County Superior Court brought by at least 24 cities challenging the BCC's rule allowing unregulated deliveries. The proponents of Prop. 64 offered assurances in 2016 that the measure would preserve local control of marijuana sales. The lawsuit notes that the ballot proposition's introduction said that it "safeguards local control, allowing local governments to regulate marijuana-related activities." The cities behind the suit contend that the bureau lacks legal authority to allow deliveries in conflict with local ordinances because Prop. 64 and a law signed by then-Gov. Jerry Brown guarantee local governments veto power over marijuana sales in their jurisdictions. In addition, legislation has been introduced that emphasizes the right of cities to ban cannabis deliveries.

The proposed Ordinance is intended to exercise as much regulatory control as possible over cannabis deliveries. However, in the current muddled state of cannabis regulation in California and pending litigation, whether the Ordinance will be effective is unknown.

In addition, the proposed Ordinance revises processes that were ultimately in conflict with the BCC's procedure. The BCC will not now issue state licenses unless and until the applicant holds a local municipality license; the City's current process requires the applicant to have state-issued licenses first. This Ordinance deals with this conflict by moving the application process forward in the absence of state-issued licenses, authorizes the issuance of a license in the absence of a state-issued license, but prohibits the licensee from opening for business until they are issued a Certificate of Authorization ("COA"). The COA will be issued only after the applicant has the requisite use permit, a City-issued license, and the necessary state-issued license(s).

Moreover, this Ordinance clarifies that amounts due and paid to the City by reason of a licensee's operations (as opposed to license application fees and taxes) are, in fact, fees directly related to the regulation of the business, and not taxes.

Finally, this Ordinance would require a permit from the Glenn County Health Department for the sale of any edible cannabis products. It would also prohibit sales at a retail establishment via drive-through or walk-up windows—customers would have to enter the store.

FINANCIAL CONSIDERATIONS

None known at this time

NOTIFICATION

Staff Report re Adoption of Ordinance Amending Portions of WMC Chap. 9.20

Notice of the June 11, 2019 City Council public hearing was published in the Sacramento Valley Mirror on June 1, 2019.

ALTERNATE ACTIONS

1. Take no action and allow the BCC's authorization for home deliveries in the City of Willows to proceed.
2. Take no action pending the outcome of the pending litigation in Fresno County Superior Court.
3. Direct staff to revise the proposed Ordinance to include some provisions and delete others.
4. Adopt the proposed Ordinance as written.

RECOMMENDATION:

Introduce and waive the first reading of Ordinance 2019-____, "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WILLOWS AMENDING WILLOWS MUNICIPAL CODE CHAPTERS 9.20.070 ("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSES"), 9.20.071 ("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE APPLICATIONS"), 9.20.074 ("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE FEES AND TAXES"), and 9.20.080 ("GENERAL CONDITIONS FOR ALL RETAIL/DISPENSARY CANNABIS LICENSES") FOR THE REGULATION OF CANNABIS USE, CULTIVATION, SALES AND OTHER CANNABIS ACTIVITIES IN THE CITY OF WILLOWS," generally regarding the City's licensing processes and deliveries of cannabis in the City of Willows.

Respectfully submitted,

Robert W. Hunt
City Attorney

Attachment:

Proposed "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WILLOWS AMENDING WILLOWS MUNICIPAL CODE CHAPTERS 9.20.070 ("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSES"), 9.20.071 ("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE APPLICATIONS"), 9.20.074 ("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE FEES AND TAXES"), and 9.20.080 ("GENERAL CONDITIONS FOR ALL RETAIL/DISPENSARY CANNABIS

Staff Report re Adoption of Ordinance Amending Portions of WMC Chap. 9.20

LICENSES”) FOR THE REGULATION OF CANNABIS USE, CULTIVATION, SALES AND OTHER CANNABIS ACTIVITIES IN THE CITY OF WILLOWS.”

ORDINANCE NO. 2019-__

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WILLOWS
AMENDING WILLOWS MUNICIPAL CODE CHAPTERS 9.20.070
("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSES"), 9.20.071
("RETAIL/DISPENSARY CANNABIS BUSINESS LICENSE
APPLICATIONS"), 9.20.074 ("RETAIL/DISPENSARY CANNABIS
BUSINESS LICENSE FEES AND TAXES"), and 9.20.080 ("GENERAL
CONDITIONS FOR ALL RETAIL/DISPENSARY CANNABIS LICENSES")
FOR THE REGULATION OF CANNABIS USE, CULTIVATION, SALES
AND OTHER CANNABIS ACTIVITIES IN THE CITY OF WILLOWS.**

Adopted by the City Council of the

CITY OF WILLOWS

on Date of _____, 2019

WHEREAS, the City Council of the City of Willows adopted Ordinance 736-17 on November 28, 2017 regulating cannabis use, cultivation, sales and other cannabis activities in the City of Willows; and

WHEREAS, changes in California law and regulations promulgated thereunder require modification to the regulatory scheme enacted by the City of Willows; and

WHEREAS, the City Council desires to modify terms for the operation of a retail cannabis business establishment in the City of Willows;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WILLOWS
DOES ORDAIN** as follows:

1. The above recitals are true and correct, and incorporated herein.
2. Subparagraph (1) of Chapter 9.20.070 of the Willows Municipal Code is hereby amended in its entirety to read:

“(1) The City of Willows authorizes, subject to the conditions set forth in this code, and only in zones in which such sales are permitted uses pursuant to WMC Title 18, the commercial sale of cannabis and cannabis products for medical and nonmedical uses. Such authorization, and any license issued hereunder, does not include the sale or manufacturing of cannabis or cannabis products at any location other than that for which a license is issued by the city of Willows.

CITY OF WILLOWS
ORDINANCE ____ 2019

(a) In addition to the requirements established in this Chapter for retail/dispensary cannabis businesses, the delivery of cannabis and cannabis products shall be subject to the following requirements:

(i) Delivery of cannabis and cannabis products to customers at locations within the City of Willows shall be permitted only in conjunction with a cannabis retail establishment that has a physical location and a retail storefront open to the public within the City of Willows.

(ii) A cannabis retail establishment shall not conduct sales exclusively by delivery.

(iii) Conditional Use Permit applications for cannabis retail businesses shall include a statement as to whether the use will include delivery of cannabis and cannabis products to customers located outside the cannabis retail facility.

(iv) If delivery services will be provided, the application shall describe the operational plan and specific extent of such service, security protocols, and how the delivery services will comply with the requirements set forth in this Chapter and state law.

(b) Cannabis businesses that sell or manufacture edible cannabis products shall have a valid Glenn County Health Permit. Permit holders shall comply with health and Safety Code section 13700, et seq., and Glenn County Health permit requirements. Such requirements provide a system of prevention and overlapping safeguards designed to minimize foodborne illness, ensure employee health, demonstrate industry manager knowledge, ensure safe food preparation practices and delineate acceptable levels of sanitation for preparation of edible products.

(c) Drive-through or walk-up window services are prohibited at all retail/dispensary cannabis establishments in the City of Willows.”

3. Subparagraph (5) of Chapter 9.20.070 of the Willows Municipal Code is hereby deleted in its entirety.

4. A new Subparagraph (5) of Chapter 9.20.070 of the Willows Municipal Code is hereby added to read:

“No license shall be issued if the cannabis activity is not a permitted land use in the city. Every licensee shall hold a use permit issued authorizing the retail/dispensary sales of cannabis and cannabis products within the City of Willows.”

5. Subparagraph (6) of Chapter 9.20.070 of the Willows Municipal Code is hereby deleted in its entirety.

4. Subparagraph (2)(a)(ii) of Chapter 9.20.071 of the Willows Municipal Code is hereby deleted in its entirety.

CITY OF WILLOWS
ORDINANCE ____ 2019

5. Subparagraphs (2)(a) of Chapter 9.20.071 are hereby renumber as follows:

<u>Existing Subparagraph</u>	<u>Renumbered Subparagraph</u>
(iii)	(ii)
(iv)	(iii)
(v)	(iv)
(vi)	(v)
(vii)	(vi)
(viii)	(vii)
(ix)	(viii)
(x)	(ix)
(xi)	(x)
(xii)	(xi)
(xiii)	(xii)
(xiv)	(xiii)
(xv)	(xiv)
(xvi)	(xv)
(xvii)	(xvi)

5. Subparagraph (1)(g) of Chapter 9.20.074 of the Willows Municipal Code is hereby deleted in its entirety and a new subparagraph (1)(g) is adopted to read:

“(g) A cannabis business regulatory fee reasonably calculated to reimburse the city for costs and expenses incurred including, but not limited to, issuance of licenses and maintenance of records, monitoring and inspections, preparation and submittal of reports, collection of and accounting for fees and other monies due the city, auditing, legal expenses, enforcement actions, and other anticipated costs and expenses directly or indirectly related to the licensee’s sales of cannabis and cannabis products in the City of Willows. Such fee shall be due and payable prior to the commencement of business. This cannabis business regulatory fee shall be reviewed and revised at the commencement of each license year and shall be payable at the commencement of each license year.”

All other portions of Chapter 9.20.074 remain unchanged.

6. Subparagraph (1) of Chapter 9.20.080 of the Willows Municipal Code is hereby deleted in its entirety and a new subparagraph (1) is adopted to read:

“(1) Prior to commencing business operations pursuant to a cannabis retail/dispensary business license issued by the City of Willows, the applicant shall hold a Certificate of Authorization issued by the City of Willows. Certificates of Authorization shall be issued only to applicants who hold (1) a Retail/Dispensary Cannabis Sales License issued by the City of Willows, (2) a use permit issued by the City of Willows Planning Commission, and (3) California state-issued A-license and/or M-license.”

CITY OF WILLOWS
ORDINANCE ____ 2019

This ordinance was introduced at a regular meeting of the City Council of the City of Willows, held on _____, 2019, and adopted at a regular meeting of the City Council of Willows, held on the _____, 2019, by the following vote, to wit:

AYES, COUNCILMEMBERS _____

NOES, COUNCILMEMBERS _____

ABSENT COUNCILMEMBERS _____

GARY HANSEN, MAYOR

APPROVED AS TO FORM:

THE CITY ATTORNEY'S OFFICE

ROBERT HUNT, CITY ATTORNEY

ATTEST:

TARA RUSTENHOVEN, CITY CLERK