

County of Santa Barbara

Marijuana Management Program

HdL Companies
1340 Valley Vista Dr., Suite 200
Diamond Bar, CA 91765
www.hdlcompanies.com

Contact:
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I. LETTER OF TRANSMITTAL

March 14, 2017

Ms. Mona Miyasato, County Executive Officer
County of Santa Barbara
105 East Anapamu Street, Fourth Floor
Santa Barbara, CA 93101

Re: Proposal – Cannabis Regulatory Cost Recovery Fees and Taxation Strategies

Dear Ms. Miyasato,

Thank you for the opportunity to present this proposal to provide subject matter expertise in the development of cannabis regulatory fee and taxation strategies for cannabis businesses in the County of Santa Barbara. HdL was incorporated in 1983 and has over 30 years of experience providing revenue enhancement and consulting services to local governments in California. HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Its audit and consulting services include sales, use and transaction taxes, property taxes, transient occupancy taxes, and a Marijuana Management Program. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 400 agencies in six states. The firm currently serves 44 counties, 299 cities and 79 transactions tax districts in California.

Of interest to you and your team is our knowledgeable team of professionals who have direct experience in the establishment and implementation of Marijuana Regulatory Programs including establishing land-use regulations, registration processes, operation regulations for medical and nonmedical marijuana facilities, staffing plans, cost recovery, and structuring marijuana business tax fees.

Enclosed please find our detailed scope of services for HdL's Marijuana Management Program. We agree to adhere to the deliverable requirements for a total cost not to exceed \$24,800. However, this will be subject to an agreed upon project schedule between the County of Santa Barbara and HdL.

We look forward to the opportunity to partner with the County of Santa Barbara in developing a strategy which meets your program needs. If you have any questions or require additional information, please feel free to contact Andy Nickerson by email at anickerson@hdlcompanies.com or David McPherson at dmcpherson@hdlcompanies.com or by phone at 909.861.4335.

Sincerely,



Andy Nickerson
President, HdL Companies

II. PROPOSED SCOPE OF SERVICES

The regulation, compliance and taxation of marijuana is complex and filled with challenging issues. Therefore, the objectives presented in this proposal are based on HdL's experience and the expectations and desired outcomes of the County. However, due to the ongoing evolution of the state's Medical Cannabis Regulation and Safety Act (MCRSA), formerly known as (MMRSA) and the recent passing of Proposition 64, HdL is agreeable to modifications to this scope of services as deemed necessary by both HdL and County staff. Amendments to this Scope of Services shall be made in writing and shall not constitute additional hours of work without proper compensation unless otherwise approved by the County and HdL.

The project oversight and management objectives will begin upon the execution of a contract with the Consultant which will include the following:

- **Kickoff Meeting:** HdL will work with the County Administration or designee to identify key internal stakeholders to attend meetings, define roles of the participants, discuss schedules, and scope of services.
- **Review draft regulatory/enforcement staffing plan for reasonableness:** HdL will analyze staffing plans related to medical and nonmedical marijuana being permitted in the county.
- **Assist in the Development of Application Fee Structures:** HdL staff has experience in conducting "fit gap" analysis to determine the cost associated with an initial application fee and an annual regulatory fee to ensure that it complies with Proposition 26 requirements.
- **Taxation Strategies and Options:** Consultant will design process steps, best practices and develop strategies for the taxation of various permit classifications.
- **Fiscal Analysis:** HdL will prepare a revenue forecast based on a variety of assumptions for both medical and nonmedical marijuana commercial activities being permitted in the County.

Objective 1: Cost Recovery Fee Structures

Objective 1.1 Development of Cost Recovery Fees

- Develop cost recovery fees to recover the County's costs associated with reviewing applications and issuing permits. This will include the initial application process, Conditional Use Permit if applicable and the annual regulatory permit.
- Develop a cost recovery fee which complies with Prop 26, HdL will analyze the costs of staff time, overhead, fringe benefits, consultants and other services associated with the regulatory process. HdL staff has experience developing medical and nonmedical marijuana regulatory fees and doing a "fit

gap” analysis of staff responsibilities and time allotted to this program to establish appropriate fees for the County 's level of oversight and enforcement of the regulatory process.

Objective 2: Revenue Fiscal Analysis

Objective 2.1 Revenue Fiscal Analysis

- Prepare a fiscal revenue report identifying tax options and revenue estimates for the various types of cannabis businesses which may be operating in the County.
- Identify the economic impacts of the cannabis industry in Santa Barbara County and analyze the financial constraints which may impact the cannabis industry to limit the tax burden on the businesses to ensure long term stability.

III. COST

HdL's fee proposal is based on time, materials and travel expenses associated with the execution of the services. It is based on the current scope of services as outlined in Objectives 1 and 2 for a fee not to exceed \$24,800. This fee is based on the current requirements presented to HdL by County staff to meet these requirements and the following assumptions:

Scope of Service Objectives	Estimated Hours of Labor/Budget
Objective 1 –Cost Recovery Fee Structure Development	40 Hours/\$10,000
Objective 2 – Revenue Fiscal Analysis	40 Hours/\$10,000
Travel Cost	Flat Rate/\$4,800
Total	80 Hours / \$24,800

Objective 1: Cost Assumptions – Cost Recovery Fee Structure Development

- A "Fit Gap" analysis will be conducted to ensure the County recoups all cost associated with the initial application process and the annual regulatory cost associated with the Marijuana Management Program.

Objective 2: Cost Assumptions – Revenue Fiscal Analysis

- Using its proprietary software and database, HdL will provide a fiscal analysis based on its understanding of cannabis industry trends, demographics and geographical location of the County in the State of California.
- HdL will conduct one (1) fiscal analysis report which will include an excise tax and sales tax assumptions were applicable.

Travel Cost Assumptions – Onsite Visits

- Consultant anticipates having travel cost to attend at a minimum of six (6) meeting at the County of Santa Barbara Offices which shall be charged at the rate of \$800 per day.

IV. EXPERIENCE AND RESOURCES

Company Profile

Founded in 1983, HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Its audit and consulting services include sales, use and transaction taxes, property taxes, transient occupancy taxes, and a Marijuana Management Program. The firm also provides a variety of enterprise software processing tools for business licensing, code enforcement, animal control, building permits and tracking/billing of false alarms. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 400 agencies in six states. The firm currently serves 44 counties, 299 cities and 79 transactions tax districts in California.

HdL's key staff has extensive experience serving local government and many have previously held positions in City/County management, finance, planning, economic development or revenue collection. HdL is a Corporate Partner of the League of California Cities and California State Association of Counties, and works extensively with the County Auditor's Association of California, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.

This close understanding of local government needs coupled with extensive databases and advance methodology provides for the most relevant, productive and responsive, revenue recovery, forecasting and economic services available.

Key Personnel

David McPherson, Cannabis Compliance Director

David McPherson is the Cannabis Compliance Director, with HdL and will be the primary point of contact for this project. Prior to joining the firm, he served 28 years in local government for the County of Orange and the cities of Newport Beach, San Jose and Oakland. David's unique experience as a law enforcement officer, compliance auditor, and tax administrator has provided him a breath of experience to manage the HdL Marijuana Management Program. While working for the City of Oakland, he became the first Tax Administrator in the Country to successfully tax, audit and help regulate medical marijuana businesses. David is one of the state's most recognized experts in cannabis horticulture, processing and dispensary operations. He uses his experience in dealing with the industry to assist local and state agencies in developing marijuana policies for regulation, compliance, auditing and economic development. He worked closely with the League of Cities and lobbyists on the development of AB 243, SB 243 and AB 266 which established the Medical Cannabis Regulation and Safety Act (MCRSA).

David is currently working on implementation and regulatory requirements for Prop 64 with local agencies to prepare them to mitigate several issues surrounding the ballot measure. Furthermore, he continues to provide technical support to the League of Cities, the Police Chief Association, Rural County Representatives of California, and the California State Association of Counties. In addition, David is working collaboratively with the Department of Consumers Affairs, Department of Food & Agriculture, Department Health Services and the State Board of Equalization in the implementation of best practices in regulating the Cannabis Industry for local agencies.

David received his Bachelor's Degree in History from California State University, Fullerton and his Master's Degree in Public Administration from California State University, Long Beach. While at Long Beach, he was named "Future Urban Administrator of the Year".

Matt Eaton, Cannabis Compliance Manager

Matt Eaton, is the Cannabis Compliance Manager at HdL and will play a critical role in implementing the Marijuana Management Program for the City. Prior to joining the firm, he was a progressive law enforcement professional with 29 years' experience conducting criminal/regulatory investigations, and corporate/individual background investigations. While working as a Supervisory Investigator at the Colorado Department of Revenue in the Marijuana Enforcement Division (MED) Matt managed Criminal Investigators and civilian staff in the Denver Metro and Longmont Field Offices. During his tenure at the MED he conducted approximately 10,000 criminal investigations and compliance reviews which included regulatory and financial investigations. Matt, was well known for his ability to maintain working relationships with the Cannabis Industry leaders and external stakeholder in resolving issues. In addition, he was responsible for planning, developing and implementing report and field inspection protocols for the agency. Furthermore, he played an instrumental role in recommending changes to current regulations and identifying essential language for new legislation in the State of Colorado.

Matt Eaton received his Bachelors of Science Degree from Biola University and currently maintains a Colorado Post Certificate. He has also served as an Adjunct Instructor teaching law enforcement principals related to criminology, correctional processes, procedural law, interviews, interrogations and criminal evidence at AIMS Community College in Greeley, Colorado.

V. REFERENCES

Satwant Takhar

Administrative Services Director
City of Marysville
Phone: 503.749.3935
Email: stakhar@marysville.ca.us

Brandon Swanson

Management Analyst
County of Monterey
Phone: 831.755.5334
Email: swansonb@co.monterey.ca.us

Bekki Riggan

Deputy County Executive Officer
County of Placer
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Chris Callihan

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Carmel Angelo

Chief Executive Officer
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Kevin Carunchio

County Administrator
County of Inyo
Phone: 760.878.0292
Email: kcarunchino@inyocounty.us



COUNTY OF SANTA BARBARA

PURCHASING AGENT
105 EAST ANAPAMU ST. RM. 304
SANTA BARBARA, CA 93101

ORDER

CN20567

Page No.
1 of 1

PO Date
APR/10/2017

REFER INQUIRIES TO BUYER:

PHUNG LOMAN

Phone: 805-568-2697

Fax: 805-568-2705

SUPPLIER: Attn: PEGGY FICKETT
HINDERLITER, DE LLAS & ASSOC.
1340 VALLEY VISTA DR., STE 200
DIAMOND BAR, CA 91765

Phone: 909/861-4335

SHIP-TO: COUNTY EXECUTIVE
ADRIANA DE BRUIN
105 E ANAPAMU, RM 406
SANTA BARBARA, CA 93101
Phone: 805/568-3403

BILL TO: COUNTY EXECUTIVE
ADRIANA DE BRUIN
105 E ANAPAMU, RM 406
SANTA BARBARA, CA 93101
Phone: 805/568-3403

TERMS	F.O.B.	SUPPLIER CODE	DELIVERY DATE	REQUESTED BY	REQ. NO.
NET 30	DESTINATION-PREPAY & ADD	24551	JUN/30/2017	SHAWNA JORGENSE	

LN	QUANTITY	G/L ACCOUNT DESCRIPTION	PRICE/UNIT	EXTENSION
1	1 LOT	0001+012+7460+	24,800.00 /LOT	24,800.00

HINDERLITER, DE LLAS & ASSOCIATES/SERVICE CONTRACT

GENERAL: CONTRACT FOR MARIJUANA MANAGEMENT CONSULTING SERVICES AS PER ATTACHED PROPOSAL DATED MARCH 14, 2017.

CONTRACT PERIOD: Start date, as directed. Termination date, as directed and NO LATER THAN JUNE30, 2017.

LIMITATIONS: Total expenditure for the period shall not exceed \$24,800.00. Any increase or decrease in this total amount may be authorized only upon written notice from the County Purchasing Manager.

STANDARD TERMS & CONDITIONS FOR INDEPENDENT CONTRACTORS (ver. 2016 06 22) attached.

Insurance documents already on file in Purchasing Division.

THIS CONTRACT IS NOT VALID FOR AMOUNTS IN EXCESS OF ONE HUNDRED THOUSAND DOLLARS (\$100,000)

NOTE TO CONTRACTOR: No payment will be due or payable unless this contract is properly executed and returned to the County Purchasing Office. Do not commence performance until you have executed this contract and returned it to the County of Santa Barbara Purchasing Division, 105 E. Anapamu St, RM 304, Santa Barbara, CA 93101.

Accepted By: (X) _____

Print Name/Title: _____ Date: _____

Applicable License # (Medical/Contractor/Etc): _____

Tax 1: 0.00
Tax 2: 0.00
Total: 24,800.00

- (1) The order number and Bill to dept. name shown above must appear on all invoices, shipping papers, packages and correspondence.
- (2) Mail invoices to the "bill to" address.
- (3) All duty and/or taxes must be shown separately on invoice where applicable.
- (4) This order is subject to the terms and conditions stated, including non-discrimination in employment, hazardous chemicals and equipment safety standards, that are available for viewing at www.countyofsb.org


COUNTY OF SANTA BARBARA

This order is being tracked by:



Supplier



COUNTY OF SANTA BARBARA

PURCHASING AGENT
105 EAST ANAPAMU ST. RM. 304
SANTA BARBARA, CA 93101

ORDER

CN20567

Page No.
1 of 1

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1340 VALLEY VISTA DR., STE 200
DIAMOND BAR, CA 91765

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ADRIANA DE BRUIN
105 E ANAPAMU, RM 406
SANTA BARBARA, CA 93101
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LN	QUANTITY	G/L ACCOUNT DESCRIPTION	PRICE/UNIT	EXTENSION
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Department