



CITY OF MONTEBELLO REGULAR MEETING

MINUTES

WEDNESDAY, APRIL 24, 2024 AT 6:00 PM

**CITY HALL COUNCIL CHAMBERS
1600 WEST BEVERLY BOULEVARD
MONTEBELLO, CALIFORNIA**

OPENING CEREMONIES

CALL TO ORDER - 6:00 P.M.

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

ROLL CALL

Members present were Mayor Peralta, Mayor Pro Tem Melendez, Councilmember Jimenez, Councilmember Torres, and Councilmember Tamayo. City Clerk Jimenez and City Treasurer Matanga were also present.

City Attorney Arnold Alvarez-Glasman, City Manager Raul Alvarez, Assistant City Manager Arlene Salazar, Senior Deputy City Clerk Kimberly Guillen, Deputy City Clerk Nelly Ochoa and Department Directors Cesar Roldan, Joseph Palombi, David Sosnowski, Michael Solorza, Fire Chief Fernando Pelaez, Police Chief Paul Espinosa were present.

ANNOUNCEMENT OF CLOSED SESSION ITEMS

City Attorney Alvarez-Glasman announced the Closed Session Item.

PUBLIC COMMENTS ON CLOSED SESSION ITEMS

At this time, the public may submit a speaker card to the City Clerk staff for Closed Session items, prior to the beginning of this statement. Speakers will be called in the order received. Please be aware that the maximum time allotted for members of the public to speak on Closed Session items shall not exceed three (3) minutes per person. State Law prohibits the City Council from taking action or entertaining extended discussion on a topic not listed on the agenda. Please show courtesy to others and direct all of your comments to the Mayor and City Council.

None.

CLOSED SESSION

The City Attorney shall provide a briefing on the item listed for Closed Session as follows:

Mayor Peralta recessed the meeting into Closed Session at 6:00 p.m. to consider the following Closed Session item:

- 1. CONFERENCE WITH REAL PROPERTY NEGOTIATORS**
Government Code Section 54956.8

Property: Topgolf Site
City's Negotiators: Raul Alvarez, City Manager
Negotiating Party: Topgolf Montebello
Under negotiation: Terms of Lease

REGULAR SESSION - IMMEDIATELY FOLLOWING CLOSED SESSION

CLOSED SESSION REPORT

Mayor Peralta reconvened the meeting at 7:00 p.m.

All five members were present to discuss all Closed Session items. City Attorney Alvarez-Glasman provided the following report to City Council: Item No. 1, a presentation was provided to City Council, no action was taken, direction was provided to the agency's negotiator, and nothing further to report.

INVOCATION

Led by Pastor Petz.

PLEDGE OF ALLEGIANCE

Led by City Clerk Jimenez.

CORRECTIONS TO THE AGENDA - CITY MANAGER

City Manager Alvarez announced that staff was pulling Item No. 5 for a staff presentation.

CEREMONIAL ITEMS/PRESENTATIONS

2. CERTIFICATE OF RECOGNITION FOR ELIAS AGUILAR AND TYLER SANTOS

Presented by Mayor Peralta.

3. OATH OF OFFICE FOR YOUTH COMMISSIONER PHOENIX PEREZ

The Oath of Office was administered by City Clerk Jimenez.

PUBLIC COMMENTS ON NON-AGENDA ITEMS (30 MINUTES)

At this time, the public may submit speaker card(s) to the City Clerk staff, for both agenda and non-agenda items, prior to the beginning of this statement; Public Hearing items do not require a speaker card.

The City Council will address non-agenda items during this section and speakers will be called in the order received. Those persons not accommodated during this 30-minute period will have an opportunity to speak under "Public Comments – Continued", after all scheduled matters have been considered. **Public Hearing, Regular Business and/or Consent Calendar items will be addressed at the time that matter of business is heard, in the order received.**

Please be aware that the maximum time allotted for members of the public to speak shall not exceed three (3) minutes per speaker. State Law prohibits the City Council from taking action or entertaining extended discussion on a topic not listed on the agenda. Please show courtesy to others and direct all of your comments to the Mayor and City Council.

The City Clerk's Office acknowledged five (5) members of the public wishing to address the City Council. Speakers were provided three minutes to address the City Council and said speaker cards are on file at the City Clerk's office.

STAFF COMMUNICATIONS ON ITEMS OF COMMUNITY INTEREST

None.

REGULAR BUSINESS - NONE**CONSENT CALENDAR**

All matters listed under the Consent Calendar are considered to be routine. Any items a member wishes to discuss, including any items the public submitted speaker cards for, should be designated at this time. All other items may be approved in a single motion. Such approval will also waive the reading of any Ordinance.

Item No. 5 was pulled by City Manager Alvarez for a staff presentation.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, that Item No's. 4 and 6-15, be approved; the motion passed unanimously.

4. **AUTHORIZE THE CITY MANAGER TO EXECUTE MEMORANDUM OF UNDERSTANDING NO. 24-03 WITH THE MONTEBELLO UNIFIED SCHOOL DISTRICT (MUSD) TO PARTNER WITH THEIR ADULT TRANSITION PROGRAM**

RECOMMENDATION: It is recommended that the City Council:

1. Authorize the City Manager to execute Memorandum of Understanding (MOU) No. 24-03 with the Montebello Unified School District (MUSD) to partner with their Adult Transition Program; and
2. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

5. **APPROVE LETTER OF ENGAGEMENT TO MASTER RETAINER AGREEMENT NO. 3999 WITH MARK THOMAS AND COMPANY FOR SURVEY OF THE FENCE ON BLUFF ROAD BETWEEN WASHINGTON BOULEVARD AND MINES AVENUE AND WASHINGTON BOULEVARD AND AT&SF RAILROAD RIGHT-OF-WAY**

RECOMMENDATION: It is recommended that the City Council:

1. Approve a Letter of Engagement to Master Retainer Agreement No. 3999 between the City of Montebello and Mark Thomas and Company for survey on Bluff Road between Washington Boulevard and Mines Avenue and Washington Boulevard and AT&SF railroad right-of-way for a not-to-exceed amount of \$169,000; and
2. Amend the Fiscal Year 2023-24 budget by increasing appropriations by \$169,000 in Account No. 200-30-310-6040.96 (Gas Tax, Public Works, Streets, Engineering Design Services); and
3. Authorize the City Manager to execute the Letter of Engagement on behalf of the City; and
4. Take such additional, related action that may be desirable.

Director of Public Works Cesar Roldan presented the item. The presentation included the project's history, timeline, aerial view of the parcel, and next steps.

Mayor Pro Tem Melendez inquired about step 2, to request authorization to negotiate in good faith with property owners, avoid possible litigation, and if there were any alternatives. Director Roldan and City Manager Alvarez provided clarification that the area in question was on part of the actual road that the City has been maintaining and that once the survey is completed and ownership is established, the goal is to approach the property owner and negotiate in good faith to build the fence with the funding acquired.

Councilmember Jimenez echoed Mayor Pro Tem Melendez's concerns and thanked Director Roldan for his presentation.

Councilmember Tamayo inquired about the funding for the project and whether there would be enough funding to complete the project. Director Roldan explained that over the years there has been a rise in the cost of materials, and there might not be adequate funding to build the entire fence. However, in good faith, his department would try to find ways to build the fence within reason. He also clarified that gas tax funds would be used for the fence.

Councilmember Torres inquired about the current ownership of the fence and asked why the current fence could not just

be replaced with a new one. Director Roldan explained that in the past, other Directors had tried to replace the fence, but property owners were opposed as they felt the fence was on their private property and did not want the City trespassing. Director Roldan emphasized that it was in the City's best interest to figure out where the right-of-way lies as it will be reportable, recordable, and significant down the road.

Mayor Peralta commended Director Roldan and City Manager Alvarez.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Jimenez, to approve the item; the motion passed unanimously.

6. AUTHORIZE EXECUTION OF THE SLAUSON AVENUE COMPLETE STREETS STUDY IMPLEMENTATION AGREEMENT NO. 4197 BETWEEN THE CITY OF MONTEBELLO AND THE GATEWAY CITIES COUNCIL OF GOVERNMENTS

RECOMMENDATION: It is recommended that the City Council:

1. Authorize execution of the Slauson Avenue Complete Streets Study Implementation Agreement between the City of Montebello and the Gateway Cities Council of Governments; and
2. Authorize payment of the City's contribution for the not-to-exceed amount of \$1,218 payable from Account No. 220-30-330-6040.95 (Measure R, Public Works, Engineering, Contract Services Other Professional Services); and
3. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

7. ADOPT RESOLUTION NO. 24-25 GRANTING AN EASEMENT ON CITY-OWNED LAND, 1060 S. GREENWOOD AVE, TO SOUTHERN CALIFORNIA EDISON COMPANY (SCE) FOR ELECTRICAL UTILITY PURPOSES

RECOMMENDATION: It is recommended that the City Council:

1. Adopt Resolution No.24-25 (Attachment B) granting an easement on City-owned land, 1060 S Greenwood Ave., to Southern California Edison Company (SCE) for electrical utility purposes; and,
2. Authorize the City Manager or his designee, to sign the Grant of the easement to Southern California Edison (SCE) on behalf of the City; and
3. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

8. APPROVE MEMORANDUM OF UNDERSTANDING (MOU) NO. 24-04 BETWEEN THE CENTRAL BASIN MUNICIPAL WATER DISTRICT AND THE CITY OF MONTEBELLO FOR SUPPLYING RECYCLED WATER TO THE MONTEBELLO GOLF COURSE, AND FOR NOTIFICATION FROM THE CITY TO THE DISTRICT OF ANY FUTURE MODIFICATIONS TO THE EXISTING RECYCLED WATER SYSTEM

RECOMMENDATION: It is recommended that the City Council:

1. Approve Memorandum of Understanding (MOU) No. 24-04 between the Central Basin Municipal Water District and the City of Montebello for supplying recycled water to the Montebello Golf Course, and for notification from the City of Montebello to the District of any future modifications to the existing recycled water system; and
2. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

9. APPROVE AMENDMENT NO.1 TO AGREEMENT NO. 3860 WITH BEROKOFF ELECTRIC FOR A ONE YEAR EXTENSION

RECOMMENDATION: It is recommended that the City Council:

1. Approve Amendment No. 1 to Agreement No. 3860 between the City of Montebello and Berokoff Electric for a One (1) Year Extension and increase the annual not-to-exceed amount from \$45,000 to \$50,000; and
2. Authorize the City Manager to execute the Amendment on behalf of the City; and
3. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

10. APPROVE AMENDMENT NO.1 TO AGREEMENT NO. 3861 WITH GRAPHIC ELECTRIC INC.

RECOMMENDATION: It is recommended that the City Council:

1. Approve Amendment No. 1 to Agreement No. 3861 between the City of Montebello and Graphic Electric to increase the annual not-to-exceed amount from \$45,000 to \$70,000 and add "Section 2 Term" to the agreement indicating an initial expiration date of June 30, 2025; and
2. Authorize the City Manager to execute the Amendment on behalf of the City; and
3. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

11. ADOPT ORDINANCE NO. 2474 APPROVING THE DOWNTOWN MONTEBELLO SPECIFIC PLAN AND ZONE CHANGE

RECOMMENDATION: It is recommended that the City Council:

1. Waive Second Reading and Adopt Ordinance No. 2474 approving the Downtown Montebello Specific Plan, related Zone Change, and an amendment to the Zoning Map; and
2. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

12. AWARD PROFESSIONAL SERVICES AGREEMENT NO. 4196 FOR SUMMER FOOD SERVICE PROGRAM PROVIDER (RFQ 24-1)

RECOMMENDATION: It is recommended that the City Council:

1. Award Professional Services Agreement No. 4196 to School Nutrition Plus in an amount not-to-exceed One Hundred Thousand Dollars (\$100,000) annually for Summer Food Service Program Provider; and
2. Authorize the City Manager to execute the agreement on behalf of the City; and
3. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

13. APPROVE ACQUISITION OF TWO FIRE PUMPER ENGINES AND RELATED RESCUE EQUIPMENT

RECOMMENDATION: It is recommended that the City Council:

1. Authorize the purchase of two (2) Fire Pumper Engines using the pre-bid Sourcwell contract based off Request for Proposal #113021; and,
2. Authorize the City Manager to execute an agreement with Kovatch Mobile Equipment Corporation (KME Fire Apparatus), in a not-to-exceed amount of \$2,387,573 for the purchase and equipping/outfitting of two (2) KME Severe Service Pumpers (Fire Engines); and
3. Find that the use of the pre-bid Sourcwell contract #113021 conforms with Montebello Municipal Code Chapter 3.20.050 (F), Cooperative Purchase; and
4. Approve the surplus of unneeded fire engines and any associated equipment currently used as reserve apparatus; and

5. Take such additional, related actions necessary to effectively and efficiently procure the two (2) Severe Service pumpers (Fire Engines) and required Rescue Equipment from KME Fire Apparatus

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

14. APPROVAL OF EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG) PROGRAM- LOCAL SOLICITATION FUNDS UTILIZATION

RECOMMENDATION: It is recommended that the City Council:

1. Approve the use of grant funding awarded to the Police Department by the Edward Byrne Memorial Justice Assistance Grant (JAG) Program Local Solicitation, in the amount of \$16,491; and
2. Amend the Fiscal Year 2023-24 budget and increase appropriations by \$16,491, in (Expenditure) Account No. 240-8055-800-5010.10, \$6,000, -6010.10, \$5,000, 6000.20, \$5,491 (JAG, JAG Program Funds, Overtime, Equipment, Supplies), and \$16,491 in (Revenue) Account 240-99-4198 (JAG, JAG Program Funds, Miscellaneous Grants); and,
3. Take such additional, related action that may be desirable.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

15. PAYMENT OF BILLS: ADOPT RESOLUTION NO. 24-27 APPROVING THE CITY WARRANT REGISTER OF DEMANDS DATED APRIL 24, 2024

RECOMMENDATION: It is recommended that the City Council:

1. Adopt Resolution No. 24-27 approving the Warrant Register dated April 24, 2024.

Mayor Pro Tem Melendez motioned, seconded by Councilmember Tamayo, to approve the item; the motion passed unanimously.

PUBLIC COMMENTS - CONTINUED

AB 1234 TRAVEL REPORTS

Members will provide a brief report on meetings attended at the expense of the local agency as required by Government Code Section 53232.3(d).

Councilmember Torres attended the League of California Cities Conference. He stated that one of the actions the City Council put forward last year put the City on the leading edge of AI technology in government alongside Boston and San Francisco. He further mentioned he saw informative presentations and had a good experience.

COUNCIL/AGENCY ORALS

Announcements and requests for future agenda items.

- **Salvador Melendez, Mayor Pro Tem**

- **Angie M. Jimenez, Councilmember**

- **Georgina Tamayo, Councilmember**

- David N. Torres, Councilmember

- Scarlet Peralta, Mayor

1. Mayor Scarlet Peralta and The Montebello Mom Walk Collective Present: Mother's Day Brunch and Mariachi Serenata May 11th starting at 11 AM - RSVP at scarletmtb.com/mom
2. Code for Official Tree Species List designating specific native trees which may be planted within the city.

1. Mayor Peralta invited the community to the Mother's Day Brunch.

2. Mayor Peralta wanted to request an official tree species list for the safety and urban infrastructure of the community. City Manager Alvarez clarified that an urban forestry grant application was approved with TreePeople and one of the components was to develop the list Mayor Peralta was requesting, which will return to City Council at a future date.

CLOSED SESSION - CONTINUED

ADJOURNMENT

The City of Montebello will adjourn to the next **Regular Meeting on May 8, 2024, at 6:00 p.m.**, which can be live-streamed at <https://www.montebellocal.gov> (Click on Live Stream).

I, Kimberly Guillen, Senior Deputy City Clerk for the City of Montebello, hereby certify that a copy of this agenda has been posted on or before **Sunday, April 21, 2024, no later than 6:00 p.m.**



Kimberly Guillen, Senior Deputy City Clerk

Mayor Peralta adjourned with respect to Armenian Genocide Remembrance Day and requested a moment of silence.

Mayor Pro Tem Melendez motioned, seconded by Mayor Peralta, to adjourn the meeting at 8:00 p.m.

THE MINUTES OF APRIL 24, 2024 ARE HEREBY APPROVED AND ADOPTED ON THIS 8TH DAY OF MAY 2024.

EXHIBIT - CITY OF MONTEBELLO FORECASTED AGENDA

Please note, the attached exhibit is a draft version that is to be used for reference purposes only; agenda items, information, and dates are subject to change. The exhibit will be placed at the end of the Agenda Packet.

- CITY OF MONTEBELLO FORECASTED AGENDA

PLEASE NOTE: A SEPARATE CARD MUST BE SUBMITTED FOR EACH ITEM

CITY OF MONTEBELLO

Request No. B1



SPEAKER CARD

Please Note:

Public Comment/Speaker Card must be submitted to the City Clerk's Office prior to the statement of oral communications being read and/or 6:00 p.m., whichever is later.

TYPE OF COMMENT: Closed Session ☐ Non-Agenda Item ☒ **AGENDA ITEM NO.** _____

Opposed ☐ In Support ☐ Neutral ☐ **TOPIC:** _____

MEETING DATE: 04-20-2024 **TIME RECEIVED:** _____

SPEAKER'S FULL NAME: ROSA TAMAYO **PHONE:** _____ (Optional)

ADDRESS: _____ (Optional)

ORGANIZATION REPRESENTED: _____

NOTES: _____

ACCOMMODATIONS: _____

TRANSLATION NEEDED: No ☐ Yes ☐ Language: _____

RECEIVED BY STAFF: _____

PLEASE NOTE: A SEPARATE CARD MUST BE SUBMITTED FOR EACH ITEM

CITY OF MONTEBELLO

Request No. 2



SPEAKER CARD

Please Note:

Public Comment/Speaker Card must be submitted to the City Clerk's Office prior to the statement of oral communications being read and/or 6:00 p.m., whichever is later.

TYPE OF COMMENT: Closed Session ☐ ~~Non-Agenda Item~~ ☒ **AGENDA ITEM NO.** _____

Opposed ☐ In Support ☐ Neutral ☐ **TOPIC:** _____

MEETING DATE: 04-24-2024 **TIME RECEIVED:** _____

SPEAKER'S FULL NAME: Linda Nickles **PHONE:** _____
(Optional)

ADDRESS: _____
(Optional)

ORGANIZATION REPRESENTED: _____

NOTES: _____

ACCOMMODATIONS: _____

TRANSLATION NEEDED: No ☐ Yes ☐ Language: _____

RECEIVED BY STAFF: _____

April24, 2024

Good evening,

Linda Nicklas Co-Founder of MKATCH90640, I would like to address the abuse of Taxpayer's monies by elected councilmembers this evening.

Scarlet, I see on your orals that you're having a Mother's Day brunch with Mariachis. Is this event open for all mothers in Montebello? Because if it's not you'd better ask the City Attorney if that's legal.

The prior events that you've hosted using city funds were illegal. Such as check number 602717 on 2/29/2024 for \$13,588.97 billed to the city by Quiet Canon Inc. for the private party held in the bar the night you became Mayor.

That is an abuse and illegal use of taxpayer money.

Also, both you and Torres copied the Mayor's Corner from former Mayor Cobos Cawthorne who started the Mayor's Corner. If you both are going, to be copycats then pay what the former mayor paid an average of \$400.00 per month. Copy her integrity stop being mooches. Which has not been reported on your 700s either again FPPC laws are broken, and fines will be coming.

During your orals let us know, ok?

You both showed so much support for Palestine, what happened to tonight's recognition of the Armenian Day of Remembrance? Our city has a huge Armenian community that would appreciate your support, they live here.

PLEASE NOTE: A SEPARATE CARD MUST BE SUBMITTED FOR EACH ITEM

CITY OF MONTEBELLO

Request No. 3



SPEAKER CARD

Please Note:

Public Comment/Speaker Card must be submitted to the City Clerk's Office prior to the statement of oral communications being read and/or 6:00 p.m., whichever is later.

TYPE OF COMMENT: Closed Session ☐ Non-Agenda Item ☒ **AGENDA ITEM NO.** _____

Opposed ☐ In Support ☐ Neutral ☐ **TOPIC:** _____

MEETING DATE: 04-24-24 **TIME RECEIVED:** _____

SPEAKER'S FULL NAME: Tila Gregorian **PHONE:** _____

(Optional)

ADDRESS: _____

(Optional)

ORGANIZATION REPRESENTED: _____

NOTES: _____

ACCOMMODATIONS: _____

TRANSLATION NEEDED: No ☐ Yes ☐ Language: _____

RECEIVED BY STAFF: _____

PLEASE NOTE: A SEPARATE CARD MUST BE SUBMITTED FOR EACH ITEM

CITY OF MONTEBELLO

Request No. 4



SPEAKER CARD

Please Note:

Public Comment/Speaker Card must be submitted to the City Clerk's Office prior to the statement of oral communications being read and/or 6:00 p.m., whichever is later.

TYPE OF COMMENT: Closed Session ☐ Non-Agenda Item ☒ **AGENDA ITEM NO.** _____

Opposed ☐ In Support ☐ Neutral ☐ **TOPIC:** City Support

MEETING DATE: 4/24/24 **TIME RECEIVED:** 6:00pm

SPEAKER'S FULL NAME: Jonathan Cretko **PHONE:** _____

ADDRESS: _____

(Optional)

ORGANIZATION REPRESENTED: _____

NOTES: _____

ACCOMMODATIONS: _____

TRANSLATION NEEDED: No ☐ Yes ☐ Language: _____

RECEIVED BY STAFF: _____

[BusinessPrivate](#)

Cannabis businesses owe California \$732 million in taxes



[Debra Borchardt](#) April 23, 2024 4min0

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- [Herbl](#)
- [taxes](#)
- [The Morning Rise](#)

Related Articles

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[Software crash hit Michigan marijuana dispensaries on 4/20](#)

72% of those overdue taxes come from companies that are already out of business.

California's cannabis is deep in the red, but unfortunately for the state, most of those debtors are already out of business.

That's according to a new report from [Greenwave Advisors](#) that determined that the state of [California](#) is owed approximately \$732 million in cannabis sales & use, excise, and cultivation taxes, but about 72% of the companies that owe simply don't exist anymore.

Greenwave said it reached that conclusion by analyzing data on delinquent taxes provided by the [California Department of Tax and Fee Administration](#). In addition to the uncollected taxes, the CDTFA said it also assessed \$173 million in taxes on unlicensed sales, which Greenwave says translates to \$1.2 billion in sales through unlicensed channels, or a quarter of the total market.

California reported \$4.4 billion in sales in 2023, a 16% increase over 2022's \$3.8 billion.

Distributors also likely owe the state \$1.2 billion in taxes, up from \$1 billion which represents amounts owed for both taxes (to the state) and to the brands.

In September, one of California's largest distributors [Herbl went out of business](#). At the time *Green Market Report* wrote that vendors complained about not getting paid by the distributor, which in turn was allegedly being stiffed by strapped dispensaries after taking inventory. Herbl filed several collections claims in the Los Angeles County Superior Court against operators.

Greenwave surmises that if taxes aren't getting paid, then the brands likely aren't getting paid either.

High and higher taxes

According to [Cova Software](#), "Between California's excise tax, regular sales tax, and local business tax, adult-use customers are paying anywhere between 28% and 40% cannabis retail taxes on every purchase."

The main excise tax of 15% is set to increase to 19% in 2025. It isn't hard to imagine that if companies can't pay the taxes they have now, increasing them will only amplify the problem.

Tax man cometh

If companies don't pay the tax bill and the accompanying 50% penalty for late or missed payments, their properties can be seized. But the results of those actions often fall far short of the actual debt.

For example, the CDTFA held an auction in February to sell property seized from 10 cannabis businesses in Los Angeles. The department noted on its website that the items were seized as a result of search warrants served to collect taxes owed by 10 cannabis businesses. Nine were illegal businesses, and one was a legal dispensary with unpaid taxes.

That auction generated only \$2,075 against the unpaid \$14.4 million in taxes.

In April, the state announced it had also seized products from the Kush Spot and Verlton Glaspie, which does business as Whittiers Cure Cannabis Dispensary, for unpaid taxes.

"Seizing and auctioning property from cannabis businesses that evade the law is a tool to recover the taxes owed to the state," said CDTFA Director Nick Maduros.



[Debra Borchardt](#)

Debra Borchardt is the Co-Founder, and Executive Editor of GMR. She has covered the cannabis industry for several years at Forbes, Seeking Alpha and TheStreet. Prior to becoming a financial journalist, Debra was a Vice President at Bear Stearns where she held a Series 7 and Registered Investment Advisor license. Debra has a Master's degree in Business Journalism from New York University.

[previous](#)[Number of the Week: \\$28.5 million](#)

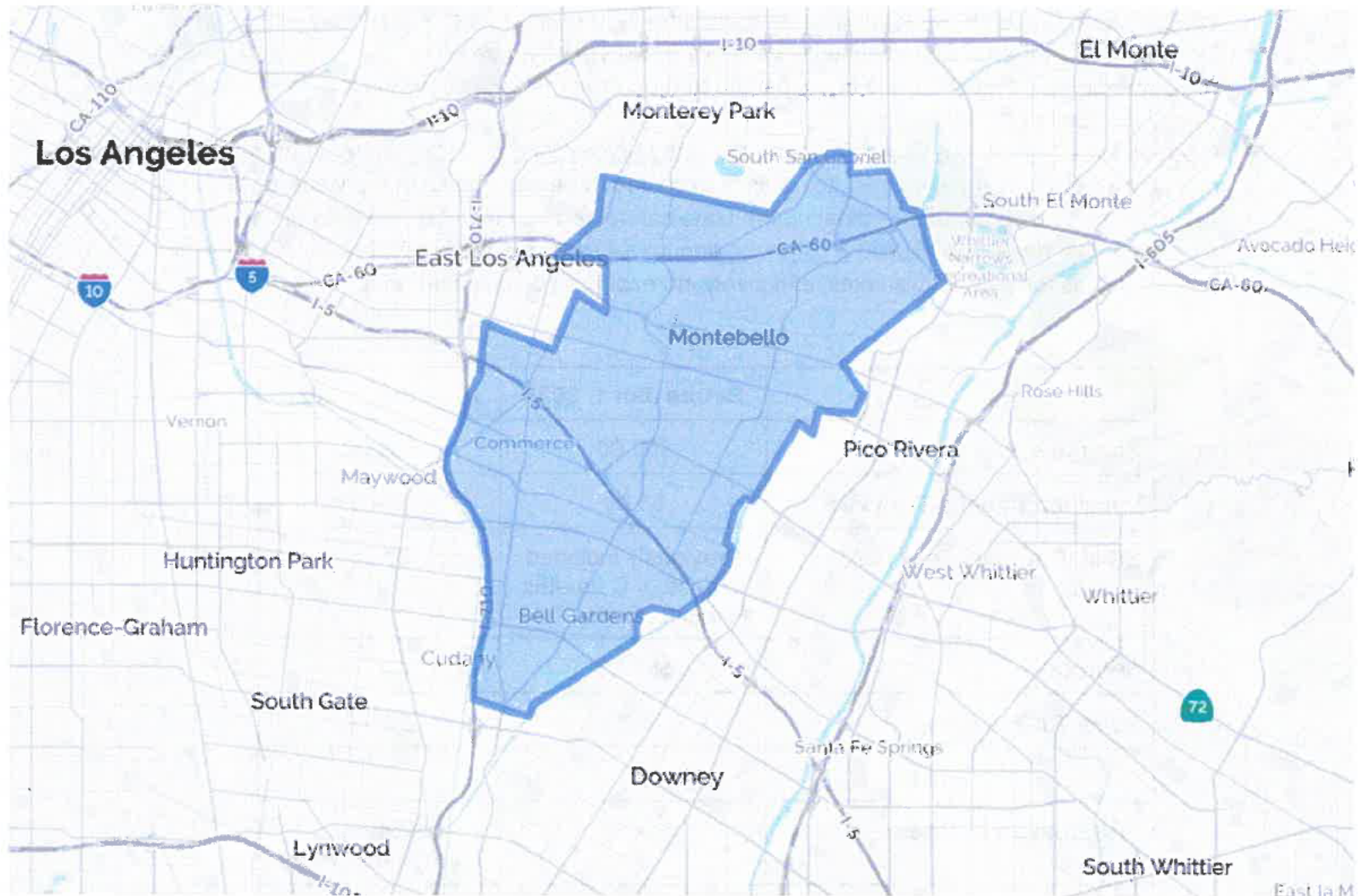
[next](#)['Don't flood the market:' Fault lines emerge among New York cannabis stakeholders over licensing](#)

Leave a Reply

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Comment *

Modernization of Montebello's Commercial Cannabis Program



Mar 6, 2023

Reasons for Modernization

California's Legal Cannabis Industry is failing. due to over taxation.

- CA Cannabis Tax revenues have decreased quarter after quarter for the past two years.
- Q3 2022 CA Cannabis Tax revenues were down \$98M year over year.
- CA Cannabis Tax collection rate are expected to drop from the 99% collection rate in 2018 to the 70 percentile rate in Q1 2023
- Operators are [leaving the California](#) market. [A Large celebrity brand has shuttered](#) as well as what was one of the [biggest cultivators in state](#). This is expected to be only the tip of the iceberg.
- AB 195 was passed in 2022 eliminating the state cannabis cultivation tax, but the unintended consequences have now caused [a compounding tax](#) which taxes the product at the full retail markup rate as well as local cannabis taxes, effectively increasing end consumer price.

	Before Jan 1, 2023	After Jan 1, 2023
Cannabis Product	\$50.00	\$50.00
Local Montebello Tax (2%)	\$1.00	\$1.00
State Cannabis Tax (15%)	Previously included in price of Cannabis Product (Excise Tax)	\$7.65
Subtotal	\$51.00	\$58.65
Sales Tax (10.25%)	\$5.23	\$6.01
End Consumer Price	\$56.23	\$64.66 (14% increase)

Additional challenges to Montebello Operators

- Unclear Gross Receipts definition which causes a compounding and reciprocal tax.
- In addition to the Tax we have a Community Benefit Fee of \$50,000/year
- As well as a yearly license renewal fee based on our revenues
- Montebello has the maximum amount allowed for Sale Tax at 10.25%
- We are no longer competitive with our non-retail tax which is double the amount of Long Beach and Santa Ana
- Local jurisdictions are banning outside delivery or charging additional local taxes.
- Montebello does not enforce against outside delivery which promotes unfair competition.

Proposed Modernizations to Montebello Cannabis Program

Modernizations	Additional Revenue Streams
1) Discontinue the Community Benefit Fee	1) Expand Manufacturing Activities to allow for : a) Allow for P-Type license. i) Type P manufacturers can only package and label cannabis products. ii) Allow for Type: N licenses Type N manufacturers can: - Make cannabis products through infusion - Package and label cannabis
2) Reduce All Non-Retail Cannabis Activities to 1%. 3) Change Cultivation Tax from \$10/sqft to 1% - Matching Santa Ana - Matching Long Beach - Desert Hot Springs	2) Expand Cultivation Activities to allow for: a) Allow for Processor License Type i) for cultivators that only trim, sift, cure, dry, grade, package or label cannabis ii) Allow for Nursery For cultivators that only grow clones, immature plants, seeds or other types of cannabis used for propagation
4) All cultivated, or manufactured cannabis and cannabis products that are self-distributed and shall not be subject to the distribution tax. a) Currently only manufactured products that are self-distributed are exempt from the distribution tax. b) Unclear how products manufactured under the distribution license are treated. Taxed at 2% or 2.5%, or not at all? 5) Products that are sold by the licensee that have been distributed, and/or manufactured, and/or cultivated by the same licensee are exempt from their corresponding distribution, manufacturing, and cultivation tax.	3) Allow licensees to expand their businesses with non-contiguous parcels, one per cannabis activity. a) For example: i) Parcel A: Delivery ii) Parcel B: Distribution iii) Parcel C: Cultivation
6) Clarify Gross Receipts a) Specify it taxes cannabis and cannabis products b) Exempts state taxes	4) Allow for Temporary Event Licenses a) Limited only to the city's licensee's
7) Cannabis businesses should be subject to the same fire safety requirements as non-cannabis businesses. a) Fire Engineering and Review	

Modernized Gross Receipts Definition

As used herein, "Gross receipts" shall mean the total amount of receipts of "cannabis", as defined by CA Health & Safety Code § 11018 (2021) and "cannabis products" as defined by CA Health & Safety Code § 11018.1 (2021) actually received or receivable in accordance with GAAP or other comprehensive version of accounting in the course of business in a calendar year or calendar month from sales and performance of acts or services for which charge is made of credit allowed. "Gross receipts" include, without limitation, all receipts, cash, credit, property received in lieu of cash, and any other valuable consideration taken in exchange for cannabis and cannabis products. ~~goods, services or other valuable consideration.~~ However, the following shall be excluded from Gross Receipts:

1. Cash discounts where allowed and taken on sales;
2. Any tax required by law to be included in or added to the purchased price and collected from the consumer or purchaser;
3. 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
4. Any additional exemptions as determined by and at the sole discretion of the City Manager.

As used herein, "Production Space" means the area on or within the Premises intended for commercial cannabis activities excluding non-operational common areas such as restrooms, cafeterias, break rooms, hallways, corridors, vestibules, parking structures or surface street lots. The parties stipulate and agree that the square footage for the Production Space shall be determined by the City Manager in his sole and complete discretion as the Project is completed.

The City Manager is specifically authorized to increase the square footage for the Production Space up to an increase in size of ten percent (10%) administratively and to determine the corresponding operating fee as the Project is completed.

Owner agrees to pay the City ninety (90) days after a Certificate of Occupancy is granted, in order to enable the City to promote, protect, and enhance the health, safety, and welfare of the community, its residents and its quality of life. Owner agrees to pay the following percentage of gross receipts and the following square footage for cannabis operations, as follows, paid on a quarterly basis to the City ("Cannabis Operation Fee"):

- 1) Manufacturing (Type 6, Type 7, Type N, and Type P): ~~2%~~ 1% of gross receipts, excluding manufactured products sold at retail by the licensee under common ownership.
- 2) Distribution: ~~2.5%~~ 1% of gross receipts, excluding distribution of products manufactured, cultivated, at the Site as well as distribution activities solely to licensed entities under common ownership or otherwise affiliated with Owner. ~~so long as distribution is not the only commercial cannabis activity conducted at the Site.~~
- 3) Delivery-Only Retail and Temporary Events: 2% of gross receipts
- 4) Cultivation: ~~\$10.00 per square foot or canopy space~~ 1%, as may be amended from time to time pursuant to the CUP and/or this Agreement. Excluding cultivated products sold at retail by the licensee under common ownership.

PLEASE NOTE: A SEPARATE CARD MUST BE SUBMITTED FOR EACH ITEM

CITY OF MONTEBELLO

Request No. 5



SPEAKER CARD

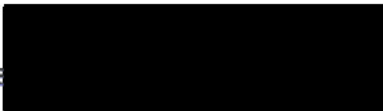
Please Note:

Public Comment/Speaker Card must be submitted to the City Clerk's Office prior to the statement of oral communications being read and/or 6:00 p.m., whichever is later.

TYPE OF COMMENT: Closed Session ☐ Non-Agenda Item ☒ **AGENDA ITEM NO.** _____

Opposed ☐ In Support ☐ Neutral ☐ **TOPIC:** Charity Dinner

MEETING DATE: _____ **TIME RECEIVED:** _____

SPEAKER'S FULL NAME: Darlene Ferro **PHONE:** 

ADDRESS: _____

(Optional)

ORGANIZATION REPRESENTED: _____

NOTES: _____

ACCOMMODATIONS: _____

TRANSLATION NEEDED: No ☐ Yes ☐ **Language:** _____

RECEIVED BY STAFF: _____