
INTERNAL AFFAIRS COMMITTEE AGENDA

A Committee of the Chico City Council: Councilmembers Reynolds, Winslow, and Chair van Overbeek
Meeting of April 1, 2024 – 1:00 p.m.
Council Chamber Building, 421 Main Street, Conference Room 1

A. CONSIDERATION OF AMENDMENT TO THE COMMUNITY BENEFITS AGREEMENT WITH COMMERCIAL CANNABIS BUSINESSES

The City of Chico currently requires commercial cannabis businesses to enter into a Community Benefits Agreement to operate within the City. In accordance with the Agreement, each licensee agrees to pay five percent of its prior year's revenue to a Community Benefits fund, with payment occurring in full by June 30 of the following year. The Internal Affairs Committee is being asked to consider an amendment to the Community Benefits Agreement that would require payments to be made within 60 days of the previous quarterly revenue reported rather than one installment per year in full. **(Report – Hope Ithurburn, Management Analyst – City Manager's Office)**

Recommendation: *The City Manager recommends that the Internal Affairs Committee Recommend Council consideration of an amendment to the Community Benefits Agreement, requiring payments to be made within 60 days of previous quarterly revenue reported rather than one installment per year in full and to take effect in the 2nd Quarter 2024 with 1st Quarter 2024 and calendar year 2023 revenue reported paid by June 1, 2024.*

B. STATUS REPORT ON THE BUTTE COUNTY WAYFINDING PROJECT

The County of Butte contracted with Explore Butte County, the local Tourism and Business Improvement District, to develop a countywide wayfinding program. The Internal Affairs Committee will be provided with information and a current status report on the project. **(Report – Jennifer Macarthy – City Manager's Office)**

Recommendation: *This is an informational item only.*

C. PUBLIC COMMENT

Members of the public may address the Committee at this time on any matter not already listed on the agenda and within the jurisdiction's authority. Comments will be limited to three minutes or as determined by the Chair based on the number of speakers. The Committee cannot take any action at this meeting on requests made under this section of the agenda.

D. ADJOURNMENT AND NEXT MEETING

The meeting will adjourn to the next regular Internal Affairs Committee meeting scheduled for Monday, May 6, 2024, at 1:00 p.m.

SPEAKER ANNOUNCEMENT

NOTE: Citizens and other interested parties are encouraged to participate in the public process and will be invited to address the Committee regarding each item on the agenda.

Distribution available in the office of the City Clerk

**Posted: 03-27-24 prior to 5:00 p.m. at 421 Main St. Chico, CA 95928 and www.ci.chico.ca.us
Copies of the agenda packet are available for review at: City Clerk's Office, 411 Main St. Chico, CA 95928**



Please contact the City Clerk at 896-7250 should you require an agenda in an alternative format or if you need to request a disability-related modification or accommodation in order to participate in a meeting. This request should be received at least three working days prior to the meeting in order to accommodate your request.



TO: Internal Affairs Committee

FROM: Mark Sorensen, City Manager

RE: **CONSIDERATION OF AMENDMENT TO COMMUNITY BENEFITS AGREEMENT WITH CANNABIS BUSINESSES**

REPORT IN BRIEF:

The City of Chico enters into a Community Benefits Agreement (“Agreement”) with cannabis businesses licensed to operate within the City. In accordance with the Agreement, each licensee agrees to pay five percent of its prior year’s revenue to a Community Benefits fund, with payment occurring in full by June 30 of the following year. The proposed amendment will modify the Agreement to require payment to be made within 60 days of the previous quarterly revenue reported. For example, 1st Quarter 2025 (January, February, March) payment will be made within 60 days, no later than June 1, 2025. The amendment would take effect in the 2nd Quarter 2024 (April, May, June) with 1st Quarter 2024 and calendar year 2023 revenue reported paid by June 1, 2024.

The state of California requires resellers to file quarterly sales tax returns. The Community Benefits payments would mirror this process and utilize the same data. It makes sense for resellers to process both reports simultaneously. And at the City we would use quarterly state of California sales tax data to corroborate Community Benefits payments, so here again, it makes sense to follow a quarterly reporting process.

Recommendation: *The City Manager recommends the Internal Affairs Committee recommend Council consideration of an amendment to the Community Benefits Agreement, requiring payments to be made within 60 days of previous quarterly revenue reported rather than one installment per year in full and to take effect in the 2nd Quarter 2024 with 1st Quarter 2024 and calendar year 2023 revenue reported paid by June 1, 2024.*

FISCAL IMPACT:

The Amendment does not modify the amount of funds paid into the Community Benefits fund. The Amendment only modifies the timing of the payments from annually to quarterly.

BACKGROUND:

According to the terms of the Agreement, each “Major Amendment” must be approved by City Council. A Major Amendment is defined as “an amendment that shall have a material effect on the terms of the Agreement.” The City Manager, in consultation with the City Attorney, has the discretion to determine if an amendment is major or minor. Here, the City Manager has determined the amendment is a Major Amendment, requiring Council approval.

In recent discussions with HDL Companies, it was discovered that quarterly or monthly payments vs. annual payment is industry practice for those jurisdictions that enter into a Community Benefits Agreements with cannabis businesses. HDL Companies also noted that quarterly payments result in more regular accountability for businesses ensuring the City is receiving payments in a timely manner. In addition, it is reported that auditing becomes simpler when reviewing a business’ reported revenue.

All cannabis licensees have been contacted and provided with the proposed amendment to the Community Benefits Agreement and were asked to state any concerns or objections; to date there have been no concerns or objections to the change in process. Additionally, all licensees have been made aware of this scheduled meeting and invited to attend if they wish to provide public comments.

If the Committee agrees to move this recommendation forward to Council with subsequent adoption, staff will modify individual agreements as well as the Community Benefits Agreement template to reflect these changes in future agreements.

DISCUSSION:

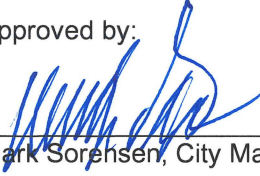
The Internal Affairs Committee is being asked to consider whether or not the City Council should consider an amendment to the Community Benefits Agreement requiring payments to be made quarterly rather than once per year in full.

Prepared by:



Hope Ithurburn, Management Analyst

Approved by:



Mark Sorensen, City Manager

ATTACHMENTS:

Exhibit A – Draft Amendment to Community Benefits Agreement

AMENDMENT NO. 1
COMMUNITY BENEFITS AGREEMENT
AMENDMENT DATED _____, 202_
BETWEEN CITY OF CHICO
AND

THIS COMMUNITY BENEFITS AGREEMENT AMENDMENT (“Amendment”) is entered into on _____, 202_ and is to that certain Community Benefits Agreement by and between the City of Chico, (“City”) and _____ (“Licensee”) (collectively referred to as the “Parties”), dated _____, 202_.

RECITALS

- A. On _____, 202_, City and Licensee entered into the Agreement.
- B. Section 1.8 of the Agreement requires an amendment be made in writing by mutual consent of the Parties. A Major Amendment to the Agreement must be approved by the City Council. The City Manager, in consultation with the City Attorney, has the discretion to determine if an amendment is a Major Amendment, as that term is defined in the Agreement.
- C. The City Manager, in consultation with the City Attorney, has determined that this Amendment is a Major Amendment.
- D. City and Licensee desire to amend the Agreement to revise the payment structure of the Community Benefits fee consistent with Chapter 5.42 of the Chico Municipal Code.

The Parties therefore agree as follows:

Section 1. The second paragraph of Section 2.2 of the Agreement, entitled “Community Benefits” is hereby amended to read as follows:

“All Cannabis businesses within the City of Chico shall be required to enter into a Community Benefit Agreement and donate five (5) percent (5%) of their gross receipts to a community benefit fund. Community benefit funds shall be paid by Licensee in quarterly payments remitted to the City within sixty (60) days following the end of each calendar quarter. For purposes of this Agreement, the following dates shall constitute the end of each calendar quarter: 1st Quarter – March 30th, 2nd Quarter – June 30th, 3rd Quarter – September 30th, and 4th Quarter – December 31st. Along with the quarterly payment, Licensee shall also submit a quarterly gross receipts report to the City detailing the gross receipts received in the applicable

quarter and quarterly payment calculation (“Quarterly Report”). Payment of the quarterly payment and submission of the Quarterly Report is the responsibility of Licensee without prompting or notification from the City. Licensee shall remit the quarterly payment by check or money order made payable to the City of Chico, or in such other form or method as may be approved by the City in its sole and absolute discretion. Gross receipts do not include taxes collected for and remitted to a taxing authority or any donations made as per the Community Benefits and Investments Plan. Any donations made as per the Community Benefits and Investments Plan will require backup documentation.”

Section 2. Except as specifically amended in this First Amendment, all other terms of the Agreement shall remain unaltered and in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed as evidenced by the signatures of the authorized officers of each of them which appear below.

Date: _____

LICENSEE:

By: _____

Name: _____

Title: _____

Date: _____

**CITY:
CITY OF CHICO,
A MUNICIPAL CORPORATION**

By: _____
Mark Sorensen, City Manager

Date: _____

APPROVED AS TO FORM:

By: _____
John Lam, City Attorney



Internal Affairs Committee

Agenda Report

Meeting Date: April 1, 2024

TO: City Council

FROM: Mark Sorensen, City Manager

RE: Status Report on the Butte County Wayfinding Project

REPORT IN BRIEF:

The County of Butte contracted with Explore Butte County, the local Tourism and Business Improvement District, to develop a countywide wayfinding program. The Internal Affairs Committee will be provided with information and a current status report on the project.

Recommendation:

This is an informational item only.

FISCAL IMPACT:

The wayfinding plan, once complete, will include construction drawings and cost estimates for the various signs.

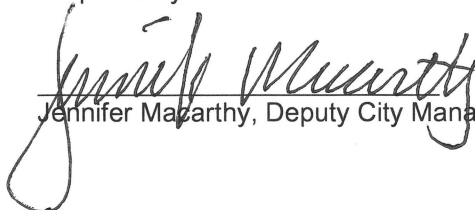
BACKGROUND:

The County of Butte contracted with Explore Butte County to develop a regional wayfinding program. Explore Butte County is currently working on completion of the wayfinding plan. The plan will include sign designs, potential locations for the signs, and associated cost estimates. It is anticipated that the final plan will be completed no later than July 2024.


DISCUSSION:

Nichole Farley, Executive Director of Explore Butte County, will provide the Internal Affairs Committee with an overview of the wayfinding project and a current status report.

Prepared by:


Jennifer Magarthy, Deputy City Manager

Approved by:


Mark Sorensen, City Manager