



# CITY OF NEEDLES

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Mayor Janet Jernigan  
Vice Mayor Kirsten Merritt  
Councilmember Tona Belt  
Councilmember Ellen Campbell  
Councilmember Jamie McCorkle  
Councilmember JoAnne Pogue  
Councilmember Henry Longbrake  
City Manager Rick Daniels

## MEMORANDUM

TO: Honorable Mayor & Council Members,  
Boards and Commissions, and  
Interested Parties

FROM: Rick Daniels, City Manager 

SUBJECT: Manager's Report

DATE: September 15, 2023

- City Manager

- \*\* Household hazardous waste collection scheduled for October 7 at the Public Works Yard
- \*\* L Street Booster completed, undergoing start up
- \*\* Working with a donor to establish a plaque at the ballfield honoring Nikki Bunch
- \*\* Work continues to allow off highway vehicles (OHV) on city streets when traveling to a trail head
- \*\* Building permit has been issued for an 18 room addition to the Hampton Inn. Construction expected shortly
- \*\* Working with the developer of a subdivision on Clary Drive. Model homes expected before the end of the year
- \*\* City staff prepared for Hurricane Hilary which bypassed Needles
- \*\* A "paranormal" firm has requested access to the El Garces to investigate if there are ghosts

- City Clerk

- \*\* Vault contents at the old city hall have been relocated to new vault at Third Street
- \*\* Continue moving forward with agenda management
- \*\* Responding to record requests

- Community Services

Transit, Senior Center, Recreation, Aquatics, Parks, Cemetery:

- \*\* Covered senior center in absence of the senior aide

Transit: \*\* Shopper shuttle had a total of 12 roundtrip passengers (24 boardings) for the five weeks in August averaging 2.4 riders per trip (maximum bus capacity is 9)

- \*\* Three roundtrip medical transports (6 boardings) and one no show

\*\* DAR accommodated 549 passenger boardings averaging 23.87 boardings per day

\*\* San Bernardino County Transportation Authority (SBCTA) has implemented a one-year pilot project countywide that Students Ride Free and will include K-12 and college students. Fares for the "free rides" will be reimbursed by SBCTA

Senior Center: \*\* Average daily use was 27 participants/visitors for lunch and other senior activities/services

- \*\* No craft project for August

Recreation: \*\* After-school program began August 16 with 215 students enrolled

\*\* Finalizing sign-ups for fall sports that include pee wee soccer, volleyball and flag football. Teams will be formed the week of Sept 18 and games will begin the first week of October

**\*\* Facility rentals for July and August:**

Jack Smith Park: 1-4hr rental @ \$20hr

Gym: 1- 3hr and 1- 2hr rental @ \$30hr

Aquatics: \*\* Beginning general maintenance which will include draining the slide pool and acid washing/painting. Will drain the main pool due to extensive issues with the plaster and will consider options for next season

**\*\* Received the first draft of the assessment for the rehabilitation for the aquatic facility and will present to the Parks & Recreation Commission at the September 18 meeting**

Jack Smith Park: **\*\* Open 7 days a week with reduced hours until the end of September and then weekends only through October**

**\*\* Finalizing the holiday reports and will present at the Parks & Recreation Commission meeting in October**

Cemetery: **\*\* No interments in August**

Parks: **\*\* General maintenance including basic tree trimming, weed control and irrigation repairs**

• **Development Services**

Planning, Building/Safety, Engineering, Code Enforcement, Capital Improvement Plan (CIP):

Planning: **\*\* Worked with the developers of the Hampton to open a new 94 room Hilton Home 2 Suites on West Broadway**

**\*\* Worked with a business owner to renovate their business**

**\*\* Worked with applicants for a cell tower and a retail cannabis lounge to be presented to the Planning Commission and City Council**

Code Enforcement: **\*\* Routine inspections including cannabis, residential and commercial**

**\*\* Assisted the sheriff's department**

**\*\* Assisted the city attorney's office with requested documents and postings**

**\*\* Parking enforcement**

Building & Safety: **\*\* Currently have 79 active permits; 15 permits ready to issue; and 5 projects under review**

**\*\* Issued 10 permits (residential: 1 reroof; 3 remodel/repair; 1 electrical; 3 plumbing; and commercial: 1 electrical and 1 mechanical)**

**\*\* Completed 64 inspections and finalized 12 permits**

Engineering: **\*\* See attached**

• **Finance and Administration**

Finance, HR, Risk Management:

**\*\* Hired in-house for MCWI-housing**

**\*\* Advertising for city planner, recreation coordinator, customer service rep I and animal control assistant**

**\*\* Interviewed for senior water operator position**

• **Public Works**

Streets, Fleet, Buildings, Sanitation:

**\*\***

• **Public Safety**

Animal Control, Sheriff, Fire, Emergency Management:

Animal Control: **\*\* One administrative citation written**

**\*\* Spayed and neutered clinic set for October 6 and 7 is full**

**\*\* All employees took webinar training on Forensics: Animal DNA in Criminal Investigations**

• **Utilities**

Electric, Water, Wastewater, Billing Office:

Wastewater: **\*\* One effluent and two motive pumps are out for warranty repairs**

\*\* Bar screen repairs at the plant were completed  
\*\* Lift stations and plant installed automatic electric meters  
\*\* Installed a new injector pump at the Bazoobuth lift station  
Water: \*\* 25+ water service line repairs completed  
\*\* 50+ underground utility locates completed  
\*\* Excavated, located & disconnected 2" main at well #11 site that was broken during demolition  
\*\* Repaired 6" main break in the wash area on East Broadway  
\*\* Continue work with the contractors on the Lilly Hill Booster station. Startup testing scheduled for September 14  
\*\* Continue work with the contractors on Well #11 filter plant  
\*\* Repaired sand trap drain and flushed out sand separator on well #15  
Electric: \*\* Installed new pole on River Road and new primary feed to Verde Shores  
\*\* Replaced three transmission poles and reframed four poles  
\*\* Replaced a primary underground termination on the Moabi feeder at the substation  
\*\* Replacing commercial meters with new AMI meters  
\*\* Replaced 200 feet of secondary wire  
\*\* Replaced or fixed 15 streetlights  
Billing Office: \*\* 30 connects and 48 disconnects in August

- Golf

Pro Shop, Maintenance:

Pro Shop: \*\* August 2023 revenue and rounds:

2022 - total revenue \$17,283; total rounds 669

2023 - total revenue \$12,704; total rounds 515

\*\* During overseeding, prop shop is open on limited hours

\*\* Promoting 2023-24 monthly and annual memberships

\*\* Two golf tournaments scheduled for October 14 and 21

\*\* Working with the city to get the restrooms operational

Maintenance: \*\* Course closed through October 5 for annual overseeding

- Housing Authority

\*\* The City, through the Housing Authority, has been awarded 30 rental assistance vouchers for veterans

\*\* Submitted the FY2023 unaudited financials to Housing & Urban Development (HUD)

\*\* Approved the Administrative Plan

attachment

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## **Capital Improvement Projects (CIP) Project List/Status – September 13, 2023**

### **Parks Projects:**

**1. First Beach / Marina Beach Park - \$1,864,588**

**Status:** Contractor has been submitting shop drawings for key components of the park for approval. These items are being ordered as approved. Construction is due to start at the end of October 2023.

**2. Duke Watkins Park Improvements - \$2,283,700**

**Status:** Contractor has been submitting shop drawings for key components of the park for approval. These items are being ordered as approved. Construction is due to start mid-October 2023. A groundbreaking ceremony will be scheduled soon.

**3. Duke Watkins Park Pump Track - \$534,716**

**Status:** Bids were opened on September 1, 2023, and the project was awarded to Three Peaks Corp. on September 12, 2023 in the amount of \$534,716.

**4. Jack Smith Park Biking/Walking Path - \$134,965.30**

**Status:** Bids were opened on August 16 and the project was awarded to Western Construction Specialist, Inc. on September 12, 2023, in the amount of \$134,965.30.

### **Streets:**

**5. Pavement Management Plan Update**

**Status:** Consultant is gathering data for report update.

**6. Phase IV A – Water Service Replacement & Street Improvements**

**Status:** 100% design is complete. The project has been divided into two (2) phases. The first phase will go out to bid in September.

**7. Oberholte Water Service Replacement & Street Improvements – \$1,123,983**

**Status:** 100% Design is complete and federal funding approved. Staff is working with Caltrans Local Assistance to obtain necessary approvals to being the construction bid process.

**8. Needles Bridge Deck work**

Construction is complete. Staff is working on final documentation for Caltrans project closing procedure.

**9. Monument Signage/Freeway Ramp Clean-up - \$5,900,000.00**

**Status:** This project is near completion. Caltrans will notify staff when complete.

**Water Projects:**

**10. Lily Hill Water Booster Station - \$2,086,775.00**

**Status:** This project is under construction with an approximate completion at the end of September.

**11. Water Treatment Plant - \$5,759,500.00**

**Status:** Under construction - Concrete foundations have been poured and the treatment vessel has been delivered and set in place. Contractor will be off-site until the end of November when they will return to install the backwash tank, underground piping and electrical equipment.

**12. Waterline and Manifold Replacements - \$914,600.00**

**Status:** This project is ready to bid in alignment with other water projects.

**13. Well No. 15 Backup Generator - \$367,000**

**Status:** The backup generator has been ordered and expected delivery in Jan. 2024. Electrical conduit and generator concrete pad has been installed.

**14. Well No. 11 to Well No. 15 Waterline Intertie - \$930,000**

**Status:** This project is under design.

**Other projects:**

**15. Needles Golf Course Irrigation Efficiency Project, Phase 1 - \$715,538**

**Status:** This project is under design. Staff is expecting final plans and specifications for bid within 30 days.

**16. Advanced Metering Infrastructure (AMI) Smart Meters - \$3,900,000**

**Status:** This project is near completion. Staff is working on project close out documentation for BOR grant funds and Landis + Gyr.

**17. NHA Window and Door Replacement Project - \$408,289**

**Status:** Window installation is complete. Doors and hardware are scheduled for delivery by mid-September.

**18. Hazard Mitigation Plan Update - \$132, 285**

**Status:** At the September 12, 2023, City Council meeting, Grant funding in the amount of \$119,683.50 was accepted from the California Governor's Office of Emergency Services. Grant agreements are being signed and staff is preparing the Request for Proposals (RFP) to be advertised soon to solicit qualified firms to prepare the plan.

**19. Public Restroom Sewer Waste Piping Repair (Golf Course)**

**Status:** This project is currently out to bid with a bid opening date of September 20, 2023.

**20. Marketing Consultant RFP**

**Status:** Request for Proposals were advertised on Sept. 6, 2023, and is scheduled to close on Sept. 27, 2023. After proposals have been reviewed, staff will schedule interviews with the most qualified firms.



## City of Needles, California Request for City Council Action

☒ CITY COUNCIL ☐ NPUA ☐ HACN ☒ Regular ☐ Special

**Meeting Date:** October 10, 2023

**Title:** State of Cannabis Industry- City of Needles

**Background:** In 1996, California recognized the medicinal value of cannabis with the passage of the Compassionate Use Act through Proposition 215, legalizing its use, possession, and cultivation for patients with a physician's recommendation

### **Timeline of Significant Cannabis Policy Events:**

- **2012 Measure S:** City voters overwhelmingly approved the Marijuana Business Tax Ordinance, allowing for the collection of a 10% tax on gross receipts from marijuana businesses. This measure received an 81% approval rate.
- **2015 Medical Marijuana Regulation and Safety Act:** Statewide regulations were established for licensing, cultivating, processing, transporting, testing, and distributing medical cannabis. Local control was maintained through a dual licensing system requiring both local and state approval.
- **2016 Ordinance 574-AC:** The City enacted legislation to regulate Marijuana Businesses in accordance with state law, ensuring the safety and welfare of residents and businesses within the City. This led to the creation of Section 12A of the NMC.
- **2016 Proposition 64:** Legalized the possession, cultivation, and use of marijuana for personal use and allowed for the sale and taxation of recreational marijuana. 60% of Needles Residents voted in favor of the Statewide Ballot Measure.
- **2018 Ordinance 606-AC:** The City introduced legislation allowing the sale, cultivation, and manufacturing of adult-use (recreational) cannabis.
- **2020 Ordinance 629-AC:** Additional retail cannabis businesses and onsite cannabis consumption were permitted under this legislation.
- **2022 Ordinance 656-AC:** This ordinance streamlined application requirements and made amendments related to grounds for license denial and identification card issuance.

Over the period spanning from 2017 to the present, the city has granted a total of 93 Conditional Use Permits for cannabis business enterprises, encompassing a substantial 941,721 square feet dedicated to cannabis-related businesses. Presently, the City of Needles hosts a cannabis sector with 34 operational businesses (269,981 sq. ft.). There is a total of 120,000 sq. ft. that is under construction and anticipated to come online within the next year. This diverse landscape consists of:

- 1 Consumption Lounge
- 3 Manufacturing Facilities
- 7 Cannabis Retail Businesses
- 5 Distribution Facilities
- 18 Cultivation Facilities

The City has not only leveraged the advantages of cannabis tax revenue to propel economic growth, ensure regulatory adherence, and improve our community's infrastructure, but it has also drawn in businesses, resulting in the creation of 586 jobs in the industry itself and indirectly

created the need for additional jobs in the restaurant and hotel/motel industries as their contractors came to Needles. This underscores how responsible cannabis taxation and regulation have not only enhanced our community's well-being but also stimulated employment opportunities and business growth.

**Financial Impacts:** In 2012, the City took a significant step forward by implementing a cannabis tax collection system. Under Measure S, the Marijuana Business Tax Ordinance was established, which imposed up to a 10% gross receipts tax on the revenue of cannabis businesses.

In the inaugural year of 2013, the city initiated the tax collection process, and through a self-reporting system, approximately \$14,920 in revenue was collected. The following year, in 2014, an essential shift occurred as the City Manager took proactive measures, initiating a thorough audit of reported gross receipts, which revealed an additional \$56,520 in revenue. Since the inception of Measure S, the city has collected a total of \$18 million in cannabis tax revenue. Additionally, the city has experienced an increase in sales tax (186% since FY 14) as a result of the city receiving its share of state sales tax. The above has produced a steady growth of revenue for the City improving its long-term financial sustainability.

The City invested revenues generated by cannabis in furtherance of community enhancement and to improve the quality of life for Needles' residents. Cannabis revenues have been instrumental in supporting various aspects of our community, contributing to both its growth and development while establishing a healthy level of reserves. Some examples of community enhancement and programs funded by cannabis revenue include the following:

- **Economic Development Program:** The City allocates 10% of Cannabis Tax Revenues to an Economic Development Program. This initiative is dedicated to fostering the expansion and creation of non-cannabis businesses within our community and so far has assisted with the development of an 82 room Hampton Inn Hotel, a new 66,560 Sq. Ft. boat storage facility, and a renovated coffee shop at an auto service center.
- **Street Improvements:** Progress has been made with respect to the City Council's goal of improving the quality of life for Needles' residents in that cannabis revenues have funded \$8 million in essential street improvements.
- **Infrastructure Improvements:** With aging infrastructure needing to be addressed the cannabis tax revenue provided interim funding for the \$1.2 million Arizona Bridge Reconstruction.
- **Cannabis Compliance:** A portion of the revenue is invested in critical aspects of law enforcement and code enforcement to ensure that cannabis-related activities are in compliance with established regulations.
- **Philanthropy:** In addition to the above, various cannabis owners as individuals have given back to the City by participating in community events (BMX Freestyle Event, Trunk or Treat, Holiday present giveaways) and have donated to the City of Needles (recreation center basketball hoops and donations to the animal shelter).



The economic model implemented by the City has effectively cultivated a business-friendly environment, resulting in a noteworthy influx of businesses to Needles. This surge in business activities, primarily driven by the cannabis economy, has substantially contributed to job creation and population growth within the City. Moreover, this economic synergy extends its reach, indirectly bolstering and supporting other sectors, including the hospitality and restaurant industries. The cannabis industry's growth has brought forth a multitude of secondary economic benefits, notably elevating the City's total property value by a remarkable 72% (equivalent to \$224 million) since 2017, with a recent year-over-year increase of 9.1% (\$45 million). This upsurge can be directly attributed to the heightened demand for lodging services and dining establishments resulting from the construction of cannabis-related facilities.

**Utilities:** The Needles Public Utility Authority which manages the utilities for the City has also benefited from the growing cannabis industry. In 2017, the NPUA required that all cannabis businesses provide a \$100,000 per/MW deposit to the NPUA to assist financially in completing certain related electrical facilities which provided the cannabis projects with electrical power. The residents of the City have benefited greatly from improving the electric delivery system and expanding it to meet the needs of the new cannabis businesses that were brought online. The following projects were completed to improve system reliability and deliver power:

- NPUA increased its power allotment allocation from 30 MW to 60MW which provides the City with the opportunity to grow and expand.
- City has increased load from a peak max of 9 MW to 23 MW per hour which provides additional revenue to the NPUA for the sale of electrical power. NPUA budget has doubled in the last five years to (\$15 Mil. Projected FY 24)
- \$1.2 Mil. Bill Yoney Substation Replacement
- \$1.8 Mil. Intertie to South Needles
- \$1.2 Mil. Murl Shaver Needles Substation (New)
- Replaced over 60 outdated, 1950's vintage insulators
- Initiated a system wide pole replacement program to improve system reliability
- The \$100,000 per/MW deposits have helped fund engineering work, equipment and assisted in performing future improvements to our electric grid necessitated by the growth of the cannabis industry in the City.

The NPUA has worked closely with the Cannabis businesses to ensure that they are successful. However, factors such as market saturation, economies of scale, and competition from the illicit market have contributed to fluctuations in the cannabis market with the result that some cannabis businesses have fallen behind on utility and other payments owed to the City. The NPUA's Terms and Conditions allow for a long-term payment arrangement for utility accounts that are delinquent for all residents and business. Out of the 34 operating cannabis businesses, only 4 have needed to utilize the long-term payment plan allowed by the NPUA Terms and Conditions. The largest of those payment plans was with the MIH entities for past due utilities and past due taxes. The total amount of past due utilities was \$848,976 and the total amount of past due taxes was \$914,862. The MIH entities are currently up to date on the payments due under their payment plan, but still owe approximately \$848,000 with the final payment being due in June of 2024.

**Enforcement:** The City has a robust Code Enforcement Program, ensuring compliance with regulations among cannabis facilities. Each facility is inspected at least monthly. The Code

Enforcement Officer oversees various permit requirements and conditions, including inventory and sales documentation for the cannabis businesses.

The Code Enforcement Department has issued 186 citations for violations of the municipal code. Violations encompass issues such as odor, tax delinquency, the absence of an active state license, odor and non-compliant signage. The City has and will continue to take aggressive enforcement action, ranging from issuance of citations to license revocation, against cannabis entities that violate the City Municipal Code or fail to pay sums owed to the City/NPUA.

Furthermore, the City actively combats illegal operators attempting to bypass regulations. Approximately nine (9) illicit cannabis code enforcement actions have been taken, resulting in the closure of each illegal operation. The City has aggressively mitigated illicit cannabis activity and has worked with the various agencies to shut them down.

**Submitted By:** Patrick Martinez, City Manager

**Recommended Action:** Information Item

**City Management Review:** 

**Date:** 10-6-2023

Approved: ☐

Not Approved: ☐

Tabled: ☐

Other: ☐

Agenda Item: \_\_\_\_\_