

## AGREEMENT

THIS AGREEMENT is made and entered into in the City of San Luis Obispo on [ ] by and between the CITY OF SAN LUIS OBISPO, a municipal corporation, hereinafter referred to as City, and Hinderliter, de Llamas and Associates, hereinafter referred to as Consultant.

### WITNESSETH:

WHEREAS, the City desires to utilize Consultant to assist the City with cannabis management services, specifically in the oversight of cannabis operator permits and with ongoing cannabis permit applications; and

WHEREAS, the Consultant will provide the following services: conduct one annual cannabis tax audit of each licensed cannabis business, conduct four on-site inspections of each licensed business annually, screen all cannabis business applications to ensure they are complete, proctor the City's Application Review process, conduct background checks and renewals for all owners, managers and employees of the City's commercial cannabis businesses, and provide additional hours of technical assistance and subject matter expertise as needed; and

WHEREAS, the aforementioned services of Consultant are necessary for the continued operation of the City's Cannabis Program; and

WHEREAS, the operator permit fees and application fees adopted by the City Council have captured the total costs involved to ensure the City is 100% reimbursed for the staff time, consultants fees, and other expenses; and

WHEREAS, Consultant can conduct the full Scope of Services necessary to implement the City's Cannabis Program, regulations, and the fees adopted by City Council; and

WHEREAS, Consultant is qualified to perform these type of services and has submitted a proposal to do so which has been accepted by City.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

1. **TERM.** The term of this Agreement shall be from the date this Agreement is made and entered, as first written above, until the parties terminate this Agreement pursuant to mutual written agreement and acceptance or completion of said services.

**INCORPORATION BY REFERENCE** The Consultant's fees and scope of work are incorporated in and made a part of this Agreement attached as Exhibit A. The City's terms and conditions are hereby incorporated in and made a part of this Agreement as Exhibit B. The City's insurance requirements and Consultant's proof of insurance are hereby incorporated in and made part of this Agreement attached as Exhibit C. To the extent that there are any conflicts between the Consultant's fees and scope of work and the City's terms and conditions, the City's terms and conditions shall prevail, unless specifically agreed otherwise in writing signed by both parties.

2. **CITY'S OBLIGATIONS.** For providing services as specified in this Agreement, City will pay, and Consultant shall receive therefore compensation for completion of each service for the quoted price per service as set forth in Exhibit A.

4. **CONSULTANT'S OBLIGATIONS.** For and in consideration of the payments and Agreements herein before mentioned to be made and performed by City, Consultant agrees with City to provide services as set forth in Exhibit A.

5. **AMENDMENTS.** Any amendment, modification or variation from the terms of this Agreement shall be in writing and shall be effective only upon approval by the Department Head or City Manager of the City.

6. **COMPLETE AGREEMENT.** This written Agreement, including all writings specifically incorporated herein by reference, shall constitute the complete Agreement between the parties hereto. No oral Agreement, understanding, or representation not reduced to writing and specifically incorporated herein shall be of any force or effect, nor shall any such oral Agreement, understanding, or representation be binding upon the parties hereto.

7. **NOTICE.** All written notices to the parties hereto shall be sent by United States mail, postage prepaid by registered or certified mail addressed as follows:

**City**

Community Development Department  
City of San Luis Obispo  
919 Palm St.  
San Luis Obispo, CA 93401

**Consultant**

Hinderliter, de Llamas & Associates  
120 S. State College Blvd., Ste 200  
Brea, CA 92821

8. **AUTHORITY TO EXECUTE AGREEMENT.** Both City and Consultant do covenant that each individual executing this Agreement on behalf of each party is a person duly authorized and empowered to execute Agreements for such party.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed the day and year first above written.

CITY OF SAN LUIS OBISPO, A Municipal Corporation

By: \_\_\_\_\_  
Michael Codron, Community Development Director

APPROVED AS TO FORM:

CONSULTANT

| \_\_\_\_\_  
City Attorney

DocuSigned by:  
By: Gary Lott  
C2134C7656B7445...  
Gary Lott, Chief Operating Officer  
Hinderliter de Llamas & Associates

**EXHIBIT A**

# City of San Luis Obispo

## **Cannabis Compliance and Audit Services**

March 25, 2021

# HdL<sup>®</sup> Companies

**SUBMITTED BY**

HdL Companies  
120 S. State College Blvd., Ste 200  
Brea, CA 92821  
[hdlcompanies.com](http://hdlcompanies.com)

**CONTACT**

David McPherson  
T: 714.879.5000  
E: [dmcpherson@hdlcompanies.com](mailto:dmcpherson@hdlcompanies.com)

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*March 25, 2021*

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**I. LETTER OF TRANSMITTAL**

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March 25, 2021

Greg Herman  
Deputy City Manager  
City of San Luis Obispo  
990 Palm Street  
San Luis Obispo, CA 93401

**Re: Proposal for Cannabis Compliance and Audit Services**

Dear Mr. Herman,

Thank you for the opportunity to submit this proposal for cannabis management services for the City of San Luis Obispo. The enclosed scope of services is designed to provide annual cannabis tax audits of each licensed cannabis business, quarterly compliance inspections, screening of cannabis business applications and proctoring meetings of the City's review panel, along with background check renewals and additional hours of technical assistance or subject matter expertise to be used as needed at the City's request. All services are offered at a straight per-unit cost and would be billed on a monthly basis depending on the number of each service requested and provided.

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 Cannabis Management Program. HdL's systematic approach to revenue management and economic analysis is currently being utilized by over 500 agencies in six states. The firm currently serves 49 counties, 311 cities and 132 transactions tax districts in California.

Our knowledgeable team of professionals have more than 52 years' combined experience in the establishment and implementation of cannabis regulatory programs including establishing land-use regulations, registration processes, operation regulations for cannabis facilities, staffing plans, cost recovery, structuring cannabis business taxes and conducting compliance and financial audits.

We look forward to the opportunity to partner with the City of San Luis Obispo in developing a strategy which meets your program needs. If you have any questions or require additional information, please feel free to contact me by email at [anickerson@hdlcompanies.com](mailto:anickerson@hdlcompanies.com) or David McPherson at [dmcpherson@hdlcompanies.com](mailto:dmcpherson@hdlcompanies.com) or by phone at 714.879.5000.

Sincerely,



Andy Nickerson  
President, HdL Companies

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## **II. PROPOSED SCOPE OF SERVICES**

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In May of 2018, the San Luis Obispo City Council approved an ordinance allowing commercial cannabis businesses to operate in the City. That ordinance was followed in late 2018 by the development of a cannabis business operator permit process. The first permit application period opened in January 2019, followed by a second application period in July of 2019, and two other application periods in January 2020 and June 2020. There are currently 7 cannabis businesses who have been granted operator permits by the City. Currently 2 cannabis businesses are operating within the City and the remaining 5 cannabis business are at various stages in the permitting process.

In May of 2020, the City engaged the services of HdL Companies to review the City's existing fee structure to determine the total costs involved in the administration of the Cannabis Business Program. In addition, HdL was asked to review the application process and merit criteria to determine how the application process could be streamlined and be more efficient.

As the City's cannabis program has grown and expanded, so has the need for rigorous monitoring and oversight of the local industry to verify compliance with all state and local laws and to ensure that all applicable cannabis taxes are being properly reported and remitted to the City. To assist with these needs, the City of San Luis Obispo has requested that HdL develop a proposal to provide the following services:

- Conduct one annual cannabis tax audit of each licensed cannabis business to ensure proper reporting and remittance of cannabis taxes to the City.
- Conduct four on-site compliance inspections of each licensed cannabis business annually to ensure ongoing compliance with all state and local laws.
- Screen all cannabis business applications to ensure they are complete.
- Proctor the City's Application Review Process
- Provide background check renewals of all owners, managers and employees of the City's commercial cannabis businesses.
- Provide additional hours of technical assistance and subject matter expertise

This proposal provides a fixed unit cost for each of these services, which are described below.

### **Objective 1: Cannabis Tax Audits**

HdL will conduct an annual financial audit to verify the accuracy of revenues reported to the City during the review period and will recommend a tax assessment should the audit reveal any unreported revenue. As part of the process, HdL will conduct a risk based analytical review of the business using the proprietary Cannabis Analytical Tracking Solution (CATS™) program to ensure there is no diversion of product or cash. Our unique audit approach allows us to identify if an operator is under-reporting its taxes or diverting product from its facility. HdL audit staff will also use information gathered as part of the onsite inspection to assist with the financial audit.

HdL will help the City prepare a notification letter to send to the business to start the audit. The letter will contain pertinent information about the audit, including a list of the records requested and a request for access to the business' point of sale system. HdL recommends the notification letter be sent by the City to encourage cooperation from the business and communicate HdL's authority to conduct the audit. The audit shall include:

- Gross receipts verification
- Risk based CATS™ Analytic Review
- Inventory review (subject to access to the track and trace system)
- POS data entry requirements review
- Preparation and issuance of report
- Exit conference with the City

HdL will provide a draft audit report to the commercial cannabis business. The business will be given the appropriate time to respond or appeal the report in accordance with the City ordinance. HdL will review any documentation provided by the business to dispute the findings and will adjust the tax assessment as necessary prior to issuing the final report to the City.

The City will inform HdL when a cannabis business receives permission to operate (i.e., through the issuance of a development agreement, conditional use permit, certificate of occupancy or other indication the business has opened). HdL will then work with the City to schedule financial audits and will coordinate with the City as the time for each audit approaches.

Depending upon the corporate structure of each cannabis business and any subdivisions or subsidiaries, it is possible that some businesses may be subject to multiple audits. For purposes of this proposal, a business that holds multiple state cannabis licenses shall be considered a single business provided that all licenses are held and operated under the same name, ownership and a single tax ID number. Any variation may indicate separate business entities requiring separate audits. Any such determination would be made on a case-by-case basis in consultation with the City.

## **Objective 2: Regulatory Compliance Inspections**

HdL will conduct four on-site compliance inspections annually for each licensed cannabis business to determine compliance with State and/or local laws. If HdL identifies any non-compliant activities, we will provide the City with a recommended appropriate action to address the deficiency and to ensure future compliance by the permittee. The cost for these services includes all of the following:

- Notifying permittee of pending inspection
- On-site inspection to ensure that each business complies with all State and local laws and regulatory protocols for all of the following:
  - Inventory management
  - Cash handling procedures
  - Access control
  - Video surveillance



- Alarm system maintenance and safety
  - Lock standards
  - Packaging and labeling
  - Waste management
  - Transportation documentation
  - Surveillance equipment maintenance
  - Occupational badges
  - Business records
  - Other items as necessary to ensure compliance with laws
- Preparation of a draft report detailing the findings of the inspection and providing recommendations for improvement where needed. If the inspection identifies any violations of law or other non-compliance issues, then HdL will prepare a notice to comply as an included part of the report.
- All travel costs associated with the inspection
- All phone, email and other communications involved in preparing for, scheduling and coordinating the inspections and providing the report.

As with cannabis tax audits, the number of compliance inspections necessary for each business will be determined in consultation with the City, based upon the number and type of state licenses held and operated under the same name, ownership and tax ID number. In addition, operations at separate locations, addresses, building numbers or premises may be subject to separate inspections at additional cost, even if under a single ownership.

The cost for this service does not include any follow-up re-inspection or review of any supplemental documents provided to address or contest any findings of non-compliance, nor does it include any assistance with the appeal of any enforcement action by the City. Any costs associated with such additional services would be billed at HdL's hourly rate.

### **Objective 3: Initial Screening of Applications for Completeness**

HdL staff will conduct an initial screening of all applications for completeness based upon an objective checklist of required documentation. This initial screening shall allow for some limited discretion in determining whether submitted documents are substantively complete but shall not otherwise consider the quality of the submissions.

Applications for competitive licenses that are deemed incomplete will be disqualified and those applicants will not be allowed to submit any supplemental information. Applications for non-competitive licenses that are deemed incomplete will be provided an opportunity to submit supplemental information to complete the application. All applications which have been deemed complete will move forward for a full review by the City's review panel.

**Objective 4: Proctor the City's Application Review Process**

HdL shall provide a subject matter expert who will be available to attend and facilitate the City's application review process. The City's application process includes a review panel that will review all of the applications and then meet to score and rank them. HdL's subject matter expert shall attend the review panel meeting (or meetings) to proctor or facilitate the process and to serve as a resource to the review team. HdL staff will not separately review the applications, nor will HdL recommend scores or ranking for any applications. This service shall be billed at HdL's hourly rate, plus travel costs

**Objective 5: Supplemental Background Checks**

HdL shall provide background checks of all owners, principals, managers and employees of cannabis businesses as a part of their annual license renewal process. Our supplemental background process expands upon the State-required Live Scan information by checking the subject's social security number and up to 5 variations of their name or aliases against over 200 million databases nationwide.

Our supplemental background checks can identify other factors that local governments may wish to consider before granting discretionary business licenses or permits, including other felony offenses, misdemeanor convictions, arrest records, civil judgements, restraining orders, the terrorist screening database, the national sex offender registry, delinquent child support payments, bankruptcies, employment and credit records, and more.

HdL offers a reduced rate for annual renewals after the initial background check has been completed. Our rates include an HdL-designed employee identification badge with the city logo which meets all State requirements. HdL provides an online portal for applicants to submit their application, authorization and all necessary documentation.

Background Checks	Owner, principal or manager	Employee or line staff
Initial background check	\$300	\$100
Annual renewal	\$100	\$100
Reissue lost or stolen badge	\$10	\$10

Prices valid as of the date of this proposal and subject to change without notice.

**Objective 6: Provide Subject Matter Expertise & Technical Support**

HdL shall provide additional hours of general consulting in the form of subject matter expertise or technical assistance, to be utilized on an as-needed basis at the City's request. Such assistance may include monitoring of changes to State laws and regulations, community outreach, participation in conference calls, responding to staff inquiries via phone and email, reviewing staff reports to the City Council, assisting with responses to inquiries from the public, or other issues yet to be determined as requested by the City.

**III. COST**

The proposed services are broken down into specific line items in the cost table below. All of these services are to be provided on an as-needed basis to be billed to the City via invoice. HdL's fees are based on time, materials and travel-related expenses associated with the execution of the services. The hours and costs in the table below do not include any additional items that are not specifically contemplated by this scope of services.

Prices offered here are valid for 90 days from the date of this proposal to allow time for consideration and negotiating a service agreement. Once under contract, prices shall be honored for the initial term of that contract, up to a maximum of 3 years.

Scope of Service Objectives	Estimated Cost
<b>Objective 1: Cannabis Tax Audits</b> Conduct one annual audit of each cannabis business.	\$6,000 per audit
<b>Objective 2: Regulatory Compliance Inspections</b> Assumes 4 inspections per business/per year for an annual cost of \$5,000 per business. Includes travel.	\$1,250 per inspection
<b>Objective 3: Initial Screening of Applications for Completeness</b>	\$195 per application
<b>Objective 4: Proctor the City's Application Review Process</b> To be billed on an hourly basis.	\$250 per hour
<b>Objective 5: Supplemental Background Checks</b>	See below
<b>Objective 6: Subject Matter Expertise and Technical Assistance</b> To be billed on an hourly basis as needed.	\$250 per hour
<b>Travel Cost</b> If and as needed for any overnight travel.	\$600 per site visit
<b>Estimate of Total Costs</b>	<b>N/A</b>

Background Checks	Owner, principal or manager	Employee or line staff
Initial background check	\$300	\$100
Annual renewal	\$100	\$100
Reissue lost or stolen badge	\$10	\$10

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**IV. OPTIONAL SERVICES**

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**Hourly Rates for HdL Staff**

The prices in this proposal are based on the hourly rates for HdL staff as shown in the chart below. Any additional services requested by the client that are not specifically described in this proposal would be billed at the standard rate for the assigned staff person.

HdL Staff	Title	Hourly Rate
David McPherson	Compliance Director	\$250
Matt Eaton	Deputy Compliance Director	\$250
Ajay Kolluri	Deputy Audit Director	\$250
Mark Lovelace	Senior Policy Advisor	\$250
Kami Miller	Senior Compliance Inspector	\$195
Michelle Shaw	Compliance Inspector	\$195
Elizabeth Eumurian	Senior Auditor	\$195
Alfredo Marquez	Senior Auditor	\$195
Odette Mikhail	Auditor	\$195
Mark Brogan	Auditor	\$195
Tao Lu	Auditor	\$195
All rates current as of the date of this proposal		

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## **V. EXPERIENCE AND RESOURCES**

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### **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 Cannabis 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 500 agencies in six states. The firm currently serves 49 counties, 311 cities and 132 transactions tax districts in California.

HdL's key staff has extensive experience serving local government and many have previously held positions in city 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 advanced methodology provides for the most relevant, productive and responsive revenue recovery; forecasting; and economic services available.

Our team of professionals has over 52 years of direct experience establishing and implementing cannabis regulatory and taxation programs, including establishing land-use regulations, permit processes, staffing plans, and cost recovery fees; structuring cannabis business tax fees; regulatory compliance; financial audits; and law enforcement training. Our team has conducted over 18,000 cannabis compliance inspections and investigations in California, Colorado and Nevada.

### **Key Personnel**

#### **David McPherson, Compliance Director**

David McPherson works with local agencies to prepare them to mitigate regulatory issues surrounding Proposition 64 and SB 94. Prior to joining HdL, David served 28 years in local government for the County of Orange and the cities of Newport Beach, San Jose and Oakland. David's experience as a law enforcement officer, compliance auditor, and tax administrator has provided him a wealth of experience that makes him uniquely qualified to manage HdL's Cannabis Management Program. While working for the City of Oakland, he became the first Tax Administrator in the country to successfully tax, regulate and audit medical marijuana businesses. David has over 10 years of experience working with cannabis regulatory programs.

David is one of the state's most recognized experts in cannabis regulatory policies, compliance implementation and tax policies. His unique knowledge in horticulture, processing and dispensary operations while working for the City of Oakland has made him one of the pioneers in creating a Cannabis Management Program. He uses his experience to assist local and state agencies in developing cannabis policies for regulation, compliance, auditing and economic development. He worked closely with the League of Cities on the development of the Medical Cannabis Regulation and Safety Act (MCRSA) and helped shape SB 94, the Medicinal Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

David provides technical support on cannabis-related matters to the League of Cities, the Police Chief's 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 of Health Services and the State Board of Equalization on the implementation of best practices for 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, Deputy Compliance Director**

Matt Eaton is the Deputy Compliance Director at HdL and plays a critical role in implementing the Cannabis Compliance Program for local agencies. Prior to joining the firm, he was a progressive law enforcement professional with 30 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 six-year tenure at the MED, he conducted approximately 10,000 criminal investigations and compliance reviews, including regulatory and financial investigations. He is a subject matter expert on track and trace systems and understands the complexity of reviewing data to ensure businesses are in compliance with state and local regulations. Matt was responsible for planning, developing and implementing report and field inspection protocols for the agency. He also played an instrumental role in recommending changes to current regulations and identifying essential language for new legislation in Colorado. Matt is well known for his ability to maintain working relationships with cannabis industry leaders and external stakeholders in resolving issues.

Matt received his Bachelor of Science Degree from Biola University and maintained Police Officer Service Training (POST) certification for over 30 years in California and Colorado. He has also served as an adjunct instructor teaching law enforcement principle related to criminology, correctional processes, procedural law, interviews, interrogations and criminal evidence at AIMS Community College in Greeley, Colorado.

**Ajay Kolluri, Deputy Director of Policy and Audits**

Ajay Kolluri is the Deputy Director of Audits and Operations for HdL's Cannabis Division. Ajay is responsible for overseeing the cannabis audit team and the daily operations of the division, which includes special projects such as community outreach, surveys, grant solicitation, revenue analysis, cost recovery fee studies, contracts, budgeting, and marketing. Ajay previously served as Program Manager for the Office of Cannabis Oversight (OCO) at City of Long Beach. Working within the City Manager's Office, Ajay was responsible for the licensing, regulation and enforcement of all commercial cannabis activity in the City, with one of the largest legal cannabis markets in the state. During his tenure with the OCO, Ajay oversaw the issuance over 200 cannabis business licenses, generating over \$10 million in annual revenue for the City. Ajay has experience in all aspects of cannabis oversight, including public health and education, planning and zoning, building inspections, enforcement, social equity, fee development, economic analysis and revenue projections.

Prior to overseeing the OCO, Ajay worked in public finance, serving as Budget Analyst for the Department of Financial Management in the City of Long Beach. Ajay holds a Bachelor's degree in business economics from the University of California, Santa Barbara, and a Master's degree in public policy from the University of Michigan.

**Mark Lovelace, Senior Policy Advisor**

Mark Lovelace has 16 years of broad experience in public policy, community engagement and advocacy and is recognized as a leader in advancing the statewide discussion of medical and recreational cannabis as a policy issue in California.

Mark served on the Humboldt County Board of Supervisors from 2009 through 2016 where he was instrumental in developing a comprehensive approach to regulating cannabis, including a voter-approved tax on commercial cultivation and an innovative track and trace pilot program. Mark established and co-chaired the Medical Marijuana Working Group for the California State Association of Counties (CSAC) and helped draft CSAC's legislative platform for cannabis issues. Mark pioneered the first regional summit on cannabis issues in 2015 which helped guide the development of SB 643 and AB 243, two components of the Medical Cannabis Regulation and Safety Act (MCRSA).

Mark has worked extensively with public agencies and statewide associations on cannabis issues, including CSAC, Rural County Representatives of California, the Association of California Water Agencies, the North Coast Resource Partnership, California Department of Fish and Wildlife, the State Water Board, the North Coast Regional Water Board, the Bureau of Cannabis Control, State legislators, and others. He has led numerous presentations, workshops and panel discussions on cannabis issues and has been a sought-after speaker on the topic for government agencies, community organizations and industry groups.

Mark received his Bachelor of Science degree in Industrial Design from San Jose State University. Prior to his time on the Board, he worked for many years as a respected advocate on land use, planning, development and environmental issues.



**Kami Miller, Senior Compliance Inspector**

Kami Miller is a Senior Compliance Inspector at HdL whose primary role is to ensure cannabis compliance and identify the risk assessment in the supply chain process of each permitted business. Prior to joining the firm, she served three years as a Marijuana Compliance Manager for the Department of Public Behavior and Health (DPBH) for the State of Nevada. During this time Kami played a key role in Nevada's implementation of its Medical Marijuana Program in which she was responsible for statewide monitoring of medical marijuana facilities that included cultivation, production, testing labs and retail stores.

During her tenure at the DPBH, Kami managed compliance auditors and support staff in the Las Vegas office. She conducted approximately 1,000 compliance and financial inspections for which she developed the inspection protocols documentation to create comprehensive reports. In addition, her experience with various cannabis track and trace systems allowed her to develop industry supply chain practices for the Department of Taxation.

Kami received her Bachelor of Business Administration in E-Commerce and Supply Chain Management from Tennessee State University.

**Michelle Shaw, Compliance Inspector**

Michelle is a Cannabis Compliance Inspector at HdL and is tasked with conducting onsite inspections, examinations and other actions to monitor compliance with established standards for local licensed cannabis businesses. Prior to joining HdL, she was a Compliance Specialist Officer at a large, multinational bank where she managed, validated and oversaw the effectiveness and accuracy of numerous compliance issues within the consumer retail space. Throughout her eight years of experience at the bank, she performed onsite assessments of affiliate businesses to determine compliance/non-compliance of their processes and procedures pursuant to bank standards and state regulations.

A graduate of Cypress College, Michelle holds a Foundations of Banking Risk certificate from the Global Association of Risk Professionals and a paralegal certificate from the Southern California College of Business and Law.

**Alfredo Marquez, Senior Auditor**

Alfredo Marquez is a Senior Auditor at HdL. His primary role is to conduct cannabis tax audits. Alfredo previously worked for a publicly traded corporation as a Senior Internal Auditor where he performed risk assessments of new business acquisitions, financial and Sarbanes & Oxley audits. He also conducted compliance audits in the areas of commercial and government contracts, export and import activities, and general information technology controls. In these roles he worked with employees at various levels within the organization across North America, Latin America, Europe, and Asia in order to meet organizational objectives. Alfredo has recently done work for the Cities of Cotati, Cloverdale, Desert Hot Springs, Perris, Port Hueneme, and Vallejo. He earned his Bachelor's degree in Accounting from the University of La Verne.



**Elizabeth Eumurian, Senior Auditor**

Elizabeth Eumurian is a Senior Auditor at HdL. Her primary role is to conduct financial audits, evaluate cannabis applications and conduct background checks. As part of the audit program, she will be conducting and preparing analytical information through the CATS™ program to prepare Tax Analytical Remittance Reports (TARR) summaries to evaluate under reporting or anomalies in the remittance of tax payments to local jurisdictions.

Elizabeth previously worked as a senior auditor in the entertainment industry. In this role, she executed testing procedures for targeted audit programs, analyzed findings and prepared audit and compliance reports. She also has experience working for a large financial institution analyzing data for reporting anomalies and performing internal audits. Elizabeth has recently done work for Blythe, California City, Coachella, Cotati, Desert Hot Springs, Long Beach, Mammoth Lakes, Moreno Valley, Perris, San Bernardino, and Vallejo.

Elizabeth earned her Bachelor of Arts degree in History from California State University and holds a certificate in CannaBusiness from Oaksterdam University.

**Odette Mikhail, Auditor**

Odette Mikhail is an Auditor at HdL. Her primary role is to conduct financial audits. Odette previously worked as a senior auditor at public accounting firms. In this role, she executed testing procedures for audit and review engagements, identified accounting issues, reviewed internal controls, and prepared financial reports and statements. Odette earned her Bachelor of Science degree in Accounting and Business Administration from Ain Shams University in Cairo, Egypt.

**Tao Lu, Auditor**

Tao Lu works as an Auditor for HdL's Cannabis Management Team. Tao has two and a half years' experience as an accountant with an emphasis in information technology and food manufacturing industries. He also has public audit work experience at RSM China.

Tao was born and raised in China. He earned a Bachelor's Degree in Accounting and Finance from Syracuse University in New York before relocating to Southern California with his family.

**Mark Brogan, Auditor**

Mark Brogan works as an Auditor for HdL's Cannabis Management Team. Mark previously worked for the City of San Jose as a Financial Analyst and later as a Supervisor in the Revenue Management Division of the City's Department of Finance. Mark also worked in the City's Housing Department prior to his time with the Department of Finance.

Mark holds a Bachelor's Degree in Business Administration from San Jose State University, with a minor in Economics. Mark is also an accomplished triathlete and has successfully completed numerous marathons and Iron Man competitions.

*Proposal for Cannabis Compliance and Audit Services  
for the City of San Luis Obispo*

*March 25, 2021*

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## **VI. REFERENCES**

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### **City of Port Hueneme**

Tony Stewart

Director of Community Development

Phone: 805.986.6520

Email: [tstewart@cityofporthueneme.org](mailto:tstewart@cityofporthueneme.org)

### **City of Maywood**

Jennifer Vasquez

City Manager

Phone: 323.562.5721

Email: [jennifer.vasquez@cityofmaywood.org](mailto:jennifer.vasquez@cityofmaywood.org)

### **City of King City**

Steve Adams

City Manager

Phone: 831.386.5917

Email: [sadams@kingcity.com](mailto:sadams@kingcity.com)

### **City of Goleta**

Luke Rioux

Finance Director

Phone: 805.562.5508

Email: [lrioux@cityofgoleta.org](mailto:lrioux@cityofgoleta.org)

## **EXHIBIT B**

### **GENERAL TERMS AND CONDITIONS**

1. **Insurance Requirements.** The Contractor shall provide proof of insurance in the form, coverages and amounts specified in Section E of the City's Request for Proposal referenced in paragraph 2 of the Agreement, unless changes are otherwise approved and agreed to in writing between the parties. If the Agreement is entered into outside of a Request for Proposal, Contractor shall provide proof of insurance in the form of coverages and amounts specified in Exhibit C.
2. **Business License & Tax.** The Contractor must have a valid City of San Luis Obispo business license & tax certificate before execution of the contract. Additional information regarding the City's business tax program may be obtained by calling (805) 781-7134.
3. **Ability to Perform.** The Contractor warrants that it possesses, or has arranged through subcontracts, all capital and other equipment, labor, materials, and licenses necessary to carry out and complete the work hereunder in compliance with all federal, state, county, city, and special district laws, ordinances, and regulations.
4. **Laws to be Observed.** The Contractor shall keep itself fully informed of and shall observe and comply with all applicable state and federal laws and county and City of San Luis Obispo ordinances, regulations and adopted codes during its performance of the work.
5. **Payment of Taxes.** The contract prices shall include full compensation for all taxes that the Contractor is required to pay.
6. **Permits and Licenses.** The Contractor shall procure all permits and licenses, pay all charges and fees, and give all notices necessary.
7. **Safety Provisions.** The Contractor shall conform to the rules and regulations pertaining to safety established by OSHA and the California Division of Industrial Safety.
8. **Public and Employee Safety.** Whenever the Contractor's operations create a condition hazardous to the public or City employees, it shall, at its expense and without cost to the City, furnish, erect and maintain such fences, temporary railings, barricades, lights, signs and other devices and take such other protective measures as are necessary to prevent accidents or damage or injury to the public and employees.
9. **Preservation of City Property.** The Contractor shall provide and install suitable safeguards, approved by the City, to protect City property from injury or damage. If City property is injured or damaged resulting from the Contractor's operations, it shall be replaced or restored at the Contractor's expense. The facilities shall be replaced or restored to a condition as good as when the Contractor began work.
10. **Immigration Act of 1986.** The Contractor warrants on behalf of itself and all

subcontractors engaged for the performance of this work that only persons authorized to work in the United State pursuant to the Immigration Reform and Control Act of 1986 and other applicable laws shall be employed in the performance of the work hereunder.

11. **Contractor Non-Discrimination.** In the performance of this work, the Contractor agrees that it will not engage in, nor permit such subcontractors as it may employ, to engage in discrimination in employment of persons because of age, race, color, sex, national origin or ancestry, sexual orientation, or religion of such persons.

12. **Work Delays.** Should the Contractor be obstructed or delayed in the work required to be done hereunder by changes in the work or by any default, act, or omission of the City, or by strikes, fire, earthquake, or any other Act of God, or by the inability to obtain materials, equipment, or labor due to federal government restrictions arising out of defense or war programs, then the time of completion may, at the City's sole option, be extended for such periods as may be agreed upon by the City and the Contractor. In the event that there is insufficient time to grant such extensions prior to the completion date of the contract, the City may, at the time of acceptance of the work, waive liquidated damages that may have accrued for failure to complete on time, due to any of the above, after hearing evidence as to the reasons for such delay, and making a finding as to the causes of same.

13. **Payment Terms.** The City's payment terms are 30 days from the receipt of an original invoice and acceptance by the City of the materials, supplies, equipment, or services provided by the Contractor (Net 30).

14. **Inspection.** The Contractor shall furnish City with every reasonable opportunity for City to ascertain that the services of the Contractor are being performed in accordance with the requirements and intentions of this contract. All work done, and all materials furnished, if any, shall be subject to the City's inspection and approval. The inspection of such work shall not relieve Contractor of any of its obligations to fulfill its contract requirements.

15. **Audit.** The City shall have the option of inspecting and/or auditing all records and other written materials used by Contractor in preparing its invoices to City as a condition precedent to any payment to Contractor.

16. **Interests of Contractor.** The Contractor covenants that it presently has no interest, and shall not acquire any interest—direct, indirect or otherwise—that would conflict in any manner or degree with the performance of the work hereunder. The Contractor further covenants that, in the performance of this work, no subcontractor or person having such an interest shall be employed. The Contractor certifies that no one who has or will have any financial interest in performing this work is an officer or employee of the City. It is hereby expressly agreed that, in the performance of the work hereunder, the Contractor shall at all times be deemed an independent contractor and not an agent or employee of the City.

17. **Hold Harmless and Indemnification.**

(a) **Non-design, non-construction Professional Services:** To the fullest extent permitted by

law (including, but not limited to California Civil Code Sections 2782 and 2782.8), Consultant shall indemnify, defend, and hold harmless the City, and its elected officials, officers, employees, volunteers, and agents (“City Indemnitees”), from and against any and all causes of action, claims, liabilities, obligations, judgments, or damages, including reasonable legal counsels’ fees and costs of litigation (“claims”), arising out of the Consultant’s performance or Consultant’s failure to perform its obligations under this Agreement or out of the operations conducted by Consultant, including the City’s active or passive negligence, except for such loss or damage arising from the sole negligence or willful misconduct of the City. In the event the City Indemnitees are made a party to any action, lawsuit, or other adversarial proceeding arising from Consultant’s performance of this Agreement, the Consultant shall provide a defense to the City Indemnitees or at the City’s option, reimburse the City Indemnitees their costs of defense, including reasonable legal fees, incurred in defense of such claims.

**(b) Non-design, construction Professional Services:** To the extent the Scope of Services involve a “construction contract” as that phrase is used in Civil Code Section 2783, this paragraph shall apply in place of paragraph A. To the fullest extent permitted by law (including, but not limited to California Civil Code Sections 2782 and 2782.8), Consultant shall indemnify, defend, and hold harmless the City, and its elected officials, officers, employees, volunteers, and agents (“City Indemnitees”), from and against any and all causes of action, claims, liabilities, obligations, judgments, or damages, including reasonable legal counsels’ fees and costs of litigation (“claims”), arising out of the Consultant’s performance or Consultant’s failure to perform its obligations under this Agreement or out of the operations conducted by Consultant, except for such loss or damage arising from the active negligence, sole negligence or willful misconduct of the City. In the event the City Indemnitees are made a party to any action, lawsuit, or other adversarial proceeding arising from Consultant’s performance of this Agreement, the Consultant shall provide a defense to the City Indemnitees or at the City’s option, reimburse the City Indemnitees their costs of defense, including reasonable legal fees, incurred in defense of such claims.

**(c) Design Professional Services:** In the event Consultant is a “design professional”, and the Scope of Services require Consultant to provide “design professional services” as those phrases are used in Civil Code Section 2782.8, this paragraph shall apply in place of paragraphs A or B. To the fullest extent permitted by law (including, but not limited to California Civil Code Sections 2782 and 2782.8) Consultant shall indemnify, defend and hold harmless the City and its elected officials, officers, employees, volunteers and agents (“City Indemnitees”), from and against all claims, damages, injuries, losses, and expenses including costs, attorney fees, expert consultant and expert witness fees arising out of, pertaining to or relating to, the negligence, recklessness or willful misconduct of Consultant, except to the extent caused by the sole negligence, active negligence or willful misconduct of the City. Negligence, recklessness or willful misconduct of any subcontractor employed by Consultant shall be conclusively deemed to be the negligence, recklessness or willful misconduct of Consultant unless adequately corrected by Consultant. In the event the City Indemnitees are made a party to any action, lawsuit, or other adversarial proceeding arising from Consultant’s performance of this Agreement, the Consultant shall provide a defense to the City Indemnitees or at the City’s option, reimburse the City Indemnitees their costs of defense, including reasonable legal fees, incurred in defense of such claims. In no event shall the cost to defend charged to Consultant

under this paragraph exceed Consultant's proportionate percentage of fault. However, notwithstanding the previous sentence, in the event one or more defendants is unable to pay its share of defense costs due to bankruptcy or dissolution of the business, Consultant shall meet and confer with other parties regarding unpaid defense costs.

(d) The review, acceptance or approval of the Consultant's work or work product by any indemnified party shall not affect, relieve or reduce the Consultant's indemnification or defense obligations. This Section survives completion of the services or the termination of this contract. The provisions of this Section are not limited by and do not affect the provisions of this contract relating to insurance.

18. **Contract Assignment.** The Contractor shall not assign, transfer, convey or otherwise dispose of the contract, or its right, title or interest, or its power to execute such a contract to any individual or business entity of any kind without the previous written consent of the City.

19. **Termination for Convenience.** The City may terminate all or part of this Agreement for any or no reason at any time by giving 30 days written notice to Contractor. Should the City terminate this Agreement for convenience, the City shall be liable as follows: (a) for standard or off-the-shelf products, a reasonable restocking charge not to exceed ten (10) percent of the total purchase price; (b) for custom products, the less of a reasonable price for the raw materials, components work in progress and any finished units on hand or the price per unit reflected on this Agreement. For termination of any services pursuant to this Agreement, the City's liability will be the lesser of a reasonable price for the services rendered prior to termination, or the price for the services reflected on this Agreement. Upon termination notice from the City, Contractor must, unless otherwise directed, cease work and follow the City's directions as to work in progress and finished goods.

20. **Termination.** If, during the term of the contract, the City determines that the Contractor is not faithfully abiding by any term or condition contained herein, the City may notify the Contractor in writing of such defect or failure to perform. This notice must give the Contractor a 10 (ten) calendar day notice of time thereafter in which to perform said work or cure the deficiency.

If the Contractor has not performed the work or cured the deficiency within the ten days specified in the notice, such shall constitute a breach of the contract and the City may terminate the contract immediately by written notice to the Contractor to said effect. Thereafter, neither party shall have any further duties, obligations, responsibilities, or rights under the contract except, however, any and all obligations of the Contractor's surety shall remain in full force and effect, and shall not be extinguished, reduced, or in any manner waived by the terminations thereof.

In said event, the Contractor shall be entitled to the reasonable value of its services performed from the beginning date in which the breach occurs up to the day it received the City's Notice of Termination, minus any offset from such payment representing the City's damages from such breach. "Reasonable value" includes fees or charges for goods or services as of the last milestone or task satisfactorily delivered or completed by the Contractor as may be set forth in

the Agreement payment schedule; compensation for any other work, services or goods performed or provided by the Contractor shall be based solely on the City's assessment of the value of the work-in-progress in completing the overall work scope.

The City reserves the right to delay any such payment until completion or confirmed abandonment of the project, as may be determined in the City's sole discretion, so as to permit a full and complete accounting of costs. In no event, however, shall the Contractor be entitled to receive in excess of the compensation quoted in its proposal.



## **Exhibit C – Insurance**

The Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, employees or subcontractors.

**Minimum Scope of Insurance.** Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).
2. Insurance Services Office form number CA 0001 (Ed. 1/87) covering Automobile Liability, code 1 (any auto).
3. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
4. Errors and Omissions Liability insurance as appropriate to the consultant's profession.

**Minimum Limits of Insurance.** Consultant shall maintain limits no less than:

1. General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
3. Employer's Liability: \$1,000,000 per accident for bodily injury or disease.
4. Errors and Omissions Liability: \$1,000,000 per occurrence.

**Deductibles and Self-Insured Retentions.** Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of the City, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

**Other Insurance Provisions.** The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City, its officers, officials, employees, agents and volunteers are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, official, employees, agents or volunteers.
2. For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, agents or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
3. The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
4. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be

suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

**Acceptability of Insurers.** Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

**Verification of Coverage.** Consultant shall furnish the City with a certificate of insurance showing maintenance of the required insurance coverage. Original endorsements effecting general liability and automobile liability coverage required by this clause must also be provided. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements are to be received and approved by the City before work commences.