

AGENDA CITY OF WATSONVILLE CITY COUNCIL MEETING



Opportunity Through Diversity; Unity Through Cooperation.

Working with our community to create positive impact through service with heart.

***Mayor Jimmy Dutra, District 6
Ari Parker, Mayor Pro Tempore, District 7***

***Eduardo Montesino, Council Member, District 1
Aurelio Gonzalez, Council Member, District 2
Lowell Hurst, Council Member, District 3
Francisco Estrada, Council Member, District 4
Rebecca J. Garcia, Council Member, District 5***

***Matthew D. Huffaker, City Manager
Alan J. Smith, City Attorney
Beatriz Vázquez Flores, City Clerk***

Remote Teleconference Meeting

<https://cityofwatsonville-org.zoomgov.com/j/1604661504>

Or iPhone one-tap: US: +16692545252,,1604661504# or +16692161590,,1604661504#

Or Telephone: US: +1 669 254 5252 or +1 669 216 1590 or +1 646 828 7666

Webinar ID: 160 466 1504

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, the Santa Cruz County Health Officer Extended and Modified Shelter in Place Orders, and the Governor's Executive Orders N-25-20 and N-29-20, that allows attendance by members of the City Council, City staff, and the public to participate and the Council to conduct the meeting by teleconference, videoconference, or both.

Meetings are streamed live via the City's website. Meeting are also televised live on Charter Cable Communications Channel 70 and AT&T Channel 99.

HOW TO VIEW THE MEETING: There is no physical location from which members of the public may observe the meeting. Please view the meeting which is being televised at Channel 70 (Charter) and Channel 99 (AT&T) and video streamed at <https://www.cityofwatsonville.org/2123/City-Council-Agendas-Minutes>.

HOW TO PARTICIPATE BEFORE THE MEETING: Members of the public are encouraged to submit written comments by emailing citycouncil@cityofwatsonville.org. All comments will be part of the meeting record. Emails received three hours before the meeting may not be uploaded to the Agenda and may not be seen by the Council or staff. They will be added to the agenda the day after the meeting.

HOW TO PARTICIPATE DURING THE MEETING: Members of the public are encouraged to join the meeting through Zoom Webinar from their computer, tablet or smartphone at:

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Or Telephone: US: +1 669 254 5252 or +1 669 216 1590 or +1 646 828 7666

Webinar ID: 160 466 1504 to express their comments.

For information regarding this agenda, please call the City Clerk's Office at (831) 768-3040.

SPANISH INTERPRETATION AVAILABLE VIA THE ZOOM WEBINAR

Americans with Disabilities Act

The Council Chambers is an accessible facility. If you wish to attend a meeting and you will require assistance in order to attend and/or participate, please call the City Clerk's Office at least three (3) business days in advance of the meeting to make arrangements. The City of Watsonville TDD number is (831) 763-4075.





**AGENDA
CITY OF WATSONVILLE
CITY COUNCIL MEETING**

Opportunity Through Diversity; Unity Through Cooperation.

Tuesday, March 9, 2021, 4:00 p.m.

Pages

1. CLOSED SESSION CORRESPONDENCE (IF ANY)

2. CLOSED SESSION

CLOSED SESSION ANNOUNCEMENT:

PUBLIC COMMENTS REGARDING THE CLOSED SESSION AGENDA WILL ONLY BE ACCEPTED BY THE CITY COUNCIL AT THIS TIME.

The City Council of the City of Watsonville will recess to Closed Session to discuss the matters that follow:

2.a. CONFERENCE WITH REAL PROPERTY NEGOTIATOR

(Government Code Section 54956.8)

Property: 280 Main Street (APN: 017-182-16)

Negotiating parties: Tamara Vides (for City as Landlord)

Pajaro Valley Arts, as tenant

Under negotiation: Price and terms of Lease

2.b. CONFERENCE WITH LABOR NEGOTIATOR

(Government Code Section 54957.6)

Agency negotiator: Nathalie Manning & Matt Huffaker

Employee organization: Service Employees International Union, Local 521
Clerical Technical (SEIU)

2.c. CONFERENCE WITH LEGAL COUNSEL—PENDING LITIGATION

(Government Code Section 54956.9(b))

1. Initiation of litigation pursuant to subdivision (c) of Section 54956.9: [1 case]

CITY COUNCIL RESUMES AT 5:30 P.M.

3.	ROLL CALL	
4.	PLEDGE OF ALLEGIANCE	
5.	INFORMATION ITEMS	
5.a.	REPORT OF DISBURSEMENTS	6
5.b.	MISCELLANEOUS DOCUMENTS REPORT	
5.c.	WRITTEN REPORTS BY COUNCIL MEMBERS REGARDING ACTIONS TAKEN ON THEIR REGIONAL COMMISSIONS/BOARD MEETINGS THAT MAY AFFECT THE CITY OF WATSONVILLE (IF ANY) SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION JANUARY MEETING HIGHLIGHTS (Council Member Gonzalez)	40
6.	PRESENTATIONS & ORAL COMMUNICATIONS	
	This time is set aside for members of the general public to address the Council on any item not on the Council Agenda, which is within the subject matter jurisdiction of the City Council. No action or discussion shall be taken on any item presented except that any Council Member may respond to statements made or questions asked, or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to Council will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report. ALL SPEAKERS ARE ASKED TO ANNOUNCE THEIR NAME IN ORDER TO OBTAIN AN ACCURATE RECORD FOR THE MINUTES.	
6.a.	ORAL COMMUNICATIONS FROM THE PUBLIC (2 MINUTES EACH)	
6.b.	ORAL COMMUNICATIONS FROM THE COUNCIL (2 MINUTES EACH)	
6.c.	MAYOR'S PROCLAMATION RECOGNIZING MARCH 2021 AS WOMEN'S HISTORY MONTH MAYOR'S PROCLAMATION RECOGNIZING MARCH 2021 AS WOMEN'S HISTORY MONTH & ENCOURAGING ALL CITIZENS TO REFLECT ON THE GENERATIONS OF WOMEN THAT HAVE MADE AN IMPACT IN OUR HISTORY, AS WELL AS THOSE WHO CONTINUE MAKING AN IMPACT TODAY	42
6.d.	MAYOR'S PROCLAMATION RECOGNIZING RAFAEL SUAREZ OF FARMERS INSURANCE MAYOR'S PROCLAMATION RECOGNIZING RAFAEL SUAREZ OF FARMERS INSURANCE FOR PROVIDING QUALITY INSURANCE & FINANCIAL SERVICES TO THE COMMUNITY	43
6.e.	MAYOR'S PROCLAMATION RECOGNIZING PAUL & ANNA LIU MAYOR'S PROCLAMATION RECOGNIZING PAUL & ANNA LIU & FREEDOM BAKERY FOR PROVIDING DELICIOUS COOKIES & CAKES, BRINGING SMILES TO THE COMMUNITY	44
6.f.	SERVICE WITH HEART AWARDS SERVICE WITH HEART AWARDS: SR. FINANCIAL ANALYST PATRICIA	

6.g. REPORT OUT OF CLOSED SESSION

7. REPORTS TO COUNCIL -- No Action Required

7.a. CITY MANAGER'S UPDATE REPORT

8. CONSENT AGENDA

All items appearing on the Consent Agenda are recommended actions which are considered to be routine and will be acted upon as one consensus motion. Any items removed will be considered immediately after the consensus motion. The Mayor will allow public input prior to the approval of the Consent Agenda.

PUBLIC INPUT (2 MINUTES EACH)

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| 8.a. MOTION APPROVING MINUTES OF FEBRUARY 23, 2021 | 45 |
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 | |
| 8.b. AMENDMENTS NO. 2 & NO. 3 TO CONTRACTS WITH HARRIS & ASSOCIATES, INC. FOR ASSISTANCE WITH PERMITTING FOR RAIL TRAIL PROJECT IN A TOTAL AMOUNT OF \$28,776 | 55 |
| <p>1) RESOLUTION APPROVING SECOND AMENDMENT TO CONTRACT WITH HARRIS & ASSOCIATES, INC., FOR DESIGN SERVICES FOR THE RAIL TRAIL LEE ROAD PROJECT, NO. CT-18-01A & RAIL TRAIL WALKER STREET PROJECT NO. CT-18-01B; ADDING TO SCOPE OF WORK TO ASSIST WITH CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) PERMITTING REQUIREMENTS & INCREASING THE AMOUNT BY \$13,992</p> <p>2) RESOLUTION APPROVING THIRD AMENDMENT TO CONTRACT WITH HARRIS & ASSOCIATES, INC., FOR DESIGN SERVICES FOR THE RAIL TRAIL LEE ROAD PROJECT, NO. CT-18-01A AND THE RAIL TRAIL WALKER STREET PROJECT NO. CT-18-01B; ADDING TO SCOPE OF WORK TO ASSIST WITH CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) PERMITTING REQUIREMENTS & INCREASING THE AMOUNT BY \$14,784</p> | |
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| 8.c. RESOLUTION DECLARING RACISM AS A PUBLIC HEALTH CRISIS
(Requested by Council Member Garcia) | 72 |
|
 | |
| 8.d. AMENDMENT TO CANNABIS TAX ORDINANCE REGARDING TAX RATE
(Recommended by Community Development Director Merriam) | |
| <p>1) Staff Report by Community Development Director Merriam</p> <p>2) City Council Clarifying & Technical Questions</p> <p>3) Public Hearing</p> <p>4) Motion Whether to Approve Staff Recommendation</p> <p>5) City Council Deliberation on Motion</p> <p>6) ORDINANCE INTRODUCTION AMENDING SECTIONS 3-6.1202 (DEFINITIONS) & 3-6.1206 (AMOUNT OF TAX OWED) OF ARTICLE 12 (WATSONVILLE CANNABIS BUSINESS TAX) OF CHAPTER 6 (TAXATION) OF TITLE 3 (ZONING) OF THE WATSONVILLE MUNICIPAL CODE [Amends Ordinance No. 1330-16 (CM) Pursuant to §3-6.1232]</p> | |

9. **ITEMS REMOVED FROM CONSENT AGENDA**
PUBLIC INPUT (2 MINUTES EACH)
10. **PUBLIC HEARINGS, ORDINANCES, & APPEALS**
 - 10.a. **AMENDMENT TO CANNABIS TAX ORDINANCE REGARDING TAX RATE** 76
(Recommended by Community Development Director Merriam)
 - 1) Staff Report by Community Development Director Merriam
 - 2) City Council Clarifying & Technical Questions
 - 3) Public Hearing
 - 4) Motion Whether to Approve Staff Recommendation
 - 5) City Council Deliberation on Motion
 - 6) ORDINANCE INTRODUCTION AMENDING SECTIONS 3-6.1202 (DEFINITIONS) & 3-6.1206 (AMOUNT OF TAX OWED) OF ARTICLE 12 (WATSONVILLE CANNABIS BUSINESS TAX) OF CHAPTER 6 (TAXATION) OF TITLE 3 (ZONING) OF THE WATSONVILLE MUNICIPAL CODE [Amends Ordinance No. 1330-16 (CM) Pursuant to §3-6.1232]
11. **NEW BUSINESS**
 - 11.a. **DOWNTOWN SPECIFIC PLAN PRESENTATION (Recommended by** 146
Community Development Director Merriam)
 - 1) Staff Report by Simran Malhotra with Raimi & Associates
 - 2) City Council Clarifying & Technical Questions
 - 3) Public Input
 - 4) Motion Whether to Approve Staff Recommendation
 - 5) City Council Deliberation on Motion
 - 6) Appropriate Motion (if any)
 - 11.b. **ACCEPTING RESULTS OF FINANCIAL ANALYSIS & UTILITY RATES** 180
RECOMMENDATIONS THEREOF & FIXING TIME FOR PUBLIC HEARING FOR MAY 25, 2021 (Public Work & Utilities Director Palmisano)
 - 1) Staff Report by Public Work & Utilities Director Palmisano & Public Works & Utilities Assistant Director DiRenzo
 - 2) City Council Clarifying & Technical Questions
 - 3) Public Input
 - 4) Motion Whether to Approve Staff Recommendation
 - 5) City Council Deliberation on Motion
 - 6) RESOLUTION ACCEPTING RESULTS OF FINANCIAL ANALYSIS & UTILITY RATE RECOMMENDATIONS, DIRECTING STAFF TO PROVIDE PUBLIC NOTIFICATION OF THE PROPOSED UTILITY RATES, & DIRECTING CITY CLERK TO GIVE NOTICE THEREOF & FIXING THE TIME FOR PUBLIC HEARING FOR MAY 25, 2021, PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54354.5 & CALIFORNIA CONSTITUTION ARTICLE 13D SECTION 6
12. **EMERGENCY ITEMS ADDED TO AGENDA**
13. **REQUESTS & SCHEDULING FUTURE AGENDA ITEMS**

14. ADJOURNMENT

Pursuant to Section 54954.2(a)(1) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day and on the City of Watsonville website at <https://www.cityofwatsonville.org/2123/City-Council-Agendas-Minutes>

Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office (275 Main Street, 4th Floor) during normal business hours.

Such documents are also available on the City of Watsonville website at: <https://www.cityofwatsonville.org/2123/City-Council-Agendas-Minutes> subject to staff's ability to post the document before the meeting.

CITY OF WATSONVILLE
FINANCE DEPARTMENT
SUMMARY OF DISBURSEMENTS
WARRANT REGISTER DATED 2/15/2021 TO 3/2/2021

FUND NO.	FUND NAME	AMOUNT
	130 EMPLOYEE CASH DEDUCTIONS FUND	702,784.49
	150 GENERAL FUND	202,978.99
	170 INVESTMENTS	1,637.64
	202 REDEVELOPMENT OBLIG RETIREMENT	3,691.91
	246 CIVIC CENTER COMMON AREA	40,799.61
	250 LIBRARY FUND	45,140.34
	260 SPECIAL GRANTS	302,099.02
	291 CANNABIS REVENUE FUND	4,385.75
	305 GAS TAX	81,423.78
	309 PARKING GARAGE FUND	7,729.72
	310 SALES TAX MEASURE G	52,513.59
	312 MEASURE D	7,088.25
	354 SPECIAL DISTRICT FUNDS	954.65
	510 ENERGY BOND DEBT PAYMENT	286,306.82
	710 SEWER SERVICE FUND	179,621.65
	720 WATER OPERATING FUND	198,090.48
	730 AIRPORT ENTERPRISE FUND	131,588.78
	740 WASTE DISPOSAL FUND	246,005.53
	741 LANDFILL CLOSURE	9,236.05
	780 WORKER'S COMP/LIABILITY FUND	13,818.40
	787 HEALTH INSURANCE FUND POOL	9,100.23
	790 INFORMATION & TECHNOLOGY ISF	1,368.00
	TOTAL	2,528,363.68
	TOTAL ACCOUNTS PAYABLE 2/16/2021 TO 3/2/2021	1,825,579.19
	PAYROLL INVOICES	702,784.49
	TOTAL OF ALL INVOICES	2,528,363.68

Check Register

For the Period 2/17/2021 through 3/2/2021

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0130	AFLAC	42880	2/26/2021	72985	Payroll Run 1 - Warrant 210226	\$9,595.37
	BENEFIT COORDINATORS CORPORATION	42881	2/26/2021	72972	Payroll Run 1 - Warrant 210226	\$809.53
	CA STATE DISBURSEMENT UNIT	696	2/26/2021	72987	Payroll Run 1 - Warrant 210226	\$3,953.31
	CINCINNATI LIFE INSURANCE CO	42882	2/26/2021	72984	Payroll Run 1 - Warrant 210226	\$45.13
	COLONIAL LIFE & ACCIDENT INS	42883	2/26/2021	72974	Payroll Run 1 - Warrant 210226	\$198.40
	COUNTY OF SANTA CRUZ-SHERIFF-CORONER	42884	2/26/2021	72975	Payroll Run 1 - Warrant 210226	\$617.56
	ICMA RETIREMENT TRUST 457	693	2/26/2021	72976	Payroll Run 1 - Warrant 210226	\$2,732.45
		692	2/26/2021	72988	Payroll Run 1 - Warrant 210226	\$45,630.47
	PROF FIRE FIGHTERS-WATSONVILLE	42885	2/26/2021	72977	Payroll Run 1 - Warrant 210226	\$2,380.00
	PUBLIC EMP RETIREMENT SYSTEM	697	2/26/2021	72978	Payroll Run 1 - Warrant 210226	\$275,165.62
	SALLY MCCOLLUM	42886	2/26/2021	72973	Payroll Run 1 - Warrant 210226	\$500.00
	SECOND HARVEST FOOD BANK	42887	2/26/2021	72979	Payroll Run 1 - Warrant 210226	\$42.00
	SEIU LOCAL 521	42889	2/26/2021	72989	Payroll Run 1 - Warrant 210226	\$25.00
		42888	2/26/2021	72980	Payroll Run 1 - Warrant 210226	\$1,227.01
	STATE OF CALIFORNIA TAX BOARD	42890	2/26/2021	72982	Payroll Run 1 - Warrant 210226	\$139.78
	WAGeworks INC	42891	2/26/2021	72986	Payroll Run 1 - Warrant 210226	\$3,908.62
	WIRE TRANSFER-IRS	695	2/26/2021	72983	Payroll Run 1 - Warrant 210226	\$297,389.22
	WIRE TRANSFER-STATE OF CALIFORNIA	694	2/26/2021	72981	Payroll Run 1 - Warrant 210226	\$58,425.02
	Fund Total					\$702,784.49
0150	4LEAF INC.	42625	2/23/2021	J3584H	FIRE PLAN REVIEW/BLDG INSPECT/	\$1,800.00
	A-1 JANITORIAL SERVICE	42626	2/23/2021	7847	JANITORIAL SERVICES	\$300.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	ABBOTT'S PRO-POWER, LLC	42627	2/23/2021	148422	2/5/2021, INV#148422 - STIHL TRIMMER-LOOP HANDLE.	\$367.16
	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$110.17
		42613	2/17/2021	01/31/2021	SUPPLIES	\$103.73
		42613	2/17/2021	01/31/2021	SUPPLIES	\$15.26
		42613	2/17/2021	01/31/2021	SUPPLIES	\$49.14
		42613	2/17/2021	01/31/2021	SUPPLIES	\$74.88
		42613	2/17/2021	01/31/2021	SUPPLIES	\$500.94
		42613	2/17/2021	01/31/2021	SUPPLIES	\$56.73
		42613	2/17/2021	01/31/2021	SUPPLIES	\$5.32
		42613	2/17/2021	01/31/2021	SUPPLIES	\$51.96
	AIRTEC SERVICE, INC	42633	2/23/2021	15823	SERVICE AT 215 UNION ST	\$304.00
		42633	2/23/2021	15192	CONTROLLER REPLACEMENT	\$626.57
	ALHAMBRA	42635	2/23/2021	15191775 012921	1/29/21, INV#15191775 012921 - WATER SERVICES FOR,	\$5.00
	ALLSTAR FIRE EQUIPMENT, INC	42636	2/23/2021	229174	Turnout Gear for Goulding	\$2,542.25
	AMERICAN LEADERSHIP FORUM-SILICON VALLEY	42846	2/24/2021	1/11/2021	FACILITATION OF AD HOC COMMITT	\$10,000.00
		42847	2/24/2021	DECEMBER 2020	FACILITATION OF AD HOC COMMITT	\$10,000.00
	AT&T	42849	2/24/2021	138890679-1/14/21	SERVICE	\$41.35
	BAKER & TAYLOR BOOKS	42643	2/23/2021	L1734444-01/31/2021	BOOKS	\$307.13
		42643	2/23/2021	L4319424-01/31/2021	BOOKS	\$24.44
		42643	2/23/2021	L4247564-01/31/2021	BOOKS	\$23.88
		42643	2/23/2021	C0116843-01/31/2021	BOOKS	\$144.57
		42643	2/23/2021	L4319434-01/31/2021	BOOKS	\$702.76

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	BEST BAG COMPANY	42644	2/23/2021	2731	2/12/21, INV2731 - DOG BAGS FOR PARK SITES.	\$1,010.43
	BEWLEY'S CLEANING, INC.	42645	2/23/2021	009748	1/25/21, INV009748 - FINAL JANUARY JANITORIAL SERV	\$135.00
	BODY BY HANK	42647	2/23/2021	20326	BODY LABOR	\$74.00
	BOUND TREE MEDICAL LLC	42649	2/23/2021	83933567	EMS Supplies - SpO2 3ft reuseable sensor	\$720.89
		42649	2/23/2021	83933568	EMS Supplies	\$714.20
	BURTON'S FIRE APPARATUS, INC.	42653	2/23/2021	51749	MASTER DRAIN VALVE FOR 4413	\$285.02
	CALIFORNIA CHAMBER OF COMMERCE	42654	2/23/2021	11517765	CA LABOR LAW POSTERS/NEWLETTERS/DIGEST	\$1,132.40
	CDW GOVERNMENT, INC.	42657	2/23/2021	7623713	COMPUTER SUPPLIES	\$195.99
		42657	2/23/2021	7388951	TONER FOR POLICE PRINTERS	\$211.03
	CENTER POINT LARGE PRINT	42658	2/23/2021	1823007	BOOKS	\$142.92
	CENTRAL COAST LANDSCAPE & MAINTENANCE	42660	2/23/2021	21756	LANDSCAPE MAINTENANCE- FEB 2021	\$400.00
	CENTRAL ELECTRIC	42662	2/23/2021	01/31/2021	PARTS AND SERVICE	\$229.10
		42662	2/23/2021	01/31/2021	PARTS AND SERVICE	\$76.37
	CHARTER COMMUNICATIONS	42850	2/24/2021	0002463021521	SERVICE	\$157.59
		42850	2/24/2021	0002463021521	SERVICE	\$220.13
		42850	2/24/2021	0002463021521	SERVICE	\$30.70
	CHAZ CUSTOM EMBROIDERY & DIGITIZING	42663	2/23/2021	3155	VEHICLE EQUIP	\$1,077.05
	CHAZ TOWING	42664	2/23/2021	70691	TOW SERVICES	\$1,385.00
		42664	2/23/2021	74018	TOW SERVICES	\$185.00
	CHEVROLET OF WATSONVILLE	42665	2/23/2021	243395	PARTS	\$218.96
		42665	2/23/2021	243561	ELECTRICAL REPAIRS	\$148.00
		42665	2/23/2021	241659	EXTRA KEYS	\$242.40
	CHIP THUY WRA,LLC	42667	2/23/2021	LUIS SANCHES	RENTAL ASSISTANCE FOR 615 BLACKBURN ST., APT. 206	\$1,500.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	CIVICPLUS	42614	2/17/2021	206282	WATSONVILLE FIRE DEPT. HEADER	\$752.46
	COLEY HEATH, ANITA	42671	2/23/2021	1016	Public Safety Background Investigation	\$1,450.00
	CONTINUANT, INC.	42672	2/23/2021	SI-0000007014	MANAGED SERVICES AGREEMENT FROM 03/01-03/28/2021	\$1,011.65
		42672	2/23/2021	SI-0000007014	MANAGED SERVICES AGREEMENT FROM 03/01-03/28/2021	\$82.41
	COUNTY OF SANTA CRUZ COLLECTIONS	42674	2/23/2021	DEC 2020	PARKING TICKET SURCHARGE DEC. 2020	\$4,162.50
		42674	2/23/2021	DEC 2020	PARKING TICKET SURCHARGE DEC. 2020	\$1,109.50
		42674	2/23/2021	NOVEMB. 2020	PARKING SURCHARGE NOVEMBER 2020	\$6,413.00
		42674	2/23/2021	NOVEMB. 2020	PARKING SURCHARGE NOVEMBER 2020	\$799.00
	COUNTY OF SANTA CRUZ-ISD	42675	2/23/2021	QUERY_01.28.2021	OPEN QUERY CHARGES	\$1,311.55
	CPS HUMAN RESOURCE SERVICES	42677	2/23/2021	SOP52251	FIRE ENGINEER TEST RENTAL	\$364.10
	CREWSENSE, LLC	42679	2/23/2021	0019497	Quarterly Charges 2/5/2021-5/4/2021	\$355.47
	CRUZIO/THE INTERNET STORE INC.	42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$139.90
		42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$69.95
		42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$74.95
	DAVID RALPH LEDESMA	42852	2/24/2021	VERONICA N LEONOR	RENTAL ASSISTANCE FOR 56 MARIN ST	\$1,475.00
	DEMCO INC	42687	2/23/2021	6898844	PROCESSING SUPPLIES	\$394.06
	DEPARTMENT OF JUSTICE	42688	2/23/2021	488309	DOJ FINGERPRINTING	\$196.00
	DIAMOND D COMPANY	42689	2/23/2021	4422	CITYWIDE SIDEWALK REPAIR PROJE	\$2,194.25
	DOCTORS ON DUTY MEDICAL GROUP, INC.	42692	2/23/2021	CITYOF0047	LABORATORY SERVICES, INV1303288 & INV1308339	\$260.00
	EDUARDO VALADEZ	42693	2/23/2021	000073	UNIT #18 PATROL CAR CROWN VIC REMOVAL	\$654.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	ELEVATOR SERVICE COMPANY, INC.	42695	2/23/2021	31414	SERVICE	\$400.00
		42695	2/23/2021	31414	SERVICE	\$530.00
		42695	2/23/2021	31414	SERVICE	\$200.00
	ENVISIONWARE, INC.	42698	2/23/2021	INV-US-50991	ENVISIONWARE RENEWAL	\$5,357.59
	FASTENAL COMPANY	42701	2/23/2021	CAWAT112864	SUPPLIES	\$130.75
		42701	2/23/2021	CAWAT112851	SUPPLIES	\$41.48
	FINDAWAY WORLD LLC	42702	2/23/2021	340375	BOOKS	\$265.56
		42702	2/23/2021	339999	BOOKS	\$119.04
	GALE CENGAGE LEARNING	42704	2/23/2021	73090586	BOOKS	\$53.94
		42704	2/23/2021	73135377	BOOKS	\$81.91
		42704	2/23/2021	72847084	BOOKS	\$81.62
	GRAHAM POLYGRAPH	42706	2/23/2021	21-09	CONSULTATION SERVICES	\$300.00
	GRANITE ROCK COMPANY	42709	2/23/2021	1284274	1/23/21, INV1284274 - LAWN REPAIR JOB AT MARINOVIC	\$57.40
	INTERNATIONAL INSTITUTE OF MUNICIPAL CLERKS	42722	2/23/2021	IRWIN ORTIZ MEMBERSH	ANNUAL MEMBERSHIP FEES	\$330.00
	J. P. COOKE CO.	42724	2/23/2021	659873	RED DATES BLUE COPY PADS	\$56.14
	JACKSON LEWIS PC	42725	2/23/2021	7703219	FOR PROFESSIONAL SERVICES	\$518.00
	K & D LANDSCAPING INC.	42729	2/23/2021	130227	LANDSCAPE SERVICE	\$90.90
	KELLY-MOORE PAINT COMPANY, INC.	42730	2/23/2021	818-00000319177	PAINT	\$26.02
		42730	2/23/2021	818-00000318057	PAINT	\$6.86
		42730	2/23/2021	818-00000319520	PAINT	\$8.79
	KME FIRE APPARATUS	42734	2/23/2021	ca554666	Pump Gauges for 4411	\$224.24
	L N CURTIS & SONS	42735	2/23/2021	INV456759	Batteries for thermal imager	\$723.21
	LEO SEGURA	42853	2/24/2021	MARIA ANGELICA MARTI	RENTAL ASSISTANCE	\$1,500.00
	LEXIPOL LLC	42737	2/23/2021	INV7349	Law Enforcement Policy Manual & Daily Training Bul	\$12,465.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	LINCOLN SQUARE APARTMENTS	42616	2/17/2021	115 ALVARADO ST.	CONSUELO PEREZ	\$856.00
	MATTHEW BENDER & COMPANY, INC	42740	2/23/2021	2369517X	BOOKS	\$57.30
	MEADOWVIEW APARTMENTS, LLC	42854	2/24/2021	YADIRA SANTIAGO	RENTAL ASSISTANCE FOR 115 QUIET MEADOW APT.H	\$1,500.00
	MID VALLEY SUPPLY	42745	2/23/2021	1/31/2021	SUPPLIES	\$1,034.84
		42745	2/23/2021	1/31/2021	SUPPLIES	\$1,519.85
		42745	2/23/2021	1/31/2021	SUPPLIES	\$492.76
		42745	2/23/2021	1/31/2021	SUPPLIES	\$118.32
	MIDWEST TAPE	42746	2/23/2021	99945916	BOOKS	\$65.51
		42746	2/23/2021	99945918	BOOKS	\$18.55
		42746	2/23/2021	99893815	BOOKS	\$43.69
	MISSION LINEN SUPPLY	42747	2/23/2021	292108-02/01/2021	UNIFORM RENTAL AND LAUNDRY SER	\$60.32
	MORA DOOR, INC.	42751	2/23/2021	4691	BUILDING MAINTENANCE	\$927.37
	MORENO ROOFING CORPORATION	42752	2/23/2021	1050477	REPAIRS	\$523.63
	MP SUNNY MEADOWS ASSOCIATES LP	42618	2/17/2021	ALMA LEAL CISNEROS	RENTAL ASSISTANCE FOR 225 ROSS AVE. #7	\$1,233.00
		42855	2/24/2021	MARTHA VASQUEZ	RENTAL ASSISTANCE FOR 260 ROSS AVE. #5	\$789.00
	NAPA AUTO PARTS	42753	2/23/2021	130583	RADIATOR CAPS	\$8.73
	NORTHGATE APARTMENTS	42619	2/17/2021	JESSICA R. SANCHEZ	485 HOLOHAN RD. APT 232	\$1,500.00
	OCLC, INC	42757	2/23/2021	1000099293	CATALOGING AND METADATA SUBSCRIPTION	\$566.96
	ONE TIME VENDOR	42760	2/23/2021	25207910	REFUND- PINTO LAKE RV RESERVATION	\$90.00
		42759	2/23/2021	25207630	REFUND- PINTO LAKE RV RESERVATION	\$55.00
	OSUNA AUTO ELECTRIC & SMALL ENGINE REPAIR	42761	2/23/2021	41165	SHARPEN BLADES	\$68.76

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	OSUNA AUTO ELECTRIC & SMALL ENGINE REPAIR	42761	2/23/2021	41155	SUPPLIES AND SHARPENNING OF CHAIN	\$57.19
	P&W-PAGING & WIRELESS	42620	2/17/2021	62013	MONITOR PAGERS	\$1,294.50
	PACIFIC GAS & ELECTRIC	42863	2/24/2021	0418334151-2-2/17	ELEC	\$1,094.53
		42771	2/23/2021	9656517006-3-2/16	ELEC	\$14.58
		42856	2/24/2021	3653340008-5-2/18	ELEC	\$24.51
		42859	2/24/2021	4048670603-5-2/18	ELEC	\$20.96
		42772	2/23/2021	0951393634-5-2/16	ELEC	\$41.92
		42769	2/23/2021	1553836670-7-2/4	GAS & ELEC	\$796.01
		42769	2/23/2021	1553836670-7-2/4	GAS & ELEC	\$2,605.46
		42769	2/23/2021	1553836670-7-2/4	GAS & ELEC	\$5,979.54
		42769	2/23/2021	1553836670-7-2/4	GAS & ELEC	\$26.99
		42770	2/23/2021	7523404092-3-2/12	ELEC	\$3,276.12
		42857	2/24/2021	9925942904-3-2/18	ELEC	\$162.10
		42867	2/24/2021	4287605895-1-2/19	ELEC	\$10.86
	PAJARO VALLEY FABRICATION INC.	42776	2/23/2021	28606	LABOR TO REPAIR FOUR METAL DOORS	\$176.00
	PAJARO VALLEY LOCK SHOP	42777	2/23/2021	2/1/2021	SUPPLIES	\$170.44
		42777	2/23/2021	2/1/2021	SUPPLIES	\$7.84
		42777	2/23/2021	2/1/2021	SUPPLIES	\$27.45
	PAJARO VALLEY PRINTING	42778	2/23/2021	41642	MONTHLY NEWSLETTER "OUR TOWN"	\$2,398.04
	PEDRO ALEJANDRO MADRIGAL	42780	2/23/2021	2019	EMERGENCY TARP	\$480.00
		42780	2/23/2021	2013	ROOF ACCESS HATCH REPAIR	\$1,040.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	PEDRO ALEJANDRO MADRIGAL	42780	2/23/2021	1989	ROOF MAINTENANCE REPAIRS	\$2,330.00
	PONDEROSA REALTY	42871	2/24/2021	MARIA E. AGUADO RINC	RENTAL ASSISTANCE FOR 231 SUNNYHILLS DRIVE	\$1,500.00
		42872	2/24/2021	LUZ MARIA ALVAREZ	RENTAL ASSISTANCE FOR 103 W. 5TH ST.	\$1,500.00
	PRAXAIR DISTRIBUTION, INC	42784	2/23/2021	99950462	DRY ICE	\$22.63
	QUADIENT, INC.	42789	2/23/2021	58207079	POSTAGE METER MAINTENANCE	\$614.15
		42789	2/23/2021	58207079	POSTAGE METER MAINTENANCE	\$614.15
	RAMON PEREDIA	42873	2/24/2021	LILIANA HERNANDEZ	RENTAL ASSISTANCE FOR 441 SECOND ST	\$1,500.00
	RICOH USA, INC	42792	2/23/2021	5061272303	COPIER CHARGES	\$85.91
		42792	2/23/2021	5061272303	COPIER CHARGES	\$85.92
		42792	2/23/2021	5061272303	COPIER CHARGES	\$85.91
		42792	2/23/2021	5061272303	COPIER CHARGES	\$185.39
		42792	2/23/2021	5061272303	COPIER CHARGES	\$86.21
		42792	2/23/2021	5061272303	COPIER CHARGES	\$85.80
		42792	2/23/2021	5061272303	COPIER CHARGES	\$55.05
		42792	2/23/2021	5061272303	COPIER CHARGES	\$55.05
		42792	2/23/2021	5061272303	COPIER CHARGES	\$36.70
		42792	2/23/2021	5061272303	COPIER CHARGES	\$36.70
		42792	2/23/2021	5061323615	COPIER CHARGES	\$20.36
		42792	2/23/2021	5061323615	COPIER CHARGES	\$179.68
		42792	2/23/2021	5061323615	COPIER CHARGES	\$325.33
		42792	2/23/2021	5061323615	COPIER CHARGES	\$39.63
		42792	2/23/2021	5061323615	COPIER CHARGES	\$41.59
		42792	2/23/2021	5061323615	COPIER CHARGES	\$41.59
		42792	2/23/2021	5061323615	COPIER CHARGES	\$27.72

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	RICOH USA, INC	42792	2/23/2021	5061323615	COPIER CHARGES	\$27.71
		42792	2/23/2021	5061323715	COPIER CHARGES	\$8.54
		42792	2/23/2021	5061323715	COPIER CHARGES	\$8.54
		42792	2/23/2021	5061323715	COPIER CHARGES	\$5.70
		42792	2/23/2021	5061323715	COPIER CHARGES	\$5.70
		42792	2/23/2021	5061323494	COPIER CHARGES	\$46.89
		42793	2/23/2021	104591060	COPIER	\$1,201.12
	RIGOBERTO ROCHA ROCHA	42794	2/23/2021	31186076	REFUND - DUPLICATE PAYEMENT	\$21.99
	ROSE RENTALS	42874	2/24/2021	JOSE MANUEL GARCIA	RENTAL ASSISTANCE FOR 2215 E. LAKE AVE., APT.10	\$1,500.00
	ROTARY CLUB OF WATSONVILLE	42836	2/23/2021	1496	1496 QUARTERLY DUES	\$40.00
	SAFEGUARD BUSINESS SYSTEMS	42798	2/23/2021	034417086	DEPOSIT SLIPS	\$151.10
	SALT LAKE CITY PUBLIC LIBRARY	42799	2/23/2021	204918317	REPLACEMENT COST FOR ILL BOOK	\$35.99
	SHOWCASES	42810	2/23/2021	319023	PROCESSING SUPPLIES - DVD CASES	\$186.79
	SHU YING LEE	42875	2/24/2021	PETER LIU	RENTAL ASSISTANCE FOR 46 OLIVEIRA LOOP	\$800.00
	SPECIALTY STORE SERVICES, INC.	42811	2/23/2021	125072	PROCESSING SUPPLIES	\$149.20
	STAPLES CREDIT PLAN	42812	2/23/2021	01/28/2021	SUPPLIES	\$658.25
		42812	2/23/2021	01/28/2021	SUPPLIES	\$298.01
		42812	2/23/2021	01/28/2021	SUPPLIES	\$219.93
		42812	2/23/2021	01/28/2021	SUPPLIES	\$80.97
		42812	2/23/2021	01/28/2021	SUPPLIES	\$254.51
	SYNCB/AMAZON	42816	2/23/2021	020821-AMA	AMAZON CREDIT CARD	\$24.02
		42816	2/23/2021	020821-AMA	AMAZON CREDIT CARD	\$130.56
	TARGET SPECIALTY PRODUCTS	42817	2/23/2021	INVP500358947	1/15/21 - INV#P500358947, RODENTICIDE BAIT.	\$262.20
	TARR, JON	42818	2/23/2021	01-2020-001077	12/30/20, INV#01-2020-001077, WINTER 2020 (JAN-FEB	\$1,530.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	TAYLOR'S OFFICE CITY	42819	2/23/2021	1/28/2021	SUPPLIES	\$2,117.70
		42819	2/23/2021	1/28/2021	SUPPLIES	\$47.99
		42819	2/23/2021	1/28/2021	SUPPLIES	\$90.78
		42819	2/23/2021	1/28/2021	SUPPLIES	\$50.37
		42819	2/23/2021	1/28/2021	SUPPLIES	\$1,782.51
		42819	2/23/2021	1/28/2021	SUPPLIES	\$513.29
	TERRA X PEST SERVICE, INC.	42821	2/23/2021	38481	PEST SERVICES	\$360.00
	THE GRUNSKY LAW FIRM LLC	42712	2/23/2021	96189	LEGAL SERVICES	\$8,236.14
		42712	2/23/2021	96190	LEGAL SERVICES	\$26.60
	THE PINES APARTMENTS	42876	2/24/2021	CLAUDIA BRISENO	RENTAL ASSISTANCE FOR 788 RODRIGUEZ ST. APT.38	\$1,500.00
	TIERRA LINDA	42623	2/17/2021	LAURA CHAVEZ	RENTAL ASSISTANCE FOR 492 BECK ST. APT. K	\$1,500.00
	TINO'S PLUMBING INC	42824	2/23/2021	130125	SERVICE FOR WOMEN'S RESTROOM AT 250 MAIN	\$415.78
	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	8557-01/22/2021	OFFICE EQUIPMENT/COMP: IPAD COVERS	\$38.48
		42877	2/24/2021	8557-01/22/2021	OFFICE EQUIPMENT/COMP: IPAD COVERS	\$87.37
		42877	2/24/2021	8557-01/22/2021	OFFICE EQUIPMENT/COMP: WIRELESS KEYB/MOUSE	\$120.15
		42877	2/24/2021	8557-01/22/2021	OTHER EQUIPMENT/FUN: CHARGER/LIGHTNING CABLE	\$52.44
		42877	2/24/2021	8557-01/22/2021	OTHER EQUIPMENT/FURN:IPAD COVERS	(\$10.93)
		42877	2/24/2021	8557-01/22/2021	CITY COUNCIL MEETING: STAFF DINNER	\$86.15
		42877	2/24/2021	5486-01/22/2021	ONLINE MONTHLY SERVICE	\$5.00
		42877	2/24/2021	5486-01/22/2021	SUBSCRIPTION RENEWAL TO IUG MEMBERSHIP	\$110.00
		42877	2/24/2021	9097-01/22/2021	CAFR SUBMITTAL	\$610.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	9097-01/22/2021	MEMBERSHIP RENEWAL	\$110.00
		42877	2/24/2021	9097-01/22/2021	MAILING SB90 CLAIMS	\$7.75
		42877	2/24/2021	8573-01/22/2021	OFFICE SUPPLIES: STANDARD 3 RING BINDER	\$35.93
		42877	2/24/2021	8573-01/22/2021	ONLINE SUBSCRIPTION FEES: NY TIMES	\$4.00
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$8.74
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$47.33
		42877	2/24/2021	9522-01/22/2021	BOOKS FOR STAFF	\$54.02
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$42.05
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$137.29
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$9.82
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$78.15
		42877	2/24/2021	9522-01/22/2021	STAFF TRAINING	\$20.00
		42877	2/24/2021	9522-01/22/2021	BOOKS FOR STAFF	\$32.17
		42877	2/24/2021	9522-01/22/2021	BOOKS FOR STAFF	\$40.08
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$55.73
		42877	2/24/2021	9522-01/22/2021	OFFICE SUPPLIES	\$19.65
		42877	2/24/2021	9478-01/22/2021	TARGET SOLUTIONS CHECK IT	\$2,882.00
		42877	2/24/2021	9478-01/22/2021	WARRICK HAZMAT CLASS	\$202.67
		42877	2/24/2021	9478-01/22/2021	INTERNET SERVICE AT STATION 1	\$172.06
		42877	2/24/2021	9478-01/22/2021	LUNCH FOR FIRE ENGINEER PROCTORS	\$136.35
		42877	2/24/2021	9478-01/22/2021	LUNCH FOR FIRE ENGINEER PROCTORS	\$31.59
		42877	2/24/2021	5716-01/22/2021	TAB PRINTING	\$59.21
		42877	2/24/2021	5716-01/22/2021	SLI SESSION 8 HOTEL	\$396.90
		42877	2/24/2021	5716-01/22/2021	DECAL PRINTING	\$14.20

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0150	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	5716-01/22/2021	BATONS (PARTIAL ORDER)	\$554.33
		42877	2/24/2021	5716-01/22/2021	SLI SESSION 8 HOTEL PARKING	\$30.00
		42877	2/24/2021	5716-01/22/2021	OFFICE SUPPLIES	\$264.00
		42877	2/24/2021	5716-01/22/2021	REPLACEMENT VENT/UNIT 10	\$97.64
		42877	2/24/2021	5716-01/22/2021	COVID SANITIZING UNITS	\$360.50
		42877	2/24/2021	5716-01/22/2021	BATONS (PARTIAL ORDER)	\$184.92
	ULINE	42827	2/23/2021	129293401	PROCESSING SUPPLIES	\$187.50
		42827	2/23/2021	129349504	EVIDENCE SUPPLIES	\$41.29
		42827	2/23/2021	129237039	EVIDENCE SUPPLIES	\$88.16
	UNIFIED BUILDING MAINTENANCE	42829	2/23/2021	9634	Janitorial Services for Recrea	\$12,710.00
	UNIQUE MANAGEMENT SERVICES, INC.	42830	2/23/2021	599045	COLLECTION AGENCY FEES	\$742.85
	WATSONVILLE FORD	42835	2/23/2021	02/12/2021	Two vehicles for Recreation Department	\$28,278.24
	WATSONVILLE UPHOLSTERY	42837	2/23/2021	002961	SEAT COVER	\$202.11
	WATSONVILLE WESTBRIDGE LTD	42879	2/24/2021	MARIA AVALOS GARCIA	RENTAL ASSISTANCE FOR 340 BREEN LN. APT. D	\$1,500.00
	WELLINGTON LAW OFFICES	42840	2/23/2021	25630	CODE ENFORCEMENT AT 595 AIRPOR	\$357.00
	WEX BANK	42624	2/17/2021	70028343	FUEL	\$323.18
		42624	2/17/2021	70028343	FUEL	\$118.12
	WORKTERRA	42843	2/23/2021	0099202-IN	1095C FULFILLMENT	\$569.25
		42843	2/23/2021	0099202-IN	1095C FULFILLMENT	\$106.95
	Fund Total					\$202,978.99
0170	BRINKS INCORPORATED	42650	2/23/2021	11405833	FEES	\$811.62
		42650	2/23/2021	3806782	FEES	\$9.42
		42650	2/23/2021	11435989	FEES	\$813.48

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0170	BRINKS INCORPORATED	42650	2/23/2021	3746796	FEES	\$3.12
	Fund Total					\$1,637.64
0202	BURKE, WILLIAMS & SORENSEN, LLP	42652	2/23/2021	263536	263536 PROFESSIONAL SERVICES	\$3,217.50
	CONTINUANT, INC.	42672	2/23/2021	SI-0000007014	MANAGED SERVICES AGREEMENT FROM 03/01-03/28/2021	\$41.21
	RICOH USA, INC	42792	2/23/2021	5061272303	COPIER CHARGES	\$85.91
		42792	2/23/2021	5061323615	COPIER CHARGES	\$26.89
	THE GRUNSKY LAW FIRM LLC	42712	2/23/2021	96189	LEGAL SERVICES	\$20.40
	WILDAN FINANCIAL SERVICES	42842	2/23/2021	010-46961	RDA SUCCESSOR AGENCY BOND DISCLOSURE	\$300.00
	Fund Total					\$3,691.91
0246	AIRTEC SERVICE, INC	42633	2/23/2021	16111	SERVICE- 3RD COURT LACK OF AIRFLOW	\$304.00
	CENTRAL COAST SYSTEMS	42661	2/23/2021	17939	FIRE ALARM	\$2,612.50
	K & D LANDSCAPING INC.	42729	2/23/2021	130227	LANDSCAPE SERVICE	\$696.90
	MORENO ROOFING CORPORATION	42752	2/23/2021	1050478	REPAIRS	\$405.40
	PACIFIC GAS & ELECTRIC	42766	2/23/2021	0498528361-5-2/10	GAS & ELEC	\$22,346.11
	THYSSENKRUPP ELEVATOR CORP.	42622	2/17/2021	5001452723	ELEVATOR MAINTENANCE	\$604.00
		42622	2/17/2021	3005541207	ELEVATOR SERVICE	\$6,506.64
		42823	2/23/2021	5001458128	ELEVATOR MAINTENANCE	\$604.00
		42823	2/23/2021	3005703309	FULL MAINTENANCE FOR ELEVATORS	\$6,720.06
	Fund Total					\$40,799.61
0250	COUNTY OF SANTA CRUZ LIBRARY OF JOINT POWERS	42676	2/23/2021	03/2021-WATS	MAINTENANCE OF EFFORT CONTRIBUTION	\$45,140.34
	Fund Total					\$45,140.34
0260	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$10.90

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0260	CASSIDY'S PIZZA	42656	2/23/2021	4288	12/18/20, INV4288 - CHRISTMAS LUNCH PARTY FOR PART	\$72.22
	CDW GOVERNMENT, INC.	42657	2/23/2021	6827366	BIBLIOVAN - EPSON RECEIPT PRINTER	\$506.73
		42657	2/23/2021	6677755	BIBLIOVAN - AC TO USB MOBILE CHARGER	\$76.26
		42657	2/23/2021	7386564	BIBLIOVAN - WEBCAM	\$37.05
	ENVISIONWARE, INC.	42698	2/23/2021	US-62411	RFID STAFF STATION FOR BIBLIOVAN	\$653.15
	EWING IRRIGATION PRODUCTS, INC.	42700	2/23/2021	13489433	TREE TIES	\$267.05
	GRANITE ROCK COMPANY	42709	2/23/2021	994313	OHLONE PKWY TO SLOUGH TRAIL PR	\$296,976.65
	LEXIS NEXIS RISK DATA MANAGEMENT	42738	2/23/2021	1382615-20210131	LAW ENFORCEMENT DATABASE	\$1,620.68
	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	5486-01/22/2021	BIBLIOVAN COMPUTER SUPPLIES	\$1,133.62
		42877	2/24/2021	6703-01/22/2021	CAMPESINO CARAVAN- BOOKS	\$10.55
		42877	2/24/2021	6703-01/22/2021	CAMPESINO CARAVAN- ESSENTIAL GOODS	\$520.00
		42877	2/24/2021	6703-01/22/2021	CAMPESINO CARAVAN- ESSENTIAL GOODS	\$214.16
	Fund Total					\$302,099.02
0291	MIWALL CORPORATION	42748	2/23/2021	9735	PATROL EQUIPMENT	\$4,385.75
	Fund Total					\$4,385.75
0305	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$21.84
	AIR UNLIMITED	42631	2/23/2021	290326	PROPANE	\$14.50
	ARMANDO NAVARRETE	42848	2/24/2021	BOOT REIMB. FY20/21	PW- BOOT REIMBURSEMENT FY20/21	\$196.18
	BIG CREEK LUMBER COMPANY	42646	2/23/2021	01/26/2021	SUPPLIES	\$15.24
		42646	2/23/2021	01/26/2021	SUPPLIES	\$25.43
	GRANITE CONSTRUCTION COMPANY	42708	2/23/2021	7-FINAL	GREEN VALLEY PAVEMENT PRESERV	\$51,266.83
		42708	2/23/2021	6	GREEN VALLEY PAVEMENT PRESERV	\$23,783.09

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0305	MISSION LINEN SUPPLY	42747	2/23/2021	292105-01/31/2021	UNIFORM RENTAL AND LAUNDRY SER	\$151.04
	PACIFIC CREST ENGINEERING, INC.	42762	2/23/2021	8814	PROFESSIONAL SERVICES- GREEN VALLEY RD. PAVEMENT	\$481.25
	PACIFIC GAS & ELECTRIC	42774	2/23/2021	1413903318-8-2/12/	ELEC	\$80.64
		42860	2/24/2021	1540833758-0-2/17	ELEC	\$83.09
		42866	2/24/2021	1965495282-9-2/12	ELEC	\$1,488.67
		42869	2/24/2021	7294900587-9-2/19	ELEC	\$356.29
		42870	2/24/2021	1039376060-7-2/19	ELEC	\$115.45
		42769	2/23/2021	1553836670-7-2/4	GAS & ELEC	\$2,175.42
	SHERWIN WILLIAMS	42808	2/23/2021	6986-9	INV#6986-9 5812 GLOSS BLACK & PC600-48MM SILV DUCT	\$105.78
	STATEWIDE TRAFFIC SAFETY AND SIGNS INC.	42814	2/23/2021	05032381	SUPPLIES	\$1,063.04
	Fund Total					\$81,423.78
0309	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$210.72
	CRUZIO/THE INTERNET STORE INC.	42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$99.95
	DELTA GLASS	42686	2/23/2021	85401	GLASS & LABOR	\$966.91
	ELEVATOR SERVICE COMPANY, INC.	42695	2/23/2021	31414	SERVICE	\$400.00
		42695	2/23/2021	31414	SERVICE	\$520.00
	K & D LANDSCAPING INC.	42729	2/23/2021	130227	LANDSCAPE SERVICE	\$727.20
	PACIFIC GAS & ELECTRIC	42769	2/23/2021	1553836670-7-2/4	GAS & ELEC	\$4,479.94
	PREFERRED PLUMBING, INC.	42786	2/23/2021	2007	SERVICE	\$325.00
	Fund Total					\$7,729.72
0310	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$53.55

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0310	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$38.16
	ADVANTAGE GEAR, INC	42629	2/23/2021	38091-1	Clutch pin for O'Brien	\$21.68
		42629	2/23/2021	38821-1	Bi-Annual Uniform Order - Per MOU	\$484.59
	CDW GOVERNMENT, INC.	42657	2/23/2021	7520162	3 LAPTOPS FOR POLICE DEPT	\$6,209.64
		42657	2/23/2021	7390345	NEW IPAD 12.9 PRO FOR FIRE DEPT	\$9,484.21
	CHEVROLET OF WATSONVILLE	42666	2/23/2021	02/16/2021	2021 CHEVROLET TRAVERSE (POLICE VEHICLE)	\$30,393.45
	CREATIVE SECURITY CO., INC.	42678	2/23/2021	62561-2	Background Investigation	\$360.00
	CRUZIO/THE INTERNET STORE INC.	42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$499.00
	GUARDIAN ALLIANCE TECHNOLOGIES, INC.	42713	2/23/2021	13171	Investigation Services	\$90.00
		42713	2/23/2021	13104	Investigation Services	\$100.00
	INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE	42721	2/23/2021	0145059	Membership Dues	\$190.00
	INTIME SERVICES, INC	42723	2/23/2021	10736	INTIME	\$905.00
	LEFTA SYSTEMS	42736	2/23/2021	INV-000200	FTO Application Subscription	\$2,500.00
	LEXIS NEXIS RISK SOLUTIONS FL INC.	42739	2/23/2021	805914-20210131	DORS	\$708.33
	STAPLES CREDIT PLAN	42812	2/23/2021	01/28/2021	SUPPLIES	\$152.20
		42812	2/23/2021	01/28/2021	SUPPLIES	\$87.39
		42812	2/23/2021	01/28/2021	SUPPLIES	\$8.51
	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	5716-01/22/2021	OFFICE SUPPLIES	\$12.01
		42877	2/24/2021	5716-01/22/2021	FTO UPDATE REG REFUND	(\$495.00)
		42877	2/24/2021	5716-01/22/2021	OFFICE SUPPLIES	\$10.87
		42877	2/24/2021	5716-01/22/2021	SWAT COMMANDER REG	\$700.00
	Fund Total					\$52,513.59
0312	MESITI-MILLER ENGINEERING, INC.	42744	2/23/2021	012118	SERVICES FOR COUNTY PLANNING SUBMITTAL, INVOICE #0	\$472.00

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0312	PACIFIC CREST ENGINEERING, INC.	42762	2/23/2021	9233	PROFESSIONAL SERVICES FOR WATSONVILLE RAIL TRAIL	\$6,616.25
	Fund Total					\$7,088.25
0354	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$25.12
	K & D LANDSCAPING INC.	42729	2/23/2021	130226	SERVICE	\$891.00
	PACIFIC GAS & ELECTRIC	42858	2/24/2021	0519864328-9-2/18	ELEC	\$12.80
		42861	2/24/2021	0541697410-2-2/17	ELEC	\$14.24
		42862	2/24/2021	6312050406-1-2/17	ELEC	\$11.49
	Fund Total					\$954.65
0510	SANTANDER BANK, N.A.	42802	2/23/2021	2590392	54F2EC618KWM12293	\$257,903.52
		42802	2/23/2021	2590392	54F2EC618KWM12293	\$28,403.30
	Fund Total					\$286,306.82
0710	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$721.06
		42613	2/17/2021	01/31/2021	SUPPLIES	\$152.83
		42613	2/17/2021	01/31/2021	SUPPLIES	\$27.81
		42613	2/17/2021	01/31/2021	SUPPLIES	\$61.09
	AIRGAS USA, LLC	42632	2/23/2021	9977381323	HELIUM CHROM	\$35.38
	ALFA LAVAL INC.	42634	2/23/2021	281007562	REPAIR KIT	\$490.56
	AMERIGAS	42637	2/23/2021	3117725761	PROPANE	\$112.91
	APPLIED INDUSTRIAL TECHNOLOGIES	42638	2/23/2021	7020808151	PARTS-BELT PRESS GEARS	\$3,129.56
		42638	2/23/2021	7020755079	COGEN SUPPLIES	\$139.73
	ASSOCIATION OF BAY AREA GOVERNMENTS	42642	2/23/2021	AR025043	LEVELIZED NAT GAS	\$4,603.11
	CENTRAL ELECTRIC	42662	2/23/2021	01/31/2021	PARTS AND SERVICE	\$242.21

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0710	CLEARSTREAM ENVIRONMENTAL, INC.	42670	2/23/2021	10926	THREE CLARIFIERS DRIVES	\$9,411.56
		42670	2/23/2021	10927	THREE CLARIFIERS DRIVES	\$69,027.00
	CONTINUANT, INC.	42672	2/23/2021	SI-0000007014	MANAGED SERVICES AGREEMENT FROM 03/01-03/28/2021	\$591.34
	CWEA	42681	2/23/2021	HERNANDEZ ALFONSO	CUSTOMER #: 42360	\$192.00
		42681	2/23/2021	MARIO SANCHEZ AYALA	CUSTOMER #34820	\$192.00
	DANIEL B. STEPHENS & ASSOCIATES, INC.	42683	2/23/2021	0246662	VAPOR INTRUSION SAMPLING	\$4,784.80
	DAVID CANEER	42684	2/23/2021	01/28/2021	PW- MAILING COST REIMBURSEMENTS	\$73.36
	DELL MARKETING L.P.	42685	2/23/2021	10464434013	SPEAKERS FOR R.SMITH-WRC	\$37.84
	DIXON & SONS TIRES INC.	42691	2/23/2021	1/29/2021	TIRES AND SERVICE	\$20.00
	ENVIRONMENTAL INNOVATIONS, INC.	42697	2/23/2021	1306	Coordination of City's Green B	\$4,382.36
	FASTENAL COMPANY	42701	2/23/2021	CAWAT113124	SUPPLIES	\$191.59
		42701	2/23/2021	CAWAT113089	SUPPLIES	\$107.00
	FISHER SCIENTIFIC	42703	2/23/2021	2031790	LAB SUPPLIES	\$103.79
		42703	2/23/2021	2111620	LAB SUPPLIES	\$263.45
	GRAINGER	42707	2/23/2021	9796242817	AIR FILTERS	\$80.95
		42707	2/23/2021	9794628454	FILTERS	\$261.45
	GREEN RUBBER-KENNEDY AG	42710	2/23/2021	01/31/2021	SUPPLIES	\$2.17
		42710	2/23/2021	01/31/2021	SUPPLIES	\$109.26
	GROCERY OUTLET	42711	2/23/2021	02/11/2021	300 2642 212 2268- CLEANING SUPPLIES	\$30.55
	HACH COMPANY	42714	2/23/2021	12309229	LAB SUPPLIES- DIGITAL pH SENSOR	\$1,492.12
	HYDROSCIENCE ENGINEERS, INC.	42718	2/23/2021	454004007	FREEDOM BLVD WATER/SEWER IMPRO	\$14,999.70
		42718	2/23/2021	454004008	FREEDOM BLVD WATER/SEWER IMPRO	\$2,490.20

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0710	KEMIRA WATER SOLUTIONS, INC.	42731	2/23/2021	9017703262	WWTF FERRIC CHLORIDE SUPPLY	\$9,545.65
	KIMBALL MIDWEST	42732	2/23/2021	8612518	PARTS	\$494.88
	MERCURY METALS INC	42742	2/23/2021	13643	FLATBAR	\$10.93
	MID VALLEY SUPPLY	42745	2/23/2021	1/31/2021	SUPPLIES	\$93.78
		42745	2/23/2021	1/31/2021	SUPPLIES	\$156.61
	MISSION LINEN SUPPLY	42747	2/23/2021	279226-02/01/2021	UNIFORM RENTAL AND LAUNDRY SER	\$1,678.46
	NPG MONTEREY-SALINAS, CA LLC	42733	2/23/2021	542250-2	DIGITAL ADVERTISING- 2ND CLIMATE ACTION & ADAPTATI	\$500.00
		42733	2/23/2021	542250-1	DIGITAL ADVERTISING- 2ND CLIMATE ACTION & ADAPTATI	\$250.00
	OSUNA AUTO ELECTRIC & SMALL ENGINE REPAIR	42761	2/23/2021	40240	BLADE AND SUPPLIES	\$104.16
	PACIFIC 4	42763	2/23/2021	00165150	SUPPLIES	\$413.75
	PACIFIC GAS & ELECTRIC	42868	2/24/2021	1283243089-1-2/19	ELEC	\$11,165.60
		42764	2/23/2021	9335083043-1-2/2/	GAS CHARGES	\$933.11
	PAJARO VALLEY LOCK SHOP	42777	2/23/2021	2/1/2021	SUPPLIES	\$91.05
	PETERSON	42781	2/23/2021	9474631	SERVICE	\$1,562.00
	PROVAC SALES,INC.	42787	2/23/2021	39234-	SHIPPING CHARGES FOR INVOICE #39234	\$329.86
	QUADIENT, INC.	42789	2/23/2021	58207079	POSTAGE METER MAINTENANCE	\$614.15
	RICOH USA, INC	42792	2/23/2021	5061272303	COPIER CHARGES	\$103.85
		42792	2/23/2021	5061272303	COPIER CHARGES	\$85.85
		42792	2/23/2021	5061272303	COPIER CHARGES	\$85.92
		42792	2/23/2021	5061323615	COPIER CHARGES	\$120.06
		42792	2/23/2021	5061323615	COPIER CHARGES	\$12.74
		42792	2/23/2021	5061323615	COPIER CHARGES	\$21.27
		42792	2/23/2021	5061322845	COPIER CHARGES	\$31.33

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0710	RICOH USA, INC	42792	2/23/2021	5061322917	COPIER CHARGE	\$3.58
	SANCHEZ, MARIO	42800	2/23/2021	2/17/2021	PW SAFETY BOOTS	\$200.00
	SCHAAF & WHEELER, CONSULTING CIVIL	42804	2/23/2021	33734	MILES LANE PUMP STATION UPGRAD	\$9,941.64
	SCOTT ALMAND	42805	2/23/2021	816 VIRGINIA ST	SEWER LATERAL REBATE @ 816 VIRGINIA ST APN#0191211	\$250.00
	STATE WATER RESOURCES CNTRL BD	42813	2/23/2021	SC-125165	ACCT # 2030143 // 1350 FREEDOM BLVD AND VICINITY	\$774.65
	TAYLOR'S OFFICE CITY	42819	2/23/2021	1/28/2021	SUPPLIES	\$52.63
		42819	2/23/2021	1/28/2021	SUPPLIES	\$212.78
		42819	2/23/2021	1/28/2021	SUPPLIES	\$21.62
	THATCHER COMPANY, INC.	42822	2/23/2021	281846	CHEMICALS FOR RECYCLE WATER	\$4,198.16
	THE GRUNSKY LAW FIRM LLC	42712	2/23/2021	96189	LEGAL SERVICES	\$40.80
	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	4782-01/22/2021	ANNUAL SUBSCRIPTION	\$119.40
		42877	2/24/2021	4782-01/22/2021	OFFICE SUPPLIES	\$16.82
		42877	2/24/2021	4782-01/22/2021	OFFICE SUPPLIES	\$49.42
		42877	2/24/2021	4782-01/22/2021	OFFICE SUPPLIES	\$23.48
		42877	2/24/2021	4782-01/22/2021	OFFICE SUPPLIES	\$29.30
		42877	2/24/2021	4782-01/22/2021	MONTHLY ONLINE SUBSCRIPTION	\$9.95
		42877	2/24/2021	4782-01/22/2021	OFFICE SUPPLIES	\$42.82
		42877	2/24/2021	3055-01/22/2021	SCIENCE WORKSHOP-TOOLKITS	\$949.50
		42877	2/24/2021	3055-01/22/2021	OUTREACH- DISPLAY BROCHURE HOLDER	\$92.97
		42877	2/24/2021	3055-01/22/2021	GYM EQUIPMENT	\$762.99
		42877	2/24/2021	3055-01/22/2021	BATTERY CHARGERS	\$76.37
		42877	2/24/2021	3055-01/22/2021	MATERIAL FOR SOURCE CONTROL	\$175.66
		42877	2/24/2021	3055-01/22/2021	YEARLY CALENDAR FOR ADMIN	\$47.95
		42877	2/24/2021	3055-01/22/2021	EARBUDS AND DONGLE FOR OPERATIONS	\$83.08

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0710	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	3055-01/22/2021	SCIENCE WORKSHOP/ TOOLKITS	\$36.36
		42877	2/24/2021	8557-01/22/2021	JOB ADVERTISEMENT: SAFETY/REG COMP OFFICER	\$200.00
		42877	2/24/2021	8557-01/22/2021	JOB ADVERTISEMENT: SAFETY/REG COMP OFFICER	\$300.00
	ULINE	42827	2/23/2021	129865826	SCIENCE WORKSHOP TOOLKITS // MATERIAL	\$2,740.98
	VEGA AMERICAS, INC.	42831	2/23/2021	400353	PARTS- BELT PRESS	\$3,710.13
		42831	2/23/2021	400352	PARTS	\$951.57
	VWR INTERNATIONAL IN	42832	2/23/2021	8803596066	LAB SUPPLIES	\$19.91
	WATSONVILLE WETLANDS WATCH	42838	2/23/2021	2020.08 CTW ENC	Native Plant Restoration & Hom	\$2,826.00
		42838	2/23/2021	2020.08 CTW	Native Plant Restoration & Hom	\$1,600.00
		42838	2/23/2021	2020.09 CTW ENC	Native Plant Restoration & Hom	\$320.00
		42838	2/23/2021	2020.09 CTW	Native Plant Restoration & Hom	\$960.00
		42838	2/23/2021	2020.07 CTW ENC	Native Plant Restoration & Hom	\$400.00
	WECO INDUSTRIES	42839	2/23/2021	0046590-IN	SUPPLY	\$153.18
	WORKTERRA	42843	2/23/2021	0099202-IN	1095C FULFILLMENT	\$262.20
	Fund Total					\$179,621.65
0720	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$114.84
		42613	2/17/2021	01/31/2021	SUPPLIES	\$466.13
		42613	2/17/2021	01/31/2021	SUPPLIES	\$598.46
	ADAM GARCIA	42628	2/23/2021	41511	ONE QUALIFYING TOILET REBATE @ 444 MCKENZIE CT ACC	\$100.00
	ALLSTAR FIRE EQUIPMENT, INC	42636	2/23/2021	229692	VALVE	\$1,011.66
	AT&T	42849	2/24/2021	138890679-1/14/21	SERVICE	\$41.35
		42849	2/24/2021	138890679-1/14/21	SERVICE	\$41.35
	BIG CREEK LUMBER COMPANY	42646	2/23/2021	01/26/2021	SUPPLIES	\$32.75

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0720	BORDIN SEMMER LLT	42648	2/23/2021	011821 3100-0480M	011821 3100-0480M STOCKTON V SCC	\$675.00
	CDW GOVERNMENT, INC.	42657	2/23/2021	7389328	LAPTOP ACCESSORIES FOR WATER OPERATIONS	\$232.48
	CENTRAL COAST AUTOBODY PAINT & SUPPLIES	42659	2/23/2021	126582	INV#126582 METAL PREP, STICKIT GOLD, SCUFF PAD & S	\$45.67
		42659	2/23/2021	126584	INV#126584 FINE LINE BLUE TAPE 1/4 & FINE LINE 1/8	\$30.48
	CENTRAL COAST LANDSCAPE & MAINTENANCE	42660	2/23/2021	21755	FEBRUARY SERVICE	\$627.00
	CHARTER COMMUNICATIONS	42850	2/24/2021	0002463021521	SERVICE	\$139.50
		42850	2/24/2021	0002463021521	SERVICE	\$30.70
		42850	2/24/2021	0002463021521	SERVICE	\$30.70
		42850	2/24/2021	0002463021521	SERVICE	\$30.70
		42850	2/24/2021	0002463021521	SERVICE	\$97.26
		42851	2/24/2021	0274807021921	SERVICE	\$96.29
	CINDY LEAVERONS	42668	2/23/2021	18994	ONE QUALIFYING ENERGY STAR CLOTHES WASHER REBATE @	\$100.00
	CONTINUANT, INC.	42672	2/23/2021	SI-0000007014	MANAGED SERVICES AGREEMENT FROM 03/01-03/28/2021	\$714.96
	CONVEYOR APPLICATION SYSTEMS LLC	42673	2/23/2021	TP581*	INVOICE # TP581 FOR TRAINING, TRANSPORT AND TRAVEL	\$4,062.83
	CRUZIO/THE INTERNET STORE INC.	42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$99.95
	DIAMOND D COMPANY	42689	2/23/2021	4421	CITYWIDE SIDEWALK REPAIR PROJE	\$1,215.00
		42689	2/23/2021	4420	CITYWIDE SIDEWALK REPAIR PROJE	\$712.50
		42689	2/23/2021	4419	CITYWIDE SIDEWALK REPAIR PROJE	\$600.00
		42689	2/23/2021	4418	CITYWIDE SIDEWALK REPAIR PROJE	\$660.00
		42689	2/23/2021	4417	CITYWIDE SIDEWALK REPAIR PROJE	\$180.00
		42689	2/23/2021	4416	CITYWIDE SIDEWALK REPAIR PROJE	\$945.00
	DIXON & SONS TIRES INC.	42691	2/23/2021	1/29/2021	TIRES AND SERVICE	\$1,711.41

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0720	DIXON & SONS TIRES INC.	42691	2/23/2021	1/29/2021	TIRES AND SERVICE	\$20.00
	ENEDINA ORTIZ GONZALEZ	42696	2/23/2021	25547	ONE QUALIFYING CLOTHES WASHER REBATE @ 138 RIO DEL	\$100.00
	FASTENAL COMPANY	42701	2/23/2021	CAWAT112764	SUPPLIES	\$1,632.82
		42701	2/23/2021	CAWAT112793	SAFETY VESTS	\$810.96
		42701	2/23/2021	CAWAT112949	PARTS	\$31.41
	GOLDEN RICKSHA	42705	2/23/2021	#03274	03274-UTILITY ACCT CLOSED	\$776.36
	GREEN RUBBER-KENNEDY AG	42710	2/23/2021	01/31/2021	SUPPLIES	\$37.54
		42710	2/23/2021	01/31/2021	SUPPLIES	\$39.12
	HARRIS & ASSOCIATES INC.	42715	2/23/2021	47445	WATSONVILLE URBAN WATER MANAGE	\$16,420.50
	HECTOR SANDOVAL	42716	2/23/2021	#41548	41548-UTILITY ACCT CLOSED	\$39.09
	HYDROSCIENCE ENGINEERS, INC.	42718	2/23/2021	454004008	FREEDOM BLVD WATER/SEWER IMPRO	\$2,490.00
	INFOSEND, INC.	42719	2/23/2021	184097	UTILITY BILLING	\$6,544.02
		42719	2/23/2021	185457	UTILITY BILLING	\$4,968.66
		42719	2/23/2021	186093	UTILITY BILLING	\$1,807.93
		42719	2/23/2021	186300	UTILITY BILLING	\$1,265.37
		42719	2/23/2021	184245	UTILITY BILLING	\$1,262.74
	INSPIRA STUDIOS	42720	2/23/2021	IS2021-006	POST-PRODUCTION SERVICES	\$75.00
	JESSE ROJAS	42726	2/23/2021	05562	ONE QUALIFYING ENERGY STAR CLOTHES WASHER REBATE @	\$100.00
	JOSE ABELLERA	42727	2/23/2021	05336	ONE QUALIFYING ENERGY STAR CLOTHES WASHER REBATE @	\$100.00
	JULIAN OLVERA	42728	2/23/2021	WDS, ED.7 REIMB.	PW- REIMBURSEMENT FOR CLASS-WATER DISTR. SYSTEM ED	\$167.53
	KELLY-MOORE PAINT COMPANY, INC.	42730	2/23/2021	818-00000320191	5 GALLONS PAINT	\$242.09
	MCMASTER CARR	42741	2/23/2021	52775167	WASHDOWN ENCLOSURE	\$73.47
	MID VALLEY SUPPLY	42745	2/23/2021	1/31/2021	SUPPLIES	\$216.80

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0720	MID VALLEY SUPPLY	42745	2/23/2021	1/31/2021	SUPPLIES	\$156.61
		42745	2/23/2021	1/31/2021	SUPPLIES	\$74.74
	MISSION LINEN SUPPLY	42747	2/23/2021	279214-02/01/2021	UNIFORM RENTAL AND LAUNDRY SER	\$280.85
	MNS ENGINEERS, INC.	42749	2/23/2021	77068	ON CALL CONSULTANT ENGINEERING	\$202.50
	NORMAN UYEDA	42754	2/23/2021	05561	ONE QUALIFYING ENERGY STAR CLOTHES WASHER REBATE @	\$100.00
	PACIFIC GAS & ELECTRIC	42765	2/23/2021	4850440932-6-2/4	ELEC	\$839.47
		42864	2/24/2021	8693283387-3-2/12	ELEC	\$46,700.33
		42773	2/23/2021	8257828808-4-2/16	ELEC	\$10,130.37
		42769	2/23/2021	1553836670-7-2/4	GAS & ELEC	\$28.74
	PAJARO VALLEY FABRICATION INC.	42776	2/23/2021	28527	MFG ANTENNA HOLDERS	\$589.68
		42776	2/23/2021	28611	MFG OILER PAN	\$513.94
		42776	2/23/2021	28619	MANUFACTURING OF SUPPLIES	\$183.54
	PAJARO VALLEY LOCK SHOP	42777	2/23/2021	2/1/2021	SUPPLIES	\$93.03
	PAJARO VALLEY PRINTING	42778	2/23/2021	41666	MAINT WORK SHEET	\$573.56
		42778	2/23/2021	41663	7 EMPLOYEE BUSINESS CARDS	\$650.04
	PLATT	42783	2/23/2021	1H20124	PARTS	\$47.83
	PRAXAIR DISTRIBUTION, INC	42784	2/23/2021	61460581	CUT WHEEL	\$65.30
		42784	2/23/2021	61355154	CYLINDER CHARGES	\$43.05
	PSOMAS	42788	2/23/2021	169742	CORRALITOS FILTER CONCRETE AND	\$12,480.00
	QUADIENT, INC.	42789	2/23/2021	58207079	POSTAGE METER MAINTENANCE	\$614.15
	RICOH USA, INC	42792	2/23/2021	5061272303	COPIER CHARGES	\$17.92
		42792	2/23/2021	5061272303	COPIER CHARGES	\$328.54
		42792	2/23/2021	5061323615	COPIER CHARGES	\$120.06
		42792	2/23/2021	5061323615	COPIER CHARGES	\$35.38

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0720	RICOH USA, INC	42792	2/23/2021	5061322917	COPIER CHARGE	\$3.59
	SANTA CRUZ COUNTY ENVIRONMENTAL HEALTH SERVICES	42801	2/23/2021	IN0100331	WELL #18313 BUENA VISTA DR	\$1,398.00
		42801	2/23/2021	IN0100332	WELL #19 & CORRALITOS FILTER PLANT	\$1,793.00
		42801	2/23/2021	IN0100333	WELLS # 1 & 51509 FREEDOM BLVD	\$2,707.00
		42801	2/23/2021	IN0100377	WELL #2702 VISTA MONTANA DR	\$1,616.00
		42801	2/23/2021	IN0100386	WELL #3101 LIGHTHOUSE DR	\$1,616.00
		42801	2/23/2021	IN0100321	WELLS #7 & 15320 HARVEST DR	\$1,793.00
		42801	2/23/2021	IN0100330	WELL #10121 2ND ST #G	\$1,616.00
		42801	2/23/2021	IN0100312	WELL #13 600 SHELL RD	\$1,398.00
		42801	2/23/2021	IN0100334	WELL #14115 HOLM RD	\$1,398.00
		42801	2/23/2021	IN0100313	WELL #850 SKYLARK LN	\$1,398.00
		42801	2/23/2021	IN0100322	WELL #1751 BURCHELL AVE	\$1,970.00
	SBS	42803	2/23/2021	0725205-IN	INV#0725205-IN 2 SK SAND SLURRY AT 215 EAST BEACH	\$510.87
		42803	2/23/2021	0725241-IN	INV#0725241-IN MIX	\$303.30
	SECURITY SHORING AND STEEL PLATES INC.	42806	2/23/2021	156726	INV#156726 MANHOLE COVER AT ROGGE ST 1/26/2021	\$26.67
	SERVICE PRINTERS	42807	2/23/2021	1805	OFFICE FORMS FOR UTILITY BILLING	\$798.34
	TAYLOR'S OFFICE CITY	42819	2/23/2021	1/28/2021	SUPPLIES	\$92.19
		42819	2/23/2021	1/28/2021	SUPPLIES	\$1,339.67
		42819	2/23/2021	1/28/2021	SUPPLIES	\$347.65
	TELSTAR INSTRUMENTS, INC.	42820	2/23/2021	106593	ELECTRICAL / INSTRUMENTATION U	\$38,652.30
	THATCHER COMPANY, INC.	42822	2/23/2021	281898	DEPOSIT REFUND	(\$750.00)
		42822	2/23/2021	281897	CHLORINE	\$2,810.97
	THE GRUNSKY LAW FIRM LLC	42712	2/23/2021	96189	LEGAL SERVICES	\$820.00
	THE HOSE SHOP INC.	42621	2/17/2021	1/28/2021	REPAIR SUPPLIES	\$757.34

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0720	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	6703-01/22/2021	OFFICE SUPPLIES- PRIVACY SCREEN FILTER	\$38.12
	ULISES SOLORZANO	42878	2/24/2021	30350	REFUND- PARTIAL PAYMENT MADE IN ERROR	\$132.46
	UNDERGROUND SERVICE ALERT	42828	2/23/2021	1324942021	INV#1324942021 BILLABLE TICKETS AND 2021 MEMBERSHI	\$2,386.80
	WORKTERRA	42843	2/23/2021	0099202-IN	1095C FULFILLMENT	\$434.70
	YOUNG ENGINEERING SERVICES	42844	2/23/2021	1915	CONSULTING SERVICES FOR CIVIC	\$1,147.50
	Fund Total					\$198,090.48
0730	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$112.47
		42613	2/17/2021	01/31/2021	SUPPLIES	\$170.03
	CHARTER COMMUNICATIONS	42850	2/24/2021	0002463021521	SERVICE	\$172.72
	CONTINUANT, INC.	42672	2/23/2021	SI-0000007014	MANAGED SERVICES AGREEMENT FROM 03/01-03/28/2021	\$41.21
	ELEVATOR SERVICE COMPANY, INC.	42695	2/23/2021	31414	SERVICE	\$200.00
	EWING IRRIGATION PRODUCTS, INC.	42700	2/23/2021	13467213	85GAL PRESSURE TANK	\$1,330.56
	KIMLEY-HORN & ASSOCIATES, INC.	42615	2/17/2021	097007027-1220	AIRPORT MASTER PLAN UPDATE (AM	\$29,932.50
		42615	2/17/2021	097007027-0121	AIRPORT MASTER PLAN UPDATE (AM	\$37,450.00
		42615	2/17/2021	097007027-1120	AIRPORT MASTER PLAN UPDATE (AM	\$37,690.00
	MID VALLEY SUPPLY	42745	2/23/2021	1/31/2021	SUPPLIES	\$481.71
	MISSION LINEN SUPPLY	42747	2/23/2021	292110-02/01/2021	UNIFORM RENTAL AND LAUNDRY SER	\$507.96
	NAPA AUTO PARTS	42753	2/23/2021	130530	PARTS AND SUPPLIES	\$21.81
	NPM, INC.	42755	2/23/2021	182566	AIRPORT SERVICE	\$520.00
	NUTRIEN AG SOLUTIONS	42756	2/23/2021	44243473	GARLON 4 ULTRA	\$1,249.79
	PACIFIC GAS & ELECTRIC	42767	2/23/2021	6558284005-7-2/11	ELEC	\$483.97
		42768	2/23/2021	1506815321-0-2/10	ELEC	\$147.40

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0730	PACIFIC GAS & ELECTRIC	42865	2/24/2021	2209323609-3-2/12	ELEC	\$6,840.17
	PASILLAS TIRE SERVICE, INC.	42779	2/23/2021	37736	FLAT REPAIR	\$25.00
	QUADIENT, INC.	42789	2/23/2021	58207079	POSTAGE METER MAINTENANCE	\$614.15
	RICOH USA, INC	42792	2/23/2021	5061322989	COPIER CHARGES	\$51.35
	ROBINSON,MITCHELL	42795	2/23/2021	2687	DIGITAL BANNER	\$240.35
	ROEMKE ELECTRIC INC	42796	2/23/2021	1242	SERVICE	\$4,774.54
	SHERWIN WILLIAMS	42808	2/23/2021	7237-6	PAINT AND SUPPLIES	\$128.73
	STAPLES CREDIT PLAN	42812	2/23/2021	01/28/2021	SUPPLIES	\$238.09
	THE GRUNSKY LAW FIRM LLC	42712	2/23/2021	96189	LEGAL SERVICES	\$1.51
		42712	2/23/2021	96190	LEGAL SERVICES	\$102.00
		42712	2/23/2021	96190	LEGAL SERVICES	\$6,183.22
		42712	2/23/2021	96190	LEGAL SERVICES	\$589.06
	U S BANK CORPORATE PAYMENT SYSTEM	42877	2/24/2021	1312-01/22/2021	RUNWAY CAMERA SUPPORT	\$12.00
		42877	2/24/2021	1312-01/22/2021	REFUND FOR ACCOUNT SETUP	(\$120.00)
		42877	2/24/2021	1312-01/22/2021	BOX FOR TRAIL CAMERA	\$60.07
		42877	2/24/2021	1312-01/22/2021	AVIATION WEEK RENEWAL	\$269.00
		42877	2/24/2021	1312-01/22/2021	RUNWAY CAMERA	\$502.54
		42877	2/24/2021	1312-01/22/2021	BOX FOR RUNWAY CAMERA	\$69.99
		42877	2/24/2021	1312-01/22/2021	RUNWAY CAMERA	\$185.71
		42877	2/24/2021	1312-01/22/2021	CONVINIENCE FEE FOR JET FUEL TAX REPORTING	\$3.34
		42877	2/24/2021	1312-01/22/2021	JET FUEL TAX REPORTING	\$145.00
		42877	2/24/2021	1312-01/22/2021	POLL SOFTWARE	\$53.88
	WORKTERRA	42843	2/23/2021	0099202-IN	1095C FULFILLMENT	\$106.95
	Fund Total					\$131,588.78
0740	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$351.65

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0740	ACE HARDWARE	42613	2/17/2021	01/31/2021	SUPPLIES	\$82.73
		42613	2/17/2021	01/31/2021	SUPPLIES	\$477.78
		42613	2/17/2021	01/31/2021	SUPPLIES	\$60.62
	AGILIS SYSTEMS, LLC	42630	2/23/2021	2921915	INV#2921915 LINXUP TRACKING SERVICE FOR SOLID WAST	\$459.80
	ARATA EQUIPMENT COMPANY	42639	2/23/2021	01/31/2021	PARTS	\$14,214.12
	ARCMATE MANUFACTURING CORP.	42640	2/23/2021	INV163363	PRO LITTER PICK UP TOOLS	\$2,021.24
	ASBURY ENVIRONMENTAL SERVICES	42641	2/23/2021	I500-00662832	INV#I500-00662832 WASTE OIL	\$160.00
	AT&T	42849	2/24/2021	138890679-1/14/21	SERVICE	\$41.33
	BUD'S ELECTRIC SERVICE, INC	42651	2/23/2021	4893	MSC ELEC JOB	\$863.00
	BURTON'S FIRE APPARATUS, INC.	42653	2/23/2021	51763	KIT CONVERSION/REPAIRW/BALL 2 GEN	\$217.39
	CAMPOS BROS. RECOVERY, INC.	42655	2/23/2021	12172	INV#12172 APPLIANCE RECYCLE	\$450.00
		42655	2/23/2021	12666	INV#12666 CERTIFIED APPLIANCE 2-2-2021	\$450.00
	CENTRAL ELECTRIC	42662	2/23/2021	01/31/2021	PARTS AND SERVICE	\$8.25
	CLEARBLU ENVIRONMENTAL	42669	2/23/2021	24725	PREVENATIVE MAINTENANCE	\$219.68
	CONTINUANT, INC.	42672	2/23/2021	SI-0000007014	MANAGED SERVICES AGREEMENT FROM 03/01-03/28/2021	\$591.33
	CRUZIO/THE INTERNET STORE INC.	42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$80.95
		42680	2/23/2021	B24704-367	DSL VARIOUS SITES FROM 03/01/21-03/31/21	\$74.95
	D&G SANITATION	42682	2/23/2021	277739	HAND WASH STATION	\$103.79
	DIAMOND VIEW AUTO GLASS	42690	2/23/2021	INV-0740	WINDSHIELD REPLACEMENT	\$385.00
		42690	2/23/2021	INV-0737	WINDSHIELD REPAIR	\$170.00
		42690	2/23/2021	INV-0738	WINDSHIELD REPLACEMENT	\$365.00
	DIXON & SONS TIRES INC.	42691	2/23/2021	1/29/2021	TIRES AND SERVICE	\$5,273.16

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0740	EL PAJARO COMMUNITY DEV CORP	42694	2/23/2021	2360	INV#2360 JANUARY 2021 TIPPINGS	\$473.00
	FASTENAL COMPANY	42701	2/23/2021	CAWAT111919	SUPPLIES	\$2,561.48
		42701	2/23/2021	CAWAT111919-CREDIT	RETURNED SUPPLIES	(\$2,534.16)
		42701	2/23/2021	CAWAT112696	GLOVES	\$425.20
		42701	2/23/2021	CAWAT112924	SUPPLIES	\$33.16
		42701	2/23/2021	CAWAT113072	PARTS	\$40.13
		42701	2/23/2021	CAWAT113138	PARTS	\$3.82
		42701	2/23/2021	CAWAT113102	PARTS	\$21.18
		42701	2/23/2021	CAWAT113027	PARTS	\$19.12
		42701	2/23/2021	CAWAT113004	SUPPLIES	\$10.74
		42701	2/23/2021	CAWAT112935	SUPPLIES	\$51.95
		42701	2/23/2021	CAWAT112989	SUPPLIES	\$345.06
		42701	2/23/2021	CAWAT113022	21/32" HSS 135° Split Black and Gold FMT® - Standa	\$40.37
		42701	2/23/2021	CAWAT113047	PARTS	\$44.25
		42701	2/23/2021	CAWAT112905	SUPPLIES	\$10.36
	GREEN RUBBER-KENNEDY AG	42710	2/23/2021	01/31/2021	SUPPLIES	\$136.53
		42710	2/23/2021	01/31/2021	SUPPLIES	\$774.17
		42710	2/23/2021	01/31/2021	SUPPLIES	\$31.70
	HOPE SERVICES, INC.	42717	2/23/2021	S171348	LITTER REMOVAL FROM CITY ROADW	\$2,280.00
		42717	2/23/2021	S171348	LITTER REMOVAL FROM CITY ROADW	\$2,280.00
		42717	2/23/2021	S171463	LITTER REMOVAL FROM CITY ROADW	\$2,137.50
		42717	2/23/2021	S171463	LITTER REMOVAL FROM CITY ROADW	\$2,137.50

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0740	HOPE SERVICES, INC.	42717	2/23/2021	S171576	LITTER REMOVAL FROM CITY ROADW	\$712.50
		42717	2/23/2021	S171576	LITTER REMOVAL FROM CITY ROADW	\$712.50
		42717	2/23/2021	S171233	LITTER REMOVAL FROM CITY ROADW	\$1,567.50
		42717	2/23/2021	S171233	LITTER REMOVAL FROM CITY ROADW	\$1,567.50
	KELLY-MOORE PAINT COMPANY, INC.	42730	2/23/2021	818-00000320179	PAINT	\$30.46
	MID VALLEY SUPPLY	42745	2/23/2021	1/31/2021	SUPPLIES	\$136.68
	MONTEREY REGIONAL WASTE	42750	2/23/2021	SCALES_JAN21_012	SOLID WASTE DISPOSAL AGREEMENT	\$171,108.06
	NAPA AUTO PARTS	42753	2/23/2021	130012	SWITCH	\$139.40
	OMEGA INDUSTRIAL SUPPLY INC.	42758	2/23/2021	132177	INV#132177 WIPES, HAND SANITIZER QUARTS & HANDY SI	\$587.66
	OSUNA AUTO ELECTRIC & SMALL ENGINE REPAIR	42761	2/23/2021	41316	SPRAYER PARTS	\$28.94
		42761	2/23/2021	41244	6TERM SWITCH ON/OFF	\$21.84
		42761	2/23/2021	41362	STROBE LIGHTS INSTALLATION AND PARTS	\$1,997.33
		42761	2/23/2021	41329	PARTS	\$48.04
		42761	2/23/2021	41241	PARTS	\$48.05
		42775	2/23/2021	1/31/2021	PARTS & SUPPLIES	\$1,147.13
	PACIFIC TRUCK PARTS	42775	2/23/2021	1/31/2021	PARTS & SUPPLIES	\$5,268.74
	PAJARO VALLEY FABRICATION INC.	42776	2/23/2021	28633	LABOR TO REPAIR FORK ON TRUCK #625	\$176.00
		42776	2/23/2021	28640	LABOR TO REPAIR ALUMINUM STEP	\$22.00
		42776	2/23/2021	28636	FLATBAR	\$4.26
		42776	2/23/2021	28621	LABOR TO REPAIR HOOKS AND BACK HATCH	\$352.00
		42776	2/23/2021	28627	LABOR TO REPAIR BACK DOOR HOOKS, ROD FOR	\$360.03

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0740	PAJARO VALLEY LOCK SHOP	42777	2/23/2021	2/1/2021	SUPPLIES	\$5.41
		42777	2/23/2021	2/1/2021	SUPPLIES	\$46.22
		42777	2/23/2021	2/1/2021	SUPPLIES	\$96.93
	PKT WELDING & FABRICATION	42782	2/23/2021	1923	INV#1923 DUMPSTERS REPAIRS	\$951.26
		42782	2/23/2021	1903	INV#1903 INSTALL TOILET ON TRAILER & REPAIR TO TRI	\$863.41
	PRAXAIR DISTRIBUTION, INC	42784	2/23/2021	61362345	CYLINDER RENT	\$171.25
	QUADIENT, INC.	42789	2/23/2021	58207079	POSTAGE METER MAINTENANCE	\$614.15
	RETAIL MARKETING SERVICES, INC.	42791	2/23/2021	180106	INV#180106 CART RETRIEVAL SERVICE FOR JANUARY 2021	\$650.00
	ROSALBA FERNANDEZ	42797	2/23/2021	BOOT REIMB. FY20/21	PW- BOOT REIMBURSEMENT FY20/21	\$200.00
	SHIRAISHI, SCOT	42809	2/23/2021	BOOT REIMB. FY20/21	PW- BOOT REIMBURSEMENT FY20/21	\$200.00
	SWANA	42815	2/23/2021	2022-39947	INV#2022-39947 MEMBER ID:39947 RAYMUMDO J MARTIN S	\$343.00
	TARGET SPECIALTY PRODUCTS	42817	2/23/2021	INVP500300045	INVP500300045 SPECTICLE FLO (GAL)	\$1,857.25
	TAYLOR'S OFFICE CITY	42819	2/23/2021	1/28/2021	SUPPLIES	\$116.15
		42819	2/23/2021	1/28/2021	SUPPLIES	\$132.12
		42819	2/23/2021	1/28/2021	SUPPLIES	\$221.76
	THE GRUNSKY LAW FIRM LLC	42712	2/23/2021	96190	LEGAL SERVICES	\$3,277.50
	THE HOSE SHOP INC.	42621	2/17/2021	1/28/2021	REPAIR SUPPLIES	\$27.00
		42621	2/17/2021	1/28/2021	REPAIR SUPPLIES	\$1,046.27
	TIREHUB, LLC	42825	2/23/2021	18469911	TIRES	\$667.58
	TRI-COUNTY FIRE PROTECTION INC	42826	2/23/2021	54465	SERVICE FOR TRAILS/CAMPS	\$27.00
		42826	2/23/2021	54464	SERVICE AND SUPPLIES	\$78.63
	WATSONVILLE CHRYSLER DODGE JEEP RAM	42833	2/23/2021	27619	PARTS	\$81.59
	WATSONVILLE FORD	42834	2/23/2021	23505	PART	\$340.62

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0740	WATSONVILLE WETLANDS WATCH	42838	2/23/2021	2020.08 CTW ENC	Native Plant Restoration & Hom	\$2,826.00
		42838	2/23/2021	2020.08 CTW	Native Plant Restoration & Hom	\$1,600.00
		42838	2/23/2021	2020.09 CTW ENC	Native Plant Restoration & Hom	\$320.00
		42838	2/23/2021	2020.09 CTW	Native Plant Restoration & Hom	\$960.00
		42838	2/23/2021	2020.07 CTW ENC	Native Plant Restoration & Hom	\$400.00
	WESTERN TRUCK CENTER-SAN LEANDRO, CA	42841	2/23/2021	084P12451	PARTS	\$336.20
		42841	2/23/2021	084P12673	PARTS	\$895.49
	WORKTERRA	42843	2/23/2021	0099202-IN	1095C FULFILLMENT	\$244.95
	ZEP VEHICLE CARE INC	42845	2/23/2021	9005924209	INV#9005924209 BCL HI PH 3692 55GL & BCL LO PH 140	\$1,926.34
	Fund Total					\$246,005.53
0741	ES ENGINEERING SERVICES, LLC	42699	2/23/2021	CINV-013667	DOCUMENT PREPARATION FOR LANDF	\$9,236.05
	Fund Total					\$9,236.05
0780	LWP CLAIMS SOLUTIONS INC	42617	2/17/2021	1794100021	SPECIAL DEPOSIT- P. KINDLE, CLAIM 1794100021	\$11,000.00
	THE GRUNSKY LAW FIRM LLC	42712	2/23/2021	96189	LEGAL SERVICES	\$61.20
		42712	2/23/2021	96190	LEGAL SERVICES	\$98.00
		42712	2/23/2021	96190	LEGAL SERVICES	\$761.80
		42712	2/23/2021	96190	LEGAL SERVICES	\$657.40
		42712	2/23/2021	96190	LEGAL SERVICES	\$220.00
		42712	2/23/2021	96190	LEGAL SERVICES	\$1,020.00
	Fund Total					\$13,818.40
0787	MES VISION	42743	2/23/2021	02/15/2021	CLAIMS WEEK 02/15/2021	\$1,058.00
	PREFERRED BENEFIT	42785	2/23/2021	EIA36277	EIA36277-CALIMS WEEK ENDING 02/11/2021	\$8,042.23
	Fund Total					\$9,100.23

Fund #	Vendor Name	Check #	Invoice Date	Invoice	Invoice Description	Amount
0790	CRUZIO/THE INTERNET STORE INC.	42680	2/23/2021	N29135-126	WIRELESS AP FOR CITY OF WATSONVILLE	\$50.00
	RAHI SYSTEMS, INC.	42790	2/23/2021	INV5095159	AUDIO VISUAL PARTS FOR PUBLIC MEETINGS	\$1,318.00
	Fund Total					\$1,368.00
Total	Total					\$2,528,363.68



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Guy Preston, Executive Director
Luis Pavel Mendez, Deputy Director*

Santa Cruz County Regional Transportation Commission (RTC) March 4, 2021 Meeting Highlights

Financially Constrained Project List for 2045 Transportation Plans

The Regional Transportation Commission (RTC) approved the project list, identifying financially constrained projects for inclusion in the 2045 Santa Cruz County Regional Transportation Plan, Association of Monterey Bay Area Governments (AMBAG) Metropolitan Transportation Plan - Sustainable Communities Strategy (MTP-SCS) and evaluation in the program-level Environmental Impact Report (EIR). The RTP and MTP-SCS include goals, targets and policies that are used to prioritize projects for funding (Policy Element); identify the area's transportation needs (Action Element); and estimate the amount of state, federal and local funds that is reasonably expected to be available (Financial Element).

Federal and State Legislative Updates

Through its Legislative Program, the RTC monitors and provides input to state and federal agencies and representatives on legislative and administrative actions that could impact transportation funding or implementation of the Regional Transportation Plan (RTP), Measure D, Transportation Improvement Programs (TIP), and transportation projects in Santa Cruz County. The Regional Transportation Commission (RTC) received an update on state and federal legislative activities that could impact local transportation projects and programs.

Upcoming RTC and Committee Meetings

Due to precautions associated with COVID-19 (coronavirus), **all RTC and committee meetings will be held by teleconference only until further notice.** Please check the RTC website [<https://sccrtc.org/meetings/calendar/>] or call 460-3200 to confirm meeting and teleconference information. Agendas are posted to the website at least 3 days before the meeting. Meetings may be canceled if there are no action items to be considered by the committee.

The RTC is committed to its compliance with the Americans with Disabilities Act (ADA) during this time of national emergency. Please contact the RTC at least 3 days in advance of a meeting if special accommodations are needed. If any document, webpage, meeting, or recording is inaccessible to you, kindly notify us at info@sccrtc.org or by calling 831-460-3200.

Regional Transportation Commission Meeting

Thursday, April 1, 2021, 9:00 a.m.

Measure D Taxpayer Oversight Committee Meeting

Tuesday, March 9, 2021, 6:00 p.m.

Tuesday, March 16, 2021, 6:00 p.m.

Budget, Administration & Personnel Committee Meeting

Thursday, March 11, 2021, 3:00 p.m.

Bicycle Advisory Committee Special Meeting

Monday, April 12, 2021, 6:00 p.m.

Elderly & Disabled Transportation Advisory Committee

Tuesday, April 13, 2021, 1:30 p.m.

Interagency Technical Advisory Committee

Thursday, March 18, 2021, 1:30 p.m.

Public input on transportation issues is welcomed and encouraged. For more information, visit the SCCRTC website at www.sccrtc.org or call 460-3200. Some Regional Transportation Commission meetings are televised countywide by Community TV of Santa Cruz. Consult www.communitytv.org or call 831-425-8848 for schedule and station information.



P r o c l a m a t i o n

Women's History Month

March 2021

- WHEREAS,** Women's History Month is observed annually each March, in celebration of their contributions to history, culture and society; and
- WHEREAS,** this month is dedicated to reflecting on the often over-looked achievements of women such as Susan B. Anthony, Rosa Parks, Abigail Adams and Sojourner Truth, among countless others; and
- WHEREAS,** women today continue to play a critical role in the world, and in creating a brighter future for all; and
- WHEREAS,** on this occasion Watsonville recognizes a group of these women, the Alpha Theta Chapter of the Omega Nu Sorority, which was chartered on May 14, 1935; and
- WHEREAS,** each year, Alpha Theta raises funds to give out in the form of scholarships to young women at local high schools to support them in furthering their education; and
- WHEREAS,** Alpha Theta has donated to several organizations, such as Pajaro Valley Shelter Services, Monarch Services, YMCA, Jacob's Heart and FoodWhat? along with various others; and
- WHEREAS,** they also collaborate with Watsonville Police Department to maintain their 'soft room,' a safe space where victims who are minors can be interviewed in a more comfortable environment; and
- WHEREAS,** Alpha Theta works with the Santa Cruz County Sheriff's Office to fund all the equipment and supplies for the SART room at Dominican Hospital, where victims of sexual abuse go for their forensic examination; and
- WHEREAS,** Alpha Theta and Monarch Services' victim advocates strive to ensure the process is conducted in the utmost supportive, private and respectful manner; and
- WHEREAS,** we are proud to have these and many other extraordinary women as part of our community, and as role models for the younger generations.

NOW, THEREFORE, I, Jimmy Dutra, Mayor of the City of Watsonville, in the State of California, on behalf of the City Council hereby recognize March 2021 as Women's History Month and encourage all citizens to reflect on the generations of women that have made an impact in our history, as well as those who continue making an impact today.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Watsonville to be affixed this 9th day of March, Two thousand and twenty one.


Jimmy Dutra, Mayor

WATSONVILLE, CALIFORNIA



P r o c l a m a t i o n

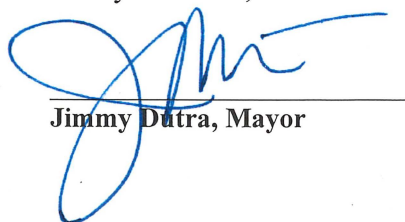
Rafael Suarez
Farmers Insurance
March 9, 2021

- WHEREAS,** Rafael Suarez is a local Farmers Insurance agent who offers these, as well as other financial services to the community; and
- WHEREAS,** Rafael started his business after the stock market crash of 2008 and now manages over 2,000 policies; and
- WHEREAS,** Rafael is aware of the importance of creating relationships that foster trust and always keeps the clients' best interests in mind; and
- WHEREAS,** Rafael's goal is to help clients gain an understanding of their insurance needs, while also helping them protect their assets; and
- WHEREAS,** Rafael recognizes his responsibility as a professional is to provide value, helping clients build on and preserve the results of their hard work; and
- WHEREAS,** Rafael and his team are proud to have forged a stellar reputation, backed by a company that is 94 years strong; and
- WHEREAS,** Rafael strives to balance price and coverage, ensuring clients receive the best of both; and
- WHEREAS,** Rafael and his team focus on helping protect what matters most, family, as well as businesses that keep the local economy moving.

NOW, THEREFORE, I, Jimmy Dutra, Mayor of the City of Watsonville, in the State of California, on behalf of the City Council hereby recognize Rafael Suarez of Farmers Insurance, for providing quality insurance and financial services to the community, and wish him and his team continued success in the future.



IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Watsonville to be affixed this 9th day of March, Two thousand and twenty one.


Jimmy Dutra, Mayor

WATSONVILLE, CALIFORNIA



P r o c l a m a t i o n

Paul & Anna Liu Freedom Bakery March 9, 2021

- WHEREAS,** Freedom Bakery was opened in 1975 by Tony Liu, who had arrived in the United States three years earlier and had been saving money from his job at a wholesale bakery in Southern California; and
- WHEREAS,** Tony's first hire for the Bakery as he continued to build business was a storefront clerk who also doubled as his English teacher; and
- WHEREAS,** the Bakery first offered traditional items, such as doughnuts, breads and danishes, before evolving to specialize in cakes; and
- WHEREAS,** current owner Paul and his brother returned to work at the Bakery to modernize and expand it after computer decorating with photographic quality imaging was introduced in 1997; and
- WHEREAS,** Freedom Bakery was the first in the country to offer photo and logo cookies, which they now ship nationwide; and
- WHEREAS,** the Bakery currently focuses on celebration cakes for all occasions, such as weddings and quinceañeras as well as other milestones, and photo and logo cookies; and
- WHEREAS,** Freedom Bakery has always been a family business, currently managed by Paul and his wife Anna, with their three daughters, Kayla, Audrey and Sophie, all helping regularly and Tony, now retired, still tending the oven a few hours every day; and
- WHEREAS,** Freedom Bakery is proud to support local schools and non-profits through their frequent donations; and
- WHEREAS,** Paul and Anna value the dedication of their bakers, decorators and storefront clerks, all of whom are like family.

NOW, THEREFORE, I, Jimmy Dutra, Mayor of the City of Watsonville, in the State of California, on behalf of the City Council hereby recognize Paul & Anna Liu and Freedom Bakery for providing delicious cookies and cakes, bringing smiles to the community, and wish them and their entire team continued success in all their endeavors.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Watsonville to be affixed this 9th day of March, Two thousand and twenty one.


Jimmy Dutra, Mayor

WATSONVILLE, CALIFORNIA



MINUTES REGULAR CITY COUNCIL MEETING

February 23, 2021

4:30 P.M.

1. CLOSED SESSION

Public comments regarding the Closed Session Agenda were accepted by the City Council at that time.

1.a CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

(Government Code Section 54956.9(c))

1. Initiation of litigation pursuant to subdivision (c) of Section 54956.9: (1 case)

CITY COUNCIL RESUMED AT 5:30 P.M.

2. ROLL CALL

Mayor Dutra, Mayor Pro Tempore Parker, and Council Members Estrada, García, González, Hurst, and Montesino were present via teleconference through Zoom Webinar.

Staff members present via teleconference through Zoom Webinar were City Manager Huffaker, City Attorney Smith, City Clerk Vázquez Flores, Assistant City Manager Vides, Public Works & Utilities Director Palmisano, Deputy City Manager Manning, Police Chief Honda, Administrative Services Director Czerwin, Airport Director Williams, Community Development Director Merriam, Interim Library Director Martinez, Innovation & Technology Director Boyes, Parks & Community Services Director Calubaquib, Assistant Public Works & Utilities Director Rodriguez, Assistant Police Chief Sims, Administrative Services Manager Gordo, Police Captain Zamora, Assistant City Clerk Ortiz, and Interpreter Landaverry.

3. PLEDGE OF ALLEGIANCE

4. INFORMATION ITEMS

4.a REPORT OF DISBURSEMENTS

4.b WRITTEN REPORTS BY COUNCIL MEMBERS REGARDING ACTIONS TAKEN ON THEIR REGIONAL COMMISSIONS/BOARD MEETINGS THAT MAY AFFECT THE CITY OF WATSONVILLE (IF ANY)

AREA AGENCY ON AGING ADVISORY COUNCIL JANUARY 20, 2021, REPORT (Council Member Hurst)

5. PRESENTATIONS & ORAL COMMUNICATIONS

5.a ORAL COMMUNICATIONS FROM THE PUBLIC

Barry Scott thanked Council for their support of the Rail Transit project and the rail trail. He asked Council to Support Santa Cruz Metropolitan Transit District (SCCMD) and Santa Cruz County Regional Transportation Commission (SCRTC) services.

Dr. Nancy A. Bilicich highlighted a letter sent by Congressman Panetta to President Biden regarding equity in infrastructure funding and the importance of the Pájaro River Flood Risk Management Project. Mayor Dutra asked Dr. Bilicich to do a future presentation on Zone 7, Flood Control and Water Conservation District.

5.b ORAL COMMUNICATIONS FROM THE COUNCIL

Member Montesino thanked the public for participating in the meeting and stated Council was working on several projects, including Ramsay Park and housing issues.

Mayor Pro Tempore Parker thanked staff for their volunteerism and help with COVID-19 vaccination sites in Watsonville. She encouraged the public to vaccinate themselves against COVID-19.

Member González asked the public to prevent the spread of COVID-19 and vaccinate themselves against it. He spoke about work with the County to relocate the shelter at the Veteran's Hall. He encouraged the public to shop local. He thanked Katie Nuñez for her outstanding job at the Senior Center.

Member Estrada thanked staff for their volunteerism and help with COVID-19 vaccination sites in Watsonville. He spoke about the Council's commitment to improving Ramsay Park. He asked for a moment of silence in honor of those that passed away from COVID-19.

Member Hurst spoke about the State's Master Plan for Aging. He thanked staff for their volunteerism and help with COVID-19 vaccination sites. He spoke about the importance of the rail trail network.

Member García spoke about her participation in the Criminal Justice Council meeting and her attendance of the Pájaro Valley Arts virtual gallery virtual presentations.

Mayor Dutra stated he had been appointed to SCCMTD and Community Action Board (CAB). He thanked Members González and Hurst for their work on CAB and Member Estrada for his work on Pájaro Valley Prevention and Student Assistance. He spoke about several upcoming projects and community events.

5.c REPORT OUT OF CLOSED SESSION

City Attorney Smith reported that Council voted unanimously to authorize special counsel to file a lawsuit to clear title to a piece of property located at 36 Airport Road so that Habitat for Humanity could develop affordable housing.

5.d MAYOR'S PROCLAMATION RECOGNIZING FEBRUARY 2021 AS BLACK HISTORY MONTH, ENCOURAGING ALL CITIZENS TO CELEBRATE OUR DIVERSE HERITAGE AND CULTURE, AND CONTINUE OUR EFFORTS TO CREATE A WORLD THAT IS MORE JUST, PEACEFUL, AND PROSPEROUS FOR ALL

5.e MAYOR'S PROCLAMATION RECOGNIZING LEO WELSH & WOODEN NICKEL BAR & GRILL FOR PROVIDING A WELCOMING ATMOSPHERE AND SUPPORTING THE COMMUNITY, WITH WISHES FOR CONTINUED SUCCESS IN THE FUTURE

**5.f PRESENTATION OF HOLIDAY LIGHTS DISPLAY WINNER CERTIFICATE
-GAMAB FAMILY**

6. CONSENT AGENDA

MOTION: It was moved by Member García, seconded by Member Montesino and carried by the following vote to approve the Consent Agenda:

AYES: MEMBERS: Estrada, García, González, Hurst, Montesino, Parker, Dutra
NOES: MEMBERS: None
ABSENT: MEMBERS: None

6.a MOTION APPROVING MINUTES OF FEBRUARY 9, 2021

6.b RESOLUTION NO. 55-21 (CM):
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AUTHORIZING BUDGET APPROPRIATION OF UP TO \$182,650 FOR FUEL AND LUBRICANTS CHARGE OUT ACCOUNT FOR THE WATSONVILLE MUNICIPAL AIRPORT FOR FY2020-2021 [Amends Resolution No. 113-20 (CM)]

6.c RESOLUTION NO. 56-21 (CM):
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING CONTRACT CHANGE ORDER NUMBER 1 WITH K. J. WOODS CONSTRUCTION, INC., A CORPORATION, FOR THE MADISON ALLEY SANITARY SEWER REPLACEMENT, PROJECT NO. SS-20-02; INCREASING THE SCOPE OF WORK AND CONTRACT AMOUNT NOT TO EXCEED \$103,000, AND DIRECTING THE CITY MANAGER TO EXECUTE SAME [Amends Resolution No. 210-20 (CM)]

6.d RESOLUTION NO. 57-21 (CM):
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AWARDED CONTRACT TO HYDROSCIENCE ENGINEERS, INC., A CORPORATION, FOR DESIGN SERVICES FOR THE FREEDOM BOULEVARD AND GREEN VALLEY ROAD WATER AND SEWER REPLACEMENT PROJECT, IN AN AMOUNT NOT TO EXCEED \$376,691; AND AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE SAME

6.e RESOLUTION NO. 58-21 (CM):
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AMENDING RESOLUTION NO. 152-20 (CM) TO INCORPORATE THE FULL PROJECT PROPOSAL PER DEPARTMENT OF WATER RESOURCES' LEGAL COUNSEL FOR THE GRANT AWARD OF \$765,000 FROM THE DEPARTMENT OF WATER RESOURCES PROPOSITION 1 PÁJARO INTEGRATED REGIONAL WATER MANAGEMENT [Amends Resolution No. 152-20 (CM)]

6.f RESOLUTION NO. 59-21 (CM):
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING THE CITY OF WATSONVILLE DEBT MANAGEMENT POLICY

7. ITEMS REMOVED FROM CONSENT AGENDA (None)

8. PUBLIC HEARINGS, ORDINANCES, & APPEALS

8.a PUBLIC HEARING TO CONSIDER CONSTRUCTION OF 50 APARTMENTS ON A .745 +/- ACRE PARCEL AT 558 MAIN STREET FILED BY PACIFIC COAST DEVELOPMENT

1) Staff Report by Principal Planner Meek

Principal Planner Meek answered questions from Member González regarding visibility when exiting the proposed apartment complex and questions regarding allowed street parking.

In answering Member Hurst, Principal Planner Meek clarified that primary access to the apartment parking lot would be through Brennan Street.

Principal Planner Meek and City Attorney Smith answered questions from Mayor Pro Tempore Parker regarding access to and from the apartment complex parking lot, an easement that was recorded which granted the developer entry from East Lake Avenue, and a traffic study conducted in the past.

Principal Planner Meek answered questions from Member García regarding the proposed density bonus and number of planned affordable units for the project.

In answering Member Estrada, Principal Planner Meek and Community Development Director Merriam spoke about pedestrian safety from vehicles exiting the apartment complex, access to nearby parking, and housing programs available to residents.

In answering Member González, City Attorney Smith stated the entrance to apartment complex from East Lake would not be gated. Community Development Director Merriam spoke about the City's affordable housing ordinance.

2) Applicant Presentation by Bill Hansen

The presentation was given by Bill Hansen, applicant.

3) City Council Clarifying & Technical Questions

In answering Member García, Mr. Hansen spoke about project specifics and target dates for grand opening of the restaurant and apartment complex.

Mr. Hansen answered questions from Member González regarding ingress/egress from the project and rights to access from East Lake Avenue.

In answering Member Estrada, Mr. Hansen spoke about potential tenants of the apartments.

4) Public Hearing

Steve Trujillo spoke in support of the proposed project. He encouraged Mr. Hansen and other developers to create more affordable housing.

Gabriel Medina, District 2, spoke in opposition to the project and asked for more affordable housing.

Angelica Martinez, Communities Organized for Relational Power in Action, spoke in support of the proposed housing project.

Eli, District 7, spoke in opposition to the project and asked for more affordable housing.

Raeid Farhat spoke in support of the proposed project. He spoke about impact fees developers are charged and challenges faced in creating developments.

Nathalie Oliva, Regeneración Pájaro Valley Climate Action, spoke in opposition to the proposed project and asked Council to focus on creating more affordable housing.

- 5) **MOTION:** It was moved by Member Montesino, seconded by Member González to approve the resolutions listed below.

6) **City Council Deliberation on Motion**

Member Estrada stated all jurisdictions needed to make better efforts to create affordable housing and provide rental assistance.

Member Hurst spoke about the need for new housing development.

MOTION: The above motion carried by the following vote:

AYES:	MEMBERS:	Estrada, García, González, Hurst, Montesino, Parker, Dutra
NOES:	MEMBERS:	None
ABSENT:	MEMBERS:	None

- 7) **RESOLUTION NO. 60-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING A DESIGN REVIEW PERMIT AND ENVIRONMENTAL REVIEW FOR PP2019-432/APP#18, FILED BY PACIFIC COAST DEVELOPMENT, APPLICANT, TO CONSTRUCT FIFTY APARTMENTS WITH A FIRST FLOOR RESTAURANT SPACE ON A ± .745 ACRE SITE LOCATED AT 558 MAIN STREET, WATSONVILLE, CALIFORNIA (APN: 018-241-20)

- 8) **RESOLUTION NO. 61-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE GRANTING A DENSITY BONUS FOR APPLICATION NO. PP2019-432/APP#18, FILED BY PACIFIC COAST DEVELOPMENT, APPLICANT, TO CONSTRUCT FIFTY APARTMENTS WITH A FIRST FLOOR RESTAURANT SPACE ON A ± .745 ACRE SITE LOCATED AT 558 MAIN STREET, WATSONVILLE, CALIFORNIA (APN: 018-241-20)

9.b **PUBLIC HEARING TO CONSIDER APPROVAL OF A DENSITY BONUS & DESIGN REVIEW PERMIT FOR CONSTRUCTION OF A 53-UNIT AFFORDABLE HOUSING PROJECT AT 1482 FREEDOM BLVD.**

1) **Staff Report by Principal Planner Meek**

Principal Planner Meek answered questions from Member García regarding reasons a traffic study was not prepared as part of the project approval.

Principal Planner Meek answered questions from Mayor Pro Tempore Parker regarding reasons for the project's high density.

Community Development Director Merriam and Principal Planner Meek, in answering Mayor Dutra, spoke about the allowed density bonus.

2) Applicant Presentation by Max Heninger

3) City Council Clarifying & Technical Questions

In answering Member González, Mr. Heninger stated infrastructure for electric vehicle charging stations would be included in the project.

Mr. Heninger and Jane Barr, associate director of real estate development at Eden Housing, answered questions from Mayor Dutra regarding populations served through the proposed affordable housing development, likelihood of Watsonville residents being served, available housing vouchers, affordable housing projects developed by Eden Housing, relocation of utility poles near the project site, and reasons for concentration of affordable housing in Watsonville versus the rest of the County.

4) Public Hearing

Steve Trujillo asked for trees to be planted as part of the project development. He stated Atkinson Lane was very narrow, which created traffic and parking issues.

The following speakers spoke in support of the proposed project:

Rafael Hernandez, housing program associate at Monterey Bay Economic Partnership

Jan Stokley, executive director at Housing Choices

Michael

Jennifer Lucas, Central Coast Office of the California State Council on Developmental Disabilities

Eli

Ann Marquart

Peter Carter

Gabriel Medina

Nathalie Olivas, Regeneración Pájaro Valley Climate Action

Rogelio Lopez spoke in opposition to the project due to high density and parking issues in that area.

Xitlali spoke in support of the proposed project.

5) MOTION: It was moved by Member Montesino, seconded by Member González to approve the resolutions listed below.

6) City Council Deliberation on Motion

MOTION: The above motion and resolution listed below carried by the following vote:

AYES:	MEMBERS:	Estrada, García, González, Hurst, Montesino, Parker
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NOES:	MEMBERS:	Dutra
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ABSENT:	MEMBERS:	None
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- 7) **RESOLUTION NO. 62-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING A DESIGN REVIEW PERMIT FOR APP #921, FILED BY ANDY MADEIRA, WITH EDEN HOUSING, APPLICANT, ON BEHALF OF EDEN FREEDOM INVESTORS LP, PROPERTY OWNER, TO CONSTRUCT A FIFTY-THREE UNIT AFFORDABLE HOUSING PROJECT ON A 1.81± ACRE SITE LOCATED AT 1482 FREEDOM BOULEVARD, WATSONVILLE, CALIFORNIA (APN: 019-226-41)
- 8) **RESOLUTION NO. 63-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE GRANTING A DENSITY BONUS FOR APP #921, FILED BY ANDY MADEIRA, WITH EDEN HOUSING, APPLICANT, ON BEHALF OF EDEN FREEDOM INVESTORS LP, PROPERTY OWNER, TO CONSTRUCT A FIFTY-THREE UNIT AFFORDABLE HOUSING PROJECT ON A 1.81± ACRE SITE LOCATED AT 1482 FREEDOM BOULEVARD, WATSONVILLE, CALIFORNIA (APN: 019-226-41)

10. NEW BUSINESS

10.a CONSIDERATION OF PURCHASE AND FINANCING OF HEAVY EQUIPMENT AND REFINANCING OF SOLAR LOAN

- 1) **Staff Report by Administrative Services Director Czerwinski**
- 2) **City Council Clarifying & Technical Questions**
 Administrative Services Director Czerwinski, in answering Member García spoke about City financing efforts and reasons the vehicles and solar panel loans were to be refinanced together.

 In answering Member Estrada, Administrative Services Manager Gordo spoke about disposal of vehicles past their life cycle. Member Estrada recommended that vehicles not in use be donated to sister cities.

 In answering Member González, Administrative Services Manager Gordo spoke about staff efforts to replace the Public Works fleet with environmentally friendly vehicles.
- 3) **Public Input (None)**
- 4) **MOTION:** It was moved by Member Hurst, seconded by Mayor Pro Tempore Parker to approve the resolutions listed below.
- 5) **City Council Deliberation on Motion**

MOTION: The above motion and resolution listed below carried by the following vote:

AYES:	MEMBERS:	Estrada, García, Hurst, González, Montesino, Parker, Dutra
NOES:	MEMBERS:	None
ABSENT:	MEMBERS:	None
- 6) **RESOLUTION NO. 64-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER EQUIPMENT

LEASE/PURCHASE AGREEMENT AND A SEPARATE EQUIPMENT SCHEDULE THERETO FOR THE ACQUISITION, FINANCING AND LEASING OF CERTAIN EQUIPMENT FOR THE PUBLIC BENEFIT WITHIN THE TERMS PROVIDED HEREIN; AUTHORIZING THE EXECUTION AND DELIVERY OF OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION

- 7) **RESOLUTION NO. 65-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AUTHORIZING BUDGET APPROPRIATION OF \$503,932 FROM THE SEWER ENTERPRISE FUND AND \$1,412,666 FROM THE SOLID WASTE FUND FOR FISCAL YEAR 2020-2021 FOR THE FINANCING OF SIX HEAVY EQUIPMENT VEHICLES FOR THE CITY'S PUBLIC WORKS & UTILITIES DEPARTMENT [Amends Resolution No. 113-20 (CM)]
- 8) **RESOLUTION NO. 66-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AUTHORIZING THE PURCHASE OF ONE (1) NEW 2020 VACTOR 2100i COMBINATION SINGLE ENGINE SEWER CLEANER WITH POSITIVE DISPLACEMENT VACUUM SYSTEM MOUNTED ON A PETERBILT HEAVY DUTY TRUCK CHASSIS SINGLE AXLE FROM OWEN EQUIPMENT SALES, A CORPORATION, THROUGH THE PURCHASING AUTHORITY OF SOURCEWELL (FORMERLY NJPA) CONTRACT NUMBER 1022017-FSC, IN AN AMOUNT NOT TO EXCEED \$497,593.33 TO BE FUNDED FROM THE SEWER ENTERPRISE FUND
- 9) **RESOLUTION NO. 67-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AUTHORIZING THE PURCHASE OF TWO (2) NEW 2020 WITTKE/LABRIE FRONT LOADER COLLECTION VEHICLES TO SERVE IN THE COLLECTION OF SOLID AND ORGANIC WASTE FOR THE CITY'S SOLID WASTE UTILITY FROM ARATA EQUIPMENT COMPANY, A CORPORATION, THROUGH THE PURCHASING AUTHORITY OF THE CITY OF BRENTWOOD, IN AN AMOUNT NOT TO EXCEED \$661,706.00 (FUNDED BY THE SOLID WASTE ENTERPRISE FUND)
- 10) **RESOLUTION NO. 68-21 (CM):**
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AUTHORIZING THE PURCHASE OF THREE (3) NEW 2020 TWO-AXLE DIESEL AUTOMATED SIDE LOADER COLLECTION VEHICLES TO SERVE IN THE COLLECTION OF SOLID WASTE FOR THE CITY'S SOLID WASTE UTILITY FROM WESTERN TRUCK PARTS & EQUIPMENT COMPANY, LLC., DBA WESTERN TRUCK CENTER THROUGH THE PURCHASING AUTHORITY OF THE COUNTY OF SACRAMENTO, IN AN AMOUNT NOT TO EXCEED \$1,128,165.00 (FUNDED BY THE SOLID WASTE ENTERPRISE FUND)
11. **EMERGENCY ITEMS ADDED TO AGENDA**
12. **REQUESTS & SCHEDULING FUTURE AGENDA ITEMS**
Member García requested a report regarding potential for amending the affordable housing ordinance to require new housing developments to designate 25% of their units as affordable units.

Member Estrada requested a report by Regeneración, Pájaro Valley Climate Action on their work.

Mayor Pro Tempore Parker requested a report regarding vaccination efforts in Watsonville.

Member Hurst asked for stricter enforcement of traffic violations and excessively loud vehicles.

Member González recommended display of sister city flags on City flag poles.

Mayor Dutra recommended establishment of a sister city relationship with a city in Portugal.

13. ADJOURNMENT

The meeting adjourned at 8:49 p.m.

Jimmy Dutra, Mayor

ATTEST:

Beatriz Vázquez Flores, City Clerk

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Agenda Report

MEETING DATE: Tuesday, March 9, 2021

TO: City Council

FROM: PUBLIC WORKS & UTILITIES DIRECTOR PALMISANO
Murray Fontes, Principal Engineer

SUBJECT: CONTRACT AMENDMENTS #2 AND #3 WITH HARRIS &
ASSOCIATES, INC. FOR ASSISTANCE WITH PERMITTING FOR
THE RAIL TRAIL PROJECT IN A TOTAL AMOUNT OF \$28,776

STATEMENT OF ISSUES:

Revisions are required to the rail crossing permit applications being prepared and submitted to the California Public Utility Commission for the City's Rail Trail project.

RECOMMENDED ACTION:

It is recommended that the City Council adopt a resolution approving two contract amendments for assistance with permitting for the Rail Trail project totaling \$28,776, including:

Contract Amendments #2 for a not to exceed amount of \$13,992.00;

Contract Amendments #3 for a not to exceed amount of \$14,784.00.

DISCUSSION:

On May 23, 2018, Council approved Resolution No. 76-18 (CM) and an agreement with Harris & Associates, Inc. to assist with preparation of design and construction documents for the portion of the Rail Trail that is from Lee Road to Walker Street in a not to exceed amount of \$121,665.00. The First Amendment to the contract was approved on December 11, 2019, increasing the total contract amount to \$329,110.00 and extending the completion date to June 30, 2022. This Amendment called for Harris and their subconsultant, RRM Design Group, to assist the City with securing permits for railroad crossings from the California Public Utilities Commission (CPUC) for later phases of the project.

Staff identified two new railroad crossings that will be built with future phases of the project. One will be near Lee Road and part of Phase 2 which is from Lee Road to Ohlone Parkway. The other is near Walker Street and part of Phase 3 which is from the Watsonville Slough Trail trailhead to Walker Street. Subsequent to approval of the First Amendment, additional CPUC requirements were identified that were not included in the scope of work. One, which is addressed in the Second Amendment, called for preparation of a trail profile and statement of why a grade separated crossing is not warranted. The

other, which is addressed in the Third Amendment, called for preparation of an Environmental and Social Justice Action Plan compliance analysis. Rincon Consultants, Inc. is also helping the City prepare the Action Plan analysis and working under a different contract.

After the CPUC receives and accepts all of the required documentation, they may take up to 18 months to review and approve the permit. City staff plans to construct Phase 2 in 2023. The schedule for Phase 3 is unknown as property needs to be acquired and the owner has postponed discussions because of the pandemic.

The cost of this work will be paid for with funds transferred from the Measure D Trail Maintenance Account Number 0312-927-7837-14321.

STRATEGIC PLAN:

The project is consistent with the following Strategic Plan goal:
03-Infrastructure & Environment

FINANCIAL IMPACT:

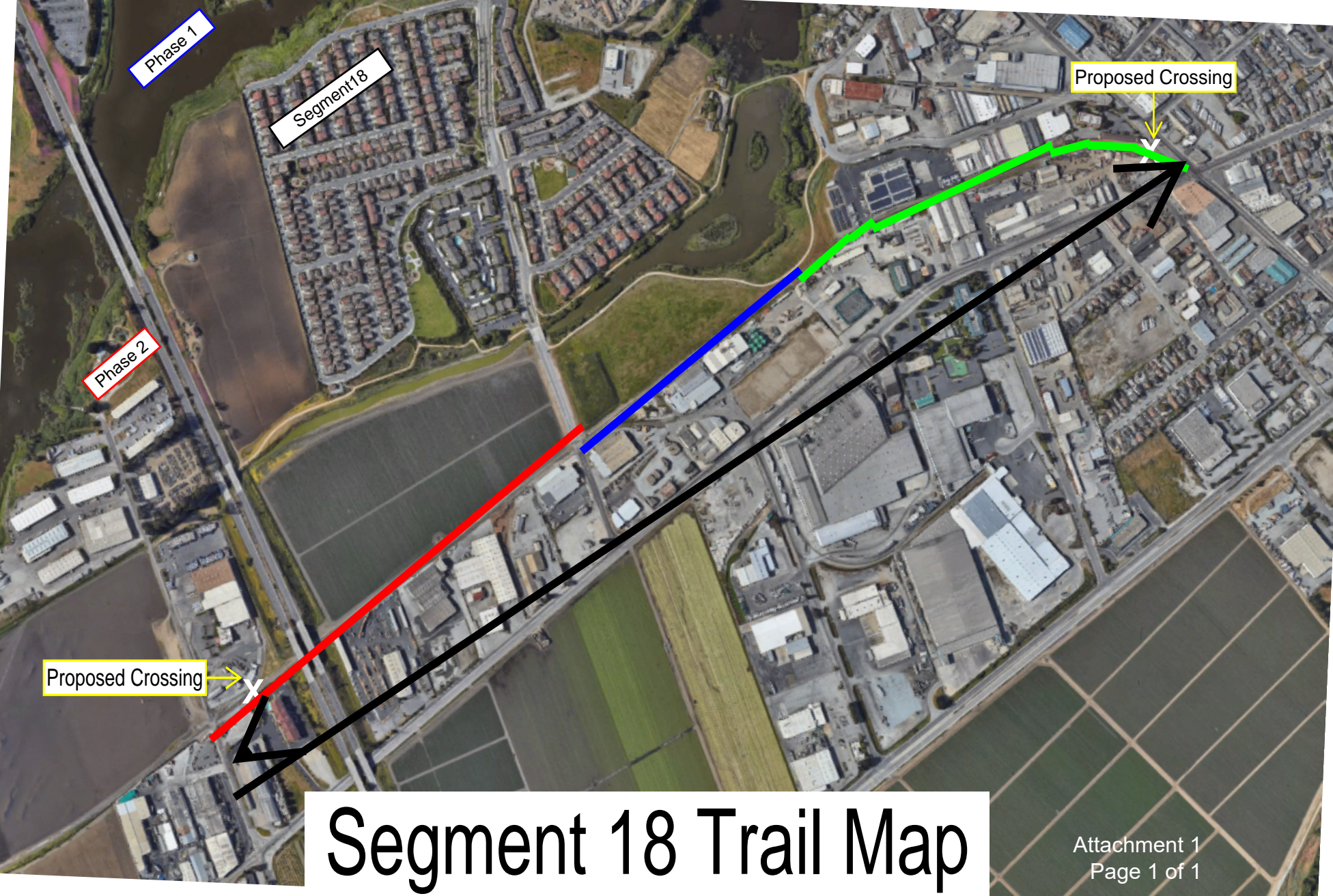
The cost of the amendment will be \$28,776. It will be paid with funds transferred from the Measure D Trail Maintenance Account Number 0312-927-7837-14321 to the Project Account Number 0312-927-7837-14309.

ALTERNATIVE ACTION

No reasonable alternatives are known at this time.

ATTACHMENTS AND/OR REFERENCES (If any):

1. Segment 18 Trail Map



Phase 1

Segment18

Phase 2

Proposed Crossing

Proposed Crossing

Segment 18 Trail Map

RESOLUTION NO. _____ (CM)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING SECOND AMENDMENT TO CONTRACT BETWEEN THE CITY OF WATSONVILLE AND HARRIS & ASSOCIATES, INC., A CORPORATION, FOR DESIGN SERVICES FOR THE RAIL TRAIL LEE ROAD PROJECT, NO. CT-18-01A AND THE RAIL TRAIL WALKER STREET PROJECT NO. CT-18-01B; ADDING TO SCOPE OF WORK TO ASSIST WITH CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) PERMITTING REQUIREMENTS; AND AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE SAME

Amends Resolution No.'s 76-18 (CM) and 183-19 (CM)

WHEREAS, on May 22, 2018, Council adopted Resolution No. 76-18 (CM) approving Contract for Consultant Services with Harris & Associates, Inc., for design services for the Rail Trail Lee Road Project, No. CT-18-01A and the Rail Trail Walker Street Project, No. CT-18-01B, in an amount not to exceed \$121,665; and

WHEREAS, on December 10, 2019, Council adopted Resolution No. 183-19 (CM) approving First Amendment to Contract with Harris & Associates, Inc., adding to the scope of work, increasing the total contract amount to \$329,110, and extending the completion date to June 30, 2022; and

WHEREAS, this Second Amendment to Contract will add to the Scope of Work to include additional California Public Utilities Commission (CPUC) requirements for the project.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:

1. That the Second Amendment to Contract between the City of Watsonville and Harris & Associates, Inc., a corporation, for an additional amount of \$13,992 for a new total contract amount not to exceed \$343,102, for assistance with CPUC permitting

requirements for the Rail Trail Lee Road Project, No. CT-18-01A and the Rail Trail Walker Street Project, No. CT-18-01B, a copy of which Second Amendment is attached hereto and incorporated herein by this reference, is fair and equitable and is hereby ratified and approved.

2. That the City Manager be and is hereby authorized and directed to execute said Second Amendment for and on behalf of the City of Watsonville.

**SECOND AMENDMENT TO CONTRACT FOR CONSULTANT SERVICES
BETWEEN THE CITY OF WATSONVILLE
AND HARRIS & ASSOCIATES, INC.**

THIS SECOND AMENDMENT TO AGREEMENT for consultant services is entered into by and between the **City of Watsonville** ("City") and **Harris & Associates, Inc.** ("Consultant") this _____. The City and Consultant agree as follows:

RECITALS

WHEREAS, the City and Consultant have previously executed a Consultant Services Contract to provide design services for the Rail Trail Lee Road & Walker Street Project dated May 23, 2018 and a First Amendment to Contract for Consultant Services dated December 11, 2019;

WHEREAS, the City needs additional services to address scope changes in the project design;

NOW, THEREFORE, the City and the Consultant agree that the Contract shall be amended as follows:

Section 1. Scope of Services

Exhibit "A" "Scope of Services" is hereby amended to read:

Add tasks as described on attached "Exhibit 1".

Section 4. Compensation

Exhibit "C" "Compensation" is hereby amended to read:

Total Compensation. The total obligation of City under this Contract is increased in a not-to-exceed amount of Thirteen Thousand Nine Hundred Ninety-Two Dollars and No Cents (\$13,992.00) for a total obligation of \$343,102.00 as described below:

<i>Current Contract Amount</i>	<i>\$329,110.00</i>
<i>Exhibit "1"</i>	<i>\$11,660.00</i>
<i>Additional Services not included in Exhibit "1"</i>	<i><u>\$2,332.00</u></i>
<i>Total obligation under this Contract</i>	<i>\$343,102.00</i>

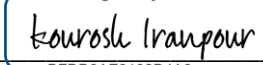
All other terms and conditions of the Contract dated May 23, 2018, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Consultant Services Contract the day and year first hereinabove written.

CITY OF WATSONVILLE

By _____
Matthew D. Huffaker, City Manager

HARRIS & ASSOCIATES, INC.

By  _____
Kourosh Iranpour, PE
Regional Manager, Engineering Services

ATTEST:

By _____
Beatriz Vázquez Flores, City Clerk

APPROVED AS TO FORM:

By _____
Alan J. Smith, City Attorney

November 2, 2020

Murray Fontes
Principal Engineer
City of Watsonville Public Works & Utilities Department
250 Main Street
Watsonville, CA 95076



Sent Via email

Subject: Amendment 2 for City of Watsonville
Monterey Bay Sanctuary Scenic Trail – Segment 18

Dear Murray:

Harris and Associates is under contract with the City of Watsonville to perform design services for the Monterey Bay Sanctuary Scenic Trail – Segment 18. As you requested, Harris is submitting this amendment to our contract to cover additional work outside the original scope as described below.

I. RRM Design Group

Harris is contracted with RRM Design Group (RRM) to provide permitting services for preparation of two GO-88 B Railroad Crossing modification permits and two Formal Applications for new railroad crossings. Additional services were required as listed below:

Couch Spur Application:

- ☐ Update and prepare a new supplemental application
- ☐ Prepare trail profile and statement of why a grade separated crossing is not warranted in this location
- ☐ Submit to Felix @ the CPUC to review and comment.
- ☐ Incorporate review comments
- ☐ Update the supplemental application and submit back to Felix @ the CPUC to approve prior to obtaining City signatures (The City Manager will need to sign the supplemental app)
- ☐ Prepare the Final Application working with CPUC San Francisco and then e-file
- ☐ Get on the November 30th CPUC hearing agenda

Walker St. Application:

- ☐ Update and prepare the revised application
- ☐ Prepare trail profile and statement of why a grade separated crossing is not warranted in this location

- ☐ Submit to Felix @ the CPUC to review and comment.
- ☐ Incorporate review comments
- ☐ Update the application and submit back to Felix @ the CPUC to approve prior to obtaining City signatures
- ☐ Get fresh support letters with current dates addressed to the new CPUC Program Manager
- ☐ Prepare the Final Application working with CPUC San Francisco and then e-file

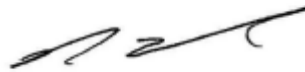
Please see Exhibit A for our estimated Level of Effort.

If you have any questions regarding this amendment request please contact either myself at (925) 969-8115 or daniel.wilkins@weareharris.com or Kourosh Iranpour at (925) 969-8013 or kourosh.iranpour@weareharris.com. Thank you again for the opportunity to provide continued service to the City of Watsonville.

Sincerely,
Harris & Associates



Kourosh Iranpour, PE
Regional Manager, Engineering Services



Daniel Wilkins, PE
Project Manager

EXHIBIT A
Amendment 2

CITY OF WATSONVILLE
MONTEREY BAY SANCTUARY SCENIC TRAIL
SEGMENT 18 PROJECT

HARRIS ASSOCIATES

TASK, PHASE, DESCRIPTION		ROLE	Fee	TOTALS
A	SUBCONSULTANT COST - FIRMS			
	RRM Design Group	CPUC Crossing Permitting	\$10,600	
SUBCONSULTANT TOTAL COST:				\$10,600
SUBCONSULTANT MARK-UP (10%)				\$1,060
TOTAL COST (NOT TO EXCEED):				\$11,660

RESOLUTION NO. _____ (CM)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING THIRD AMENDMENT TO CONTRACT BETWEEN THE CITY OF WATSONVILLE AND HARRIS & ASSOCIATES, INC., A CORPORATION, FOR DESIGN SERVICES FOR THE RAIL TRAIL LEE ROAD PROJECT, NO. CT-18-01A AND THE RAIL TRAIL WALKER STREET PROJECT NO. CT-18-01B; ADDING TO SCOPE OF WORK TO ASSIST WITH CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) PERMITTING REQUIREMENTS; AND AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE SAME

Amends Resolution No.'s 76-18 (CM) and 183-19 (CM)

WHEREAS, on May 22, 2018, Council adopted Resolution No. 76-18 (CM) approving Contract for Consultant Services with Harris & Associates, Inc., for design services for the Rail Trail Lee Road Project, No. CT-18-01A and the Rail Trail Walker Street Project, No. CT-18-01B, in an amount not to exceed \$121,665; and

WHEREAS, on December 10, 2019, Council adopted Resolution No. 183-19 (CM) approving First Amendment to Contract with Harris & Associates, Inc., adding to the scope of work, increasing the total contract amount to \$329,110, and extending the completion date to June 30, 2022; and

WHEREAS, a Second Amendment to Contract, in an amount not to exceed \$13,992 (from contract amount prior to this amendment of \$329,110 to \$343,102) is also being considered for approval tonight; and

WHEREAS, this Third Amendment to Contract will add to the Scope of Work for the preparation of an Environmental and Social Justice Action Plan compliance analysis for the project.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:

Reso No. ____ (CM)

[C:\Program Files\eSCRIBE\TEMP\192757427\192757427...Resolution - 3rd Amendment to Contract.docx](#)
[Q:\COUNCIL\2021\030921\Agrmt Harris & Assoc Second Amendment.docx](#)
ri 3/4/2021 7:02:09 PM 3/3/2021 5:47:43 PM

1. That the Third Amendment to Contract between the City of Watsonville and Harris & Associates, Inc., a corporation, for an additional amount of \$14,784 for a new total contract amount not to exceed \$357,886, for assistance with CPUC permitting requirements for the Rail Trail Lee Road Project, No. CT-18-01A and the Rail Trail Walker Street Project, No. CT-18-01B, a copy of which Third Amendment is attached hereto and incorporated herein by this reference, is fair and equitable and is hereby ratified and approved.

2. That the City Manager be and is hereby authorized and directed to execute said Third Amendment for and on behalf of the City of Watsonville.

**THIRD AMENDMENT TO CONTRACT FOR CONSULTANT SERVICES
BETWEEN THE CITY OF WATSONVILLE
AND HARRIS & ASSOCIATES, INC.**

THIS THIRD AMENDMENT TO AGREEMENT for consultant services is entered into by and between the **City of Watsonville** ("City") and **Harris & Associates, Inc.** ("Consultant") this _____. The City and Consultant agree as follows:

RECITALS

WHEREAS, the City and Consultant have previously executed a Consultant Services Contract to provide design services for the Rail Trail Lee Road & Walker Street Project dated May 23, 2018, a First Amendment to Contract for Consultant Services dated December 11, 2019 and a Second Amendment being approved concurrent with this one;

WHEREAS, the City needs additional services to address scope changes in the project design;

NOW, THEREFORE, the City and the Consultant agree that the Contract shall be amended as follows:

Section 1. Scope of Services

Exhibit "A" "Scope of Services" is hereby amended to read:

Add tasks as described on attached "Exhibit 1".

Section 4. Compensation

Exhibit "C" "Compensation" is hereby amended to read:

Total Compensation. The total obligation of City under this Contract is increased in a not-to-exceed amount of Fourteen Thousand Seven Hundred and Eighty-Four Dollars and No Cents (\$14,784.00) for a total obligation of \$357,886.00 as described below:

<i>Current Contract Amount</i>	<i>\$343,102.00</i>
<i>Exhibit "1"</i>	<i>\$12,320.00</i>
<i>Additional Services not included in Exhibit "1"</i>	<i><u>\$2,464.00</u></i>
<i>Total obligation under this Contract</i>	<i>\$357,886.00</i>

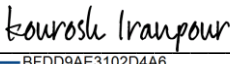
All other terms and conditions of the Contract dated May 23, 2018, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Consultant Services Contract the day and year first hereinabove written.

CITY OF WATSONVILLE

By _____
Matthew D. Huffaker, City Manager

HARRIS & ASSOCIATES, INC.

By  _____
Kourosh Iranpour, PE
Regional Manager, Engineering Services

ATTEST:

By _____
Beatriz Vázquez Flores, City Clerk

APPROVED AS TO FORM:

By _____
Alan J. Smith, City Attorney

January 13, 2021



Murray Fontes
Principal Engineer
City of Watsonville Public Works & Utilities Department
250 Main Street
Watsonville, CA 95076

Sent Via email

Subject: Amendment 3 for City of Watsonville
Monterey Bay Sanctuary Scenic Trail – Segment 18

Dear Murray:

Harris and Associates is under contract with the City of Watsonville to perform design services for the Monterey Bay Sanctuary Scenic Trail – Segment 18. As you requested, Harris is submitting this amendment to our contract to cover additional work outside the original scope as described below.

I. RRM Design Group

Harris is contracted with RRM Design Group (RRM) to provide permitting services for preparation of two GO-88 B Railroad Crossing modification permits and two Formal Applications for new railroad crossings. Additional services were required as listed below to prepare the Environmental and Social Just Action Plan compliance analysis and upset the Formal Applications as described below:

Couch Spur Application:

- ☐ Update and prepare a new supplemental application
- ☐ Coordinate with Rincon to provide technical information, narratives, and project data as they prepare the Environmental and Social Justice Action Plan compliance analysis.
- ☐ Submit to Felix @ the CPUC to review and comment.
- ☐ Incorporate review comments
- ☐ Update the supplemental application and submit back to Felix @ the CPUC to approve prior to obtaining City signatures (The City Manager will need to sign the supplemental app)
- ☐ Prepare the Final Application working with CPUC San Francisco and then e-file by January 22, 2021

Walker St. Application:

- ☐ Update and prepare the revised application
- ☐ Coordinate with Rincon to provide technical information, narratives, and project data as they prepare the Environmental and Social Justice Action Plan compliance analysis.
- ☐ Submit to Felix @ the CPUC to review and comment.
- ☐ Incorporate review comments
- ☐ Update the application and submit back to Felix @ the CPUC to approve prior to obtaining City signatures
- ☐ Get fresh support letters with current dates addressed to the new CPUC Program Manager
- ☐ Prepare the Final Application working with CPUC San Francisco and then e-file

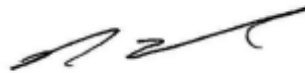
Please see Exhibit A for our estimated Level of Effort.

If you have any questions regarding this amendment request please contact either myself at (925) 969-8115 or daniel.wilkins@weareharris.com or Kourosh Iranpour at (925) 969-8013 or kourosh.iranpour@weareharris.com. Thank you again for the opportunity to provide continued service to the City of Watsonville.

Sincerely,
Harris & Associates



Kourosh Iranpour, PE
Regional Manager, Engineering Services



Daniel Wilkins, PE
Project Manager

EXHIBIT A
Amendment 3

CITY OF WATSONVILLE
MONTEREY BAY SANCTUARY SCENIC TRAIL
SEGMENT 18 PROJECT

HARRIS ASSOCIATES

TASK, PHASE, DESCRIPTION		ROLE	Fee	TOTALS
A	SUBCONSULTANT COST - FIRMS			
	RRM Design Group	CPUC Crossing Permitting	\$11,200	
SUBCONSULTANT TOTAL COST:				\$11,200
SUBCONSULTANT MARK-UP (10%)				\$1,120
TOTAL COST (NOT TO EXCEED):				\$12,320



Agenda Report

MEETING DATE: Tuesday, March 9, 2021

TO: City Council

FROM: ASSISTANT CITY MANAGER VIDES

SUBJECT: RESOLUTION DECLARING RACISM AS A PUBLIC HEALTH CRISIS

STATEMENT OF ISSUES:

As our entire nation wrestles with its history of racism, communities across the nation are asking their leaders to proactively address the issues of racism in every community. Council woman Garcia requested that the Council consider this item.

Additionally, as we confront the COVID-19 pandemic, we can clearly see the disproportionate effects on communities of color in our county. This declaration directs City government to consciously address issues of racism in our community as a way to acknowledge that racism affects the health of our community on an individual and community-wide basis.

RECOMMENDED ACTION:

It is recommended that the City Council approve a Resolution declaring Racism as a Public Health Crisis

DISCUSSION:

According to the World Health Organization (WHO), "Public health is defined as 'the art and science of preventing disease, prolonging life and promoting health through the organized efforts of society.' Activities to strengthen public health capacities and service aim to provide conditions under which people can maintain to be healthy, improve their health and well-being, or prevent the deterioration of their health."

While our City leaders and employees worked hard to provide equitable services and facilitate inclusive community problem solving and dialogue, we recognize a history of racist actions against the Chinese, the Latinx community, Native American and the Black community. Even today, as we look at the demographics of those infected with the COVID-19 virus, we see communities of color, specially the Latinx community, disproportionately affected.

Dr. George Benjamin, Executive Director of the American Public Health Association said, "We see discrimination every day in all aspects of life, including housing, education, the criminal justice system and employment. Moreover, this discrimination is amplified during

this pandemic as communities of color face inequities in everything from a greater burden of COVID-19 cases to less access to testing, treatment and care. Americans cannot be silent about this.”

The City can do more to reduce the negative impact that racism has in the lives and health of all our residents. Some systemic and historical impacts that should be considered are:

- Racism structures opportunity and assigns value based on how a person looks. The result: conditions that unfairly advantage some and unfairly disadvantage others.
- Racism hurts the health of our nation by preventing some people the opportunity to attain their highest level of health.
- Racism may be intentional or unintentional. It operates at various levels in society.
- Racism is a driving force of the social determinants of health and is a barrier to health equity.

A declaration of racism as a public health crisis elevates the issue to be at the forefront of our programming and budgeting decisions. It also commits future efforts to ensure our hiring, vendor selection, and funding decisions are free of implicit bias which is critical to assuring the community that the City is meeting the needs of all of its residents.

In addition to adopting this resolution declaring Racism as a public health crisis, the Council may also choose to direct staff to develop plans to incorporate educational efforts in our community and for its employees; promote racially equitable economic development and workforce development practices; encourage all policies that prioritize the health of people of color; commit to conduct all human resources, vendor selection and grant management activities with a racial equity lens; and to work with community partners and stakeholders in the education, employment, housing, criminal justice and safety arenas to recognize racism as a public health crisis.

Other communities across the Country have declared racism a public health crisis including the County of Santa Cruz, County of Santa Clara, City of Milwaukee, Milwaukee County, Madison County, Cook County, the City of Pittsburgh, the City of Boston, Kansas City and the State of Arizona.

STRATEGIC PLAN:

Adopting this resolution to declare Racism as a public health crisis supports Council Strategic Goal #5 of supporting Community Well-Being.

FINANCIAL IMPACT:

Adopting this resolution has no financial impact to the City.

ALTERNATIVE ACTION:

The Council may consider not adopting this resolution at this time.

ATTACHMENTS: None.

RESOLUTION NO. _____ (CM)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
WATSONVILLE DECLARING RACISM AS A HEALTH CRISIS**

WHEREAS, racism is a social system with multiple dimensions: individual racism that is internalized or interpersonal; systemic racism that is institutional or structural, and is a system of structuring opportunity and assigning value based on the social interpretation of how one looks; and

WHEREAS, racism causes persistent discrimination and disparate outcomes in many areas of life, including housing, education, employment and criminal justice; and an emerging body of research demonstrates that racism itself is a social determinant of health and is a barrier to health equity; and

WHEREAS, a contemporary example of such disparity is highlighted by the coronavirus data in Santa Cruz County's COVID-19 Data Dashboard displaying disproportionate rates of the coronavirus in our Latinx communities countywide; and

WHEREAS, the City of Watsonville recognizes that racism is a public health crisis that affects all members of our society both locally and nationally and deserves action from all levels of government and civil society; and

WHEREAS, it is essential to recognize the experiences, honor the history, and highlight the contributions of communities of color, while ensuring that every person has the social, economic and political power to thrive.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY
OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

1. That the Council affirms that racism creates health inequities that result in disparities in family stability, physical and mental wellness, education, employment, public safety, criminal justice and housing.

2. Furthermore, based upon this affirmation, the Council directs staff to develop plans to incorporate educational efforts in our community and for its employees to:

- promote racially equitable economic development and workforce development practices
- encourage all policies that prioritize the health of people of color
- commit to conduct all human resources, vendor selection and grant management activities with a racial equity lens
- to work with community partners and stakeholders in the education, employment, housing, criminal justice and safety arenas to recognize racism as a public health crisis



Agenda Report

MEETING DATE: Tuesday, March 9, 2021

TO: City Council

FROM: COMMUNITY DEVELOPMENT DIRECTOR MERRIAM
SUZI MERRIAM, COMMUNITY DEVELOPMENT DIRECTOR
CINDY CZERWIN, ADMINISTRATIVE SERVICES DIRECTOR

SUBJECT: ORDINANCE ADOPTING MODIFICATIONS TO SECTIONS 3-6.1201 (DEFINITIONS) AND 3-6.1206 (AMOUNT OF TAX OWED) OF THE CANNABIS TAX ORDINANCE TO INCLUDE MODIFIED TAX RATES FOR THE WATSONVILLE CANNABIS BUSINESS TAX AS FOLLOWS: (PURSUANT TO SECTION 3-6.1232 OF THE WA

STATEMENT OF ISSUES:

Modification of Title 3-6 of the Watsonville Municipal Code to amend the tax rate for cultivation and retail sales of cannabis, adding a separate tax rate for nursery plants and processing, and updating definitions to meet current state law and best practices.

RECOMMENDED ACTION:

Staff recommends that the City Council:

1. Amend Chapter 3-6 to adjust cannabis tax rates as follows:
 - 5% tax on gross receipts for retail cannabis; and
 - \$10 per square foot tax of canopy area for cannabis cultivation; and
 - \$1 per square foot tax of canopy area for cannabis nurseries and immature plants; and
 - 2% on gross receipts for cannabis processing; and
2. Amend Chapter 3-6 text to meet current state regulations and best practices.

DISCUSSION:

On November 8, 2016, California voters passed Proposition 64 (The Adult Use of Marijuana Act), which legalized cannabis in California. The deadline to pass permanent state regulations governing the cultivation, manufacture, distribution, testing and sales of cannabis was January 1, 2018.

On November 8, 2016, Watsonville voters passed Measure L, the Watsonville Marijuana Business Tax, 74.2% to 25.8%. Measure L implemented a tax on cannabis cultivation, manufacturing, and retail sales.

On December 13, 2016, the Council adopted Ordinance No. 1345-16, adding a new Chapter 52 (Cultivation, Processing, Manufacture, Distribution, Testing and Sale of Nonmedical Cannabis) of Title 14 (Zoning) of the Watsonville Municipal Code. The ordinance prohibited all recreational cannabis business activities in the City.

On April 25, 2017, the Council adopted [Ordinance No. 1352-17](#), adding a new Chapter 14-53 to the Watsonville Municipal Code. Ordinance 1352-17 permitted and regulated medical cannabis cultivation and manufacturing within the City. Use of recreational or “adult-use” cannabis continued to be prohibited in the City.

The Governor signed SB 94 also known as the [Medicinal and Adult-Use Cannabis Regulation and Safety Act](#) MAUCRSA on June 27, 2017

On December 7, 2017 the California State Bureau of Cannabis Control adopted Emergency Regulations to clarify and make specific licensing and enforcement criteria for commercial cannabis businesses under MAUCRSA.

MAUCRSA became effective on January 1, 2018 and rescinded the December 7, 2017 Emergency Regulations.

On January 16, 2018, the Council adopted Ordinance 1362-18 [\(codified at WMC 14-53 101 et seq\)](#) which allowed cultivation and manufacture of recreational cannabis and rescinded Ordinance 1361-18 which prohibited recreational cannabis. Ordinance 1362-18 became effective on March 15, 2018.

On March 13, 2018, the Council adopted [Ordinance 1364-18 which amended WMC 14-53](#) Ordinance 1362-18 and allowed existing cultivation and manufacturing facilities to distribute recreational cannabis. Ordinance 1364-18 became effective April 26, 2018.

On June 9, 2020, the Council adopted Ordinance 1404-20, which repealed and replaced Ordinance numbers 1362-18 and 1364-18, and adopted modifications to Title 14 (Zoning) regarding the cultivation, manufacture, distribution, testing, delivery and retail sales of cannabis and cannabis products.

On September 15, 2020, the City’s cannabis application period for 30 days, closed on October 15, 2020.

On February 17, 2021, the City issued Notices of Decision to all cannabis businesses who submitted Pre-Applications during the application period.

Proposed Modifications

In the last year, staff has worked with HDL on modifications to the current cannabis tax ordinance. This included changes to the tax rate, timing of payments, and modification to the definitions in order to bring the ordinance into alignment with current industry standards.

Modification Process

Watsonville Municipal Code Chapter 3-6.1232 allows the City Council to make modifications to the Cannabis Tax as long as those amendments do not increase the voter-approved tax rate or create a new tax. The following actions do not constitute an increase of the tax rate:

- (a) The restoration of the tax rate to a rate no more than set by this chapter, if the Council has acted to reduce tax rate;
- (b) The increase of the tax rate from a prior rate if the increase is to a rate no more than allowed by this chapter;
- (c) An action that interprets or clarifies the methodology of the tax, or any definition applicable to the tax, so long as interpretation or clarification (even if contrary to some prior interpretation or clarification) is not inconsistent with the language of this chapter;
- (d) The establishment of a class of persons that is exempt or excepted from the tax or the discontinuation of any such exemption or exception (other than the discontinuation of an exemption or exception specifically set forth in this chapter); or
- (e) The collection of the tax imposed by this chapter, even if the City had, for some period of time, failed to collect the tax.

The proposed modifications fall under subsection (c), as staff is proposing to update definitions, lower the tax rate for cultivation and retail sales, and modify the timing and payment of taxes.

Fiscal Analysis of the Commercial Cannabis Industry prepared by HDL

On March 3, 2020, HDL provided the City with a draft analysis of taxation on the cannabis industry throughout California, and provided recommended modifications for the City of Watsonville to both maintain parity with other jurisdictions in the state and region and ensure that Watsonville cannabis businesses are able to remain competitive with businesses throughout the state. HDL provided an updated draft analysis, based on staff input in November, 2020.

Measure L, passed by voters in 2016, established a tax on the cultivation, manufacturing, and retail sales of cannabis as follows:

Type of Business	Tax Rate
Cultivation	\$20/square foot
Manufacturing	2.5%
Retail Sales	10%

Since legalization of cannabis in 2016, the cannabis industry and regulatory framework for the industry have changed dramatically. Legalization has created a competitive, free-market for cannabis businesses which did not exist before, while startup and operational costs have

skyrocketed. Anyone considering establishing a cannabis business legally now must consider these costs, as well as the local tax structure in the particular jurisdiction. As the City looks to attract new types of cannabis businesses to Watsonville, we must pay attention to the tax structures in neighboring jurisdictions. Current tax rates in nearby jurisdictions are listed in the table below.

Cannabis Taxes in Nearby Jurisdictions				
	Cultivation	Nursery	Retail	Manufacture
Watsonville	\$20/sf	\$20/sf	10%	2.5%
Salinas	\$15/sf	NA	5%	5%
Marina	5%	5%	5%	5%
Hollister	\$7/sf	5%	5%	5%
Santa Cruz County	6%	7%	7%	6%
Monterey County	\$8/sf	\$1/sf	4.5%	3.5%
City of Santa Cruz	6%	6%	7%	6%

As shown in the table above, Watsonville's tax rates are higher than any other jurisdiction in the area except for the manufacturing tax. Given that the City will be considering approval of additional cannabis businesses to open business in the City in 2021, it is necessary to adjust the City's current cannabis tax rates nearer to industry standards.

Cultivation Tax

The current tax rate of \$20 per square foot historically applied to all plants, both flowering canopy and immature plants. The revised Cannabis Ordinance revised the definition of canopy, which separated out immature plants and nurseries from flowering canopy so that they can be taxed at different rates, which is the industry standard. In addition, the revised Ordinance now regulates processing licenses, which is the "drying, curing, grading, or trimming of cannabis within a permitted cannabis cultivation facility or as part of a standalone cannabis processing facility." This additional cultivation activity is taxable under WMC Chapter 3-6.

Staff proposes a revised tax rate for cultivation operations as follows:

Cannabis Business Type	Current Rate	Proposed Rate
Flowering Canopy	\$20/sf	\$10/sf
Nursery/immature plants	\$20/sf	\$1/sf
Processing	NA	2% of gross receipts

The previous Cannabis Ordinance also limited the size of a cultivation facility to 5,000 square feet, while the current ordinance allows cultivation up to 22,000 square feet. For those cultivators that expand operations up to the 22,000 square foot limit, the reduced taxation amounts will encourage this expansion while the City may not experience a significant

reduction in tax received. An analysis of the potential difference in tax revenue based on the reduced tax is outlined below.

Cannabis Cultivation: Current Structure							
Cultivation	#Sites	Avg SF	Canopy area (80%)	Nursery area (20%)	Cultivation tax @ \$20/sf	Nursery Tax @ \$20sf	Total Revenue
Scenario 1	6	5,000	4,000	1,000	\$480,000	\$120,000	\$600,000
Scenario 2	6	11,000	8,800	2,200	\$1,056,000	\$264,000	\$1,320,000
Scenario 3	6	22,000	17,600	4,400	\$2,112,000	\$528,000	\$2,640,000

Cannabis Cultivation: Proposed Structure							
Cultivation	#Sites	Avg SF	Canopy area (80%)	Nursery area (20%)	Cultivation tax @ \$10/sf	Nursery Tax @ \$1/sf	Total Revenue
Scenario 1	6	5,000	4,000	1,000	\$240,000	\$6,000	\$246,000
Scenario 2	6	11,000	8,800	2,200	\$528,000	\$13,200	\$541,200
Scenario 3	6	22,000	17,600	4,400	\$1,056,000	\$26,400	\$1,082,400

HDL recommended a cultivation tax of \$7 per square foot, however the tax rate in Monterey County, the City's closest competitor, is currently set at \$8 per square foot, and the only jurisdiction in the tri-county area with a lower tax is Hollister. In order to provide a competitive tax rate while continuing to provide support to City staff in monitoring and compliance, staff recommends that the cultivation tax rate be reduced from \$20 per square foot to \$10 per square foot for flowering canopy. This halving of the cultivation tax for flowering canopy combined with the \$19 per square foot reduction for non-flowering plants should significantly reduce the cost burden for the City's growers while providing needed tax revenue for the City.

Processing Tax

The state created a cannabis processing license that allows for the separate drying, curing, and processing of cannabis, which is also allowed as part of a cultivation license. Staff recommends that a tax of 2% of gross receipts be applied to cannabis processing businesses. The amount of revenue generated from a processing tax is reliant on the size of the business and amount of cannabis processed through the facility annually. Based on applications received for processing permits, tax revenue could be as little as \$3,600 to more than \$40,000 per year.

Retail Tax

The City's retail tax rate is currently set at 10%, which is significantly higher than the tax charged throughout the county and region. The table below shows the current tax rates in surrounding jurisdictions.

Retail Cannabis Taxes in Nearby Jurisdictions	
	Retail
Watsonville	10%
Salinas	5%
Marina	5%
Hollister	5%
Santa Cruz County	7%
Monterey County	4.5%
City of Santa Cruz	7%

Based on geography, Monterey County is the closest jurisdiction to Watsonville, and a retail dispensary exists right over the river in Pajaro. In considering competition for future dispensaries in Watsonville, the city must be sensitive to tax rates in these nearby jurisdictions. It is for this reason that staff recommends that the city adjust the retail cannabis tax rate to 5% in order to reduce the competition that city cannabis retailers may have with nearby retailers in other jurisdictions.

HDL estimates that the tax revenue generated annually from 3 retail dispensaries paying a rate of 5% would be between \$266,227 and \$582,785 per year.

Total Estimated Revenue from Cannabis Businesses

Based on the report prepared by HDL and the number of facilities that the city may be permitted in 2021, the expected tax revenue is outlined below.

Estimated Annual Tax Revenue				
Business Type	# Permits	Proposed Rate	Revenue- Low End	Revenue- High End
Cultivation	6	\$10/sf	\$246,000	\$1,082,400
Nursery	6	\$1/sf	\$6,000	\$26,400
Processing	2	2%	\$3,600	\$40,000
Manufacturing	15	2.5%	\$900,000	\$900,000
Retail	3	5%	\$266,227	\$582,785
Total			\$1,421,827	\$2,631,585

The tax structure adopted by Watsonville voters in 2017 had a companion bill that directed how cannabis tax revenue would be distributed between different city departments. The distribution table, with revenue projections is illustrated below. This revenue is used to fund enforcement by the Community Development, Fire and Police Departments and provide for prevention programming in the Parks and Community Services Department and Library.

Department	Portion of Tax Revenue	Low-End	High-End
Police Department – Personnel	20%	\$284,365	\$526,317
Fire Department – Personnel	15%	\$213,274	\$394,737
Community Development Department – Personnel	20%	\$284,365	\$526,317
Parks and Community Services – Personnel	15%	\$213,274	\$394,737
Parks and Community Services - Programming	10%	\$142,183	\$263,158
Library – Personnel and Resources	8%	\$113,746	\$210,526
Non Profit Grants – Recipients Determined by Council	12%	\$170,619	\$315,790

SUMMARY:

In 2021, the City will see a large expansion of cannabis businesses, and it is essential that the City adjust the cannabis tax rates so that these businesses can compete in the statewide marketplace. These businesses will bring in jobs for local residents and will serve to increase the local tax base. The adjustment in cannabis tax rates will not only help support the cannabis businesses but will also serve to support the regulated cannabis market, as the easier, cheaper, and more reliable it is for consumers to access safe cannabis legally, the less reason they will have to purchase cannabis through the black market.

STRATEGIC PLAN:

The modifications to the Cannabis Tax Ordinance support Goal 2 (Fiscal Health) of the 2018-2020 Strategic Plan.

FINANCIAL IMPACT:

Although the tax rates are proposed to be reduced through this modification, they are balanced with an expansion of the local cannabis industry so that the reductions are outweighed by additional types of businesses, including retail. Ultimately, cannabis tax revenues will be increased through the expansion of the permitting program as outlined in this staff report.

ALTERNATIVE ACTION:

The City Council may have staff return with modified tax rates after public hearing, or may choose not to modify the current tax structure.

ATTACHMENTS AND/OR REFERENCES:

- 1) Fiscal Analysis of the Commercial Cannabis Industry prepared by HDL Companies



**Delivering Revenue, Insight
and Efficiency to Local Government**

Fiscal Analysis of the Commercial Cannabis Industry

**Prepared for
the
City of Watsonville**

November 5, 2020

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I. Introduction

The City of Watsonville adopted a new cannabis ordinance (WMC Chapter 14-53) on June 9, 2020 which greatly expanded the number of cannabis permits and types of cannabis businesses allowed in the City. The changes included an increase in the number of manufacturing permits, increased maximum cultivation area, allowance for cultivators to operate on up to 2 parcels, and allowing retail sales, distribution, and testing.

The number of licenses allowed is shown in Figure 1, below.

Figure 1:

Cannabis Use Permit Classifications	Permitted Numbers of Cannabis Use Permits	
	Equity Licenses	Total Facilities Allowed
Cultivation (Type 1A, 2A, or 3A)	1	6
Manufacturing (Type 6 or 7)	1	15
Testing (Type 8)	1	No limit
Non-storefront retail (Type 9)		7 (only those cultivation and/or manufacturing permittees holding a valid City Use Permit shall be eligible to obtain a Type 9 Cannabis Use Permit to sell only products cultivated/manufactured at their local Watsonville facility)
Storefront retail (Type 10)	1	3
Distribution (Type 11)	1	2 stand-alone, plus others as an accessory use.
Processing	1	3

Under the previous ordinance, the City could issue up to 6 cultivation licenses and up to 9 manufacturing licenses. Distribution licenses could only be issued to existing cultivators or manufacturers. The changes allow the same 6 cultivation licenses but with a greater cultivation area, up to 15 manufacturing licenses, 2 stand-alone distributors, and 3 storefront retailers (which are also be allowed to deliver). Cannabis testing laboratories are allowed with no limit.

Cannabis cultivators and manufacturers are also allowed to seek non-storefront retailer licenses, but only for the purposes of delivering their own products to retail customers within the City of Watsonville and with a maximum of 7 such permits. A minimum of 1 use permit for each cannabis license type would be reserved for equity applicant as defined in 5-49 of the Watsonville Municipal Code.

The City previously only allowed cultivation up to a maximum of 5,000 square feet of canopy, but this has been increased up to 22,000 square feet. The City has also proposed to allow cultivators to conduct operations on more than one parcel under a single City permit, so that they may expand without having to move their existing operations. It is common for cultivators to hold numerous state-issued cultivation licenses for multiple premises. The City will also allow 2 permits for cannabis processors, either within a permitted cultivation facility or as part of a stand-alone cannabis processing facility.

The City is also considering a number of changes to its cannabis tax rates and how they are structured. The current cannabis tax ordinance assesses \$20 per square foot for all cultivation, including nurseries, 2.5% of gross receipts for manufacturing, and 10% of gross receipts for retail sales. Staff has proposed that the City retain the current rate for cultivation but reduce the rate for any area that would only contain immature plants to just \$1 per square foot. The rate for manufacturers would remain at 2.5% of gross receipts, but the rate for retailers would be reduced to 5%. As of yet, the City has not proposed a tax rate for free-standing cannabis distributors.

The City retained the services of HdL Companies to conduct a fiscal analysis of the local cannabis industry to determine the impact the ordinance changes may have on business attraction, business success and resulting City revenues. Specifically, the City is interested in how these changes would affect revenue projections for Fiscal Year 2020/2021 and successive years.

The City's current and proposed cannabis tax rates are shown in Figure 2, below, along with the range of cannabis tax rates commonly recommended by HdL.

Figure 2:

Type of Business	Current Tax Rate	Proposed Tax Rate	HdL Recommended Tax Rate (range)
Cultivation	\$20/sf	\$20/sf	\$7-\$10/sf
Processing	-	\$20/sf	2.00%-3.00%
Nursery	\$20/sf	\$1/sf	\$1/sf
Manufacturing	2.50%	2.50%	2.50%-4.00%
Distribution	-	-	2.00%-3.00%
Testing	-	-	1.00%-2.00%
Retail	10.00%	5.00%	4.00%-6.00%

Generally speaking, if a city or county wishes to generate revenue from the cannabis industry through taxes, then it must consider tax rates and structures that are more equitable to those aspects of the industry it wishes to support or encourage. A lower tax may ultimately generate more revenue as a function of attracting and supporting more businesses, while higher tax rates may have the effect of discouraging businesses or decreasing their gross receipts. Simply put, cities will generate no revenue from businesses that fail in this highly competitive marketplace, or that choose to locate elsewhere in search of more favorable regulations and taxes.

Legalization and regulation of commercial cannabis has exposed this industry to competitive free-market forces from which it was previously shielded due to prohibition. Licensing, permitting, and regulatory costs, combined with State and local taxes, have added significantly to the operational costs of commercial cannabis businesses. The net effect of these forces is that wholesale prices have dropped significantly at the same time that regulatory costs are climbing. High tax rates may have been acceptable to the industry

when it enjoyed high profit margins and few regulatory costs, but those same rates become prohibitive for what is now one of the most highly regulated, and most competitive, industries in the State.

Discussion of regulating and taxing the cannabis industry can too often overshadow the larger jobs and economic development issues that typically accompany efforts to attract new industry. Word that a new business or industry is looking to bring hundreds of new jobs to a community is more commonly met with open arms and offers of tax incentives. The cannabis industry is perhaps completely unique in that the inherent jobs and economic development benefits are welcomed more grudgingly and met with the disincentive of special taxes. While the tax revenue potential is attractive to local governments, imposing excessively high rates may reduce the number of businesses that step forward and decrease the likelihood that they will succeed in the regulated market.

Equally important to tax rates is setting a clear and unambiguous direction for regulatory policy. As with any other industry, the cannabis industry desires regulatory certainty. Clear regulatory policies and competitive tax rates will be essential for attracting or holding on to this industry sector, and for helping these businesses to outcompete the persistent black market.

Summary

Applying the City's current range of tax rates and structures could potentially generate \$2,189,000 in annual cannabis tax revenue for the City. Applying the rates and other proposed structural changes could potentially generate up to \$3,382,400 in revenue for the City, but we caution that the cultivation rate, in particular, is far above the rates seen in other nearby jurisdictions, which may make those revenues more hypothetical and less likely to materialize. Applying the range of rates commonly recommended by HdL could potentially generate \$2,179,000 in annual cannabis tax revenue for the City. These rates and potential revenues are all shown below in Figure 3.

Figure 3:

Business Type	#	Current Rate	Revenue	Proposed Rate	Revenue	HdL Rate	Revenue
Cultivation ¹	6	\$20/sf	\$600,000	\$20/sf	\$2,138,400	\$7/sf	\$924,000
Processing	2						
Manufacturer	15	2.5%	\$900,000	2.5%	\$900,000	2.5%	\$900,000
Retailer	2	10%	\$689,000	5.0%	\$344,000	4.0%	\$275,000
Total			\$2,189,000		\$3,382,400		\$2,179,000

¹ Differences in how cultivation rates are applied are explained in the Cultivation section.

II. The Cannabis Industry in the Santa Cruz/Watsonville Region

The amount of revenue that a city may be able to generate from a cannabis business tax depends upon the type, number and size of cannabis businesses that may choose to locate within that city. Cannabis retailers, cultivators, manufacturers, distributors and testing facilities are each interdependent upon a network of other cannabis businesses, so understanding the extent of the industry in the Santa Cruz/Monterey region provides some basis for estimating how the proposed changes to the City's cannabis taxes might impact business attraction and retention in Watsonville.

Our analysis of potential cannabis business attraction and resulting tax revenue is based on data and assumptions about the total size of the local market. The three cannabis licensing agencies for the State of California (the Bureau of Cannabis Control, the CalCannabis Division of the California Department of Food and Agriculture, and the Manufactured Cannabis Safety Branch of the California Department of Public Health) have all been issuing temporary licenses for commercial cannabis businesses since late December of 2017. In addition, HdL has worked with a number of nearby cities and counties that are developing or implementing their own cannabis regulatory and taxation programs. This data provides a wealth of previously unavailable information about the cannabis industry around the State.

For our analysis, we shall assume that wholesale cannabis businesses such as cultivators, manufacturers and distributors would primarily interact or do business with other cannabis businesses within a roughly one-hour radius. This would include the cities of Santa Cruz, Hollister, Salinas and Monterey, but would also extend as far as Greenfield and King City to the South and San Jose to the North. The three State licensing agencies have issued 394 cultivation licenses and 36 nursery licenses in Santa Cruz and Monterey counties, plus licenses for 98 distributors 70 manufacturers, 37 retailers, 6 microbusinesses and 2 testing laboratories (we have included nearby Hollister in these numbers). These numbers are shown below in Figure 4.

Figure 4:

Active Licenses in Nearby Communities								
City/County	Cultivation	Nursery	Distributor	Manufacturer	Retailer	Microbusiness	Testing Laboratory	Total
Watsonville	6	0	6	6	0	0	0	18
Santa Cruz (City)	4	0	12	19	6	3	2	46
Santa Cruz (County)	6	1	4	0	10	3	0	24
Salinas	228	20	32	11	8	0	0	299
Marina	0	0	0	0	1	0	0	1
Hollister	5	1	6	10	1	0	0	23
Greenfield	17	2	4	2	0	0	0	25
King City	10	2	10	11	2	0	0	35
Seaside	0	0	5	5	6	0	0	16
Monterey (City)	3	0	0	2	0	0	0	0
Monterey (County)	115	10	19	4	3	0	0	151
Total	394	36	98	70	37	6	2	643

Note: The number of licenses may not denote the number of businesses, as individual businesses may hold multiple licenses.

There are an additional 70 cannabis licenses held by businesses in San Jose, which would give cannabis businesses in Watsonville convenient access to over 700 businesses or licensees in the region. Ultimately, cannabis businesses in Watsonville would have easy access to the Bay Area as a whole, which would provide ample business opportunities and access to a strong customer base. In addition, a number of

cities within this region are currently in the process of permitting additional cannabis businesses or developing regulatory policies that will allow them to do so in the near future.

We anticipate that the number of cannabis businesses in the Santa Cruz/Monterey County region and the number of jurisdictions allowing and permitting them will continue to increase substantially over time. As this occurs, we would expect the decisions as to where these businesses choose to locate will be increasingly driven by the same market-based factors that influence such decisions for other types of businesses, including access to markets and consumers, available and appropriate industrial or commercial space, competitive lease rates, a ready talent pool, and a network of supporting businesses and industries. Just as businesses may choose to locate in a jurisdiction despite higher lease rates or property values, so too may they choose to overlook higher taxes, within reason. Taxes and regulations will be weighed along with all other advantages and disadvantages in determining where to locate.

The high number of licensed cannabis businesses within the Santa Cruz/Monterey County region suggests that there is already a large and diverse industry cluster that can provide a supportive network for additional cannabis businesses. Cultivators, manufacturers and distributors in Watsonville will find plenty of options for who to work with in bringing their products to market. On the other hand, the large number of businesses, and of nearby jurisdictions allowing and welcoming such businesses, also means that new cannabis businesses will have a number of available options for choosing where to locate. Higher tax rates may make locations in the City of Watsonville less competitive with other nearby jurisdictions.

III. Common Cannabis Tax Rates

There has been much discussion across the state about the impact that cannabis tax rates have had on the transition to a legal, regulated market. It has been widely reported that the illicit market still accounts for three-fourths of all cannabis sales in Californiaⁱ. The State of California originally estimated that it would take in \$1 billion annually from cannabis taxes, but the first full fiscal year (FY 18/19) saw just \$288 million in cannabis tax revenueⁱⁱ. This is just over one-fourth of the amount originally projected.

While taxation is clearly a significant issue for the cannabis industry, it is not the main reason for the persistence of the black market. The figures cited above are both directly proportional to the percentage of California's cannabis market that has no legal access. 75% of cities and counties in California continue to ban cannabis retailers outrightⁱⁱⁱ (along with other types of commercial cannabis businesses). For 75% of the state, the only access to cannabis is through the illicit market. Tax rates are irrelevant in those places where cannabis is banned.

Mapping those jurisdictions that allow legal cannabis retailers shows that consumers in more than 70% of California have to travel more than 30 minutes to their nearest licensed retailer^{iv}. Consumers in about 40% of the state have to drive an hour or more to access legal cannabis. Retail studies show that 93% of consumers are only willing to travel 15 to 20 minutes to make most routine purchases^v, which suggests that even many consumers who are within 30 minutes of their nearest cannabis retailer would likely turn to unlicensed delivery services, instead, due to convenience.

These bans on licensed retailers in turn limit the amount of the statewide market that is available to licensed growers, manufacturers and distributors. Basic economics tells us that all parts of the legal cannabis supply chain must be proportional to the size of the available market. Thus, lack of access for

retail sales limits the amount of cannabis cultivation, manufacturing of cannabis products, and wholesale distribution of legal cannabis. All of these, in turn, limit the amount of cannabis taxes collected by the State in direct proportion to the size of the available market.

Cannabis tax rates have been settling and stabilizing around the State since the beginning of 2018. Many cities instituted cannabis taxes prior to the implementation of statewide regulations, with a wide range of tax structures and rates as high as \$30 per square foot (for cultivation) or 18% of gross receipts. Some of these “early adopter” cities have since reduced their rates to be more competitive with common rates that are now emerging around the State.

The State of California applies two separate taxes to cannabis: a cultivation tax of \$9.65 per ounce of dried flower (\$2.87 per ounce of dried leaf or trim)¹ and an excise tax of 15% on the purchase of cannabis and cannabis products. These two separate State taxes can add up to 26% to consumer cannabis prices, even before any local taxes are contemplated. This leaves very little room for local jurisdictions to work within if they wish to remain under the total cumulative tax rate of 30%. This is an important benchmark to allow the local industry to compete against the illicit market and against other regulated cannabis businesses from around the State (see Attachment C; *State Tax Considerations*).

The City of Watsonville currently charges a rate of \$20 per square foot for cultivation, which includes any floor space used for nursery operations, whether to supply starts for the facility’s own on-site cultivation, or as a free-standing Type 4 nursery. This rate is far above what any other nearby jurisdiction charges for nurseries, as can be seen in Figure 5, below. Notably, the rates shown only apply to free-standing Type 4 nurseries, and not to nursery activities as a component of on-site cultivation.

Figure 5:

Cannabis Taxes in Nearby Jurisdictions						
	Cultivation	Nursery	Retail	Manufacture	Distributor	Testing
Watsonville Current	\$20/sf	\$20/sf	10.0%	2.5%	NA	NA
Watsonville Proposed	\$20/sf	\$1/sf	5.0%	2.5%	NA	NA
Salinas	\$15/sf	NA	5.0%	5.0%	5.0%	NA
Marina	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Hollister	\$7/sf	5.0%	5.0%	5.0%	5.0%	5.0%
Santa Cruz County	6.0%	7.0%	7.0%	6.0%	7.0%	7.0%
Monterey County	\$8/sf	\$1/sf	4.5%	3.5%	3.0%	1.0%
HdL Recommended	\$7/sf	\$1/sf	4.0%	2.5%	2.0%	1.0%
Gilroy and Morgan Hill currently prohibit all commercial cannabis activities.						
San Juan Bautista has a cannabis regulatory and tax program, but currently prohibits all commercial cannabis.						

The City’s proposed changes would bring the rates for retailers and manufacturers more in line with other jurisdictions and with the rates commonly recommended by HdL². However, the rates for cultivation

¹ Cannabis cultivation taxes increased on January 1, 2020 from their prior rates of \$9.25 per ounce of dried flower \$2.75 per ounce of dried leaf or trim.

² HdL recommends tax measures include both an initial rate and a maximum rate for each type of commercial cannabis activity. This table shows only the recommended initial rate.

would still be well-above the rates seen elsewhere. It should be noted that Monterey County's current rate of \$8 per square foot (for indoor cultivation) is a significant reduction from the initial rate of \$15 per square foot, which was scheduled to increase by steps up to \$25 per square foot by June 30th, 2022. Instead, the County revised their cultivation tax rate downward, along with the rates for other types of commercial cannabis activities. The County's cultivation tax rate is still set to increase by \$1 per square foot each year, starting July 1 of 2020, but only until it gets back up to the initial rate of \$15 per square foot. After that, the rate will increase in line with the Consumer Price Index (CPI).

The City's proposed rate change for nurseries would be squarely in line with what we see as prevailing rates, and with the rates HdL commonly recommends. It should be noted that Monterey County has the highest number of Type 4 nursery licenses of any county in California, with 118 of the state's 561 licenses total. The Monterey County rate thus sets a standard of sorts for nurseries around the state. As with the cultivation tax, the rate for nurseries is set to increase by \$1 per square foot each year until it reaches \$5 per square foot, after which it will increase in accordance with CPI.

Notably, Monterey County's Commercial Cannabis Business Tax defines a "Nursery" as *"a person that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of cannabis"*. This definition would not extend to nursery activities that are conducted by a cannabis cultivator only for purposes of providing their own in-house supply of clones, starts, or vegetative plants.

Monterey County defines "Canopy" as *"all areas occupied by any portion of a cannabis plant, inclusive of all vertical planes, whether contiguous or noncontiguous on any one site"*. The County further clarifies that the cultivation tax will be assessed *"per square foot of canopy authorized by each County permit"* and that *"In no case shall canopy square footage which is authorized by the permit or license but not utilized for cultivation be deducted for the purpose of determining the tax for cultivation"*. Monterey County's cultivation tax rate thus applies not only to areas being used for supportive nursery activities, but also to permitted square footage that is not being utilized³.

HdL has worked with numerous local agencies around the state to develop cannabis tax measures for the ballot. The initial range of tax rates for cannabis businesses other than cultivation commonly runs from 2% of gross receipts for distributors, to 2.5% for manufacturers, and up to 4% for retailers. These rates may be adjusted up to a maximum of 3%, 4% and 6%, respectively. The most common tax rates that HdL has recommended to our clients are shown in Figure 6, below.

³ Monterey County initially allowed for cultivators holding "temporary" licenses issued by CalCannabis to submit an initial registration form, which allowed the cultivator to self-declare the amount of actual canopy being cultivated, but temporary licenses ceased to be valid in April of 2019.

Figure 6:

Cannabis Business Type	Initial Rate	Maximum Rate
Cultivation (indoors)	\$7 per square foot	\$10 per square foot
Nursery	\$1 per square foot	\$2 per square foot
Manufacturing	2.5% of gross receipts	4% of gross receipts
Distribution	2% of gross receipts	3% of gross receipts
Retail	4% of gross receipts	6% of gross receipts
Testing	1% of gross receipts	2.5% of gross receipts

The table above includes HdL’s commonly recommended rates for both distribution and testing. However, the City’s 2016 cannabis tax ballot measure (Measure L) only contemplated taxes for cultivation, manufacturing and retail and did not include a tax on either distribution or testing. Given this, the City could not impose a tax on these business types without first placing the matter before the voters through another ballot measure. For this reason, our revenue projections exclude both testing and distribution.

We also note that while Measure L did not specifically include cannabis processors as a distinct business type, the definition for cultivation in Section 3-6.1202(c) includes *“any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis”*. For this reason, cannabis processors would be subject to the same tax rate as cannabis cultivators. However, we anticipate that most processors would function as an accessory to their cultivation activities, whether at the same facility or a separate location. It is difficult to estimate the average square footage that may be devoted to processing activities, and thus we are unable to develop meaningful revenue projections

IV. Cannabis Manufacturers

The manufacturing sector is still evolving and expanding, which presents significant opportunities for innovation, business development and job growth. The range of products being produced includes an ever-increasing variety of edibles such as candies, cookies, dressings, and infused (non-alcoholic) drinks. Manufacturers may produce their own extract on site, or they may buy extract from other Type 6 or Type 7 licensees. Much like any other industry, cannabis manufacturers often depend upon other businesses to supply them with the various materials or components that go into their final product. These suppliers do not have to be located in or even near the same jurisdiction as the final manufacturer and may be located anywhere throughout the state.

Some manufacturers may handle all steps from extraction to packaging the end product in the form of vape pens or other such devices. Others may handle only discreet steps, such as making the raw cannabis concentrate, which is then sold either directly to retailers or to a Type N manufacturer who will package it into vapor cartridges or other end consumer products. Manufacturers also produce a wide variety of tinctures, as well as topicals such as cannabis infused lotions, salves, sprays, balms, and oils.

As of February 3, 2020, the Manufactured Cannabis Safety Branch (MCSB) of the California Department of Public Health shows 991 cannabis manufacturing licenses statewide. Of these, 532 are for non-volatile extraction, 272 are for volatile extraction, 148 are for non-extraction manufacturing, 22 are for packaging

and labeling, and 17 are for manufacturers using a shared-use facility. These 991 businesses are owned by 957 separate companies⁴.

In its regulatory impact analysis, the MCSB estimated that there may ultimately be as many as 1,000 cannabis manufacturing businesses in California, employing around 4,140 people. This would indicate an average of 4 new jobs per manufacturer, though this figure likely varies significantly depending on the size and nature of each business. We believe these figures for both the potential number of cannabis manufacturing businesses and for the average number of employees to be on the low side. HdL is aware of individual manufacturers which have over 100 employees. While this may not be the norm, it demonstrates that cannabis manufacturers have the potential to far exceed the MCSB's early predictions.

HdL has reviewed pro-formas for numerous cannabis manufacturers seeking permits in counties and cities throughout California. From our review we have seen a range of gross receipts from around \$1 million to well over \$20 million, with an average in the range of \$2 million to \$3 million.

The City has so far issued 11 local permits for manufacturers, though one has since been revoked. All businesses appear to have also been issued licenses by the California Department of Public Health's Manufactured Cannabis Safety Branch (MCSB)^{vi}. The City has proposed increasing the number of permits for manufacturers up to 15. HdL believes that this is a very reasonable number, given the strong cannabis industry cluster in the surrounding region.

We have provided three scenarios to estimate the potential revenue that could be generated from a tax on cannabis manufacturers. The scenarios assume 9, 11 or 15 licenses for manufacturers, with a conservative average of \$2.4 million each. We have applied the current tax rate of 2.5%, as the City is not presently proposing to change it. We have also provided projections for rates of 3.0% and 4.0%, which is the maximum tax rate HdL recommends for manufacturers. These additional rates are provided only for reference and are not a recommendation, as higher tax rates or burdensome regulations can be expected to reduce both the number of businesses and their profitability. HdL believes the City's current rate of 2.5% is appropriate and competitive.

We have applied these rates to the 3 scenarios described above. With 9 manufacturers, a tax rate of 2.5% would generate an estimated \$540,000 in annual revenue for the City. A rate of 3.0% would generate \$648,000, and a rate of 4.0% would generate \$864,000. With 11 manufacturers, a tax rate of 2.5% would generate \$660,000, a rate of 3.0% would generate \$792,000 and a rate of 4.0% would generate \$1,056,000. With 15 manufacturing businesses, a rate of 2.5% would generate \$900,000, a rate of 3.0% would generate \$1,080,000 and a rate of 4.0% would generate \$1,440,000. These numbers are shown in Figure 7, below.

⁴ The number of businesses holding multiple manufacturing licenses is likely higher, as numerous names in the MCSB database appear to be slight variations

Figure 7:

Cannabis Manufacturers; HdL Recommended Rates						
Type 6/7/N/P Manufacturer	# of Licenses	Avg Gross Receipts	Total Gross Receipts	Revenue @ 2.5% Tax Rate	Revenue @ 3.0% Tax Rate	Revenue @ 4.0% Tax Rate
Scenario 1	9	\$2,400,000	\$21,600,000	\$540,000	\$648,000	\$864,000
Scenario 2	11	\$2,400,000	\$26,400,000	\$660,000	\$792,000	\$1,056,000
Scenario 3	15	\$2,400,000	\$36,000,000	\$900,000	\$1,080,000	\$1,440,000

HdL recommends that the City maintain the existing rate of 2.5% of gross receipts, as proposed. Depending upon the number of manufacturers, this rate would likely generate between \$540,000 and \$900,000 in annual cannabis tax revenue for the City.

V. Cultivation

The CalCannabis Division of the California Department of Food and Agriculture has been issuing temporary cultivation licenses since January 1, 2018. As of May 6, 2020, CalCannabis showed 4,178 active cultivation licenses statewide (not including nurseries or processors), held by 2,252 distinct businesses and comprising 788 acres of cultivation. We conservatively estimate these facilities to be capable of producing over 7.5 million pounds of cannabis per year. This is more than three times the estimated 2.5 million pounds per year consumed by all Californians, combined.

The cannabis cultivation market in California has already far exceeded its saturation point, which suggests that there is not enough room for those growers already licensed, much less new entrants into the market. Entry into this highly competitive marketplace can be filled with risk and requires ample capitalization and a clear marketing strategy to win shelf space. While cannabis cultivators may previously have been able to accept higher tax rates in exchange for the opportunity to be “first movers” in the marketplace, this is no longer the case.

The City of Watsonville’s revised cannabis facilities ordinance incorporates the definitions promulgated for the California Cannabis Cultivation Program in Division 8 of Title 3 of the California Code of Regulations §§ 8000 et seq, 3 CCR 8000. Section 8000(f) of these regulations defines “canopy” as the following:

(f) “Canopy” means the designated area(s) at a licensed premises, except nurseries and processors, that will contain mature plants at any point in time, as follows:

(1) Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain mature plants at any point in time, including all of the space(s) within the boundaries;

(2) Canopy may be noncontiguous but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, hoop house walls, garden benches, hedgerows, fencing, garden beds, or garden plots; and

(3) If mature plants are being cultivated using a shelving system, the surface area of each level shall be included in the total canopy calculation.

By incorporating these state definitions, the City's recent revisions allow any square footage used for nursery activities to be taxed at a lower rate than square footage used for cultivation of flowering plants. This change makes the City's method of measuring the cultivation area consistent with CDFA's. As already discussed in the previous Section V, *Nurseries*, we estimate that this change will reduce the overall tax liability for cultivation activities by about 16%.

We have provided 3 scenarios for purposes of estimating the revenue impacts of the City's recent changes. Scenario 1 assumes 6 indoor cultivation sites with an average of 5,000 square feet each. Scenario 2 assumes the same 6 indoor cultivation sites but with an average of 11,000 square feet. Scenario 3 assumes 22,000 square feet. For each of these scenarios, we have assumed 20% of the overall cultivation area is dedicated to on-site nursery activities, including cloning, starts and vegetative growth. This reduces the remaining area available for cultivation of mature, flowering plants.

In Figure 11 we have applied the City's current tax structure, which assesses a tax rate of \$20 per square foot to all cultivation area, whether it is used for mature plants or for nursery activities. Under Scenario 1, 6 cultivators with an average of 5,000 square feet each would generate \$600,000 in annual tax revenue for the City. Six cultivators with an average of 11,000 square feet would generate \$1,320,000, and six cultivators with an average of 20,000 square feet would generate \$2,640,000 in annual tax revenue for the City.

Figure 11:

Cannabis Cultivation; Previous Structure									
Indoor Cultivation	# of Sites	Average Square Footage	Canopy Area (80%)	Nursery Area (20%)	Total Cultivation Area	Total Nursery Area	Cultivation Tax @ \$20/sf	Nursery Tax @ \$20/sf	Total Tax Revenue
Scenario 1	6	5,000	4,000	1,000	24,000	6,000	\$480,000	\$120,000	\$600,000
Scenario 2	6	11,000	8,800	2,200	52,800	13,200	\$1,056,000	\$264,000	\$1,320,000
Scenario 3	6	22,000	17,600	4,400	105,600	26,400	\$2,112,000	\$528,000	\$2,640,000

In Figure 12 we have applied the City's revisions, which retain the rate of \$20 per square foot for all canopy area (areas which will contain mature plants) but reduce the rate for areas used only for nurseries to just \$1 per square foot. Applying these rates to 6 cultivators with an average of 5,000 square feet each would generate \$480,000 from cultivation of mature plants and another \$6,000 from related nursery activities, for a total of \$486,000 in annual revenue for the City. Six cultivators with an average of 11,000 square feet would generate \$1,056,000 in tax revenue from cultivation and an additional \$13,200 from nursery activities, for a total of \$1,069,200 in cannabis tax. Six cultivators with an average of 22,000 square feet would generate \$2,112,000 from cultivation and an additional \$26,400 from nursery activities, for a total of \$2,138,400 in annual cannabis tax revenue for the City.

Figure 12:

Cannabis Cultivation; Revised Structure									
Indoor Cultivation	# of Sites	Average Square Footage	Canopy Area (80%)	Nursery Area (20%)	Total Cultivation Area	Total Nursery Area	Cultivation Tax @ \$20/sf	Nursery Tax @ \$1/sf	Total Tax Revenue
Scenario 1	6	5,000	4,000	1,000	24,000	6,000	\$480,000	\$6,000	\$486,000
Scenario 2	6	11,000	8,800	2,200	52,800	13,200	\$1,056,000	\$13,200	\$1,069,200
Scenario 3	6	22,000	17,600	4,400	105,600	26,400	\$2,112,000	\$26,400	\$2,138,400

In Figure 13 we have applied HdL's recommended cultivation tax rate of \$7 per square foot (HdL commonly recommends an initial rate of \$7 and a maximum rate of \$10). HdL generally recommends that Type 4 cannabis nurseries be taxed at an initial rate of \$1 per square foot, with a maximum of \$2 per square foot, but this rate is only applied to Type 4 nurseries, where the clones, starts or non-flowering vegetative plants are sold as an end product to other licensed cultivators. A cultivator that is conducting their own nursery operations for internal purposes (not for outside sale) would pay the same tax rate for all square footage, whether it is used for cultivation of mature, flowering plants, or only for cloning, propagation, starts or vegetative growth.

Applying the rate of \$7 per square foot to 6 cultivators with an average of 5,000 square feet each would generate \$210,000 in annual revenue for the City. Six cultivators with an average of 11,000 square feet would generate \$462,000 in tax revenue, and six cultivators with an average of 22,000 square feet would generate \$924,000 in annual cannabis tax revenue for the City.

Figure 13:

Cannabis Cultivation; HdL Recommendations									
Indoor Cultivation	# of Sites	Average Square Footage	Canopy Area (80%)	Nursery Area (20%)	Total Cultivation Area	Total Nursery Area	Cultivation Tax @ \$7/sf	Nursery Tax @ \$7/sf	Total Tax Revenue
Scenario 1	6	5,000	4,000	1,000	24,000	6,000	\$168,000	\$42,000	\$210,000
Scenario 2	6	11,000	8,800	2,200	52,800	13,200	\$369,600	\$92,400	\$462,000
Scenario 3	6	22,000	17,600	4,400	105,600	26,400	\$739,200	\$184,800	\$924,000

HdL recognizes that the difference in revenue between the City's current tax rate and the rate commonly recommended by HdL is significant. However, the City currently only allows cultivation of up to 5,000 square feet, which must include any area used for cloning, starts or non-flowering vegetative growth. Under the current tax structure, the maximum revenue the City may receive would be \$600,000. With the proposed change in how nursery areas are assessed, that revenue would decrease to \$486,000. To generate more revenue than this, the City's 6 cultivators would have to succeed and expand in a highly competitive market. At the City's existing and proposed rates, the ability to expand from 5,000 square feet up to 22,000 square feet would be hampered by tax rates that are up to four times higher than in any other nearby jurisdiction, except for Salinas.

Applying the competitive rate recommended by HdL would generate significantly less revenue in a purely mathematical sense. The bigger question is whether the additional revenues from allowing increased cultivation area would actually materialize with the existing tax rate of \$20 per square foot, regardless of

the proposed changes to nursery areas. HdL believes that the lower tax rate would greatly increase the likelihood of business expansion and success. In other words, the City is far more likely to actually realize the \$924,000 projected under Scenario 3 with the HdL recommended rate than it is to realize the increased potential revenues with either the existing or proposed tax structures. To that degree, the City may want to look upon the \$924,000 figure as an increase over the current \$600,000, rather than as a decrease from an entirely hypothetical \$2 million.

VI. Nurseries

The City of Watsonville currently assesses its cannabis tax for cultivation at a rate of \$20 per square foot, regardless of whether that space is being used for cultivation of mature, flowering plants, or as a nursery for cloning, propagation and vegetative growth. The City is now considering a reduction of that rate down to \$7 per square foot for mature plants, but also allowing that the rate for any area that would only contain immature plants be reduced to just \$1 per square foot. Because of the limited number of cultivation licenses available, it is assumed that the City will only be host to nursery activities as an accessory for cultivation, not as a free-standing Type 4 nursery.

The CalCannabis division of the California Department of Food and Agriculture (CDFA) defines “canopy” as *“the designated area(s) at a licensed premises, except nurseries and processors, that will contain mature plants at any point in time”*. Notably, any nursery area is not included within the measured canopy area, so a cannabis grower with a Type 2A “small indoor” license for up to 10,000 square feet does not have to set aside a portion of their licensed cultivation area for cloning, propagation and vegetative growth. The entirety of their 10,000 square foot licensed cultivation area can be maintained for mature (flowering) plants⁵.

In analyzing the impact of the City’s proposed change, we must first estimate the percentage of cultivation area that is likely being used for nursery activities as defined. Nursery operations can vary greatly depending upon the methods and the types of tables or benches being used. Some cultivators may do all of their cloning and propagation in-house, while others may purchase 4” starts from a Type 4 nursery. Some cultivators may contract with a nursery to provide them with ready-to-flower vegetative plants, so that no floor space is given over to nursery functions.

Among those cultivation facilities that conduct all of their own cloning and propagation, there can be substantial differences in floor space utilization from the initial propagation to the finishing stage. Commonly, the initial propagation from the mother plant (or plants) takes about two weeks, during which the starts are held in an area equipped with misting systems. From there, the clones are transferred into a soil medium in small 4” pots (or similar) for another two to three weeks, after which they are again transferred into 1-gallon or 2-gallon (or larger) pots for another 4 weeks for finishing. Finally, when the plants are nearing maturity, they are moved to the designated cultivation area.

A fairly standard 10,000 square foot cultivation area with around 2,500 flowering plants may require up to 2,000 additional square feet for nursery operations to maintain a ready supply of vegetative plants

⁵ Though areas used for nursery or immature plants are not included within the designated cultivation area, they still must be shown on the premises diagram for the proposed cultivation business.

throughout the year. Though nursery regimens can vary greatly, a nursery area might commonly use 15% of its space for propagation and cloning, 25% for starts in 4" pots, and 60% for plants in the vegetative growth stage.

For purposes of our calculations, we will assume that the nursery and vegetative growth area necessary for a standard cultivation operation will use 20% of the cultivation area available. The City proposes to allow a maximum floor area of 11,000 square feet, which would have to include cultivation, nursery and processing. For purposes of illustration, we have constructed a model that assumes 8,000 square feet of cultivation, with an additional 1,600 square feet for nursery operations. Figure 9 below shows how reducing the tax rate for cultivation from \$20 to \$7 and reducing the rate for nursery area down to \$1 per square foot would reduce the effective tax paid for the operation by 70%.

Figure 9:

Current			
	Square feet	Tax Rate/SF	Tax Amount
Cultivation Area	8,000	\$20	\$160,000
Nursery Area	1,600	\$20	\$32,000
Total	9,600		\$192,000

Proposed			
	Square feet	Tax Rate/SF	Tax Amount
Cultivation Area	8,000	\$7	\$56,000
Nursery Area	1,600	\$1	\$1,600
Total	9,600		\$57,600

Reduction in taxes as a percentage: -70.00%

In Figure 10, we have applied a number of common assumptions to determine the effective tax rate as a percentage of gross receipts. Assuming 4 harvest cycles per year, a conservative yield of 1 pound per 10 square feet of cultivation, and a conservative price of \$1,000 per pound, our 8,000 square foot example would generate \$3.2 million in gross receipts per year. A tax liability of \$192,000 as shown in the "Current" example from Figure 9 would be equivalent to 6% of gross receipts. A tax liability of \$57,600 as shown in the "Proposed" example would be equivalent to 1.8% of gross receipts.

Figure 10:

Effective Gross Receipts Tax Rate								
Cultivation Type	Harvest Cycles /Year	Cultivation Area (sq ft)	Yield @ 1 lb/10 sf /cycle	Price per pound	Gross Receipts	Total Annual Tax Paid	Tax Rate per Pound	Tax Rate % Gross Receipts
Current	4	8,000	3,200	\$1,000	\$3,200,000	\$192,000	\$60.00	6.00%
Proposed	4	8,000	3,200	\$1,000	\$3,200,000	\$57,600	\$18.00	1.80%

These changes will reduce the effective tax rate for cultivation, and the resulting combined tax rate would be within the range of what we commonly recommend. Common cultivation tax rates of \$4 to \$7 per square foot equal a gross receipts tax rate of just 1.75% to 2.10%, putting the City's proposed rates well

within that range. We note that the City would have to assess the tax in two parts and would have to figure the square footage for each rate. While this adds an additional administrative step, we do not believe it would be problematic or prohibitive in any way.

VII. Cannabis Retailers

The City of Watsonville previously did not allow either storefront or non-storefront (delivery) cannabis retailers. The City will now allow for up to 3 storefront retailers, which would also be allowed to conduct sales via delivery. In addition, the City will now allow licensed cultivators and manufacturers to conduct retail sales of their own products via delivery, with a maximum of 7 such permits.

Retailers are the only cannabis business type that specifically serves the local community, rather than feeding into the statewide market, and so the number of retailers can be assumed to be somewhat proportional to the local population. Cannabis retailers address a local market demand which is generally assumed to exist within a given community regardless of whether there is any legal access. Consumer demand for cannabis is assumed to generally be a constant, regardless of its legal status or the availability of retailers, and so it's reasonable to expect that more retailers would mean fewer customers for each and, thus, lower gross receipts.

It has been anticipated that providing greater access to retailers would initially facilitate a shift in cannabis purchases happening through legal, regulated means rather than through the illicit market. Eventually, though, the local cannabis market will reach saturation, at which point new cannabis retailers will simply cannibalize sales from existing retailers. Essentially, both licensed and unlicensed cannabis retailers all divide the same pie. The taxable amount of gross sales will likely plateau at some point, regardless of the number of retailers.

Under California's regulatory program, it is anticipated that consumers will have little reason to purchase cannabis in the medical segment rather than buying in the adult use segment. Both medical and adult use cannabis will pay the State cultivation tax and excise tax, with the only advantage being an exemption from regular sales tax for qualifying patients with a State-issued identification card. Currently there are only 6,172 such cardholders in California, and just 324 cards were issued in all of Santa Cruz and Monterey counties combined in FY 2017/2018^{vii}. Eligibility for this limited sales tax exemption will cost consumers approximately \$100 per year, plus time and inconvenience, for a savings of 9.25% in Watsonville. It's anticipated that this will provide no price advantage for the majority of cannabis consumers^{viii}.

The Bureau of Cannabis Control projects that more than half of the adult use purchases currently in the illicit market will transition to the legal market to avoid the inconvenience, stigma and risks of buying unknown product through an unlicensed seller^{ix}. Essentially, the easier, cheaper and more reliable it is for consumers to access quality cannabis legally, the less reason they will have to purchase it through the illicit market. That same study projects that 60% of those currently in the legal, medical cannabis market will shift to the adult use market, for the reasons noted above. The availability of legal adult use cannabis is also anticipated to produce a small 9.4% increase in consumer demand. It must be noted, though, that this transition to legal sales is dependent upon the availability of legal access. The majority of cities and counties in California do not allow or permit cannabis retailers, which has buoyed a persistent black market.

The shift from medical to adult use sales is not expected to change the overall volume of sales, only the category into which they fall. Once the legal, adult use market is properly functioning and available throughout the state, it is anticipated to capture about 61.5% of the overall cannabis market in California. The legal medical cannabis market is projected to decline to just 9% of the overall market, though this projection may change due to the increasing popularity of CBD products. The other 29.5% is expected to remain in the illicit market*. The vast majority of retail licenses issued by the Bureau of Cannabis Control are for retailers who will operate both medical and adult use from the same premises.

Sales tax is collected at the point of purchase, which allows storefront cannabis retailers to capture sales tax dollars from outside of their host cities. This applies to cannabis retail taxes, too. Retail studies show that 93% of consumers are willing to travel 15 to 20 minutes to make most routine purchases^{xi}, meaning that storefront retailers in Watsonville would potentially be able to capture sales tax (and cannabis tax) from a much larger area extending generally from as far away as Aptos, Moss Landing and Aromas. However, the region is already well served by 38 existing retailers, as shown in Figure 16, and each of these nearby communities has other retail options that would be as close, if not closer, than Watsonville.

Figure 16:

Retail Licenses in Nearby Communities			
City/County	Retailer	Microbusiness w/ Retail	Total
Watsonville	0	0	0
Santa Cruz (City)	6	1	7
Santa Cruz (County)	10	0	10
Salinas	8	0	8
Marina	1	0	1
Hollister	1	0	1
Greenfield	0	0	0
King City	2	0	2
Seaside	6	0	6
Monterey (City)	0	0	0
Monterey (County)	3	0	3
Total	37	1	38

For purchases made via delivery, the point of purchase is considered to be the location where the goods trade hands. Thus, while storefront retailers may capture sales and cannabis tax dollars from outside of the City, delivery services cannot. For this reason, the customer base for our analysis of potential cannabis tax revenue would not extend beyond the City's population of 54,000.

Estimates of the percentage of the population that uses cannabis on a regular basis vary from around 10% to 13%^{xii}, up to as high as 22%^{xiii}. This percentage is influenced by social acceptance of cannabis within the local community. Applying these estimates to the City's population of 54,000 would yield between roughly 5,427 and 11,880 potential cannabis consumers. However, we anticipate that some portion of cannabis sales would be lost to consumers making routine trips to nearby cities such as Santa Cruz,

Hollister or Salinas. For purposes of our projections we have estimated this leakage factor at 20% which brings our consumer base down to between 4,342 and 9,504.

Cannabis retailers typically average around 120 customers per day^{xiv}, with an average transaction of \$73 and an average frequency of twice a month^{xv}. This produces a range of annual gross receipts generated by cannabis consumers within the available market of between \$7.6 million and \$16.7 million.

As discussed previously, some 70% of cannabis sales in California remain in the black market. This is primarily due to lack of access to legal, licensed cannabis retailers, but it remains a factor even in areas where licensed retailers are common. We commonly allow for up to 60% leakage to illicit delivery services, but due to the large number of retailers in the region we have estimated such leakage at just 30% for Watsonville. This would reduce the adjusted annual gross receipts to between \$5.3 million and \$11.7 million.

The City's current tax rate for retailers is 10%, which is significantly above the rates HdL commonly recommends. Applying this rate to our demand-based model would generate between \$532,000 and \$1,166,000 in annual revenue for the City. However, we caution that such a high rate would likely increase the amount of leakage to both the illicit market and to other jurisdictions, which would reduce the amount of tax revenue.

The City is proposing to reduce the tax rate on retailers to 5.0%, which is within HdL's recommended range of 4.0% to 6.0%. Applying a tax rate of 4.0% to our estimated range would generate annual tax revenues between \$213,000 and \$466,000. The City's proposed initial rate of 5.0% would generate between \$266,000 and \$583,000, and HdL's maximum recommended rate of 6.0% would generate between \$319,000 and \$699,000. These estimates and all of the calculations discussed are shown in Figure 17, below.

Figure 17:

Revenue Projections for Cannabis Retailers			
	Low Estimate	"Best" Estimate	High Estimate
Watsonville population	54,000	54,000	54,000
Percentage of population that uses cannabis	10%	13%	22%
Number of cannabis users	5,427	7,020	11,880
Leakage to other jurisdictions (20%)	1,085	1,404	2,376
Total customer base	4,342	5,616	9,504
Average transaction amount	\$73	\$73	\$73
Transaction frequency (per month)	2	2	2
Monthly gross receipts	\$633,874	\$819,936	\$1,387,584
Annual gross receipts	\$7,606,483	\$9,839,232	\$16,651,008
Leakage to black market (30%)	\$2,281,945	\$2,951,770	\$4,995,302
Adjusted annual gross receipts	\$5,324,538	\$6,887,462	\$11,655,706
Cannabis business tax rate:			
4.00%	\$212,982	\$275,498	\$466,228
5.00%	\$266,227	\$344,373	\$582,785
6.00%	\$319,472	\$413,248	\$699,342
10.00%	\$532,454	\$688,746	\$1,165,571

Applying these estimates to the City's proposed 3 storefront retailers would suggest a range of gross receipts from roughly \$1.8 million to \$3.9 million for each retailer. We anticipate that these would likely fall at the lower end of this range. In addition, the City will also allow cannabis cultivators and manufacturers to seek non-storefront retailer licenses, but only for the purposes of delivering their own products to retail customers within the City of Watsonville. While this may be beneficial for those businesses, we do not anticipate that it would increase to overall amount of retail cannabis sales or related tax revenue.

VIII. APPENDIX

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a. Legal and Regulatory Background for California

The legal and regulatory status of cannabis in the State of California has been continually evolving ever since the passage of Proposition 215, the Compassionate Use Act of 1996 (CUA), which de-criminalized the use, possession and cultivation of cannabis for qualifying patients and their primary caregivers when such use has been recommended by a physician. The CUA did not create any regulatory program to guide implementation, nor did it provide any guidelines for local jurisdictions to establish their own regulations. The lack of legal and regulatory certainty for medical marijuana (or cannabis) continued for nearly 20 years, until the passage of the Medical Cannabis Regulation and Safety Act (MCRSA) in October of 2015. MCRSA created a State licensing program for commercial medical cannabis activities, while allowing counties and cities to maintain local regulatory authority. MCRSA required that the State would not issue a license without first receiving authorization by the applicable local jurisdiction.

On November 8, 2016, the voters of the State of California approved Proposition 64, the Adult Use of Marijuana Act (AUMA), which allows adults 21 years of age or older to legally grow, possess, and use marijuana for personal, non-medical “adult use” purposes, with certain restrictions. AUMA requires the State to regulate non-medical marijuana businesses and tax the growing and selling of medical and non-medical marijuana. Cities and counties may also regulate non-medical marijuana businesses by requiring them to obtain local permits or restricting where they may be located. Cities and counties may also completely ban marijuana related businesses if they so choose. However, cities and counties cannot ban transport of cannabis products through their jurisdictions, nor can they ban delivery of cannabis by licensed retailers to addresses within their jurisdiction (added later through regulations).

On June 27, 2017, the Legislature enacted SB 94, which repealed MCRSA and incorporated certain provisions of MCRSA into the licensing provisions of AUMA. These consolidated provisions are now known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). MAUCRSA revised references to “marijuana” or “medical marijuana” in existing law to instead refer to “cannabis” or “medicinal cannabis,” respectively. MAUCRSA generally imposes the same requirements on both commercial medicinal and commercial adult-use cannabis activity, with certain exceptions. MAUCRSA also made a fundamental change to the local control provisions. Under MCRSA, an applicant could not obtain a State license until they had a local permit. Under MAUCRSA, an applicant for a State license does not have to first obtain a local permit, but they cannot be in violation of any local ordinance or regulations. The State licensing agency shall contact the local jurisdiction to see whether the applicant has a permit or is in violation of local regulations, but if the local jurisdiction does not respond within 60 days, then the applicant will be presumed to be in compliance and the State license will be issued.

MAUCRSA authorizes a person to apply for and be issued more than one license only if the licensed premises are separate and distinct. With the passage of AB 133 in 2017, a person or business may co-locate multiple license types on the same premises, allowing a cultivator to process, manufacture or distribute their own product from a single location. This includes the allowance to cultivate, manufacture, distribute or sell cannabis for both medical and adult use from a single location. Licensees of cannabis testing operations may not hold any other type of license. However, these allowances are still subject to local land use authority, so anyone seeking to operate two or more license types from a single location would be prohibited from doing so unless local regulations allow both within the same zone.

The table below provides a detailed overview of the license types available under MAUCRSA and state cannabis regulations:

State License Types Under MAUCRSA					
Type	Activity	Description	Details	Licensing Agency	Notes
1	Cultivation	Outdoor; Specialty, Small	Up to 5,000 sf, or 50 plants on non-contiguous plots	CDFA	A, B
1A	Cultivation	Indoor; Specialty, Small	501 sf - 5,000 sf	CDFA	A, B
1B	Cultivation	Mixed-Light; Specialty, Small	2,501 sf - 5,000 sf	CDFA	A, B
1C	Cultivation	Outdoor/indoor/mixed; Specialty Cottage, Small	Up to 25 plants outdoor; up to 2,500 sf mixed light; up to 500 sf indoor	CDFA	A, B
2	Cultivation	Outdoor; Small	5,001 sf - 10,000 sf	CDFA	A, B
2A	Cultivation	Indoor; Small	5,001 sf - 10,000 sf	CDFA	A, B
2B	Cultivation	Mixed Light, Small	5,001 sf - 10,000 sf	CDFA	A, B
3	Cultivation	Outdoor; Medium	10,001 sf - one acre	CDFA	A, B, C
3A	Cultivation	Indoor; Medium	10,001 sf - 22,000 sf	CDFA	A, B, C
3B	Cultivation	Mixed-Light; Medium	10,001 sf - 22,000 sf	CDFA	A, B, C
4	Cultivation	Nursery		CDFA	A, B
-	Cultivation	Processor	Conducts only trimming, drying, curing, grading and packaging of cannabis	CDFA	A, B, E
5	Cultivation	Outdoor; Large	Greater than 22,000 sf	CDFA	A, B, D
5A	Cultivation	Indoor; Large	Greater than 22,000 sf	CDFA	A, B, D
5B	Cultivation	Mixed-Light; Large	Greater than 22,000 sf	CDFA	A, B, D
6	Manufacturer 1	Extraction; Non-volatile	Allows infusion, packaging and labeling	OMCS	A, B
7	Manufacturer 2	Extraction; Volatile	Allows infusion, packaging and labeling, plus non-volatile extraction	OMCS	A, B
N	Manufacturer	Infusion for Edibles, Topicals	No extraction allowed	OMCS	A, B, E
P	Manufacturer	Packaging and Labeling	No extraction allowed	OMCS	A, B, E
S	Manufacturer	Shared-use manufacturer	Manufacturing in a shared-use facility	OMCS	A, B, E
8	Testing		Shall not hold any other license type	BCC	A
9	Retailer	Non-storefront retail delivery	Retail delivery without a storefront	BCC	A, F
10	Retailer	Retail sale and delivery		BCC	A, B
11	Distributor			BCC	A, B
12	Microbusiness	Cultivation, Manufacturer 1, Distributor and Retailer	< 10,000 sf of cultivation; must meet requirements for all license types	BCC	A, B
CDFA	California Department of Food and Agriculture				
OMCS	California Department of Public Health, Office of Manufactured Cannabis Safety				
BCC	Bureau of Cannabis Control				
A	All license types valid for 12 months and must be renewed annually				
B	All license types except Type 8 Testing must be designated "A" (Adult Use), "M" (Medical) or "A/M" (Both)				
C	CDFA shall limit the number of licenses allowed of this type				
D	No Type 5 licenses shall be issued before January 1, 2023				
E	Established through rulemaking process				

AUMA, and its successor MAUCRSA, required three state agencies, the Bureau of Cannabis Control, the California Department of Food and Agriculture, and the California Department of Public Health, to permit commercial cannabis licensees and to adopt regulations for the cannabis industry. On January 16, 2019, all three agencies announced that the state's Office of Administrative Law officially approved state regulations, which took immediate effect and replaced emergency regulations that had been in effect since 2017. The final regulations were largely similar to the emergency regulations, but somewhat controversially, Section 5416(d) of the Bureau of Cannabis Control regulations authorizes deliveries of cannabis products into any city or county in the state, even if a city or county has banned commercial deliveries.

b. State Tax Considerations

To determine what local tax rates might be most appropriate, they must be considered in the context of other taxes imposed by the State. Any local taxes will be in addition to those taxes applied through the Adult Use of Marijuana Act (AUMA), which imposes both a 15% excise tax on purchases of cannabis or cannabis products and a separate cultivation tax on harvested cannabis that enters the commercial market, as well as sales tax. Taxes are most commonly expressed as a percent of price or value, so some method of conversion is necessary to allow development of an appropriate cultivation tax based on square footage.

The State tax rate for cultivation is set at \$9.65 per ounce of dried flower or \$2.87 per ounce of dried leaf. Because these rates are set per ounce, rather than as a percentage of price paid, the tax is the same whether the cultivator is producing commercial-grade cannabis at \$500 per pound or top-grade cannabis at \$2,500 per pound. The cultivator is generally responsible for payment of the tax, though that responsibility may be passed along to either a manufacturer or distributor via invoice. at the time the product is first sold or transferred. The distributor is responsible for collecting the tax from the cultivator upon entry into the commercial market, and remitting it to the California Department of Tax and Fee Administration.

Cumulative Cannabis Taxes			
Category	Amount	Increase	Cumulative Price
Producer Price	\$1,000	\$1,000	\$1,000
State Cultivation Tax, per oz.	\$9.65	\$154	\$1,154
Local Tax	5.00%	\$50	\$1,204
Batch Testing	\$75/lb, + 0.75%	\$75	\$1,279
Wholesale Price w/ Taxes		\$1,279	
Total Tax at Wholesale		\$279	
Tax as %		27.94%	
Distributor Markup	20.00%	\$256	\$1,535
Local Tax	2.50%	\$38	\$1,574
Total Distributor Price		\$1,574	
Total Taxes at Distributor		\$318	
Total Tax as %		20.19%	
Retailer Markup	100.00%	\$1,574	\$3,147
Local Tax	10.00%	\$315	\$3,462
State Excise Tax	15.00%	\$472	\$3,934
Total Retailer Price		\$3,934	
Total Taxes at Retail		\$1,105	
Total Tax as %		28.08%	
CA Sales Tax (non-medical)	6.25%	\$246	\$4,180
Local Sales Taxes	3.00%	\$118	\$4,298
Total Taxes at Retail		\$1,469	
Total Tax as %		34.17%	
Total Local Tax		12.12%	\$521.14

The cultivation tax of \$9.65 per ounce of dried flower is equivalent to \$154 per pound. Just a year ago, HdL would have assumed an average wholesale market price for dried flower of around \$1,500 per pound, which would make that \$154 equal to 10% of value. Since then, however, prices have plummeted. Oversupply and market saturation have brought the average price for indoor cannabis down to around \$1,000 per pound, or even less (cannabis prices vary greatly based on quality of the product).

Conversations with cannabis industry trade groups suggest that the cumulative tax rate on the end product should remain at or around 30%. Higher rates create too much price disparity between legal and illegal cannabis, making it harder for the regulated industry to compete with the illicit market. Higher local tax rates can also make a county or city less attractive to the industry, especially for manufacturers and distributors, which have greater flexibility in choosing where to locate. We believe that setting rates that adhere to this 30% rule will help keep the local cannabis industry competitive with other cultivators across California, thus encouraging the transition to a legal industry.

The above table shows how the cumulative tax rate on adult-use cannabis builds as the product moves towards market. The value of the product increases as it moves through the supply chain towards market, with manufacturers, distributors and retailers each adding their own markup. Testing laboratories do not add a direct markup to the product, but the cost of testing and the loss of a small test sample can add around \$75 per pound. Any or all of these activities may be taxed.

This model assumes a hypothetical case where cultivation, manufacturing, testing, distribution and retail sale all happen within the same jurisdiction and are thus all subject to that jurisdiction's tax rates. In actuality, this is unlikely to be the case. Manufacturers may work with product purchased from anywhere in California, and may sell their product to retailers elsewhere, as well. The cumulative tax burden for any product at retail sale will almost always include a variety of tax rates from numerous jurisdictions.

c. General Economic Impacts

Discussion of regulating and taxing the cannabis industry can too often overshadow the larger jobs and economic development issues that typically accompany efforts to attract new industry. Word that a new business or industry is looking to bring hundreds of new jobs to a community is more commonly met with open arms and offers of tax incentives. The cannabis industry is perhaps completely unique in that the inherent jobs and economic development benefits are welcomed more grudgingly and met with the disincentive of special taxes.

As with any other industry, the cannabis industry does not exist in a vacuum. Those businesses that actually grow, process, manufacture, distribute and sell cannabis products support a wide variety of other businesses that may never touch the actual product itself. Cultivators support garden supply stores, green house manufacturers, irrigation suppliers, soil manufacturers, and a wide variety of contractors including building and construction, lighting and electrical, HVAC, permitting, and engineering. Manufacturers support many of these same businesses, plus specialized tooling and equipment manufacturers, and product suppliers for hardware, packaging, and labeling. All of these businesses support, and are supported by, a host of ancillary businesses such as bookkeepers, accountants, tax preparers, parcel services, marketing and advertising agencies, personnel services, attorneys, mechanics, facilities maintenance, security services, and others.

The economic benefits are not limited to those in the cannabis industry, itself. Cultivators bring new money into the community by selling their products into a statewide market. Their profits and the salaries they pay move into the general local economy, supporting stores, restaurants, car dealerships, contractors, home sales and other businesses. In Humboldt County, a study done in 2011 found that at least \$415 million dollars in personal income was entering the local economy annually from the cannabis industry, roughly equal to one quarter of the county's entire \$1.6 billion economy.

While Humboldt is likely an outlier, research done by HdL for other clients suggests that other counties and cities see similar, if smaller, economic inputs from this industry, with some in the range of \$100 million dollars or more annually. As this industry adapts to a legal paradigm, the challenge for some counties will be mitigating and minimizing the economic loss as the black market slowly fades away.

Because of the emerging nature of this industry, it is currently populated primarily (but not solely) by small, independently-owned businesses. Numerous studies have demonstrated that locally-owned, independent businesses recirculate a far higher percentage of every dollar back into the local community than large, corporately-owned businesses do. The same economic development arguments that are used to support other independent, locally-owned businesses apply to this industry, too. Host cities or counties should expect to see typical economic benefits from these new (or newly daylighted) businesses on par with other new businesses, separate from any tax revenue that may be generated.

Industry experts believe that California's current statewide production is five to eight times higher than the State's population consumes, a figure derived from the SRIA done for CDFA's cannabis cultivation program. That assessment found that California's cannabis industry produces some 13.5 million pounds of cannabis per year, which would be enough to provide over half a pound of cannabis per year for every Californian 21 and over. However, the assessment also found that California's 4.5 million cannabis users only consume about 2.5 million pounds of cannabis per year.

The Bureau of Cannabis Control projects that more than half of the adult use purchases currently in the illicit market will transition to the legal market to avoid the inconvenience, stigma and risks of buying unknown product through an unlicensed seller. Essentially, the easier, cheaper and more reliable it is for consumers to access quality cannabis legally, the less reason they will have to purchase it through the illicit market. That same study projects that 60% of those currently in the legal, medical cannabis market will shift to the adult use market, for the reasons noted above. The availability of legal adult use cannabis is also anticipated to produce a small 9.4% increase in consumer demand.

Given these figures, cities and counties should expect to see some increase in retail sales as these shifts occur in the market. More significantly, the existence of legally permitted cannabis retailers will allow a far greater portion of existing cannabis sales to be captured by legal (and tax-paying) retailers.

The shift from medical to adult use sales is not expected to change the overall volume of sales, only the category into which they fall. Once the legal, adult use market is properly functioning, it is anticipated to capture about 61.5% of the overall cannabis market in California. The legal medical cannabis market is projected to decline to just 9% of the overall market. The other 29.5% is expected to remain in the illicit market.

These numbers only apply to the 2.5 million pounds of cannabis that is consumed in California, representing the potential size of the legal cannabis market. If 29.5% of the cannabis consumed in California continues to come from the illicit market, then the size of the market for legal cannabis must be adjusted downward accordingly. This would reduce the size of the legal market in California to 1.76 million pounds.

California has been issuing temporary licenses for commercial cannabis businesses since the beginning of the year. As of July 30th, 2019, CDFA's CalCannabis division shows 2,619 active cultivation licenses, capable of producing over 5.6 million pounds of cannabis per year. This amounts to over twice as much cannabis as the State's legal buyers are anticipated to consume. Were the State to issue no more licenses, we would still expect a failure rate of at least 40% in the next two years.

d. References

ⁱ Patrick McGreevy (December 24, 2019), *"Two years in, California's legal marijuana industry is stuck. Should voters step in?"*, Los Angeles Times, <https://www.latimes.com/california/story/2019-12-24/two-years-california-legal-marijuana-industry-is-stuck>

ⁱⁱ Ibid

ⁱⁱⁱ Ibid

^{iv} Brad Branon and Nathaniel Levine (March 22, 2018), *"Weed is legal. But this map shows just how much of California is a 'pot desert'"*, Sacramento Bee, <https://www.sacbee.com/news/california/california-weed/article205524479.html>

^v Ross Marchant (2014) *"Consumers will Travel 17 Minutes to Reach a Local Business"* <https://www.brightlocal.com/2014/05/01/local-business-travel-times/> Bright Local

^{vi} California Department of Public Health, Manufactured Cannabis Safety Branch, License Search, <https://www.cdph.ca.gov/Programs/CEH/DFDCS/MCSB/Pages/licensesearch.aspx>, accessed October 10, 2019

^{vii} California Department of Public Health (2018) *"Medical Marijuana Identification Card Program"* <https://www.cdph.ca.gov/Programs/CHSI/Pages/Medial-Marijuana-Identification-Card.aspx>

^{viii} *"Economic Costs and Benefits of Proposed Regulations for the Implementation of the Medical Cannabis Regulation and Safety Act (MCRSA)"* (February 23, 2017) University of California Agricultural Issues Center

^{ix} *"Economic Costs and Benefits of Proposed Regulations for the Implementation of the Medical Cannabis Regulation and Safety Act (MCRSA)"* (February 23, 2017) University of California Agricultural Issues Center

^x *"Economic Costs and Benefits of Proposed Regulations for the Implementation of the Medical Cannabis Regulation and Safety Act (MCRSA)"* (February 23, 2017) University of California Agricultural Issues Center

^{xi} Ross Marchant (2014) *"Consumers will Travel 17 Minutes to Reach a Local Business"* <https://www.brightlocal.com/2014/05/01/local-business-travel-times/> Bright Local

^{xii} CBS News (2018) *"17 stoner states: Where's marijuana use highest?"* <https://www.cbsnews.com/pictures/17-stoner-states-where-marijuana-use-highest/9/>

^{xiii} Christopher Ingraham (April 20, 2017) *"How many Americans regularly use pot? The number is, errr, higher than you think"* Sacramento Bee <http://www.sacbee.com/news/nation-world/national/article145681414.html>

^{xiv} Eli McVey, et al. (2017) *"Marijuana Business Factbook 2017"* Marijuana Business Daily

^{xv} Eli McVey, et al. (2017) *"Marijuana Business Factbook 2017"* Marijuana Business Daily

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
WATSONVILLE AMENDING SECTIONS 3-6.1202 (DEFINITIONS) AND
3-6.1206 (AMOUNT OF TAX OWED) OF ARTICLE 12 (WATSONVILLE
CANNABIS BUSINESS TAX) OF CHAPTER 6 (TAXATION) OF TITLE 3
(ZONING) OF THE WATSONVILLE MUNICIPAL CODE**

WHEREAS, the Council, by Resolution No. 111-16 (CM) called a General Municipal Election to be held in the City of Watsonville on November 8, 2016, as required by law, for the purpose of submitting to the qualified electors of the City a measure whether to impose a tax on cannabis cultivation of not more than \$20 per square foot per year of canopy area, not more than 2.5% on gross receipts from manufactured cannabis product, and not more than 10% on gross receipts from the retail sale of cannabis; and

WHEREAS, Measure L was codified as Article 12 of Chapter 6 of Title 3 of the Municipal Code; and

Ord No. _____ (CM)
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WHEREAS, §3-6.1232 of Measure L provides that Article 12 may be repealed or amended by the Council without a vote of the people, so long as the rate of any tax is not increased; and

WHEREAS, subdivision (c) of §3-6.1232 further provides that Council action that interprets or clarifies the methodology of the tax, or any definition applicable to the tax, is not not an increase in the rate of tax, so long as such interpretation or clarification (even if contrary to some prior interpretation or clarification) is not inconsistent with Measure L; and

WHEREAS, the Council finds that the changes to the definitions in § 3-6.1202 merely interprets and clarifies the definitions set forth in Measure L and are consistent with the language of Measure L; and

WHEREAS, the Council finds that the changes in the amount of tax owed as set forth in Section 3-6.1206 and the tax rate as set forth in § 3-6.1206 are consistent with Measure L.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

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CHAPTER 6 TAXATION

Article 12. Watsonville Cannabis Business Tax

SECTION 1. ENACTMENT.

Article 12 (Watsonville Cannabis Business Tax) of Chapter 6 (Taxation) of Title 3 (Finance) of the Watsonville Municipal Code is hereby amended by deleting Sections 3-6.1202 (Definitions) and 3-6.1206 (Amount of tax owed) in their entirety and replacing with new Sections 3-6.1202 (Definitions) and 14-18.326 (Amount of tax owed) to read in words and figures and follows:

Sec. 3-6.1202 Definitions.

The definitions in this section shall govern the application and interpretation of this chapter.

The definitions promulgated for the California Cannabis Cultivation Program in Division 8 (Cannabis Cultivation) of Title 3 (Food and Agriculture) of the California Code of Regulations Section 8000 et seq., 3 CCR 8000.

The definitions promulgated for the California Bureau of Cannabis Control in Division 42 (Bureau of Cannabis Control) of Title 16 (Professional and Vocational Regulations) of the California Code of Regulations Section 5000 et seq., 16 CCR 5000.

(a) "Business" shall include all activities engaged in or caused to be engaged in within the City, including any commercial or industrial enterprise, trade, profession, occupation, vocation, calling, or livelihood, whether or not carried on for gain or profit, but shall not include the services rendered by an employee to his or her employer.

(b) "Cannabis processing" shall mean the drying, curing, grading, or trimming of cannabis within a permitted cannabis cultivation facility or as part of a standalone cannabis processing facility.

(c) "Cultivated area" shall mean any area indoors that is the greater of either:

(1) the total area of a property that is densely or primarily occupied by cannabis cultivation; or

(2) one square foot per juvenile or mature cannabis plant on the parcel.

(d) "Employee" shall mean each and every person engaged in the operation or conduct of any business, whether as owner, member of the owner's family, partner, associate, agent, manager or solicitor, and each and every other person employed or working in such business for a wage, salary, commission or room and board.

(e) "Engaged in business" shall mean the commencing, conducting, operating, managing or carrying on of a cannabis business and the exercise of corporate or franchise powers, whether done as owner, or by means of an officer, agent, manager, employee, or otherwise, whether operating from a fixed location in the City or coming into the City from an outside location to engage in such activities. A person shall be deemed engaged in business within the City if:

(1) Such person or person's employee maintains a fixed place of business within the City for the benefit or partial benefit of such person;

(2) Such person or person's employee owns or leases real property within the City for business purposes;

(3) Such person or person's employee regularly maintains a stock of tangible personal property in the City for sale in the ordinary course of business;

(4) Such person or person's employee regularly conducts solicitation of business within the City;

(5) Such person or person's employee performs work or renders services in the City on a regular and continuous basis involving more than five (5) working days per year;

(6) Such person or person's employee utilizes the streets within the City in connection with the operation of motor vehicles for business purposes.

The foregoing specified activities shall not be a limitation on the meaning of "engaged in business."

(f) "Evidence of doing business" shall mean whenever any person shall, by use of signs, circulars, cards or any other advertising media, including the use of Internet or telephone solicitation, represent that such person is engaged in cannabis business in the City, then these facts may be used as evidence that such person is engaged in business in the City.

(g) "Gross receipts," except as otherwise specifically provided, shall mean the total amount actually received or receivable from all sales; the total amount or compensation actually received or receivable for the performance of any act or service, of whatever nature it may be, for which a charge is made or credit allowed, whether or not such act or service is done as a part of or in connection with the sale of materials, goods, wares or merchandise; discounts, rents, royalties, fees, commissions, dividends, and gains realized from trading in stocks or bonds, however designated. Included in "gross receipts" shall be all receipts, cash, credits and property of any kind or nature,

without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor or service costs, interest paid or payable, or losses or other expenses whatsoever, except that the following shall be excluded therefrom:

- (1) Cash discounts allowed and taken on sales;
- (2) Credit allowed on property accepted as part of the purchase price and which property may later be sold, at which time the sales price shall be included as gross receipts;
- (3) Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;
- (4) Such part of the sale price of any property returned by purchasers to the seller as refunded by the seller by way of cash or credit allowances or return of refundable deposits previously included in gross receipts;
- (5) Receipts from investments where the holder of the investment receives only interest and/or dividends, royalties, annuities and gains from the sale or exchange of stock or securities solely for a person's own account, not derived in the ordinary course of a business;
- (6) Receipts derived from the occasional sale of used, obsolete or surplus trade fixtures, machinery or other equipment used by the taxpayer in the regular course of the taxpayer's business;
- (7) Cash value of sales, trades or transactions between departments or units of the same business;
- (8) Whenever there are included within the gross receipts amounts which reflect sales for which credit is extended and such amount proved uncollectible in a subsequent year, those amounts may be excluded from the

gross receipts in the year they prove to be uncollectible; provided, however, if the whole or portion of such amounts excluded as uncollectible are subsequently collected, they shall be included in the amount of gross receipts for the period when they are recovered;

(9) Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded when in excess of one and no/100s (\$1.00) dollar;

(10) Amounts collected for others where the business is acting as an agent or trustee and to the extent that such amounts are paid to those for whom collected. These agents or trustees must provide the Finance Department with the names and the addresses of the others and the amounts paid to them. This exclusion shall not apply to any fees, percentages, or other payments retained by the agent or trustees.

(h) "Gross receipts" subject to the business tax shall be that portion of gross receipts relating to business conducted within the City.

(i) "Cannabis business" or "medical cannabis business" shall mean either of the following:

(1) Any location where cannabis is distributed, delivered, dispensed, sold or given away to a qualified patient, a person with an identification card, or a primary caregiver.

(2) Any vehicle or other mode of transportation, stationary or mobile, which is used to transport, distribute, deliver, dispense, or give away cannabis to a qualified patient, a person with an identification card, or a primary caregiver.

(3) Notwithstanding subsections (k)(1) and (k)(2) of this section, "medical cannabis business" shall not include any of the following:

(i) A residence or dwelling unit in which a resident may possess and cultivate amounts of cannabis in compliance with State law.

(j) "Cannabis business tax," "business tax" or "cannabis tax" shall mean the tax due for engaging in cannabis business in the City of Watsonville.

(k) "Person" shall mean, without limitation, any natural individual, organization, firm, trust, common law trust, estate, partnership of any kind, association, syndicate, club, joint stock company, joint venture, limited liability company, corporation (including foreign, domestic, and nonprofit), cooperative, receiver, trustee, guardian, or other representative appointed by order of any court.

(l) "Sale" shall mean and includes any sale, exchange, or barter.

(m) "Finance Director" shall mean the Director of Finance for the City of Watsonville or such other person designated by the City Manager from time to time to administer this chapter.

Sec. 3-6.1206 Amount of tax owed.

(a) Cultivation. Every person who engages in the business of cannabis cultivation in the City shall pay an annual tax of not to exceed twenty and no/100ths (\$20.00) dollars per square foot per year (\$20.00/SF/YR) of canopy area. The tax shall be paid monthly to the Finance Director. Notwithstanding the maximum tax rate of twenty and no/100ths (\$20.00) dollars per square foot per year imposed under this subsection, the City Council may, in its discretion, at any time by ordinance, adopt a lower tax rate for cannabis cultivation, as defined in such ordinance, subject to the

maximum rate set forth in this subsection. The Council may by ordinance also increase the tax from time to time, not to exceed the maximum tax of this subsection.

(1) The Cannabis tax shall be set at \$10 per square foot for flowering canopy, and \$1 per square foot for immature and/or nursery plants.

(2) The Cannabis tax shall be set at 2% of gross receipts for processing.

(b) Manufacturers. Every person who engages in the business of manufactured cannabis or manufacture of cannabis products in the City shall pay to the City a tax of not more than two and one-half percent (2.5%) of gross receipts. The tax shall be paid monthly in arrears to the Finance Director at the rate of eight and thirty-three-one-hundredths (8.33%) percent of the annual tax per month or any portion of a month. Notwithstanding the maximum tax rate of two and one-half (2.5%) percent of gross receipts imposed under this subsection, the Council may, in its discretion, at any time by ordinance, implement a lower tax rate for all cannabis manufacture businesses as defined in such ordinance, subject to the maximum rate set forth in this subsection. The Council may by ordinance also increase any such tax rate from time to time, not to exceed the maximum tax rate established in this subsection. The cannabis business tax for manufacturers is set at two and one-half (2.5%) percent of gross receipts from the manufacture of cannabis or manufactured cannabis products in the City through and including February 2018 to allow collection and analysis of such data as may be determined by the City Council to be appropriate to consider any change in the initial two and one-half (2.5%) percent rate after February 2018.

(c) Retail Sales. Every person engaged in retail cannabis sales business, including but not limited to a retail cannabis business in the City shall pay a business tax

of no more than ten percent (10%) of gross receipts. The tax shall be paid monthly to the Finance Director. Notwithstanding the maximum tax rate of ten (10%) percent of gross receipts imposed under this subsection, the Council may, in its discretion, at any time by ordinance, implement a lower tax rate for all retail cannabis sales, as defined in such ordinance, subject to the maximum ten percent (10%) above. The Council may by ordinance also increase any such tax rate from time to time, not to exceed the maximum tax rate established under this subsection. The cannabis business tax for retail sales is set at five (5%) percent of gross receipts from retail sales of cannabis, and cannabis products.

SECTION 2. PUBLICATION.

This ordinance shall be published in the Watsonville Register-Pajaronian and/or Santa Cruz Sentinel in compliance with the provisions of the Charter of the City of Watsonville.

SECTION 3. EFFECTIVE DATE.

This ordinance shall be in force and take effect thirty (30) days after its final adoption.

ORDINANCE NO. Introduction (CM)

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AMENDING SECTIONS 3-6.1202 (DEFINITIONS) AND 3-6.1206 (AMOUNT OF TAX OWED) OF ARTICLE 12 (WATSONVILLE CANNABIS BUSINESS TAX) OF CHAPTER 6 (TAXATION) OF TITLE 3 (FINANCE) OF THE WATSONVILLE MUNICIPAL CODE

Amends Ordinance No. 1330-16 (CM) Pursuant to §3-6.1232

WHEREAS, the Council, by Resolution No. 111-16 (CM) called a General Municipal Election to be held in the City of Watsonville on November 8, 2016, as required by law, for the purpose of submitting to the qualified electors of the City a measure whether to impose a tax on cannabis cultivation of not more than \$20 per square foot per year of canopy area, not more than 2.5% on gross receipts from manufactured cannabis product, and not more than 10% on gross receipts from the retail sale of cannabis; and

WHEREAS, the voters in the City of Watsonville at the election conducted on November 8, 2016, enacted the Watsonville Cannabis Business Tax Measure (Measure L); and

WHEREAS, Measure L was codified as Article 12 of Chapter 6 of Title 3 of the Municipal Code; and

WHEREAS, § 3-6.1202 provides in pertinent part that notwithstanding the maximum tax rates for cultivation, manufactures and dispensary sales set forth in subdivisions (a), (b) and (c) of § 3-6.1206, the Council may, in its discretion, at any time by ordinance, adopt a lower tax rate, and

WHEREAS, §3-6.1232 of Measure L provides that Article 12 may be repealed or amended by the Council without a vote of the people, so long as the rate of any tax is not increased; and

WHEREAS, subdivision (c) of §3-6.1232 further provides that Council action that interprets or clarifies the methodology of the tax, or any definition applicable to the tax, is not an increase in the rate of tax, so long as such interpretation or clarification (even if contrary to some prior interpretation or clarification) is not inconsistent with Measure L; and

WHEREAS, the Council finds that the changes to the definitions in § 3-6.1202 merely interprets and clarifies the definitions set forth in Measure L and are consistent with the language of Measure L; and

WHEREAS, the Council finds that the changes in the amount of tax owed as set forth in Section 3-6.1206 and the tax rate as set forth in § 3-6.1206 are consistent with Measure L.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

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CHAPTER 6 TAXATION

Article 12. Watsonville Cannabis Business Tax

SECTION 1. ENACTMENT.

Article 12 (Watsonville Cannabis Business Tax) of Chapter 6 (Taxation) of Title 3 (Finance) of the Watsonville Municipal Code is hereby amended by deleting Sections 3-6.1202 (Definitions) and 3-6.1206 (Amount of tax owed) in their entirety and replacing with new Sections 3-6.1202 (Definitions) and 14-18.326 (Amount of tax owed) to read in words and figures and follows:

Sec. 3-6.1202 Definitions.

The definitions in this section shall govern the application and interpretation of this chapter.

The definitions promulgated for the California Cannabis Cultivation Program in Division 8 (Cannabis Cultivation) of Title 3 (Food and Agriculture) of the California Code of Regulations Section 8000 et seq., 3 CCR 8000.

The definitions promulgated for the California Bureau of Cannabis Control in Division 42 (Bureau of Cannabis Control) of Title 16 (Professional and Vocational Regulations) of the California Code of Regulations Section 5000 et seq., 16 CCR 5000.

(a) "Business" shall include all activities engaged in or caused to be engaged in within the City, including any commercial or industrial enterprise, trade, profession, occupation, vocation, calling, or livelihood, whether or not carried on for gain or profit, but shall not include the services rendered by an employee to his or her employer.

~~_(b) "Cannabis processing" shall mean the drying, curing, grading, or trimming of cannabis within a permitted cannabis cultivation facility or as part of a standalone cannabis processing facility.~~

(~~b~~e) "Cultivated area" shall mean any area indoors that is the greater of either:

- (1) the total area of a property that is densely or primarily occupied by cannabis cultivation; or
- (2) one square foot per juvenile or mature cannabis plant on the parcel.

(~~c~~d) "Employee" shall mean each and every person engaged in the operation or conduct of any business, whether as owner, member of the owner's family, partner, associate, agent, manager or solicitor, and each and every other person employed or working in such business for a wage, salary, commission or room and board.

(~~d~~e) "Engaged in business" shall mean the commencing, conducting, operating, managing or carrying on of a cannabis business and the exercise of corporate or franchise powers, whether done as owner, or by means of an officer, agent, manager, employee, or otherwise, whether operating from a fixed location in the City or coming into the City from an outside location to engage in such activities. A person shall be deemed engaged in business within the City if:

- (1) Such person or person's employee maintains a fixed place of business within the City for the benefit or partial benefit of such person;
- (2) Such person or person's employee owns or leases real property within the City for business purposes;

(3) Such person or person's employee regularly maintains a stock of tangible personal property in the City for sale in the ordinary course of business;

(4) Such person or person's employee regularly conducts solicitation of business within the City;

(5) Such person or person's employee performs work or renders services in the City on a regular and continuous basis involving more than five (5) working days per year;

(6) Such person or person's employee utilizes the streets within the City in connection with the operation of motor vehicles for business purposes.

The foregoing specified activities shall not be a limitation on the meaning of "engaged in business."

(ef) "Evidence of doing business" shall mean whenever any person shall, by use of signs, circulars, cards or any other advertising media, including the use of Internet or telephone solicitation, represent that such person is engaged in cannabis business in the City, then these facts may be used as evidence that such person is engaged in business in the City.

(fe) "Gross receipts," except as otherwise specifically provided, shall mean the total amount actually received or receivable from all sales; the total amount or compensation actually received or receivable for the performance of any act or service, of whatever nature it may be, for which a charge is made or credit allowed, whether or not such act or service is done as a part of or in connection with the sale of materials, goods, wares or merchandise; discounts, rents, royalties, fees, commissions, dividends, and gains realized from trading in stocks or bonds, however designated. Included in "gross receipts" shall be all receipts, cash, credits and property of any kind or nature,

without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor or service costs, interest paid or payable, or losses or other expenses whatsoever, except that the following shall be excluded therefrom:

- (1) Cash discounts allowed and taken on sales;
- (2) Credit allowed on property accepted as part of the purchase price and which property may later be sold, at which time the sales price shall be included as gross receipts;
- (3) Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;
- (4) Such part of the sale price of any property returned by purchasers to the seller as refunded by the seller by way of cash or credit allowances or return of refundable deposits previously included in gross receipts;
- (5) Receipts from investments where the holder of the investment receives only interest and/or dividends, royalties, annuities and gains from the sale or exchange of stock or securities solely for a person's own account, not derived in the ordinary course of a business;
- (6) Receipts derived from the occasional sale of used, obsolete or surplus trade fixtures, machinery or other equipment used by the taxpayer in the regular course of the taxpayer's business;
- (7) Cash value of sales, trades or transactions between departments or units of the same business;
- (8) Whenever there are included within the gross receipts amounts which reflect sales for which credit is extended and such amount proved uncollectible in a subsequent year, those amounts may be excluded from the

gross receipts in the year they prove to be uncollectible; provided, however, if the whole or portion of such amounts excluded as uncollectible are subsequently collected, they shall be included in the amount of gross receipts for the period when they are recovered;

(9) Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded when in excess of one and no/100s (\$1.00) dollar;

(10) Amounts collected for others where the business is acting as an agent or trustee and to the extent that such amounts are paid to those for whom collected. These agents or trustees must provide the Finance Department with the names and the addresses of the others and the amounts paid to them. This exclusion shall not apply to any fees, percentages, or other payments retained by the agent or trustees.

(gh) "Gross receipts" subject to the business tax shall be that portion of gross receipts relating to business conducted within the City.

(hi) "Cannabis business" or "medical cannabis business" shall mean either of the following:

(1) Any location where cannabis is distributed, delivered, dispensed, sold or given away to a qualified patient, a person with an identification card, or a primary caregiver.

(2) Any vehicle or other mode of transportation, stationary or mobile, which is used to transport, distribute, deliver, dispense, or give away cannabis to a qualified patient, a person with an identification card, or a primary caregiver.

(3) Notwithstanding subsections (k)(1) and (k)(2) of this section, "medical cannabis business" shall not include any of the following:

(i) A residence or dwelling unit in which a resident may possess and cultivate amounts of cannabis in compliance with State law.

(j) "Cannabis business tax," "business tax" or "cannabis tax" shall mean the tax due for engaging in cannabis business in the City of Watsonville.

(k) "Person" shall mean, without limitation, any natural individual, organization, firm, trust, common law trust, estate, partnership of any kind, association, syndicate, club, joint stock company, joint venture, limited liability company, corporation (including foreign, domestic, and nonprofit), cooperative, receiver, trustee, guardian, or other representative appointed by order of any court.

(l) "Sale" shall mean and includes any sale, exchange, or barter.

(m) "Finance Director" shall mean the Director of Finance for the City of Watsonville or such other person designated by the City Manager from time to time to administer this chapter.

Sec. 3-6.1206 Amount of tax owed.

(a) Cultivation. Every person who engages in the business of cannabis cultivation in the City shall pay an annual tax of not to exceed twenty and no/100ths (\$20.00) dollars per square foot per year (\$20.00/SF/YR) of canopy area. The tax shall be paid monthly to the Finance Director. Notwithstanding the maximum tax rate of twenty and no/100ths (\$20.00) dollars per square foot per year imposed under this subsection, the City Council may, in its discretion, at any time by ordinance, adopt a lower tax rate for cannabis cultivation, as defined in such ordinance, subject to the

maximum rate set forth in this subsection. The Council may by ordinance also increase the tax from time to time, not to exceed the maximum tax of this subsection.

(1) The Cannabis tax shall be set at \$10 per square foot for flowering canopy, and \$1 per square foot for immature and/or nursery plants.

~~(2) The Cannabis tax shall be set at 2% of gross receipts for processing.~~

(b) Manufacturers. Every person who engages in the business of manufactured cannabis or manufacture of cannabis products in the City shall pay to the City a tax of not more than two and one-half percent (2.5%) of gross receipts. The tax shall be paid monthly in arrears to the Finance Director at the rate of eight and thirty-three-one-hundredths (8.33%) percent of the annual tax per month or any portion of a month. Notwithstanding the maximum tax rate of two and one-half (2.5%) percent of gross receipts imposed under this subsection, the Council may, in its discretion, at any time by ordinance, implement a lower tax rate for all cannabis manufacture businesses as defined in such ordinance, subject to the maximum rate set forth in this subsection. The Council may by ordinance also increase any such tax rate from time to time, not to exceed the maximum tax rate established in this subsection. The cannabis business tax for manufacturers is set at two and one-half (2.5%) percent of gross receipts from the manufacture of cannabis or manufactured cannabis products in the City through and including February 2018 to allow collection and analysis of such data as may be determined by the City Council to be appropriate to consider any change in the initial two and one-half (2.5%) percent rate after February 2018.

(c) Retail Sales. Every person engaged in retail cannabis sales business, including but not limited to a retail cannabis business in the City shall pay a business tax

of no more than ten percent (10%) of gross receipts. The tax shall be paid monthly to the Finance Director. Notwithstanding the maximum tax rate of ten (10%) percent of gross receipts imposed under this subsection, the Council may, in its discretion, at any time by ordinance, implement a lower tax rate for all retail cannabis sales, as defined in such ordinance, subject to the maximum ten percent (10%) above. The Council may by ordinance also increase any such tax rate from time to time, not to exceed the maximum tax rate established under this subsection. The cannabis business tax for retail sales is set at five (5%) percent of gross receipts from retail sales of cannabis, and cannabis products.

SECTION 2. PUBLICATION.

This ordinance shall be published in the Watsonville Register-Pajaronian and/or Santa Cruz Sentinel in compliance with the provisions of the Charter of the City of Watsonville.

SECTION 3. EFFECTIVE DATE.

This ordinance shall be in force and take effect thirty (30) days after its final adoption.



Irwin Ortiz <irwin.ortiz@cityofwatsonville.org>

City of Watsonville Amendment to Cannabis Business Tax Rates1 message

Seth Smith <seth@scva.us>
To: cityclerk@cityofwatsonville.org
Cc: Jason Sweatt <jason@scva.us>

Mon, Mar 8, 2021 at 11:57 AM

Dear Watsonville City Clerk's Office,

Please find attached a letter of support from Santa Cruz Veterans Alliance (SCVA) for the staff recommended amendments to the current City of Watsonville cannabis business tax rates - to be discussed at tomorrow's city council meeting.

I respectfully request that this letter be disseminated to all city council members at your convenience. Thank you for your time and assistance and have a great week.

Kind Regards,
-Seth

--

Seth Smith
U.S. Navy OIF/OEF
Chief Compliance Officer
Santa Cruz Veterans Alliance - Charlie Mike, Inc.
email: seth@scva.us
web: www.scva.us



SCVA Letter of Support_Watsonville Tax Amendments.pdf
265K



274 Kearney St • Watsonville, CA 95076 • (831) 431-6347 • Email: jason@scva.com

Date: 9 March 2021

To: City of Watsonville Council Members and Staff

250 Main St.

Watsonville, CA 95076

RE: Letter of Support for the Staff-Recommended Amendments to Watsonville Cannabis Business Tax Rates

Dear Watsonville City Council Members and Staff:

My name is Jason Sweatt and I am the CEO and cofounder of Santa Cruz Veterans Alliance (SCVA). SCVA was the first cannabis business operator to receive a CUP for cannabis cultivation from the City of Watsonville and we were the first to become fully operational in 2018. I am writing to you to voice SCVA's support for the recommended amendments to the City of Watsonville Cannabis Tax Ordinance that would lower tax rates for cannabis cultivation and retail sales. I would also like to respectfully request that you consider lowering the cultivation (non nursery) tax further.

As the staff report on this issue acknowledges, cannabis companies must pay attention to costs like taxes when choosing where to locate and operate their businesses and, **"...Watsonville's tax rates are higher than any other jurisdiction in the area except for the manufacturing tax."** The City of Hollister, for example, has set its cannabis cultivation tax rate at **\$7 per square foot**, and in the City of Fresno the cultivation tax rate is **\$6 per square foot**.

Lowering the City of Watsonville cannabis cultivation tax rate to compete with these cities would not only attract new business, it would also allow existing cannabis cultivators in the city to reinvest those funds back into their businesses through additional local hiring and expansion of existing facilities. It would also make the city's existing businesses more attractive to potential sources of investment, which would impact our ability to hire additional staff and build out new facilities quickly.

I would like to thank city staff for preparing this report and the city council for considering these amendments. SCVA hopes to grow in and with the City of Watsonville for many years to come.

Respectfully,

Jason Sweatt
CEO, SC Veterans Alliance

Modification of Cannabis Tax Ordinance



Background

- November, 2016, Measure L passed
- Created maximum tax rate for cannabis uses

Business Type	Tax Rate
Cultivation	\$20/square foot
Manufacturing	2.5% gross receipts
Retail	10% (set at 7%)

Why Now?

City is in the middle of permitting for new cannabis retail, cultivation, processing, distribution, delivery and manufacturing businesses

City's tax rates must be competitive with nearby jurisdictions:

- 1 - reduce black market
- 2 - allow local businesses to compete



Process

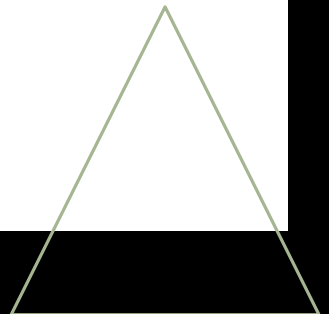
WMC Chapter 3-6.1 232 allows modifications to the Cannabis Tax Ordinance for the following:

- (a) ***Decrease tax rate***
- (b) Increase tax rate but no more than maximum limit adopted by voters
- (c) ***Clarifications to administration of the tax, as long as a new tax is not created***
- (d) Establish an exempt class of people from the tax; or
- (e) The collection of the tax imposed by this chapter, even if the City had, for some period of time, failed to collect the tax.



Current Cannabis Tax Rate

Type of Business	Tax Rate
Cultivation	\$20/square foot
Manufacturing	2.5%
Retail Sales	7%



Cannabis Taxes in Nearby Jurisdictions

	Cultivation	Nursery	Retail	Manufacture
Watsonville	\$20/sf	\$20/sf	7%	2.5%
Salinas	\$15/sf	NA	5%	5%
Marina	5%	5%	5%	5%
Hollister	\$7/sf	5%	5%	5%
Santa Cruz County	6%	7%	7%	6%
Monterey County	\$8/sf	\$1/sf	4.5%	3.5%
City of Santa Cruz	6%	6%	7%	6%

Cultivation Tax

Cannabis Business Type	Current Rate	Proposed Rate
Flowering Canopy	\$20/sf	\$10/sf
Nursery/Immature Plants	\$20/sf	\$1/sf
Processing	NA	NA

Cannabis Cultivation: Proposed Structure

Cultivation	#Sites	Avg SF	Canopy area (80%)	Nursery area (20%)	Cultivation tax @ \$10/sf	Nursery Tax @ \$1 /sf	Total Revenue
Scenario 1	6	5,000	4,000	1,000	\$240,000	\$6,000	\$246,000
Scenario 2	6	11,000	8,800	2,200	\$528,000	\$13,200	\$541,200
Scenario 3	6	22,000	17,600	4,400	\$1,056,000	\$26,400	\$1,082,400

Retail Sales


Retail Cannabis Taxes in Nearby Jurisdictions

	Retail
Watsonville	7%
Salinas	5%
Marina	5%
Hollister	5%
Santa Cruz County	7%
Monterey County	4.5%
City of Santa Cruz	7%


Estimated annual revenue with 5% tax would be \$266,227-\$582,785 per year from 3 dispensaries

Estimated Annual Tax Revenue

Business Type	# Permits	Proposed Rate	Revenue- Low End	Revenue- High End
Cultivation	6	\$10/sf	\$246,000	\$1,082,400
Nursery	6	\$1 /sf	\$6,000	\$26,400
Processing	2	2%	\$3,600	\$40,000
Manufacturing	15	2.5%	\$900,000	\$900,000
Retail	3	5%	\$266,227	\$582,785
Total			\$1,418,227	\$2,591,585

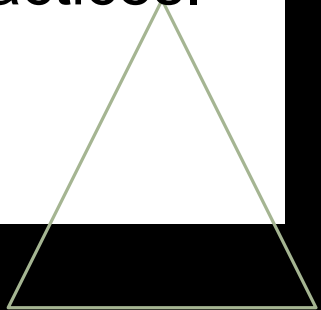


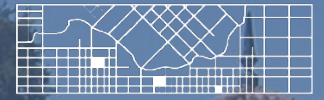
Department	Portion of Tax Revenue	Low-End	High-End
Police Department – Personnel	20%	\$283,645	\$518,317
Fire Department – Personnel	15%	\$212,734	\$388,737
Community Development Department – Personnel	20%	\$283,645	\$518,317
Parks and Community Services – Personnel	15%	\$212,734	\$388,737
Parks and Community Services - Programming	10%	\$141,822	\$259,158
Library – Personnel and Resources	8%	\$113,458	\$207,326
Non Profit Grants – Recipients Determined by Council	12%	\$170,187	\$310,990





Staff Recommendation

1. Amend Chapter 3-6 to adjust cannabis tax rates as follows:
 - 5% tax on gross receipts for retail cannabis; and
 - \$10 per square foot tax of canopy area for cannabis cultivation; and
 - \$1 per square foot tax of canopy area for cannabis nurseries and immature plants; and
 - Remove the definition of Processing and the 2% processing tax rate for cannabis processors,
 2. Amend Chapter 3-6 text to meet current state regulations and best practices.
- 



raimi+
associates

City of Watsonville

Downtown Specific Plan + EIR

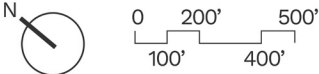
City Council Briefing | March 9, 2021



Study Area



- Specific Plan Boundary
- Rail Line
- Park/Open Space
- Waterway



Progress Report to Date

Specific Plan Process and Schedule

We are here



Existing Conditions + Visioning

Review existing conditions, identify issues and opportunities and develop a long term vision for Downtown.

Alternatives

Create and refine land use and mobility alternatives.

Plan Development + EIR Preparation

Craft development and design regulation and conduct environmental analysis.

Review + Adoption

Public and decision makers to review and adopt the Specific Plan.

Project Kickoff

Summer 2020

1 Advisory Committee Meeting

Winter 2021 - Spring 2021

3 Advisory Committee Meetings

Spring 2021 - Fall 2021

3 Advisory Committee Meetings

Winter 2022

1 Advisory Committee Meeting

Community Engagement

Progress To Date

■ Existing Conditions Reports

- Market Assessment
- Noise Evaluation
- Transportation
- Utility Systems
- Water Supply
- Land Use and Urban Design

■ Downtown Character Areas

- Downtown Core
- Civic Core
- Commercial “Flex”
- Workspace / Industrial
- “Flex” Neighborhoods – (East & West)

■ Vision Themes and Guiding Principles

■ Land Use and Mobility Alternatives

Community Engagement Efforts to Date

- Stakeholder Interviews
- Advisory Committee Meetings (3)
- Community-Wide Visioning Workshop (1)
- Community-Wide Surveys (2)
 - Strengths, Issues, and Opportunities Survey (666 respondents)
 - Draft Themes and Guiding Principles Feedback (100 comments)

What we've heard so far...

What we have heard so far...

Strengths of the Downtown

- Watsonville is a **unique community** with agriculture, wine, art, education, and nature themes
- **Charming historic architecture** and character
- **The Plaza is the Crown Jewel** of the downtown
- **Farmer's Market** has a distinct character and draws people to the downtown
- Recent streetscape improvements, beautifying the streets
- **Murals and art!**
- Scale of **downtown very walkable**
- The neighborhoods in and surrounding Downtown provide affordable housing for residents

What we have heard so far...

Key Issues Facing Downtown

Identity and functionality

- No real destination or cohesive identity
- **Lacking synergy** between residents and businesses
- Lack of density downtown, not enough people live there to activate it
- **Little opportunity to be social** at night
- Lack of wayfinding signage
- **Cleanliness**
- **Not ADA compliant**

Traffic and Safety

- **Main Street is too auto-centric**, people driving too fast
- Pedestrian and cyclist safety
- Main Street **congestion/traffic**

What we have heard so far...

Key Issues Facing Downtown

Social Issues

- People experiencing **homelessness and mental health issues**
- Resetar and clientele

Demographic changes

- Fear of **gentrification**
- Concerns about **displacement**
- **Small local business preservation**
- Concern with migration from the Bay area

What we have heard so far...

Opportunities in the Downtown

- Fox Theater and Mansion House both hold **great potential**
- **More housing** is needed (both market rate, low income, and affordable)
- Desire to see **more diverse uses and activities**
- **Cabrillo College** brings young people to the downtown, but need a place to go or something to do
- **Kitchen and retail incubators and Digital Nest** establish fresh momentum to build off of

What we have heard so far...

Opportunities in the Downtown

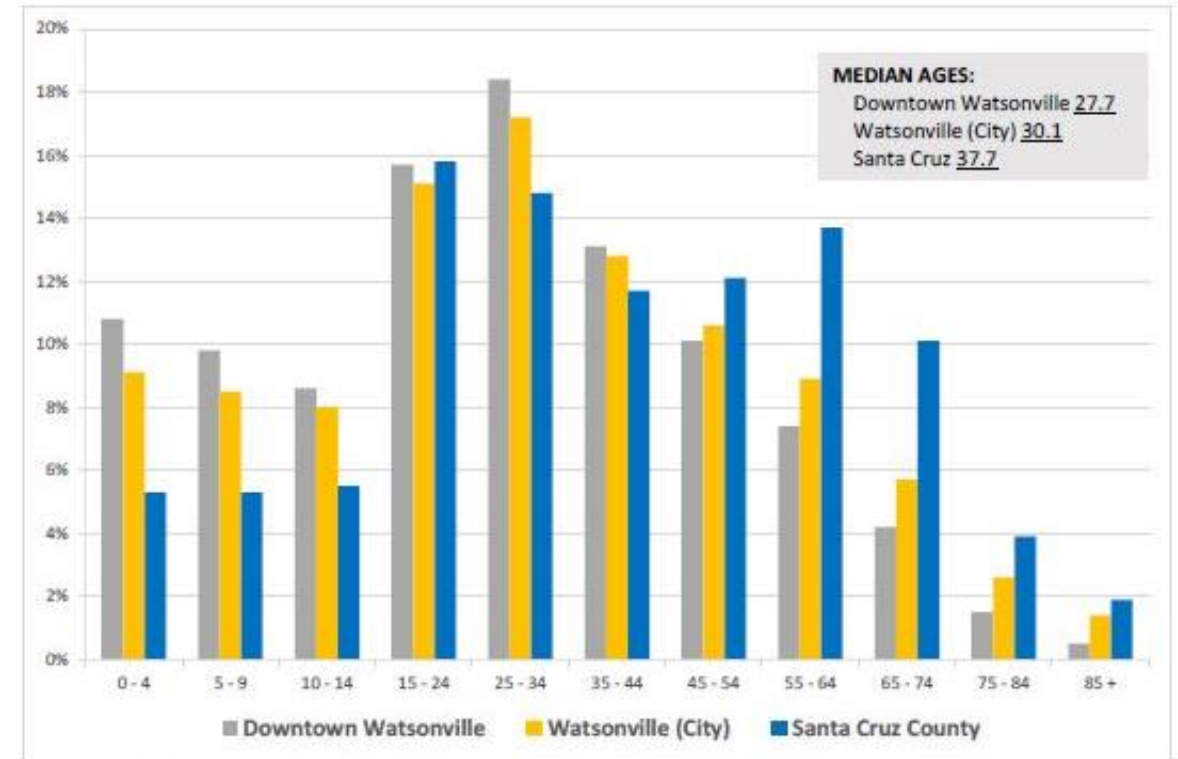
- **Strong non-profit presence** providing services to residents
- Space for new businesses to come in and **provide essential missing services/needs**
- Main Street roadway very wide - **opportunity to widen sidewalks, add bike lane or parklets**
- Recently **approved alcohol ordinance allows new uses** within the downtown
- **Sustainability and community health** and is highly valued by community members

Downtown Existing Conditions

Downtown Demographics

- 2,193 residents, 711 households (2019)
 - 4% of the City population
- Median age –
 - Downtown - 27.7 years
 - City - 30.1 years
- Diverse racial and ethnic mix in both the City and Downtown
 - 90% Hispanic origin in Downtown

Age Distribution 2019

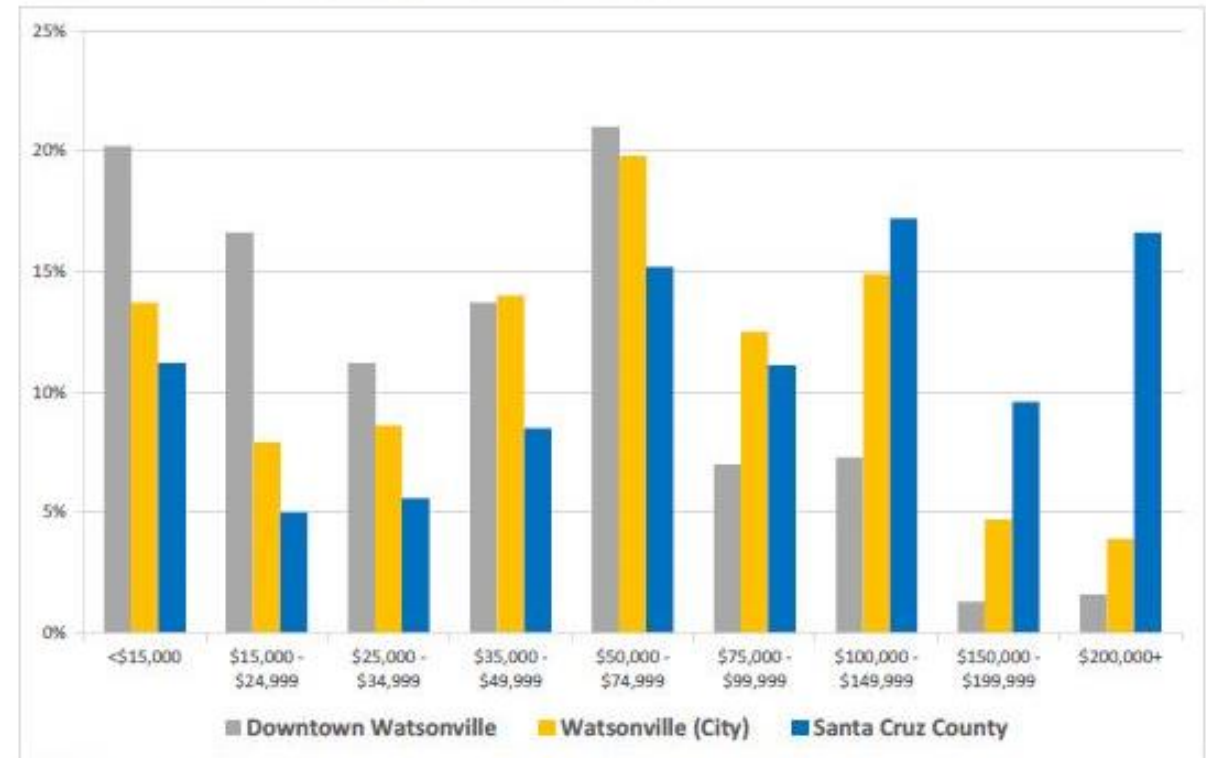


Sources: US Census Bureau, ESRI Business Analyst, Economic & Planning Systems, Inc.

Downtown Demographics

- 2,193 residents, 711 households (2019)
 - 4% of the City population
- Median household income
 - Downtown - \$36,500
 - Citywide - \$55,000
- Pockets of very high-cost housing

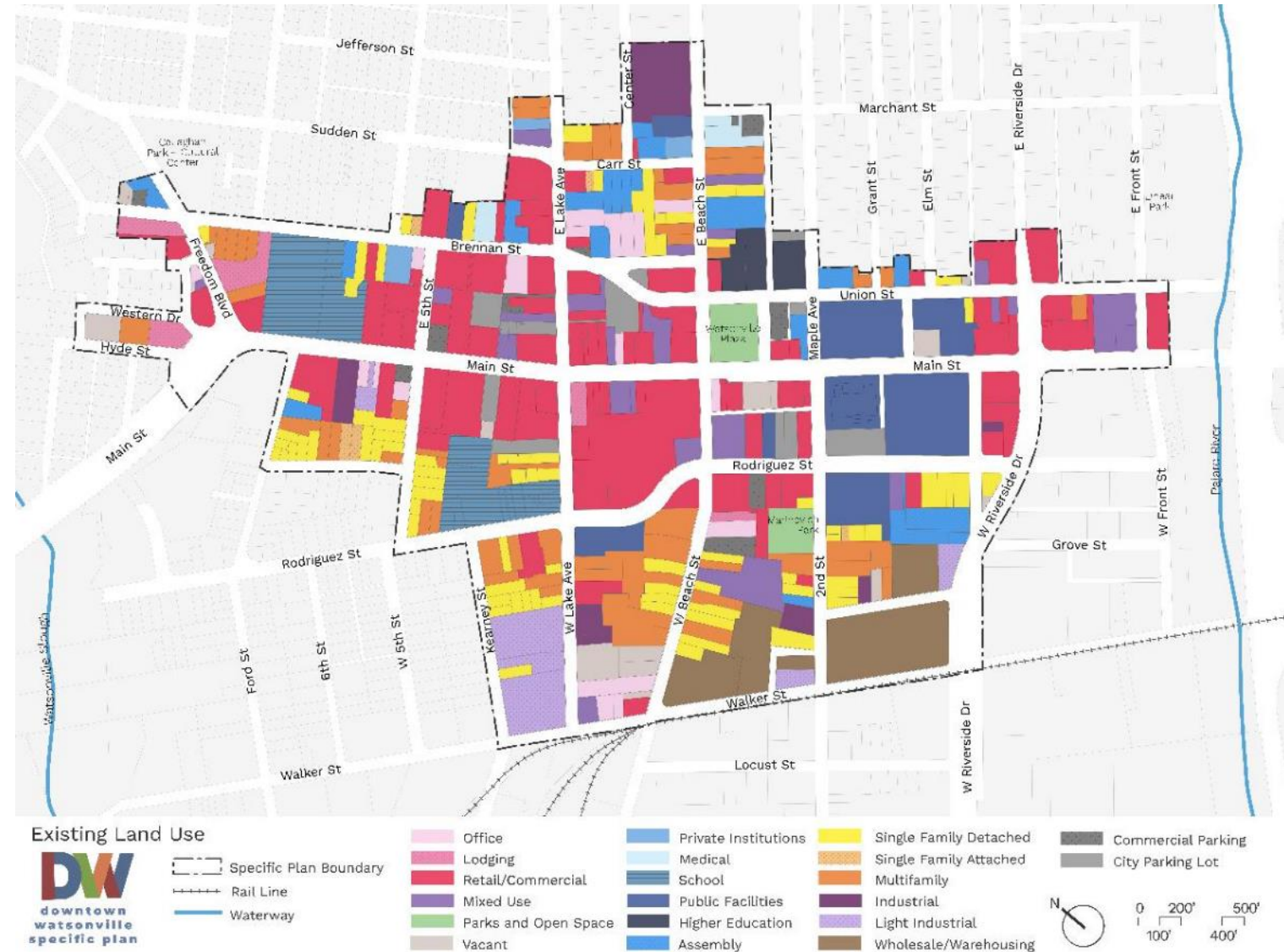
Household Income Distribution 2019



Sources: US Census Bureau, ESRI Business Analyst, Economic & Planning Systems, Inc.

Existing Land Use

- 740 residential units (60% multifamily, 40% single family) in Downtown
- Multifamily is a mix of duplexes, garden-style apartments, higher density buildings with 10+ units
- 81% renters in Downtown, 50% citywide
- Majority of the housing is built before 1970
- Non-Residential uses (as a % of City) –
 - Office – 36%
 - Retail – 30%
 - Industrial – 6%
 - Flex/R&D – <1%

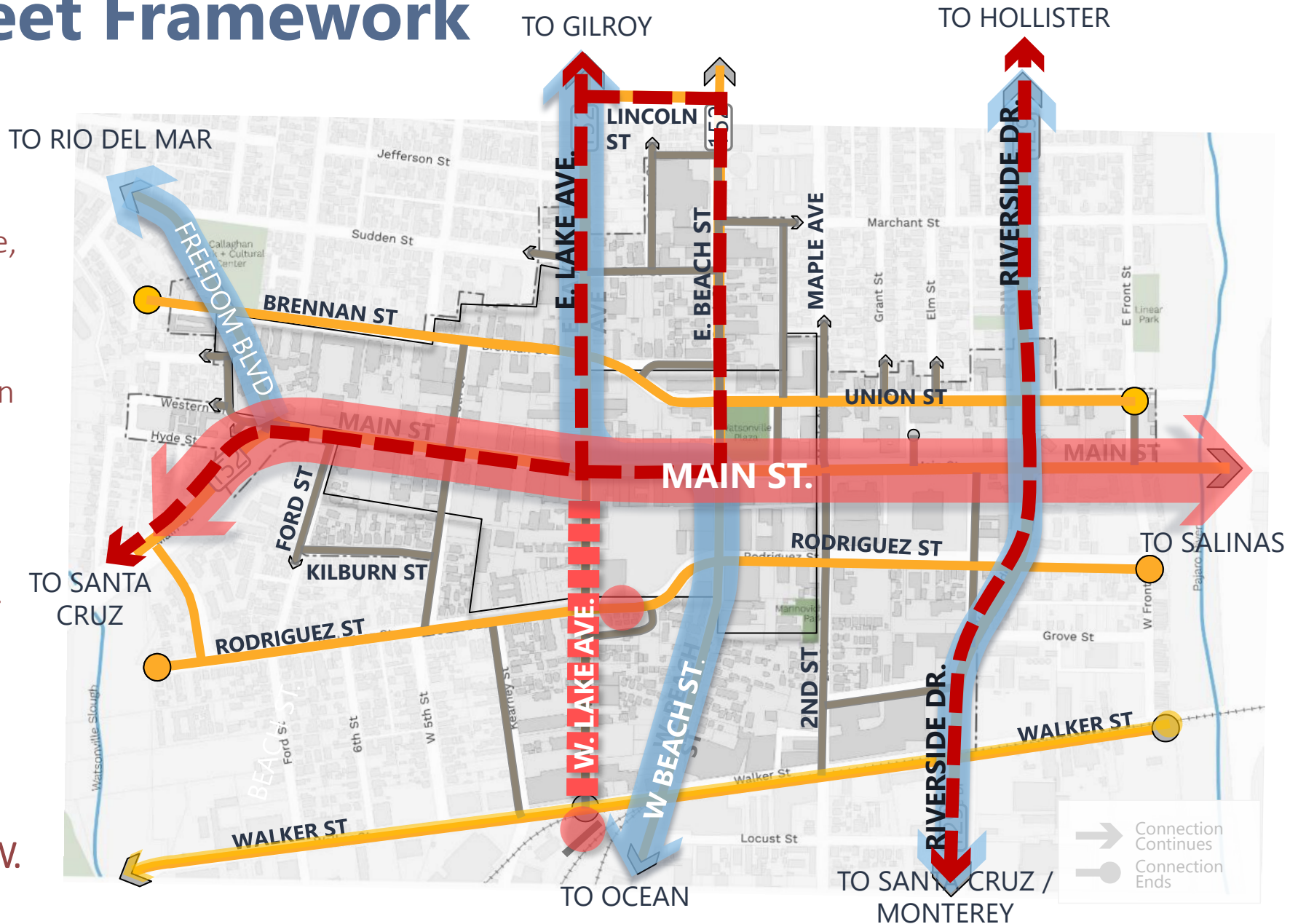


Downtown Street Network

Downtown Street Framework

FRAMEWORK NETWORK

- **Main St Corridor** (Historic Main Street)
- **Regional Connectors:** (Lake Ave, Beach St, Riverside Dr, Freedom Blvd; connections to Santa Cruz, Salinas, Gilroy and the beach)
- **Cross-Town Connectors:** (Union St/Brennan St, Rodriguez St & Walker St)
- **Local (Downtown) Street Network**
- **Caltrans Route Designations –** Hwy 152 and 129
- Main St is *not* under CALTRANS jurisdiction between Riverside Dr and Beach St only
- **Historic Depot / Bus Depot / W. Lake Ave Corridor**



Downtown Street Framework

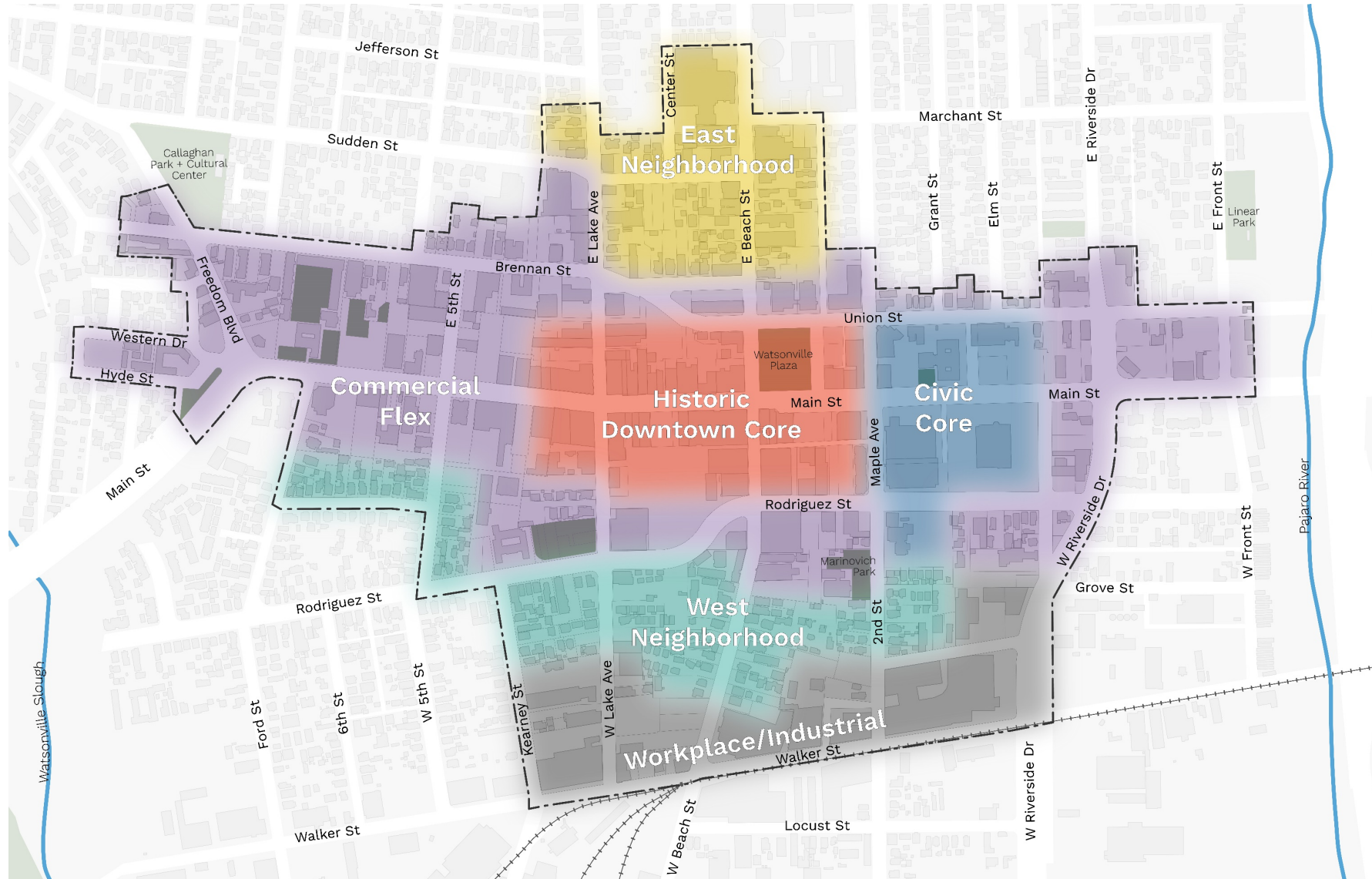
LARGE BLOCKS DOWNTOWN:

- Most blocks in Downtown Watsonville are **600ft or longer** (2,000-3000 ft block perimeters)
- Typical walkable urban blocks: **250-400 ft** block lengths (>1,200 ft perimeter)
- **Watsonville Plaza:** 280 x 250 ft
- **Additional connectivity needed through large blocks** (paseos & walkable alleys)

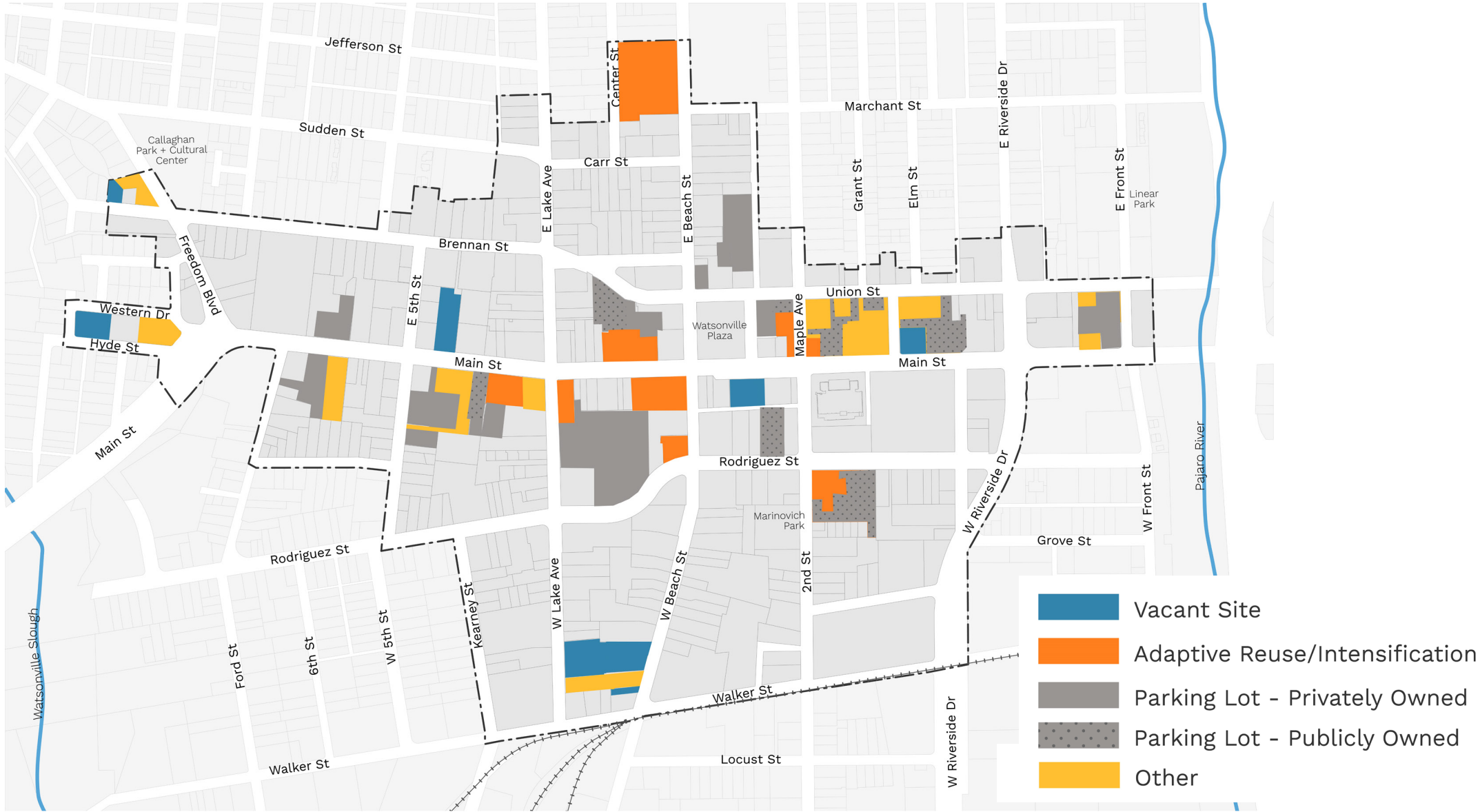


Downtown Character Areas and Opportunity Sites

Downtown Character Areas



Opportunity Sites



Vision Themes and Guiding Principles

Vision Themes



Vitality



Dignity



Equity



Preservation



Safety



Innovation

Guiding Principles

- Preserve key elements that make Downtown unique
- Establish a varied choice of uses and experiences for our diverse community
- Create housing opportunities for all
- Promote local economic prosperity
- Create a vibrant, safe, and active Downtown
- Foster a healthy, inclusive, and culturally connected community where all can thrive
- Re-imagine and innovate mobility options and connections
- Incorporate sustainable design elements to improve community health

Guiding Principles

- **Preserve key elements that make Downtown unique**

- Celebrate the Plaza as an authentic gathering place and central node for the community and foster its energy to elevate community connections.

- **Establish a varied choice of uses and experiences for our diverse community**

- Identify and recruit key missing uses that would help diversify the options of experiences in downtown.

- **Create housing opportunities for all**

- Encourage housing (market rate and affordable) that supports the varied socioeconomic interests and needs of the community.

- **Promote local economic prosperity**

- Maintain and strengthen Downtown's diverse business presence supporting economic prosperity for all.

Guiding Principles

- **Create a vibrant, safe, and active Downtown environment**
 - Encourage mixed use with ground floor commercial uses and housing above.
- **Foster a healthy, inclusive, and culturally connected community where all can thrive**
 - Promote livability regardless of age, ethnicity, income by focusing on community connection, needs, and sense of belonging.
- **Re-imagine and innovate mobility options and connections**
 - Design safe pedestrian and bicyclist facilities that invite all users regardless of age and ability to use and enjoy.
- **Incorporate sustainable design elements to improve community health**
 - Leverage connections to the adjacent natural environment (Pajaro River, sloughs, etc.) with bicycle and walking trails.

Next Steps in the Process

Next Steps...

- Refine Land Use and Mobility Alternatives
- Finalize Historic Resources Survey Report
- Host Advisory Committee Meeting #4, Community-Wide Workshop #2, and conduct Community-Wide Survey #2 to gain community input on Alternative direction
- Reconvene with City Council and Planning Commission to gain input on Preferred Alternative direction
- Craft Development and Design Regulations
- Conduct Environmental Analysis

City of Watsonville

Downtown Specific Plan + EIR

City Council Briefing | March 9, 2021

Vision Themes and Guiding Principles

The Vision Themes and Guiding Principles for the Downtown Specific Plan were informed and created utilizing community and stakeholder input to date. This input has come in the form of individual stakeholder meetings, a community workshop, several Advisory Committee meetings, and a community wide survey.

Vision Themes:

Vitality, dignity, equity, preservation, safety, and innovation.

Guiding Principles:

Preserve key elements that make Downtown unique

Establish a varied choice of uses and experiences for our diverse community

Create housing opportunities for all

Promote local economic prosperity

Create a vibrant, safe, and active Downtown

Foster a healthy, inclusive, and culturally connected community where all can thrive

Re-imagine and innovate mobility options and connections

Incorporate sustainable design elements to improve community health

Guiding Principles:

Preserve key elements that make Downtown unique

- Celebrate the Plaza as an authentic gathering place and central node for the community and foster its energy to elevate community connections.
- Foster a sense of place through community driven murals and public art installations.
- Continue and build off of successful community event momentum – such as the Farmers Market, Film Festival, Wine Walk and Music in the Plaza.
- Promote the uniqueness and small town charm of the downtown as a vibrant and safe place to live, work, and play.
- Revitalize and showcase the beautiful historic architecture and urban fabric in downtown.

Establish a varied choice of uses and experiences for our diverse community

- Identify and recruit key missing uses that would help diversify the options of experiences in downtown.
- Ensure downtown offers a variety of uses and experiences that are accessible to a range of ages, income levels, and other socioeconomic status.
- Build on existing uses that provide services and support to the community.
- Activate downtown throughout the day and into the evening through strategically planned uses, programs and events that serve diverse community needs and interests.
- Improve surrounding neighborhoods' connection physically and socially to the downtown.

Create housing opportunities for all

- Encourage housing (market rate, affordable, and low-income) that supports the varied socioeconomic interests and needs of the community.
- Increase supply and diversity of housing to support different types of households including young adults, families, seniors, empty nesters, individuals or families with special needs, and people experiencing homelessness.

- Revitalize vacant historic structures into vibrant mixed-use buildings that incorporate housing.
- Promote higher density mixed-use residential near public transportation, along Main Street, and other main corridors.

Promote local economic prosperity

- Maintain and strengthen Downtown's diverse business presence supporting economic prosperity for all.
- Attract new commercial uses – retail, restaurants, entertainment uses, office uses – to Downtown to expand its economic base.
- Incentivize uses that help create an 18-hour downtown and encourage social and commercial vitality in Downtown.
- Embrace local entrepreneurship, talent, and creativity through public/private partnerships (Cabrillo College, Digital Nest, etc.) and use of available vacant space.
- Support the non-profit presence in the downtown, leveraging positive community connections and attracting residents to Downtown.

Create a vibrant, safe, and active Downtown

- Encourage mixed use with ground floor commercial uses and housing above.
- Reclaim and adaptively reuse vacant historic buildings for new, contemporary uses that contribute to the desired character.
- Establish architectural aesthetic and signage guidance for downtown businesses to adhere to - creating a distinct and unified look in the downtown
- Incentivize more housing to bring more people to downtown.
- Allow outdoor dining and seating to encourage activity and provide additional opportunities for community gathering.
- Establish continuous active street frontages to encourage a successful pedestrian environment.
- Create a complete and safe Downtown for all users with pedestrian, bicycle, and mobility-aid friendly focused design.

- Improve pedestrian safety and comfort throughout the downtown through streetscape improvements including additional lighting, shaded sidewalks, plantings, and other infrastructure.

Foster a healthy, inclusive, and culturally connected community where all can thrive

- Promote livability regardless of age, ethnicity, income by focusing on community connection, needs, and sense of belonging.
- Ensure cleanliness downtown through the investment in clean-up programs promoting a sense of community ownership and pride.
- Foster cultural pride through community planned programs and events that respect and honor Watsonville's history.
- Embrace Watsonville's rich cultural history by uplifting the past through design, art, and event programming.
- Work cooperatively with community members to help build a sense of belonging and ownership.

Re-imagine and innovate mobility options and connections

- Design safe pedestrian, bicyclist, and mobility aid facilities that invite all users regardless of age and ability to use and enjoy.
- Connect downtown to the future rail trail and commuter rail-improving regional mobility.
- Focus development momentum around downtown transit facilities creating a complete and connected neighborhood.

Incorporate sustainable design elements to improve community health

- Leverage connections to the adjacent natural environment (Pajaro River, sloughs, etc.) with bicycle and walking trails.
- Bring awareness to Watsonville's natural environment with educational displays.
- Consider establishing targets for urban greening and low-impact development (street trees, native plantings, and increase in plant materials, pervious paving, etc.)



Agenda Report

MEETING DATE: Tuesday, March 9, 2021

TO: City Council

FROM: PUBLIC WORKS & UTILITIES DIRECTOR PALMISANO
Christian Di Renzo, Assistant Director of Public Works & Utilities

SUBJECT: Consideration of Utility Rate Study Results for the Water, Wastewater, and Solid Waste Enterprise funds, and Authorization to proceed with Public Notification and Setting a Public Hearing for the Adoption of New Utility Rates.

STATEMENT OF ISSUES:

The last rate study for the Enterprise Utilities occurred in 2015. The item before City Council is asking to consider a presentation of the water, wastewater, and solid waste enterprise utility rates study and cost of service findings recently completed for FY 2022-26; provide approval to commence with public notification in compliance with Prop. 218; and to set a public hearing.

RECOMMENDED ACTION:

- a) Consider a presentation by staff on the findings of the revenue requirements study for the water, wastewater, and solid waste enterprise utilities as conducted by Raftelis Financial Inc.;
- b) Resolution directing staff to proceed with the noticing of proposed water rates to property owners and customers in accordance with Proposition 218 State Law; and set the date of May 25, 2021 for the tabulation of protests and conduct a public hearing of proposed rates pending the results of the protest.

DISCUSSION:

EXECUTIVE SUMMARY

- Without a rate increase the Wastewater Enterprise Fund will begin to experience a structural deficit by FY 2024 and draw down on net working capital reserves until those are exhausted in FY 2026. Moreover, without a rate increase the Solid Waste Fund will exhaust its working capital reserves in FY 2023.
- Utility rates have not been considered since 2015.
- The suspension of utility rate increases which would have taken place on July 1, 2020, resulted in approximately a combined \$2 million revenue loss for the first year.

- Nationwide, from 2009 to 2019, annual water rate increases have averaged 5.5%, outpacing inflation.
- A comprehensive independent utility rate study was completed and its findings presented to City Council the week of February 1, 2021.
- The average low-usage (up to 6 units of water consumption) Single-Family Residential (SFR) bill is projected to decrease by \$1.55 the first year; whereas the average typical (up to 8 units of water and with a 68-gallon garbage cart) SFR bill is projected to increase by \$2.10 in the first year.
- Increased replacement and rehabilitation of the water system pipes, wells and components (the Capital Improvement Program) are needed as recommended by the Water Master Plan. Nationwide, water infrastructure was given a D grade in 2017 by the American Society of Civil Engineers, while sewer infrastructure fared little better with a D+.

Water, Wastewater, and Solid Waste System Background:

Drinking Water. The Public Works & Utilities Department provides safe and reliable water for drinking, irrigation, and fire protection to Watsonville and unincorporated Santa Cruz County residents, businesses and visitors. These essential services are accomplished by dedicated in-house certified staff operators (on-call 24 hours a day). Behind the scenes, the Department is responsible for all water production, treatment, disinfection, water quality testing, regulatory compliance, field customer service, and emergency response. The water system is supported by other staff in the Public Works & Utilities Department for the Capital Improvement Program projects and for utility billing and customer service. The system includes approximately 178 miles of water pipelines, 6 water storage reservoirs, 15,000 service connections (water meters), one surface water treatment plant, 2,000 fire hydrants, and 12 groundwater wells.

Wastewater. The Public Works & Utilities Department also operates a Wastewater Division responsible for treating the City's sewage and that of three surrounding sanitation districts: Santa Cruz County's Freedom and Salsipuedes districts, and Monterey County's Pajaro district. Approximately 5.5 million gallons per day of sewage undergoes secondary treatment for discharge to the Monterey Bay National Marine Sanctuary, or undergoes tertiary treatment (recycled water) for agricultural crop irrigation. The wastewater collection system includes more than 170 miles of pipeline and over 20 pump stations.

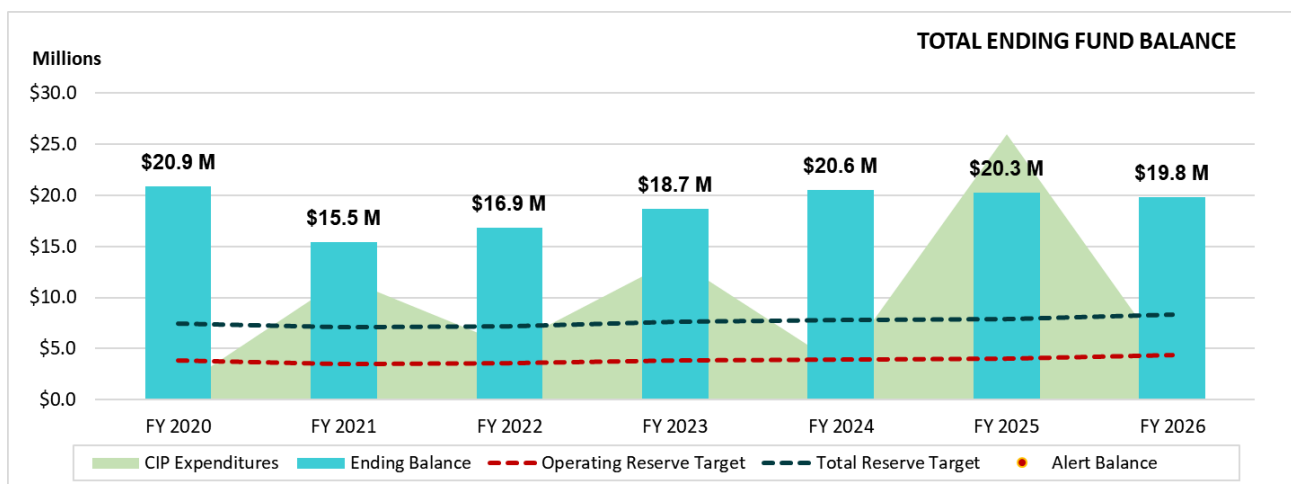
Solid Waste. As an enterprise fund, the Solid Waste Fund is independent of the City's general fund and is supported by non-tax revenue, primarily from solid waste rate revenue charged for the collection and processing (including disposal) of municipal solid waste (MSW), recyclable materials and compostables (food and yard waste). This operation consists of 52 employees and collects and disposes of the City's refuse, recycling, and green waste. Within the Fund, there are five major "lines of service" which include (1) residential, (2) commercial, (3) roll-off debris/recycling box, (4) multi-family and (5) service to the School District. Furthermore, it operates a landfill, a popular public drop-off facility located at 320 Harvest Drive, and completes over 10,000 miles of street sweeping each year.

FUNDING REQUIREMENTS:

Water Utility

The FY 2021 Operations and Maintenance (O&M) budget for the Water Enterprise Fund is approximately \$14 million distributed among the Operations (distribution and treatment), Customer Service, and Billing functions. The revenue requirement for the Water Enterprise Fund is tempered by the accumulation of an appreciable reserve balance mostly due to the 2015 revenue increases deemed necessary in anticipation of significant treatment costs due to the State's newly-adopted Chromium VI Maximum Contaminant Level (MCL) of 10ppb (parts per billion). While the promulgation of the new MCL was set aside in 2017 as a result of a legal challenge, it is currently undergoing the Office of Administrative Law process and is anticipated to go in effect at the end of 2021.

Staff is poised to ascertain the most efficient and cost-effective course of action to comply with this new threshold and anticipates a significant draw-down of fund balance to cash (PAYGO) finance treatment infrastructure and ongoing operating costs. The recommended annual rate increase is of 1%.



Water Utility Capital Needs Summary

The City completed its very first Water and Wastewater Master Plans in 2019 with the assistance of Carollo Engineering. The scope of the Water Master Plan consisted of the following tasks:

- Develop water demand projections and determine the impact of recent water consumption and resultant effect on system demand and peaking factors based on the most recent 10 years.
- Incorporate the City's General Plan and subsequent amendments for land use projections and housing density into the water demand analysis.
- Develop a calibrated hydraulic model, using current water demands to analyze the City's water supply and distribution system.

- Conduct a risk analysis to provide the basis for a prioritized pipeline and facilities rehabilitation and replacement program.
- Develop and prioritize recommendations for system improvements over the next 30 years as part of the City's Capital Improvement Program (CIP).

Some of the most significant capital projects identified as a result of the Master Plan study include the following:

- A new reservoir on Airport Boulevard anticipated for FY 2022 at the cost of \$12 million
- A new well on Airport boulevard anticipated for FY 2022 at the cost of \$3 million
- Chromium 6 treatment plants in FY 2025 at the cost of \$25 million
- Replacement of Freedom Reservoirs, build a new well and associated pump station. This multi-year project would span 2027-29 at an estimated cost of \$40 million.
- Additionally, the City budgets \$2 million each year for its pipeline replacement CIP

In total, the Master Plan identified the need for \$106 million in capital investment over the next 30 years.

Wastewater Utility

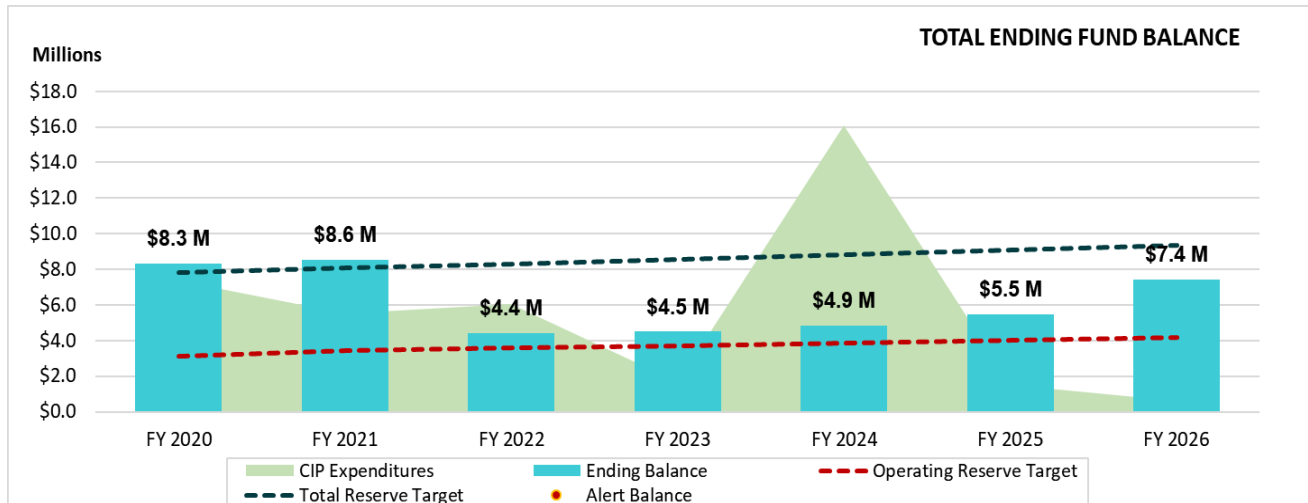
The FY 2021 O&M budget for the Wastewater Enterprise Fund is approximately \$13.8 million with 78% allocated to the treatment facility. The fund carries two long-term debt issues: a \$4.6 million obligation incurred in FY 2020 for the completion of the Airport/Freedom sewer trunk main which it shares equally with the Freedom Sanitation District; and a State Revolving Fund loan (SFR) incurred for the Manana Lane trunk main improvements. The two obligations represent an annual debt service expenditure of \$156,000 to the utility.

The wastewater treatment plant (WWTP) which has been in operation since 1959 is about to experience the convergence of several major capital improvement needs which, if neglected, could prove catastrophic. The Wastewater Master Plan identified the following critical projects:

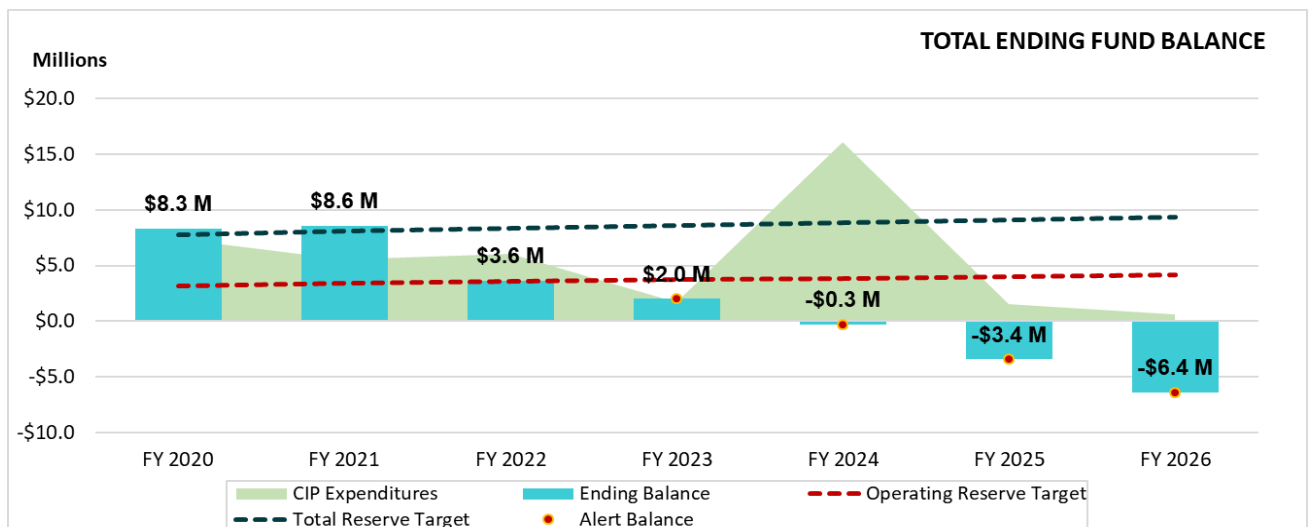
- Complete replacement of the WWTP's electrical infrastructure, including the PG&E transformer, and standby generators, at a cost of \$15.5 million to be undertaken in FY 2023
- Complete replacement of the WWTP's Headworks and influent pump station at a cost of \$15 million and proposed to be constructed in FY 2027
- Reconstruct five pump stations and rehabilitate seven others at a cost of \$9 million and proposed to be undertaken within the next ten years

Due to the scale of the projects identified above, staff envisions it will seek low interest, long-term financing options as a funding mechanism. That being said, of primary importance is ensuring the Wastewater Enterprise Fund generates sufficient net operating income to satisfy debt service coverage requirements should they be needed (usually 1.25); ensure sufficient operating reserves per recommendation of the rate consultant; and

fund increases to contractual services, materials, labor, while investing in the aging collection system as well. The revenue requirement needs of this utility reflect a 7.5% annual increase for each of the next five years. The impact these rate increases would yield on reserves and debt coverage is reflected in the graph below:



In the absence of any rate adjustments, the Wastewater Enterprise Fund would begin running operating deficits annually resulting in a gradual depletion of fund balance reserves until these are exhausted in FY 2024 as reflected in the graph below.



Solid Waste Utility

While the Water and Wastewater Enterprise Utilities are facing a landscape replete with significant capital infrastructure needs, the Solid Waste Enterprise has and will continue to experience cost drivers mostly outside of staff's control. When it comes to solid waste collection, the costs for providing garbage, recycling, and organics collection services are

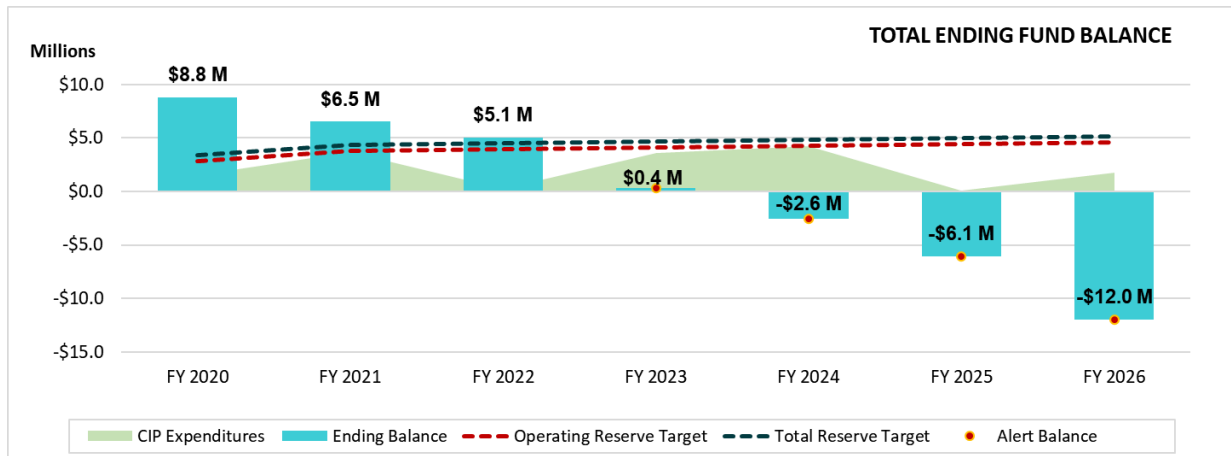
largely fixed and generally comparable. Moreover, the actual cost to provide service is typically only minimally impacted by the container size and primarily driven by the cost of collection. It required the exact same truck and driver resources – the core of the collection expense – to collect garbage, recycling, or organics regardless of the size of the container.

Key “primary drivers” for revenue adjustments include:

- **Hauling contract with Monterey Regional.** The City expends \$1.75 million each year to dispose of its municipal solid waste at the Monterey Regional landfill. This amount is forecasted to increase by \$1 million over the next five years based on Monterey Regional’s \$5 per ton annual increase.
- **Complete decline in materials sales revenue.** Rapid and significant decline in global markets for certain recyclable materials (i.e., China’s “Sword Policy”) began in late 2017 and has accelerated since that time. The inability to readily dispose of recycling material as an additional revenue stream has fundamentally altered the equation for the operation. The Solid Waste Enterprise expends an additional \$300,000 each year to dispose of its approximately 6,000 tons of recyclable waste.
- **Closure of the City’s Phase III landfill.** Costs for the City’s closure of Phase III of the landfill are estimated at \$2.7 million and anticipated to be expended in FY 2023.
- **Continued enactment of new regulations.** Over the past several years a number of new laws have been enacted having significant impacts on how waste is collected, recycling efforts and disposal requirements, and invariably the cost of providing services. Notable examples of regulatory changes include the following:
 1. In 2011, a new change to AB 939 was signed into law (AB 341) that established a statewide goal of diverting 75% of the solid waste stream from landfill by 2020. It also required jurisdictions to implement mandatory commercial and multi-family residential complex (5 units or more) recycling programs.
 2. In September 2014, AB 1826 became law requiring all businesses generating 8 cubic yards or more of food waste (referred to as “organic waste” in the statute) per week, to participate in a food scrap diversion program beginning April 1, 2016. AB 1826 also required the City to begin offering a full-scale commercial food scrap recycling program on or before January 1, 2016.
 3. In 2016 the State approved SB 1383 which requires jurisdictions to provide organics recycling service to nearly all residents and businesses. The first phase of SB 1383 goes into effect on January 1, 2022, requiring significant advanced planning for implementation. This new regulation is anticipated to add approximately \$400,000 in annual operating costs, and up-front costs ranging from \$400,000 to \$900,000 based on whether the City retains its 3-cart system or has to

deploy an additional 4th cart for dedicated food scrap disposal and a corresponding dedicated side-loader refuse vehicle.

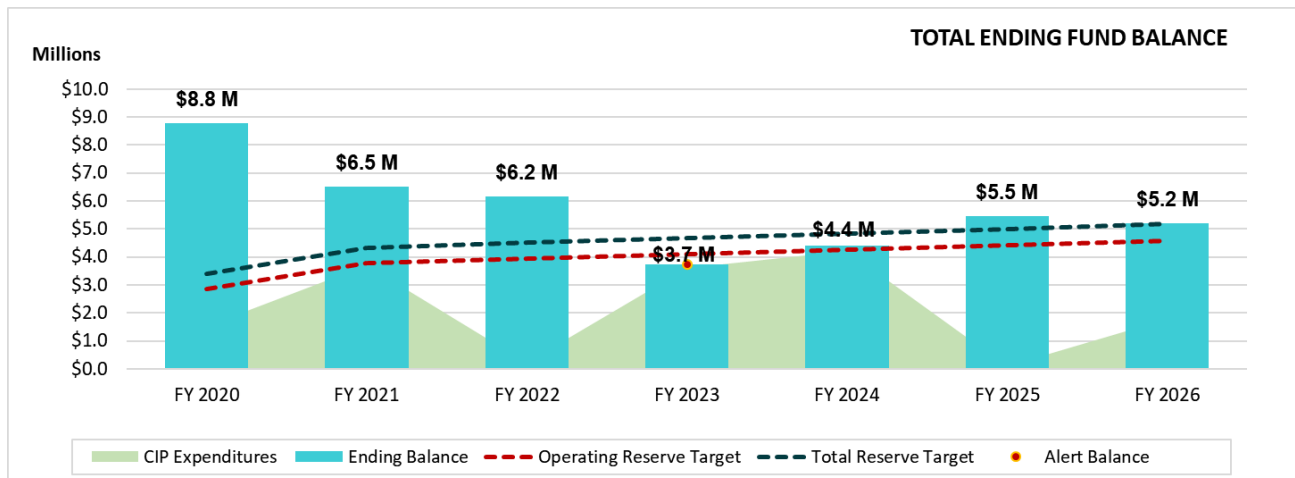
A key consideration impacting the level of the proposed rate adjustments is the use and replenishment of Solid Waste Fund reserves. Under existing rates (*see graph below*), the projected total Solid Waste Fund position would be virtually exhausted by for FY2023, negative \$2.6 million for FY2024 and worsening each year thereafter. Without adjustments to existing rates, all solid waste fund reserves would be exhausted between FY 2023 and FY2024.



To mitigate the ongoing depletion of fund reserves and to ensure sufficient revenue to continue providing these essential solid waste services while anticipating and adjusting to future operational demands, the recommended rate adjustments based on the Raftelis study are accordingly:

- 7.5% rate increase effective July 1, 2021
- 7.5% rate increase effective July 1, 2022
- 7.5% rate increase effective July 1, 2023
- 5% rate increase effective July 1, 2024
- 5% rate increase effective July 1, 2025

These rate adjustments would generate a cumulative \$16.7 million between 2021 and 2025. The financial plan for the Solid Waste Enterprise Utility would look accordingly:



Results and Recommendations of the Study:

Raftelis Financial Consultants Inc., previously retained to complete the 2015 utility revenue study, was engaged again to assist the City with the 2020 revenue study. Raftelis has suggested a series of recommendations for conformance with industry best practices and to facilitate a more streamlined rate structure.

Notably, the study recommended the following:

- O&M Reserve — for Operating Cash Flow 25% of operating expenses (or 3 months of expenses)
- Capital Replacement Reserve — for Working Capital 2% of net assets.

Also recommended were the following:

- Utilization of AWWA's meter capacity ratios
- Removal of additional unit charge for multi-family dwellings, and

Bill Impacts:

The Department of Public Works & Utilities is unreservedly committed to providing essential services in the most efficient and cost-effective manner possible, and is highly sensitive to the hardships the pandemic has had on our community. Modifications to the water rate structure included expanding the Tier 1 bandwidth to 6 units rather than 5 and the Tier 2 bandwidth to 12 units rather than 10 (a unit corresponds to 748 gallons). This means that customers in either Tier 1 or Tier 2 will have a greater likelihood of paying the same tier rate for their consumption before being assessed the next billable unit rate.

The financial study estimates that 46% of residential bills reflect Tier 1 water consumption. Additionally, with the adoption of AWWA's meter capacity ratios, the fixed charge for 5/8" or 3/4" meters will decrease by \$4.78 per month in the first year resulting in a decrease of \$1.55 to the overall bill for a low impact single-family customer. Due to the changes, a low impact single-family household will see no increase to their overall bill in the first year

despite the proposed rate increases (see below). The typical single-family residential household should experience a modest \$2.10 increase in the overall bill in the first year.

Low impact single-family customer (1–2 person household)

Utility Service	Current Monthly Bill (FY 2020)	Proposed Monthly Bill (FY 2022)	Proposed Monthly Bill (FY 2023)	Proposed Monthly Bill (FY 2024)	Proposed Monthly Bill (FY 2025)	Proposed Monthly Bill (FY 2026)
Water	\$57.27	\$52.46	\$52.99	\$53.52	\$54.05	\$54.59
Wastewater	\$42.84	\$46.06	\$49.51	\$53.22	\$57.22	\$61.51
Solid Waste	\$35.60	\$35.64	\$38.31	\$41.19	\$43.25	\$45.41
Total	\$135.71	\$134.16	\$140.81	\$147.93	\$154.52	\$161.51

Typical single-family residential household

Utility Service	Current Monthly Bill (FY 2020)	Proposed Monthly Bill (FY 2022)	Proposed Monthly Bill (FY 2023)	Proposed Monthly Bill (FY 2024)	Proposed Monthly Bill (FY 2025)	Proposed Monthly Bill (FY 2026)
Water	\$66.33	\$62.80	\$63.43	\$64.06	\$64.69	\$65.35
Wastewater	\$42.84	\$46.06	\$49.51	\$53.22	\$57.22	\$61.51
Solid Waste	\$57.41	\$59.82	\$64.30	\$69.13	\$72.58	\$76.21
Total	\$166.58	\$168.68	\$177.24	\$186.41	\$194.49	\$203.07

Combined commercial monthly bill: medium restaurant*

Utility Service	Current Monthly Bill (FY 2020)	Proposed Monthly Bill (FY 2022)	Proposed Monthly Bill (FY 2023)	Proposed Monthly Bill (FY 2024)	Proposed Monthly Bill (FY 2025)	Proposed Monthly Bill (FY 2026)
Water	\$274.20	\$293.17	\$296.21	\$299.27	\$301.93	\$305.01
Wastewater	\$183.13	\$238.53	\$256.27	\$275.60	\$296.16	\$318.33
Solid Waste	\$260.91	\$285.42	\$306.82	\$329.83	\$346.33	\$363.64
Total	\$718.24	\$817.12	\$859.30	\$904.70	\$944.42	\$986.98

*Water: 1.5" meter and 40 ccf monthly water use
Wastewater: Commercial high strength customer
Solid Waste: 2 cubic yard weekly container service

Next Steps and Proposition 218 Requirements:

Upon incorporation of any City Council recommendations and direction to send Proposition 218 notices, pursuant to California Constitution Article XIII D, Section 6, staff will prepare and send notices to all property owners that receive water, wastewater, and solid waste service from the City. There will be a 45-day public notice period at which time, property owners and customers may send written protests for consideration by the City Council. The Utilities Rate Study Report will be on file in the City Clerk's office during this period.

Protests will be tallied at the public hearing set for May 25, 2021. Notwithstanding a majority protest, City Council can consider verbal testimony and decide to approve the rates. At the May 25, 2021 City Council meeting, staff will propose a resolution amending the utilities fee schedule to include the new rates. If the rates are approved, and amended fee schedule adopted, the proposed water, wastewater, and solid waste rates would become effective on July 1, 2021 and for every year thereafter with the final adjustment occurring July 1, 2025.

STRATEGIC PLAN:

This project is consistent with the City Council's Strategic Goals:

02-Fiscal Health

03-Infrastructure & Environment

FINANCIAL IMPACT:

The proposed financial plan and associated rate increases will enable the City's three Enterprise Utilities to meet their current and future fiscal obligations, to properly operate and maintain critical infrastructure, to fund capital projects and meet future debt service obligations, and to comply with new regulations. There is no impact to the General Fund.

ALTERNATIVE ACTION:

No alternative action is recommended. The proposed utility rate increases are deemed those necessary by staff to ensure the fiscal viability of the three enterprise utilities.

ATTACHMENTS AND/OR REFERENCES (If any):

- 1) Form of Proposition 218 Notice

RESOLUTION NO. _____(CM)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE ACCEPTING THE RESULTS OF THE FINANCIAL ANALYSIS AND UTILITY RATE RECOMMENDATIONS, DIRECTING STAFF TO PROVIDE PUBLIC NOTIFICATION OF THE PROPOSED UTILITY RATES, AND DIRECTING THE CITY CLERK TO GIVE NOTICE THEREOF AND FIXING THE TIME FOR PUBLIC HEARING FOR MAY 25, 2021, PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54354.5 AND CALIFORNIA CONSTITUTION ARTICLE 13D SECTION 6

WHEREAS, the Council adopts utility rates to pay the cost of operating and maintaining the City's water, wastewater, and solid waste enterprise funds. These funds also pay for capital projects to replace and modernize the City's infrastructure, including projects such as new water and sewer lines, as well as many types of equipment, such as garbage collection vehicles, water meters, and well pumps. Utility rates have not been considered since 2015; and

WHEREAS, on June 11, 2019, the Council adopted Resolution No. 80-19 (CM), awarding contract to Raftelis Financial Consultants, Inc., a corporation, to prepare a cost of service analysis and rate study for each of these utilities for the next five fiscal years in order to adequately fund the financial needs of the utility funds; and

WHEREAS, the report recommends the City revise and adopt new rates and charges for water, sewer, and solid waste services necessary to meet debt service obligations, increased operational costs, and significant capital costs needed to maintain the current level of service; and

WHEREAS, California Government Code Section 54354.5 and California Constitution Article XIII D, Section 6 (added by Proposition 218), contains certain noticing requirements relating to the adoption and increase of property-related fees and charges; and

WHEREAS, any property owner or a tenant who is a customer of the City's Utilities Department may protest the proposed water rates. Only one written protest per parcel, filed by an owner or a tenant who is a customer, will be counted. Only written and signed protest that include the writer's address and/or assessor parcel number will be counted to determine whether a majority protest to the proposed water rate increase exists. Written protest may be mailed, or hand delivered to the City Clerk's Office at 275 Main Street, Fourth Floor, Watsonville, California, CA 95076 or emailed to cityclerk@cityofwatsonville.org ; and

WHEREAS, if a property owner or tenant opposes the proposed rate increases, Proposition 218 requires that their protest must be submitted in writing to be counted, even if they plan to attend the Public Hearing. To be counted, the protest must: 1) be in writing 2) state opposition to the proposed rate increase; 3) identify the parcel by assessor's parcel number or street address; 4) include the original signature of the owner of record or a tenant who is a customer of the City's Utility Department; 5) be received before the conclusion of the Public Hearing set for May 25, 2021.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:

1. That the Council accepts the results of the financial plan and the proposed rates for the water, wastewater, and solid waste enterprise funds.
2. That the Council directs staff to provide public notification of the new proposed rates in accordance with Proposition 218.
3. That on Tuesday, May 25, 2021, at 6:30 p.m. or as soon thereafter as is practical, the City Council will conduct a public hearing on the tabulation of the protests

and adoption of the proposed fees, rates, and charges for water, sewer, and solid waste services pending the results of the protest. Since there is no physical location from which members of the public may observe the meeting, they may view and participate before or during the meeting by teleconference, video conference or both. Instructions on how to participate are found on Page 1 of each City Council Meeting Agenda.

4. That the City Clerk is hereby authorized and directed to give notice of the hearing in accordance with the provisions of the California Government Code Section 54354.5 and California Constitution Article XIII D, Section 6.



City Council <citycouncil@cityofwatsonville.org>

Proposed utility rate increases

1 message

Amy Newell <amynewell@charter.net>

Mon, Mar 8, 2021 at 8:23 PM

To: citycouncil@cityofwatsonville.org, cityclerk@cityofwatsonville.org

Dear Watsonville City Council Members:

I am writing to encourage you to move forward with the proposed utility rate increases. Of course the city has to cover the usual increases in employee salaries and benefits, city vehicles and fuel costs, etc. But I am most concerned that the city continue its forward-looking program of infrastructure repair and improvement. We only have to look at the city of Flint, Michigan, or the state of Texas during the recent winter superstorm, or the regrettable failure of the state of California to upgrade its IT capabilities for the DMV and EDD departments, to realize that we don't want the City of Watsonville to replicate those terrible failures. I will be happy to pay the higher utility rates to assure that raw sewage will not be flowing into my street or into the Monterey Bay, and that millions of gallons of water will not be leaking from our sewage or water supply pipelines. We need to invest now to assure the safety and efficiency of utility services in the years to come.

Thank you – Amy Newell, [3 Park Way, Watsonville, CA 95076](#)

City of Watsonville

Presentation of Revenue Requirements and Consideration of
Proposed Rates for the Wastewater, Water, and Solid Waste
Enterprise Utilities for FY 21/22 - 25/26

Presented by Public Works & Utilities

March 9, 2021

Presentation Outline

- Discuss Key Revenue Drivers
- Review Wastewater Enterprise
- Review Water Enterprise
- Review Solid Waste Enterprise
- Estimated Bill Impacts
- Schedule & Next Steps

The City of Watsonville Operates Three Utility Enterprises:

\$45 Million Annual Operation
175 FTEs



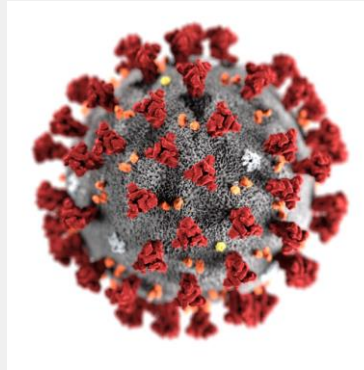
Sewer



Water



Solid Waste



Utilities Enterprise suspended rate increase consideration in 2020 due to COVID-19

\$2M revenue loss in just the first year
(original revenue need was 9.5% for sewer; 6% for solid waste; and 1% for water)



Wastewater

Enterprise



Wastewater Enterprise:

- WWTP treats 5.5 million gallons per day and was built in 1961
- Approximately 154 mile sewer collection system
- Serves 65,000 residents of Watsonville and unincorporated Santa Cruz County
- Approximately 175-mile combined sanitary and stormdrain system
- Received sewage from three sanitation districts: Freedom, Pajaro, and Salsipuedes
- A recycled water facility produces 4,000 acre feet/year for AG use

Key Wastewater Revenue Drivers:

- **Commitment to**
 - › Replace critical infrastructure or rehabilitation of sewer assets
 - › Provide customers with dependable, safe, and cost-effective utility services
 - › Operate sewer system 24 hours a day/seven days per week
- **Rising Costs and Infrastructure Needs**
 - › “Once in a generation” major sewer infrastructure needs
- **Financial Stewardship**
 - › Operating reserve target: 25% of annual O&M
 - › Capital reserve target: 2% of replacement cost of fixed assets

Wastewater Plant Electrical System: \$16M

Proposed Construction 2023-24



Levee Stabilization Project



Standby Generators in Energy Recovery Building



Main Switchgear Building and PG&E Transformer

Main Switchgear Recommendations

- Most critical part of electrical system at end of service life; needs replacement
- Vulnerable to tsunami & 100-yr flood
- Building & equipment replacement



Obsolete Equipment

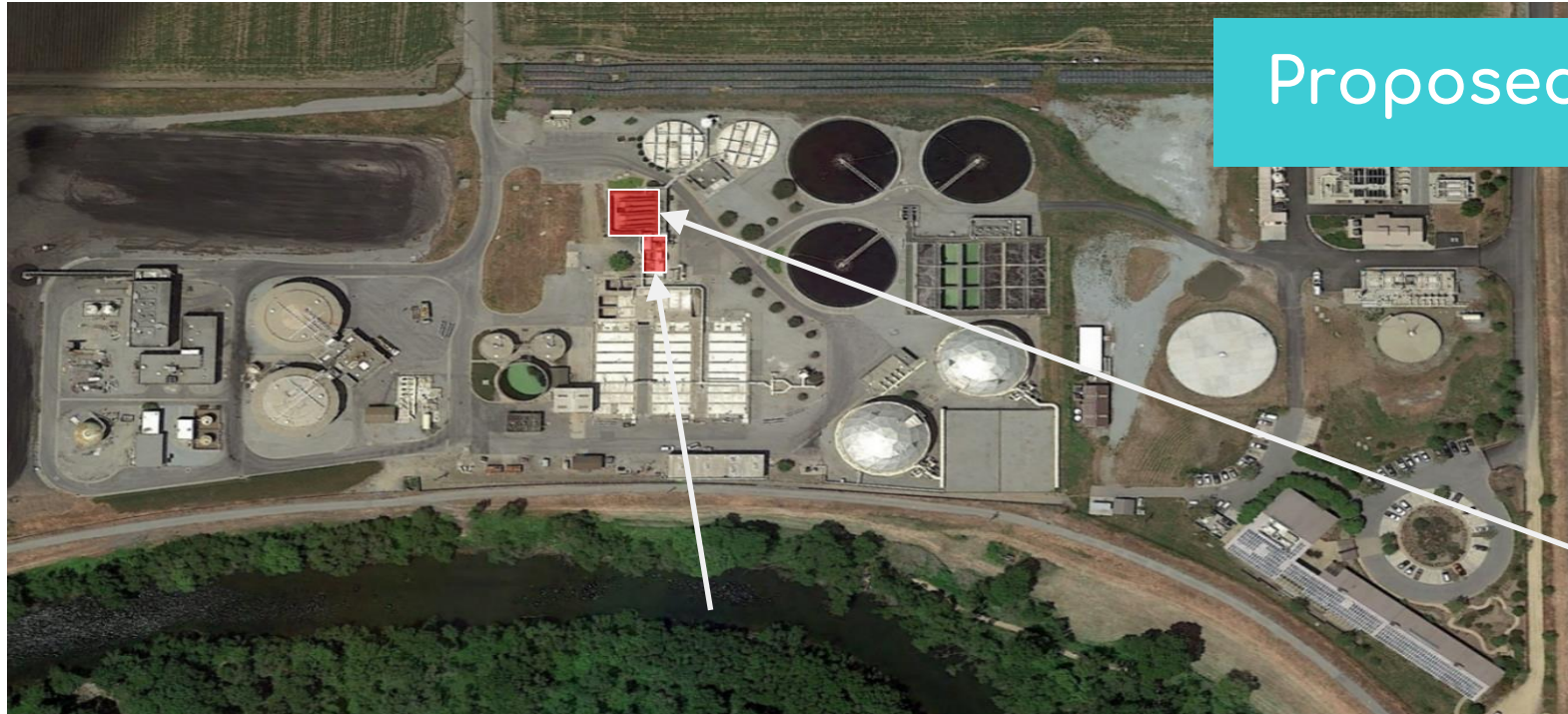


Excessive Heating (ATS)
Page 202 of 234



Significant Corrosion
(Transformer Busway)

Headworks and Influent Pump Station \$15.5M



Proposed Construction 2027-28



Influent Pump Station

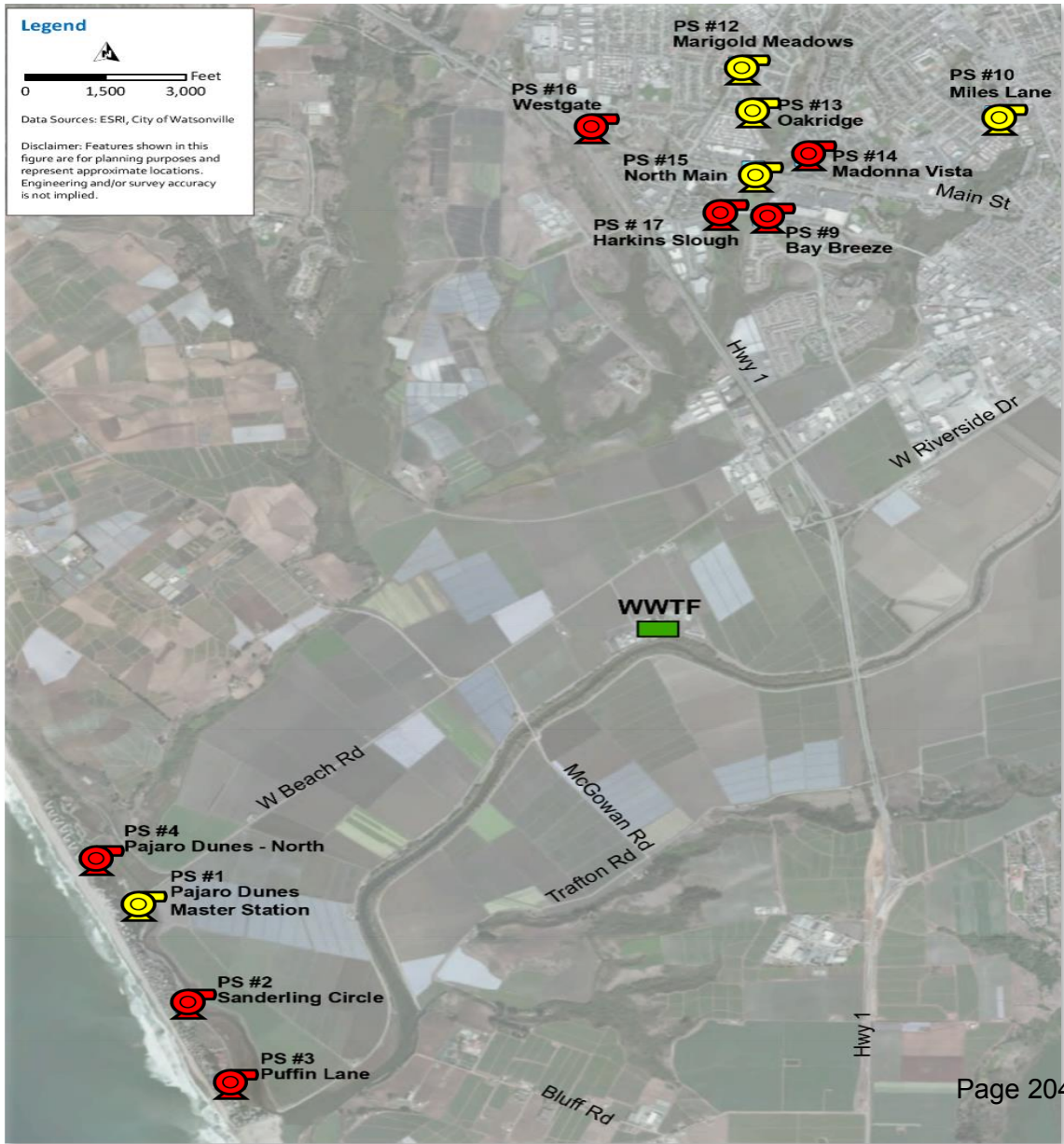


Headworks Screens and Electrical Building



Significant Concrete Damage

Sewer Pump Station Projects: \$9M over 10 Years



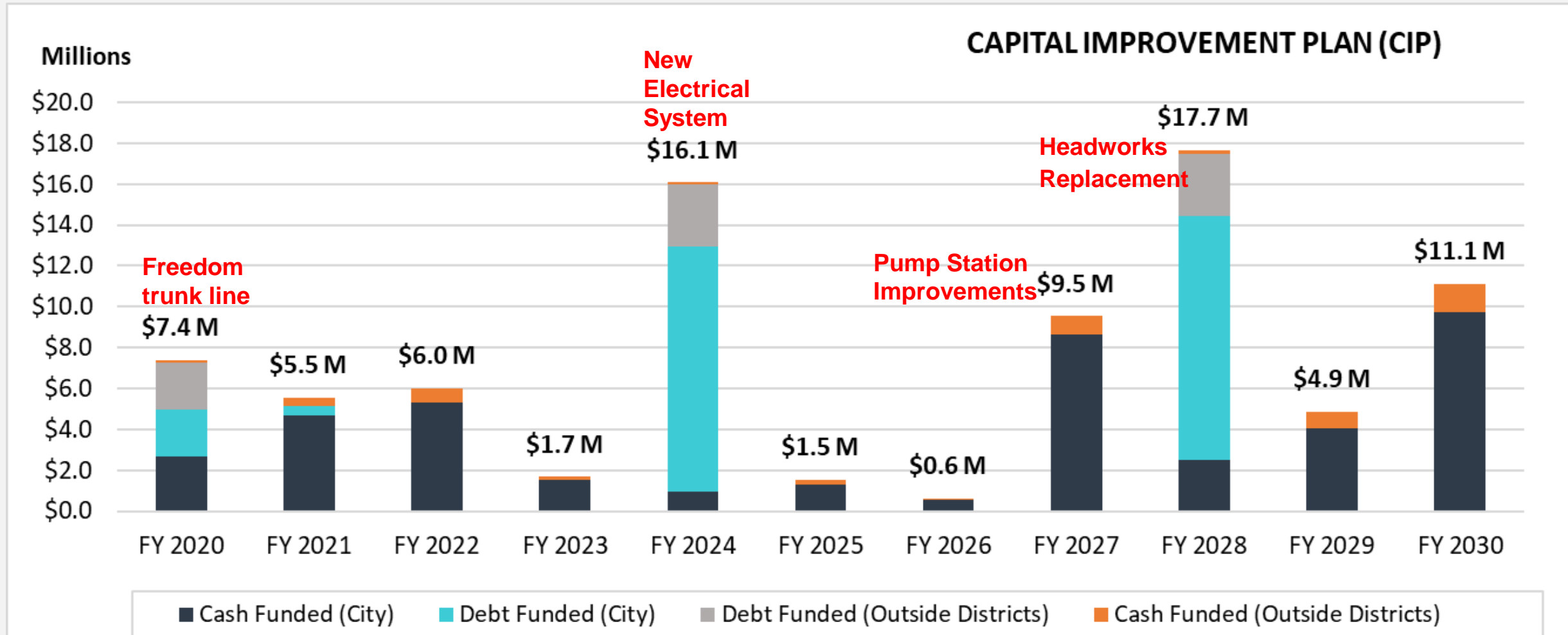
\$5.7M Replacement Recommended
(Wet Well, Pump, Electrical)



\$3.4M Maintenance Recommended
(Pump and Generator Replacement, New Controls, Wet Well Lining)



Wastewater Enterprise: 10-Year CIP



Wastewater Enterprise: Proposed Revenue Adjustments

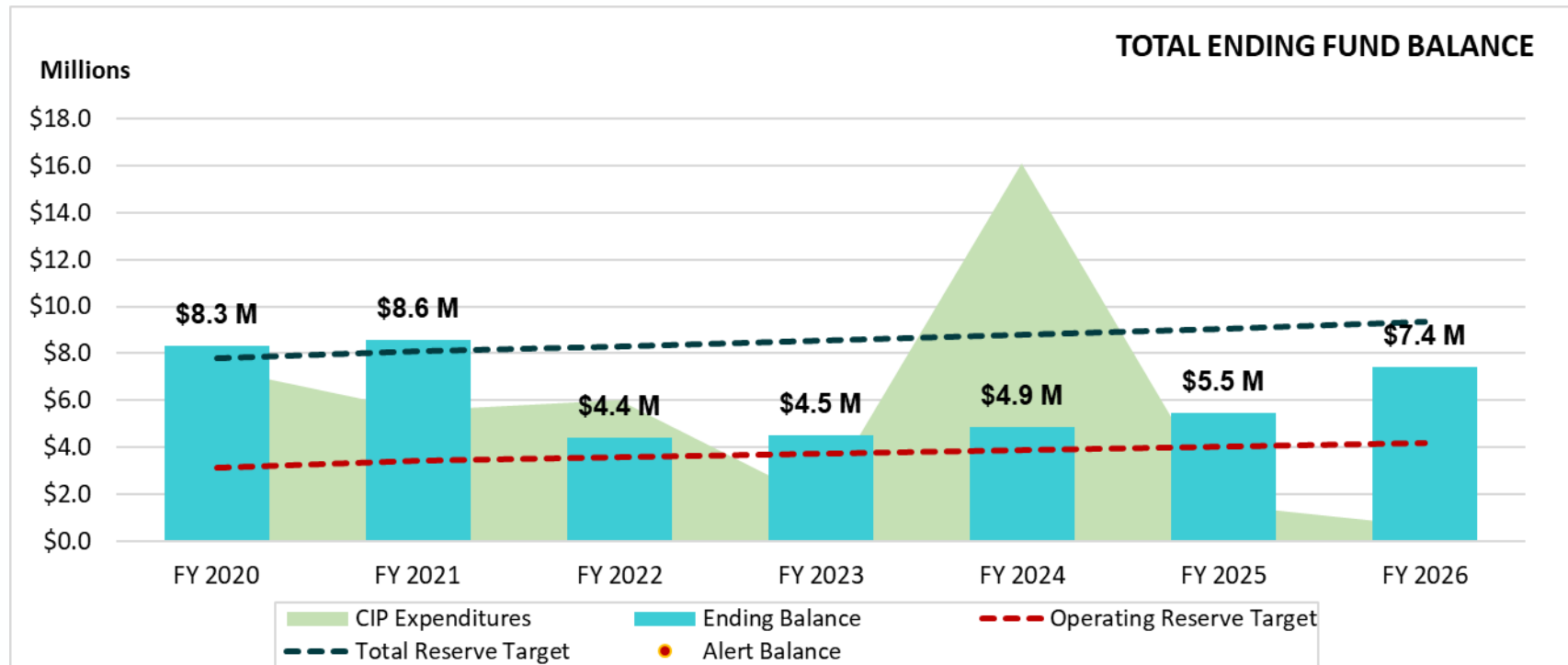
Fiscal Year	Effective Date	Proposed Revenue Adjustment
FY 2022	July 2021	7.5%
FY 2023	July 2022	7.5%
FY 2024	July 2023	7.5%
FY 2025	July 2024	7.5%
FY 2026	July 2025	7.5%

7.5% annual rate increase generates a cumulative \$13.5 million over the next 5 years

Wastewater Enterprise: Outside District Agreements

- Raftelis reviewed agreements and statements of charges sent to the outside districts
- Current cost allocation to outside districts:
 - › Treatment O&M costs allocated based on share of treatment plant loadings
 - › Eligible CIP projects allocated based on share of treatment plant capacity

Wastewater Enterprise: Proposed Financial Plan with 7.5% Annual Revenue Adjustments





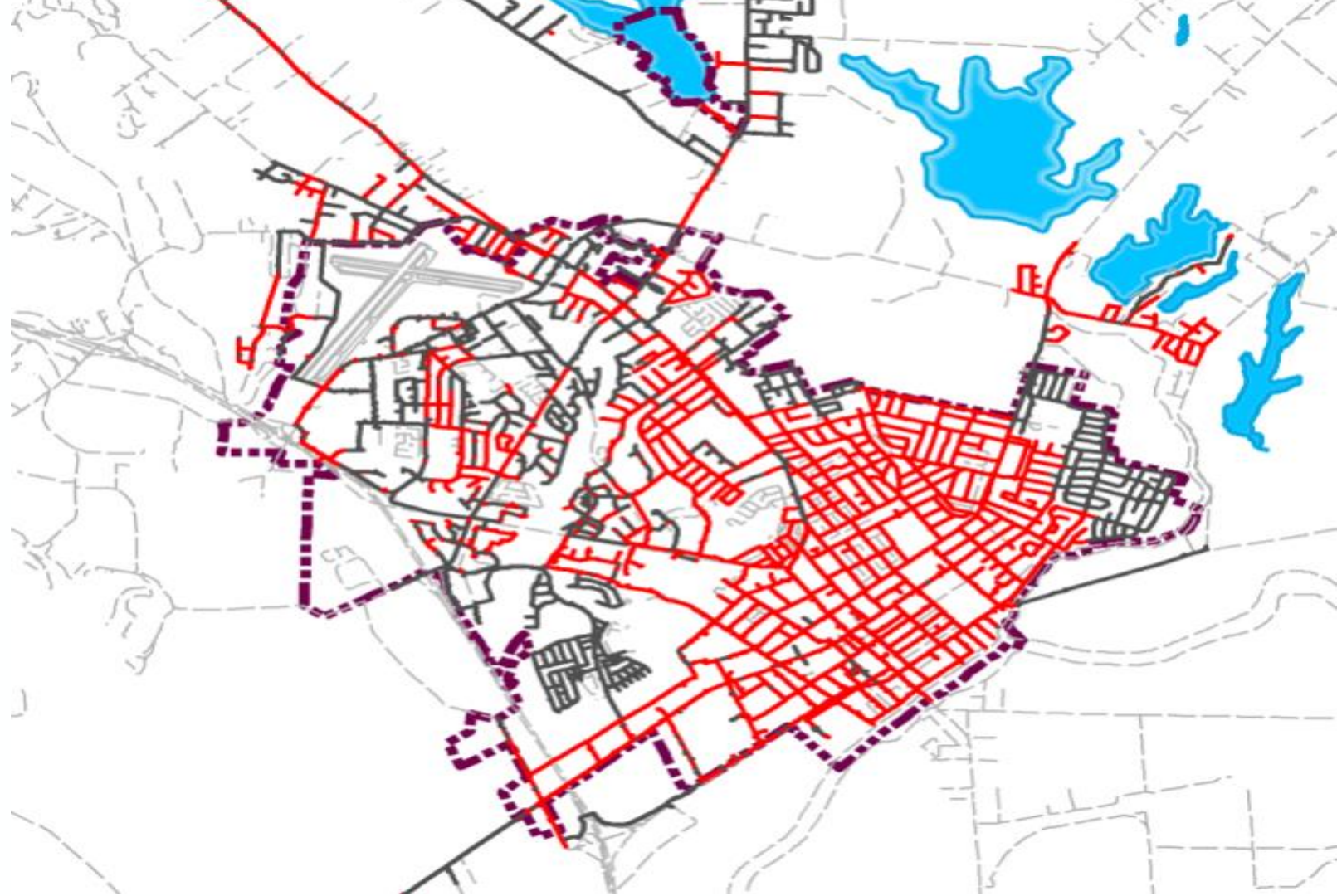
WE FOCUS ON WATER
24 HOURS A DAY, 7 DAYS A
WEEK

Water Enterprise

Manage water – by maintaining and protecting local resources
Clean water – by treating it to make it safe to drink
Test water – to ensure it meets quality standards
Deliver water – by piping it directly to your home

Key Water Revenue Drivers:

- Commitment to
 - › Replace critical infrastructure or rehabilitation of water and sewer assets
 - › Provide customers with dependable, safe, and cost-effective utility services
 - › Operate water and sewer system 24 hours a day/seven days per week
- › Rising Costs and Infrastructure Needs
 - New \$12M reservoir in 2022
 - Chromium 6 treatment-\$22M in 2026-27
 - Rebuilding Freedom Blvd Reservoir in 2028-30: \$40M
- › “Compliance”
- › Chromium VI new MCL (Maximum Contaminant Level) anticipated to go in effect end of year
- › Continued monitoring and reporting requirements for water quality, water infrastructure security, etc.



Over half of the City's water & sewer lines are over 50 years old

Water Master Plan Projects

New Airport
Reservoir: \$12M, in
2022

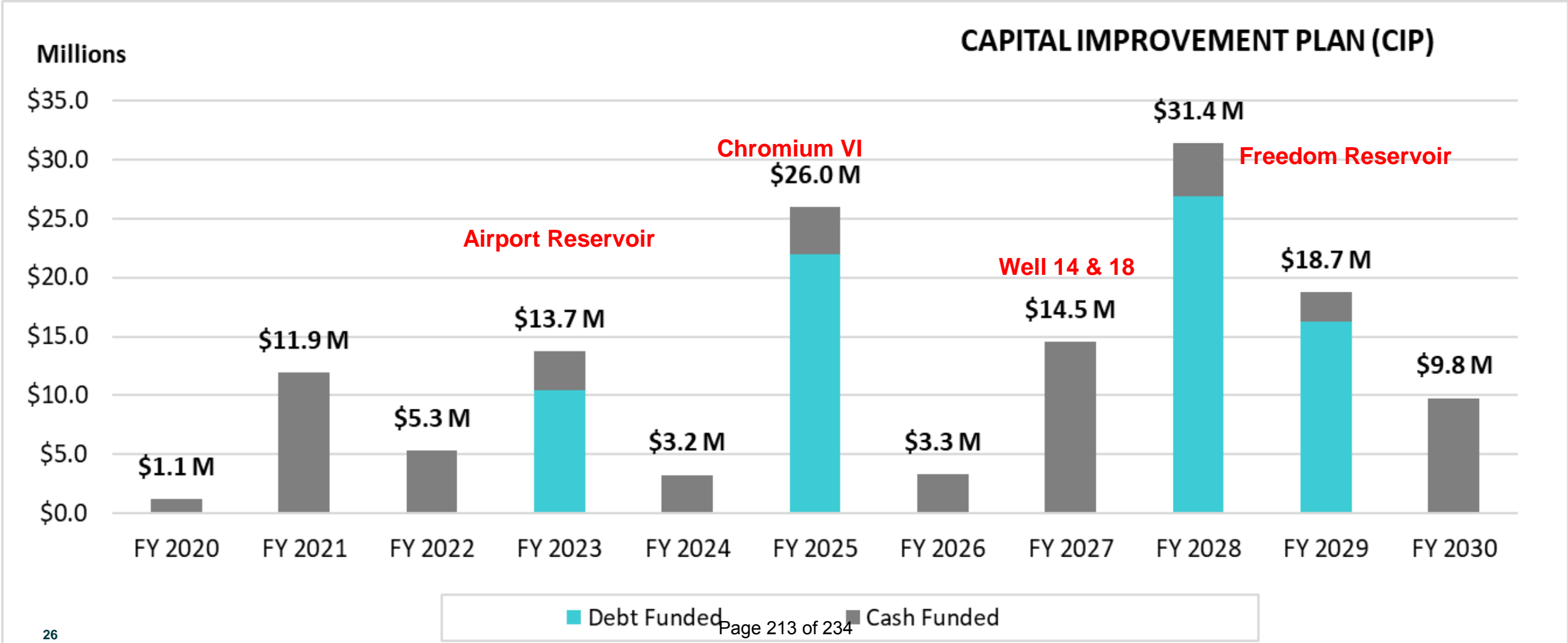
Chromium 6 Treatment: \$26M,
2025-26

New Well: \$3M, in 2021

Replace Freedom
Reservoirs, new
Well 1, and Pump
Station
\$31M, 2027-29



Water Enterprise: 10-Year CIP

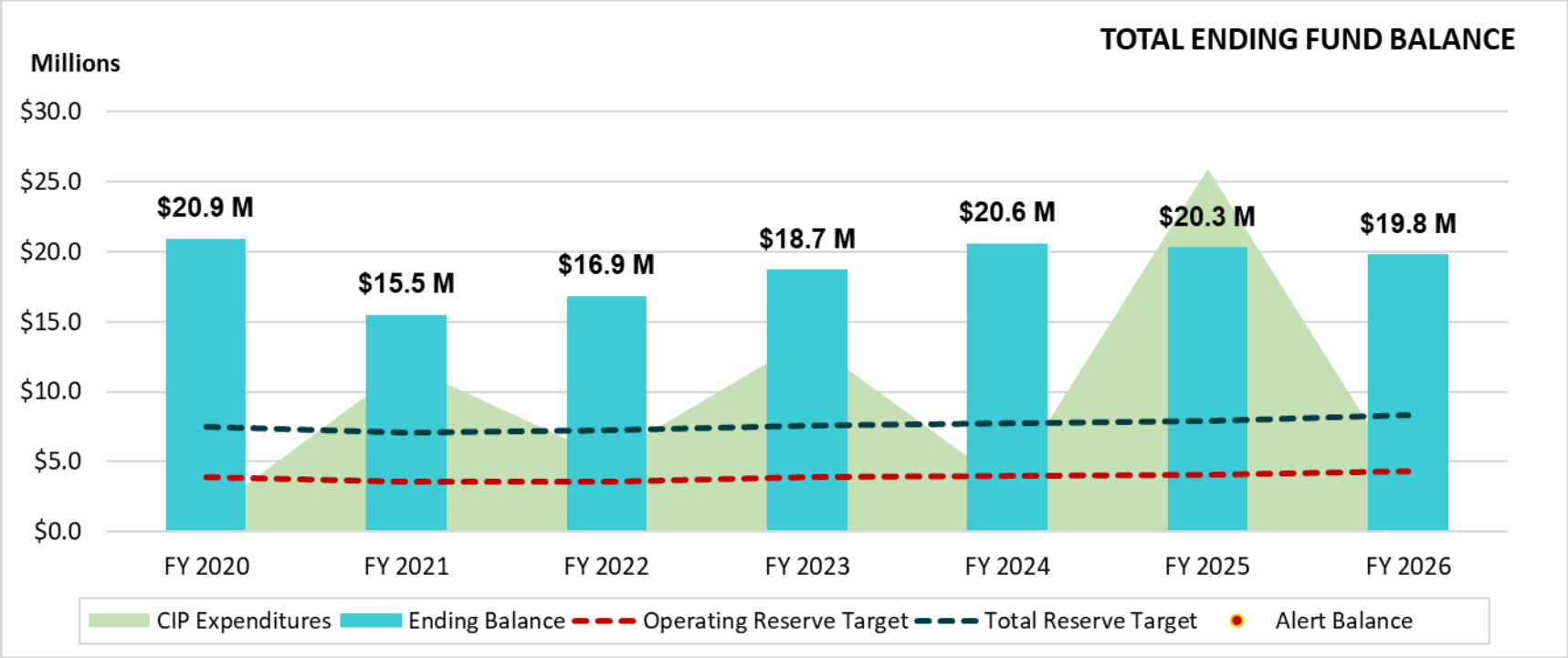


Water Enterprise: Proposed Revenue Adjustments

Fiscal Year	Effective Date	Proposed Revenue Adjustment
FY 2022	July 2021	1.0%
FY 2023	July 2022	1.0%
FY 2024	July 2023	1.0%
FY 2025	July 2024	1.0%
FY 2026	July 2025	1.0%

1% annual rate increase generates a cumulative \$3 million over the next 5 years

Proposed Water Financial Plan



Annual Waterline Replacement CIP - \$2 million



Water Cost of Service: Recommended Changes to Fixed Meter Charges

- Recommended changes to fixed charges:
 - › Remove additional unit charges for multi-family dwellings
 - › Differentiate fixed charges by meter size based on industry-standard AWWA capacity ratios
- Recommended changes to fixed charges:
 - › Same private fire charges for inside & outside city limits customers

Solid Waste



Enterprise

ATTENTION
Parking citations will resume on March 1, 2021
Atención
Infracciones de estacionamiento comenzarán
el lunes 1 de marzo del 2021



Key Solid Waste Revenue Drivers:

- Commitment to
 - › Provide reliable collection of refuse, organic waste, and recyclables
- Rising Costs and Infrastructure Needs
 - › Limited markets for recyclables due to the implementation of China's "Sword Policy" enacted in January 2018 - Recyclables now treated as mixed waste and are an additional cost as opposed to a revenue stream (average \$300K/year expense to dispose 6,000 tons)
 - › Increased disposal and hauling costs to Monterey Regional –
 - almost \$1 million increase over 5-year contract
 - › Landfill closure estimated at \$3 million in FY 2023

Key Solid Waste Revenue Drivers:

- Compliance

- › Short-Lived Climate Pollutants Reduction Act (SB 1383) minimizes the amount of organic material disposed in landfills
 - 75% reduction in landfilled organic waste by 2025 (2014 baseline)
 - 20% reduction in current edible food disposal by 2025
- › AB 1826 requires mandatory food waste (organics) recycling:
\$400,000 \$900,000/year operational cost increase



Food Scrap Recycling Supports Climate Action Plan



Organic to Energy Facility



Composting in windrows

Projected Impact

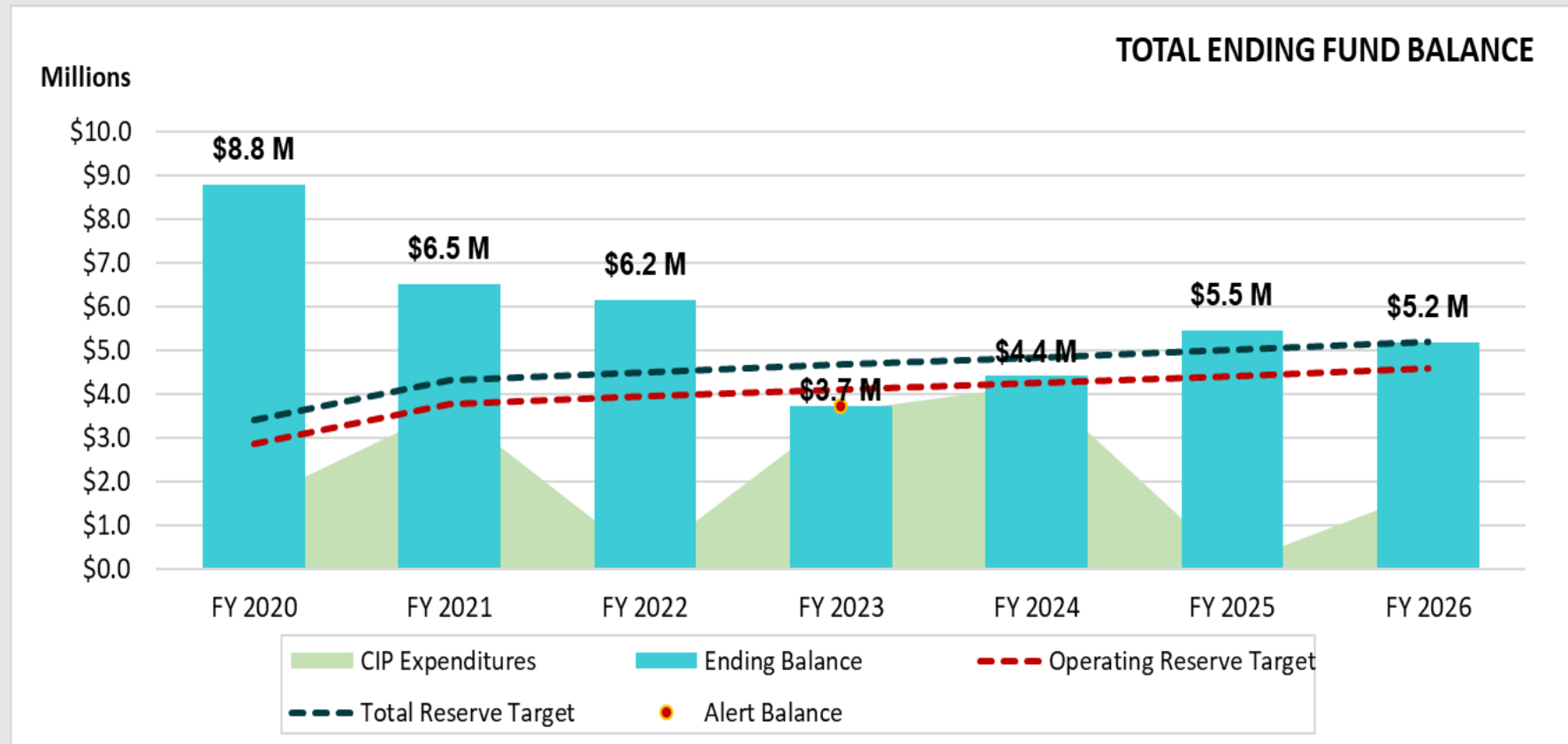
- 4,500 tons of food scraps recycled from all generators by 2025.
- Projected to reduce the equivalent to 18,900 tons of CO₂ and 66 tons of methane (CH₄) emission.

Solid Waste Enterprise: Proposed Revenue Adjustments

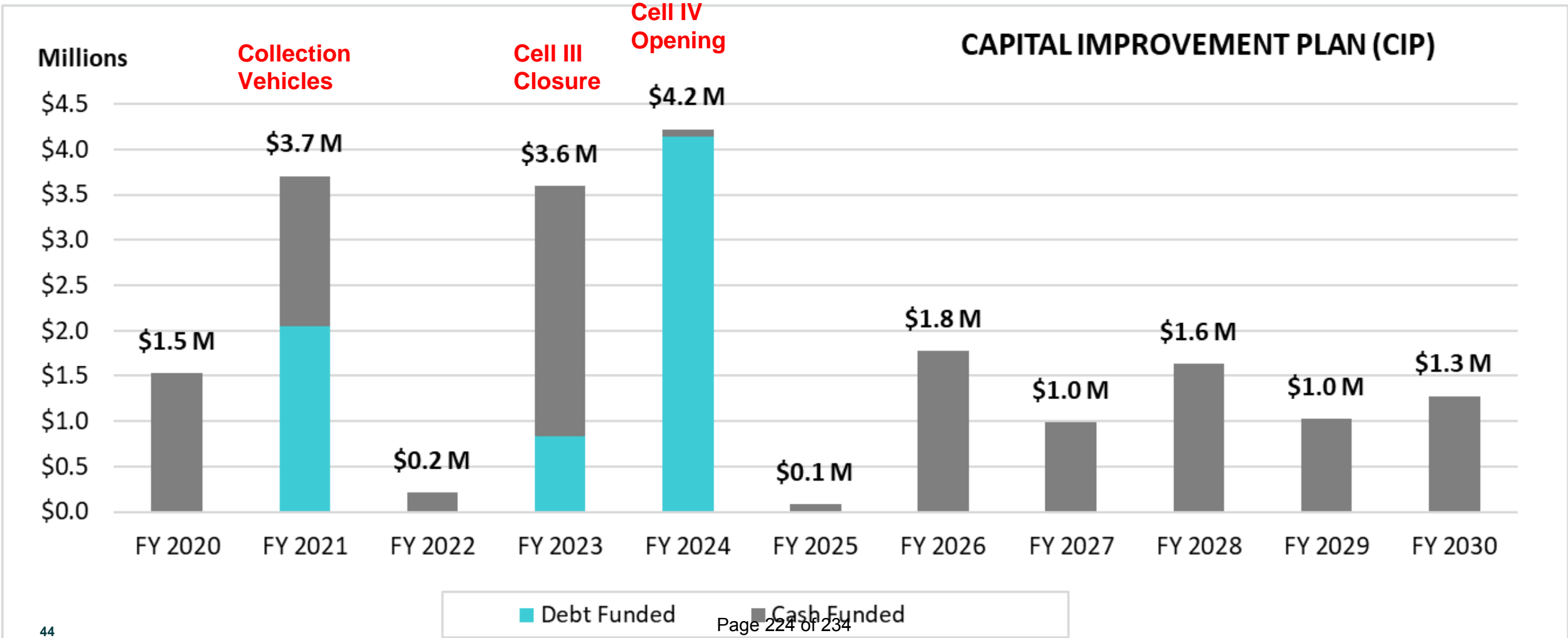
Fiscal Year	Effective Date	Proposed Revenue Adjustment
FY 2022	July 2021	7.5%
FY 2023	July 2022	7.5%
FY 2024	July 2023	7.5%
FY 2025	July 2024	5.0%
FY 2026	July 2025	5.0%

Annual rate increases generate a cumulative \$16.7 million over the next 5 years

Proposed Solid Waste Financial Plan



Solid Waste Enterprise: 10-Year CIP



Solid Waste Cost of Service

- Same methodology from 2015 rate study:
 - › Two rate components:
 - 1) Collection rate (per pickup)
 - 2) Disposal rate (per gallon of solid waste)
 - › Preliminary rates for weekly cart service:

Weekly Pickup Service (\$/Month)	Weekly Pickups	Current FY 2020	Proposed FY 2022	Difference \$	Difference %
Cart Service					
32 gal	5,432	\$35.60	\$35.64	\$0.04	0.1%
68 gal	4,542	\$57.41	\$59.82	\$2.41	4.2%
95 gal	1,122	\$73.76	\$77.95	\$4.19	5.7%

Bill Impacts



Combined Monthly Bill Impacts: Low Impact Single-Family Residential Customer

- Low impact single-family customer (i.e. 1-2 person household):
 - › Water: 5/8" meter and median monthly water use (6 ccf)
 - › Wastewater: Fixed monthly charge
 - › Solid Waste: 32 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020-21)	Proposed Monthly Bill (FY 2022)	Difference (\$)	Difference (%)
Water	\$57.27	\$52.46	(\$4.81)	-8.4%
Wastewater	\$42.84	\$46.06	\$3.22	7.5%
Solid Waste	\$35.60	\$35.64	\$0.04	0.1%
Total	\$135.71	\$134.16	(\$1.55)	-1.1%

Combined Monthly Bill Impacts: Low Impact Single-Family Residential Customer

- Low impact single-family customer (i.e. 1-2 person household):
 - › Water: 5/8" meter and median monthly water use (6 ccf)
 - › Wastewater: Fixed monthly charge
 - › Solid Waste: 32 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020)	Proposed Monthly Bill (FY 2022)	Proposed Monthly Bill (FY 2023)	Proposed Monthly Bill (FY 2024)	Proposed Monthly Bill (FY 2025)	Proposed Monthly Bill (FY 2026)
Water	\$57.27	\$52.46	\$52.99	\$53.52	\$54.05	\$54.59
Wastewater	\$42.84	\$46.06	\$49.51	\$53.22	\$57.22	\$61.51
Solid Waste	\$35.60	\$35.64	\$38.31	\$41.19	\$43.25	\$45.41
Total	\$135.71	\$134.16	\$140.81	\$147.93	\$154.52	\$161.51
Monthly bill increase		(\$1.55)	\$6.65	\$7.12	\$6.59	\$6.99

Combined Monthly Bill Impacts: Typical Single-Family Residential Customer

- Typical single-family customer:
 - › Water: 5/8" meter and average monthly water use (8 ccf)
 - › Wastewater: Fixed monthly charge
 - › Solid Waste: 68 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020-21)	Proposed Monthly Bill (FY 2022)	Difference (\$)	Difference (%)
Water	\$66.33	\$62.80	(\$3.53)	-5.3%
Wastewater	\$42.84	\$46.06	\$3.22	7.5%
Solid Waste	\$57.41	\$59.82	\$2.41	4.2%
Total	\$166.58	\$168.68	\$2.10	1.3%

Combined Monthly Bill Impacts: Typical Single-Family Residential Customer

- Typical single-family customer:
 - › Water: 5/8" meter and average monthly water use (8 ccf)
 - › Wastewater: Fixed monthly charge
 - › Solid Waste: 68 gallon weekly cart service

Utility Service	Current Monthly Bill (FY 2020)	Proposed Monthly Bill (FY 2022)	Proposed Monthly Bill (FY 2023)	Proposed Monthly Bill (FY 2024)	Proposed Monthly Bill (FY 2025)	Proposed Monthly Bill (FY 2026)
Water	\$66.33	\$62.80	\$63.43	\$64.06	\$64.69	\$65.35
Wastewater	\$42.84	\$46.06	\$49.51	\$53.22	\$57.22	\$61.51
Solid Waste	\$57.41	\$59.82	\$64.30	\$69.13	\$72.58	\$76.21
Total	\$166.58	\$168.68	\$177.24	\$186.41	\$194.49	\$203.07
Monthly bill increase		\$2.10	\$8.56	\$9.17	\$8.08	\$8.58

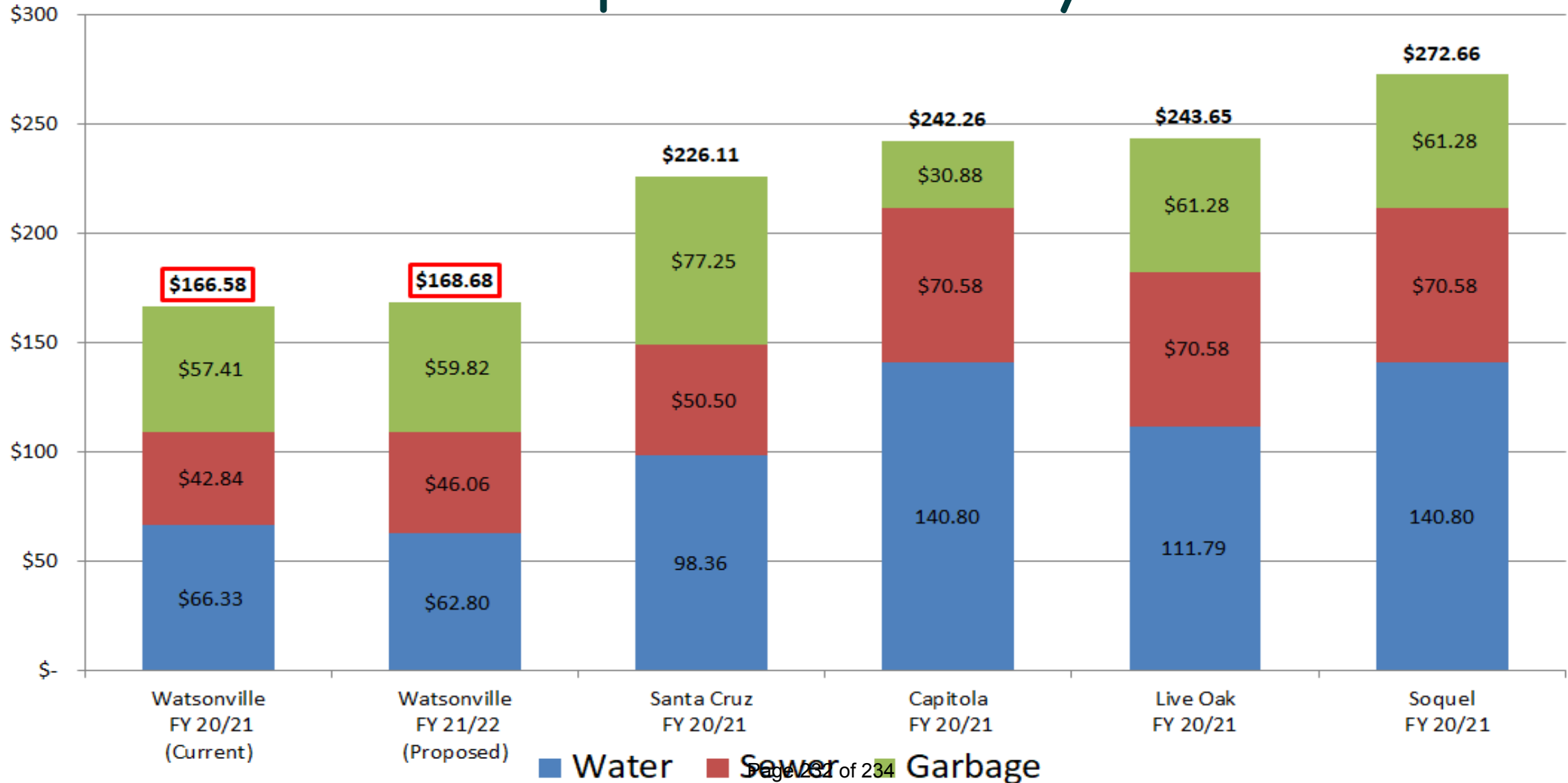
Combined Commercial Monthly Bill

Impacts: Medium Restaurant

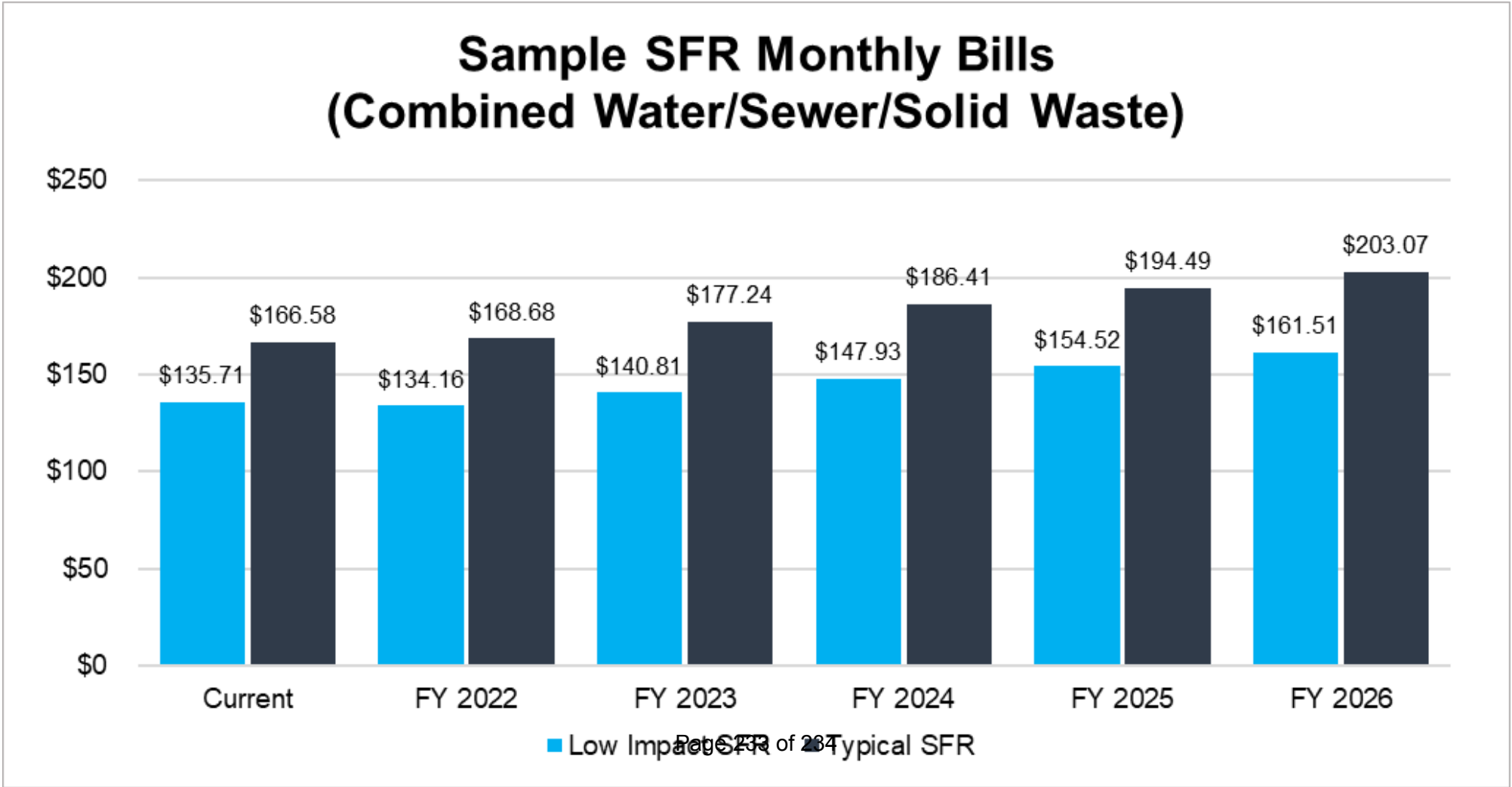
- Water: 1.5" meter and 40 ccf monthly water use
- Wastewater: Commercial high strength customer
- Solid Waste: 2 cubic yard weekly container service

Utility Service	Current Monthly Bill (FY 2020-21)	Proposed Monthly Bill (FY 2022)	Difference (\$)
Water	\$274.20	\$293.17	\$18.97
Wastewater	\$183.13	\$238.53	\$55.40
Solid Waste	\$260.91	\$285.42	\$24.51
Total	\$718.24	\$817.12	\$98.88

Typical Single-Family Residential Monthly Bill Comparison: first year



Total Bill: Low-Impact User versus Typical User, Single-Family Bill Comparison



Next Steps

