



REPORT TO CITY COUNCIL

Approved by:

Arnoldo Rodriguez, City Manager

Council Meeting of: May 20, 2020

Agenda Number: D-6 _____

SUBJECT:

Contract with Hinderliter, deLlamas & Associates (HdL Companies) to provide consulting services relating to regulatory ordinance, taxation ordinance, and related regulations for cannabis

RECOMMENDATION:

Adopt a Resolution that approves a contract for cannabis consultant services to develop a regulatory ordinance to allow, permit, regulate and tax cannabis businesses, conducting a cost recovery fee study, develop a cannabis tax ordinance and accompanying ballot measure.

SUMMARY:

Staff recommends approval of a contract with Hinderliter, deLlamas & Associates (HdL) Companies for consulting services for cannabis management services to develop a regulatory program to allow, permit, regulate and tax commercial cannabis businesses. The City has no current contract for such services, nor does the City have the in-house capacity or expertise for the development and implementation of such tasks.

Based on staff's research, HdL is one of the leading firms offering cannabis regulatory and taxation programs services. Their consultant team headed up by David McPherson, Compliance Director, has more than a combined 46 years of direct experience implementing such programs. Their team has completed over 16,000 cannabis compliance inspections and financial audits in California, Colorado, and Nevada. HdL has also reviewed more than 2,000 cannabis business applications within the last four years. HdL has assisted several other local jurisdictions with aspects of their commercial cannabis regulatory and/or taxation programs, including but not limited to, the cities of Fresno, Modesto, Farmersville, Hanford, and Oxford. HdL is the leading consulting company in the cannabis industry.

Staff researched numerous local governments prior to contacting HdL. Since the last Council meeting, staff also contacted at least two other consulting firms seeking to acquire a scope of work and estimated cost for services. There were no other vendors identified that provided comparable services.

In the decision to consider HdL for the contracted services, several issues were taken into consideration. The following provides a summary of some of HdL's experience:

- HdL Companies was founded in 1983 and 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 currently serves 49 counties, 333 cities and 175 transactions tax districts in California.
- HdL has conducted over 16,000 cannabis compliance reviews in California, Colorado, and Nevada.
- HdL has partnered with over 150 local agencies to develop cannabis policies.
- HdL team consists of former policymakers, law enforcement and cannabis regulators with State, County, and local level experience.
- HdL has reviewed and evaluated over 2,000 cannabis business applications for local agencies.

DISCUSSION:

In November 2016, California voters approved Proposition 64, also known as the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), requiring a State license to engage in commercial non-medical marijuana activities. This proposition legalized recreational use of marijuana by adults in California. AUMA, however, provides that local jurisdictions may adopt and enforce local ordinances that regulate local zoning and land use requirements, and other requirements deemed necessary to reduce potential impacts associated with retail marijuana use. Locally, in the same election, City of Madera voter support for the proposition ranked at 47 percent voter support and 53 percent opposed.

During the May 6, 2020 Council meeting, HdL conducted an introductory presentation outlining a basic understanding of the cannabis industry and the local perspective. Mr. McPherson of HdL, discussed background information detailing relevant topics such as the California Cannabis Laws, cannabis business categories, cannabis licenses, and the development of a regulatory ordinance. Based on the presentation, Council recommended receiving a scope of work from HdL with personalized objectives relevant to City of Madera vision and goals.

The proposed scope of work for the consultant services contact is comprised of five primary objectives, each of which summarized below.

1. Objective 1: Meeting with City Council or Planning Commission

HdL shall provide support or presentations at four public meetings or community workshops, including meetings of the City Council and/or Planning Commission or other meetings as requested to inform and help guide development local regulations.

2. Objective 2: Develop a Draft Cannabis Regulatory Ordinance

HdL shall assist in the development of a commercial cannabis regulatory ordinance that is consistent with State laws and reflects industry best practices. The ordinance will specify:

- The number and types of businesses to be permitted
- Application and renewal procedures

- Location requirements
- Site security measures
- Inspections and enforcement protocols
- Operational procedures, and
- Other requirements specific to each allowable type of cannabis business.

3. Objective 3: Application Process Development

HdL shall design an application process that includes merit-based review, ranking and final selection of cannabis business permittees.

4. Objective 4: Cost Recovery / Fiscal Strategies

HdL will conduct a fiscal analysis to determine the costs of all City staff time, overhead, fringe benefits, consultants and any other services associated with each step of the cannabis permitting and regulatory process.

As a part of this objective, HdL shall develop a commercial cannabis tax ordinance and corresponding ballot measure for the November 3, 2020 general election to generate additional cannabis-related revenues. The ordinance shall define both initial and maximum tax rates for each cannabis business type allowed by the City and shall allow the Council to set the rates by resolution as desired.

This objective includes the following deliverables:

- Development of cost recovery fees
- Development of a draft cannabis tax ordinance
- Development of a cannabis tax ballot measure resolution for implementing the ordinance
- Revenue projections to inform the ballot measure and the setting of rates

5. Objective 5: Provide Subject Matter Expertise and Technical Support

HdL shall provide up to 22 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, participation in conference calls, responding to staff inquiries via phone and email, reviewing staff reports to the Council, assisting with responses to inquiries from the public, or other issues yet to be determined as requested by the City.

If authorized by the Council to proceed with entering into a consultant services agreement with HdL Companies, the City Attorney's Office will review and approve the final Consultant Services Agreement as to form, prior to execution.

FINANCIAL IMPACT:

For the items outlined above, the scope of work is estimated at \$29,700, not including staff time or that of the City Attorney's.

Should this resolution be adopted, staff will return to Council at a future date to request funds for the procedural cost to have the ballot measures included in the November 2020 ballot. At this time, staff is unable to quantify a precise cost given that it is dependent on the number of registered voters. Based on the current number of registered voters, it would range between \$85k – \$90k.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

While not specifically addressed, the requested action is consistent with the Vision Madera 2025 Plan; Effective Government: Strategy 115. – Ensure sufficient economic resources to provide adequate City services and preparer for future growth.

ALTERNATIVES:

The Council may elect to not approve the contract and not permit cannabis related activity in the City. The Council may also request that staff conduct a more extensive search of consulting services that may result in additional acceptable proposals. Council may also elect not to pursue a contract with HdL and direct staff to explore other options.

ATTACHMENTS:

1. Resolution
 - a. Agreement, including Scope of Work

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA,
CALIFORNIA, APPROVING AN AGREEMENT WITH HDL COMPANIES TO
PROVIDE CONSULTING SERVICES TO DRAFT A REGULATORY ORDINANCE,
TAXATION ORDINANCE AND RELATED REGULATIONS FOR CANNABIS IN
THE AMOUNT NOT TO EXCEED \$29,700**

WHEREAS, the City of Madera is seeking to approve a contract with HdL Companies for cannabis consultant services to develop a regulatory program to allow, permit, regulate and tax commercial cannabis businesses; and

WHEREAS, HdL Companies would also conduct a cost recovery fee study and an analysis of potential fiscal strategies to determine appropriate permitting and regulatory fees and to develop projections for generating additional cannabis-related revenues through a cannabis tax ordinance and accompanying ballot measure; and

WHEREAS, a proposal for the above-mentioned services has been requested and received from HdL Companies; and

WHEREAS, HdL Companies did submit a comprehensive proposal outlining personalized objectives; and

WHEREAS, HdL Companies has the programs, equipment and personnel required to deliver the consulting services for cannabis management services referenced herein; and

WHEREAS, the City of Madera would like to enter into a new agreement with HdL Companies for the provision of consulting services for cannabis management services specifically for cannabis regulation and taxation.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MADERA hereby resolves, finds, determines and orders as follows:

1. The above recitals are true and correct.
2. The Agreement with HdL Companies, a copy of which is attached to this Resolution as Exhibit A is approved.
3. This resolution is effective immediately upon adoption.

* * * * *

Exhibit A

AGREEMENT FOR CONSULTANT SERVICES BETWEEN THE CITY OF MADERA AND HdL COMPANIES

THIS AGREEMENT is made and entered into the ____ day of _____, 2020, by and between the CITY OF MADERA, a municipal corporation of the State of California, hereinafter called "City" and Hinderliter, deLlamas & Associates (HdL Companies) hereinafter called "Consultant";

RECITALS

- A. WHEREAS, City of Madera is seeking to approve a contract with HdL Companies for cannabis consultant services to develop a regulatory program to allow, permit, regulate and tax commercial cannabis businesses; and
- B. WHEREAS, HdL Companies would also conduct a cost recovery fee study and an analysis of potential fiscal strategies to determine appropriate permitting and regulatory fees and to develop projections for generating additional cannabis-related revenues through a cannabis tax ordinance and accompanying ballot measure; and
- C. WHEREAS, a proposal for the above-mentioned services has been requested and received from HdL Companies; and
- D. WHEREAS, HdL Companies did submit a comprehensive proposal outlining personalized objectives; and
- E. WHEREAS, Consultant has the programs, equipment and personnel required to deliver the consulting services for cannabis management services referenced herein in; and
- F. WHEREAS, the City of Madera would like to enter into a new agreement with HdL Companies for the provision of consulting services for cannabis management services specifically for cannabis regulation and taxation.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, it is agreed by and between the City and the Consultant as follows:

1. Services. The City hereby contracts with Consultant to provide Cannabis Management Services, herein set forth at the compensation and upon the terms and conditions herein expressed, and Consultant hereby agrees to perform such services for said compensation, and upon said terms and conditions City hereby authorizes Consultant to commence work on _____, 2020.

2. Obligations, duties and responsibilities of Consultant. It shall be the duty, obligation and responsibility of the Consultant, in a skilled and professional manner, to perform, furnish and supply to the City the services and supplies in accordance with the minimum service requirements as listed below:

2.1. Scope of Maintenance Services.

The Consultant shall perform the following services (collectively, the “Services”):

OBJECTIVE 1: MEETINGS WITH THE CITY COUNCIL OR PLANNING COMMISSION

Consultant shall provide support or presentations at 2 meetings of the City Council and/or Planning Commission to inform and help guide development of the cannabis regulatory program, application process and possible tax measure. Alternately, these meetings may be used to meet with City Council members individually or as otherwise requested by the City. Any meetings shall strictly comply with all Brown Act requirements. The design, purpose and content of the meetings will be determined upon consultation with City staff.

OBJECTIVE 2: DEVELOP A DRAFT CANNABIS REGULATORY ORDINANCE

Consultant shall assist in the development of a commercial cannabis regulatory ordinance that is consistent with State laws and reflects industry best practices. HdL will work with City staff to identify local concerns and priorities, including land use issues and sensitive uses, and to design appropriate regulatory processes and mitigations as necessary to protect the health, safety and welfare of the community. The ordinance will specify the number and types of businesses to be permitted, application and renewal procedures, location requirements, site security measures, inspections and enforcement protocols, operational procedures, and other requirements specific to each allowable type of cannabis business.

OBJECTIVE 3: APPLICATION PROCESS DEVELOPMENT

Consultant shall design an application process that includes merit-based review, ranking and final selection of cannabis business permittees. The process shall include evaluation criteria consistent with the draft ordinance and shall ensure that all information desired by the City is incorporated into the cannabis business application form and procedures. HdL shall also provide all necessary application forms, as well as procedures, guidelines, indemnification forms, background information releases, and other required documents.

OBJECTIVE 4: COST RECOVERY / FISCAL STRATEGIES

Consultant will conduct a fiscal analysis to determine the costs of all City staff time, overhead, fringe benefits, consultants and any other services associated with each step of the cannabis permitting and regulatory process. HdL staff has experience developing cannabis regulatory fees and doing a “fit gap” analysis of staff responsibilities and time allotted to this program to establish appropriate fees for the City’s level of oversight and

enforcement of the regulatory process.

As a part of this objective, HdL shall develop a commercial cannabis tax ordinance and corresponding ballot measure for generating additional cannabis-related revenues. The ordinance shall define both initial and maximum tax rates for each cannabis business type allowed by the City and shall allow the City Council to set the rates by resolution as desired. Tax structures and recommended rates shall be based upon emerging norms across the industry so as to provide stable revenues to the City by ensuring a healthy and competitive local industry. This objective also includes revenue projections to inform the ballot measure statement, business type and keyword, arrange data by geographic area, and print out a variety of reports.

This objective includes the following deliverables:

- Development of cost recovery fees
- Development of a draft cannabis tax ordinance
- Development of a cannabis tax ballot measure resolution for implementing the ordinance
- Revenue projections to inform the ballot measure and the setting of rates

OBJECTIVE 5: PROVIDE SUBJECT MATTER EXPERTISE & TECHNICAL SUPPORT

Consultant shall provide up to 22 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, 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.

3. Consultant's fees and compensation: amount, how and when payable.

3.1 Fees. For all the work and services, including supplies and equipment, pertaining to the Cannabis Management Services Agreement and supplies required to be furnished by the Consultant to the City, City agrees to pay to Consultant and Consultant agrees to accept and receive as payment in full the following fees and compensation which shall be known as the "Fee" to be paid as hereinafter set forth.

a. Cost Schedule

Objective 1	\$7,200 (Includes travel)
Objective 2	\$5,000
Objective 3	\$5,000
Objective 4	\$7,000
Objective 5	<u>\$5,500</u>
Total:	\$29,700

- b. Additional Services Requested by the City will be billed at Hourly Rates for HdL Staff

HdL Staff	Title	Hourly Rate
David McPherson	Compliance Director	\$250
Matt Eaton	Deputy Compliance Director	\$250
Tim Cromartie	Senior Policy Advisor	\$250
Mark Lovelace	Senior Policy Advisor	\$250
Christina Altringer	Audit Manager	\$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

4. Term of Agreement. This Agreement shall be effective on _____, 2020, after approval by the City Council at a duly scheduled meeting thereof and shall continue in full force and effect through _____, 2021, unless otherwise terminated earlier by one of the parties pursuant to Section 8 of this Agreement. This Agreement may be extended by mutual written consent annually thereafter, not to exceed two (2) additional years, by providing such notice to the parties as identified in Section 8 of this Agreement.

5. Hold Harmless and Insurance Requirements.

5.1 Independent contractor. In the furnishing of the services provided herein, the Consultant is acting as an independent contractor and not as an employee of the City. Consultant acknowledges and agrees that at all times, Consultant or any agent or employee of Consultant shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. Consultant, its agents, and employees will not represent or hold themselves out to be employees of the City at any time. Consultant or any agent or employee of Consultant shall not have employee status with City, not be entitled to participate in any plans, arrangements, or distributions by City pertaining to or in connection with any retirement, health or other benefits that City may offer its employees. Consultant or any agent or employee of Consultant is liable for the acts and omissions of itself, its employees, and its agents. Consultant shall be responsible for all obligations and payments, whether imposed by federal, state, or local laws, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to Consultant's performing services and work, or any agent or employee of Consultant providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between City and Consultant or any agent or employee of Consultant. Any terms in this Agreement referring to direction from City shall be construed as providing for direction as to policy and the result of Consultant's work only, and not as to the means by which such a result is obtained. City does not retain the right to control the means or the method by which Consultant performs work under this

Agreement

5.2 Indemnification and Waivers. Contractor shall indemnify, defend, and hold harmless the City, its officers, employees, agents and volunteers ("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 Contractor's performance of its obligations under this agreement or out of the operations conducted by Contractor, 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 Contractor's performance of this agreement, the Contractor 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 counsels' fees, incurred in defense of such claims.

5.3 Insurance. During the term of this Agreement, Consultant shall maintain, keep in force and pay all premiums required to maintain and keep in force liability and property damage insurance. The limits of such policy shall be as required by the City of Madera. A copy of the City's requirements for such insurance coverage is attached hereto as Exhibit "A" to this Agreement.

6. Attorney's Fees/Venue. In the event that any action is brought to enforce the terms of this Agreement, the party found by the court to be in default agrees to pay reasonable attorney's fees to the successful party in an amount to be fixed by the Court. The venue for any claim being brought for breach of this Agreement shall be in Madera County.

7. Governing Law. The laws of the State of California shall govern the rights and obligations of the parties under this Agreement, including the interpretation of the Agreement. If any part of the Agreement is adjudged to be invalid or unenforceable, such invalidity shall not affect the full force and effect of the remainder of the Agreement.

8. Termination.

8.1 This Agreement may be terminated at any time by either party upon fifteen (15) calendar days written notice. In the event the Agreement is terminated by either party, Consultant shall be compensated for services performed to the date of termination based upon the compensation rates and subject to the maximum amounts payable agreed to together with such additional services performed after termination which are authorized in writing by the City representative to wind up the work performed to date of termination.

8.2 City may immediately suspend or terminate this Agreement in whole or in part by written notice where, if in the determination of City, there is:

- a. An illegal use of funds by Consultant;
- b. A failure by Consultant to comply with any material term of this

- Agreement;
- c. A substantially incorrect or incomplete report submitted by Consultant to City.

In no event shall any payment by City or acceptance by Consultant constitute a waiver by such party of any breach of this Agreement or any default which may then exist on the part of either party. Neither shall such payment impair or prejudice any remedy available to either party with respect to such breach or default. City shall have the right to demand of Consultant the repayment to City of any funds disbursed to Consultant under this Agreement which, as determined by the appropriate court or arbitrator, were not expended in accordance with the terms of this Agreement.

All notices shall be mailed to the City:

City of Madera
City Manager
205 W. 4th Street
Madera, CA 93637

To Consultant:

HdL
David McPherson
120 S. State College Blvd., Ste. 200
Brea, CA 92821

9. Compliance with Laws. In providing the services required under this Agreement, Consultant shall at all times comply with all applicable federal, state, and local laws.

9.1 Laws Incorporated by Reference. The full text of the laws listed in this Section, including enforcement and penalty provisions, are specifically incorporated by reference into this Agreement.

9.2 Conflict of Interest. By executing this Agreement, Consultant certifies that it does not know of any fact which constitutes a violation of Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.), or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify the City if it becomes aware of any such fact during the term of this Agreement.

9.3. Proprietary Information. In the performance of Services, Consultant may have access to City's proprietary or confidential information, the disclosure of which to third parties may damage City. If City discloses proprietary or confidential information to Consultant, such information must be held by Consultant in confidence and used only in performing the Agreement. Consultant shall exercise the same standard of care to protect

such information as a reasonably prudent Consultant would use to protect its own proprietary or confidential information.

9.4. **Nondiscrimination Requirements.** Consultant shall comply with all state and federal laws in the administration and performance of this Agreement.

9.5. **Alcohol and Drug-Free Workplace.** City reserves the right to deny access to, or require Consultant to remove from, City facilities personnel of any Consultant or subcontractor who City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs City's ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. City shall have the right of final approval for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

9.6. **Public Records Act.** Contractor acknowledges that this Agreement and all records related to its formation, Contractor's performance of services, and City's payment are subject to the California Public Records Act, (California Government Code §6250 et seq.). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state, or local law.

10. **Notices.** All notices and communications from the Consultant shall be to City's Streets Operations Manager. Verbal communications shall be confirmed in writing. All written notices shall be provided and addressed as indicated above.

11. **Assignment.** Neither the City nor the Consultant will assign its interest in this Agreement without the written consent of the other.

12. **Entire Agreement.** This contract sets forth the entire Agreement between the parties and supersedes all prior negotiations, representations or agreements either oral or written with respect to the subject matter herein.

13. **Venue.** The formation, interpretation, and performance of this Agreement shall be governed by the laws of the State of California. Venue for all litigation relative to the formation, interpretation, and performance of this Agreement shall be in the County of Madera.

14. **Authority.** The signatories to this Agreement warrant and represent that they have the legal right, power, and authority to execute this Agreement and bind their respective entities.

15. **Severability.** In the event any term or provision of this Agreement is declared to be invalid or illegal for any reason, this Agreement will remain in full force and effect and will be interpreted as though such invalid or illegal provision were not a part of this Agreement. The

remaining provisions will be construed to preserve the intent and purpose of this Agreement and the parties will negotiate in good faith to modify any invalidated provisions to preserve each party's anticipated benefits.

16. Amendments and Waiver. This Agreement shall not be modified or amended in any way, and no provision shall be waived, except in writing signed by the parties hereto. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any such waiver constitute a continuing or subsequent waiver of the same provision. Failure of either party to enforce any provision of this Agreement shall not constitute a waiver of the right to compel enforcement of the remaining provisions of this Agreement.

17. Third Party Beneficiaries. Nothing in this Agreement shall be construed to confer any rights upon any party not a signatory to this Agreement.

18. Execution in Counterparts. This Agreement may be executed in counterparts such that the signatures may appear on separate signature pages. A copy or an original, with all signatures appended together, shall be deemed a fully executed Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement at Madera, California, the day and year first above written.

CITY OF MADERA

BY: _____
Andrew Medellin, Mayor

BY: _____
Andy Nickerson, President, HdL Companies

ATTEST:

Alicia Gonzales, City Clerk

APPROVED AS TO FORM:

Hilda Cantú Montoy, City Attorney

City of Madera

Cannabis Management Services

May 15, 2020

HdL[®] Companies

SUBMITTED BY

HdL Companies
120 S. State College Blvd., Ste 200
Brea, CA 92821
hdlcompanies.com

CONTACT

David McPherson
T: 714.879.5000
E: dmcpherson@hdlcompanies.com

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I. LETTER OF TRANSMITTAL

May 15, 2020

Arnoldo Rodriguez
City Manager
City of Madera
205 West 4th Street
Madera, CA 93637

Re: Proposal for Cannabis Management Services

Dear Mr. Rodriguez,

Thank you for the opportunity to submit this proposal for cannabis management services for the City of Madera. The enclosed scope of services is designed to assist the City with the following: 1) Four meetings or presentations to the City Council or Planning Commission 2) The development of two draft ordinances one for a cannabis regulatory ordinance and one cannabis tax ordinance and associated ballot measure, 3) an application review process, and 4) a cost recovery fee and ballot revenue projection. The proposal also outlines additional services that HdL can provide at the City's request, including application reviews, background checks and ongoing compliance inspections and financial audits of permitted cannabis businesses.

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 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, 333 cities and 175 transactions tax districts in California.

Our knowledgeable team of professionals have more than 46 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 Madera 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 or David McPherson at dmcpherson@hdlcompanies.com or by phone at 714.879.5000.

Sincerely,



Andy Nickerson
President, HdL Companies

II. PROPOSED SCOPE OF SERVICES

Section 4.15.02 of the City of Madera Municipal Code prohibits all commercial cannabis activities within the City. The section states “*Commercial cannabis activities of all types are expressly prohibited in all zones and all specific plan areas in the city*” and clarifies that “*...This section is meant to prohibit all activities for which a state license is required.*”

The City is now considering development of a regulatory program to allow, permit, regulate and tax commercial cannabis businesses and has requested that HdL provide a scope of services to assist with this process. Specifically, the City is seeking assistance from HdL to meet with the City Council and/or Planning Commission, to develop a draft cannabis regulatory ordinance and to design an application review and selection process for vetting potential cannabis businesses.

The City is also requesting that HdL conduct a cost recovery fee study and an analysis of potential fiscal strategies to determine appropriate permitting and regulatory fees and to develop projections for generating additional cannabis-related revenues through a cannabis tax ordinance and accompanying ballot measure.

This proposal provides a fixed unit cost for each of these items, and includes additional hours for conference calls, technical assistance and subject matter expertise, to be utilized on an as-needed basis at the City’s request.

The enclosed Scope of Services includes all of the following:

- Attendance, support or presentations at 4 public meetings or community workshops, including meetings of the City Council and/or Planning Commission or other meetings as requested to help guide development of the City’s cannabis program;
- Development of a cannabis regulatory ordinance that incorporates the recommendations of the City Council and/or Planning Commission and complies with all applicable State and local laws;
- Design an application process that includes merit-based review, ranking and final selection of cannabis business permittees;
- A cost recovery/fiscal strategies analysis to determine appropriate permit fees and to develop revenue projections for a ballot measure, including all of the following:
 - Cost recovery fees
 - Cannabis tax ordinance for November 3, 2020 Election
 - Cannabis tax ballot measure resolution for November 3, 2020 Election
 - Revenue projections for November 3, 2020 Ballot Measure;
- Provide City staff with technical assistance and subject matter expertise as needed.

This proposal provides for all of these services and also includes a number of optional services that may be of interest to the City. Each of these service objectives are described in detail below.

Objective 1: Meetings with the City Council or Planning Commission

HdL shall provide support or presentations at 4 public meetings or community workshops, including meetings of the City Council and/or Planning Commission or other meetings as requested to inform and help guide development of the cannabis regulatory program, application process and tax measure. The design, purpose and content of the meetings will be determined in consultation with City staff.

Objective 2: Develop a Draft Cannabis Regulatory Ordinance

HdL shall assist in the development of a commercial cannabis regulatory ordinance that is consistent with State laws and reflects industry best practices. HdL will work with City staff to identify local concerns and priorities, including land use issues and sensitive uses, and to design appropriate regulatory processes and mitigations as necessary to protect the health, safety and welfare of the community. The ordinance will specify the number and types of businesses to be permitted, application and renewal procedures, location requirements, site security measures, inspections and enforcement protocols, operational procedures, and other requirements specific to each allowable type of cannabis business.

Objective 3: Application Process Development

HdL shall design an application process that includes merit-based review, ranking and final selection of cannabis business permittees. The process shall include evaluation criteria consistent with the draft ordinance and shall ensure that all information desired by the City is incorporated into the cannabis business application form and procedures. HdL shall also provide all necessary application forms, as well as procedures, guidelines, indemnification forms, background information releases, and other required documents.

Objective 4: Cost Recovery / Fiscal Strategies

HdL will conduct a fiscal analysis to determine the costs of all City staff time, overhead, fringe benefits, consultants and any other services associated with each step of the cannabis permitting and regulatory process. HdL staff has experience developing cannabis regulatory fees and doing a “fit gap” analysis of staff responsibilities and time allotted to this program to establish appropriate fees for the City’s level of oversight and enforcement of the regulatory process.

As a part of this objective, HdL shall develop a commercial cannabis tax ordinance and corresponding ballot measure for the November 3, 2020 general election to generate additional cannabis-related revenues. The ordinance shall define both initial and maximum tax rates for each cannabis business type allowed by the City and shall allow the City Council to set the rates by resolution as desired. Tax structures and recommended rates shall be based upon emerging norms across the industry so as to provide stable revenues to the City by ensuring a healthy and competitive local industry. This objective also includes revenue projections to inform the ballot measure statement.

This objective includes the following deliverables:

- Development of cost recovery fees
- Development of a draft cannabis tax ordinance
- Development of a cannabis tax ballot measure for implementing the ordinance
- Revenue projections to inform the ballot measure and the setting of rates

Objective 5: Provide Subject Matter Expertise & Technical Support

HdL shall provide up to 22 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, 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. HdL's costs 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 contemplated by this scope of services. All City costs would be incorporated into either the application fees or the annual permit fees, to be payable by the applicant or permittee. Any additional services requested by the City including on-site meetings will be billed at HdL's hourly rate. Any additional travel cost to attend on site meetings or workshops beyond those described above will also incur a cost of \$600 per day. Prices are valid for 90 days from May 15, 2020.

Scope of Service Objectives	Estimated Cost
Objective 1: Meetings with City Council or Planning Commission Assumes 4 site visits at \$1,800 each.	\$7,200 Includes travel
Objective 2: Develop a draft cannabis regulatory ordinance Ordinance shall incorporate community concerns and be consistent with all state and local laws and regulations.	\$5,000
Objective 3: Develop a merit-based application and review process Process for review, scoring, ranking, interviews and final selection of cannabis business permittees.	\$5,000
Objective 4: Conduct fee study and fiscal strategies Includes development of cost recovery fees, draft cannabis tax ordinance, ballot measure and revenue projections	\$7,000
Objective 5: Subject matter expertise and technical assistance 22 hours of general consulting to be used as needed by the City.	\$5,500
ESTIMATE OF TOTAL COSTS	\$29,700
All costs would be recoverable from cannabis business applicants or permittees except for those costs directly related to tax ordinance and ballot measure.	

IV. OPTIONAL SERVICES

Application Reviews and Selection Process

HdL has experience reviewing over 2,000 cannabis business applications for counties and cities across California. Our team can provide application reviews, scoring, merit-based ranking and interviews to inform the final selection for cannabis business permits.

Our process begins with an initial screening of all applications for completeness based upon a checklist of required documentation. All applications deemed complete will move forward for a full review, including scoring and merit-based ranking based on the applicant's demonstrated ability to meet or exceed minimum requirements in each category. Reviews identify both strengths and weaknesses of each application as well as providing a numerical score to inform the subsequent interview and selection process. HdL can also conduct an interview panel for all applicants that receive passing scores and can prepare a report to inform the final selection of which applicants shall be granted permits.

Application reviews, scoring and merit-based ranking:	\$2,500 per applicant
Applicant interviews:	\$500 per applicant

Background Checks

HdL is qualified to provide supplemental background checks for principals and employees of cannabis businesses as part of the application process. This service is not included as a part of this proposal but can be provided at an additional cost of \$300 per person for owners or managers, and \$150 per person for line staff. This price includes an employee identification card designed by HdL with the County logo which will meet all the state regulation requirements.

Regulatory Compliance Reviews and Financial Audits

HdL's Cannabis Management Team has over 46 years combined experience conducting approximately 16,000 cannabis compliance inspections, financial audits and investigations in Colorado, California and Nevada. HdL can provide annual compliance reviews and financial audits at the following rates for each cannabis business permitted in the County.

- A.** Conduct one (1) financial audit annually for each permit at a rate of \$6,000.
- B.** Conduct one (1) compliance review annually for each permit at a rate of \$1,250.
- C.** Conduct one (1) financial audit and one (1) compliance review annually for each permit at a rate of \$7,250.
- D.** Conduct one (1) financial audit and two (2) compliance reviews annually for each permit at a rate of \$8,500.
- E.** Conduct one (1) financial audit and three (3) compliance reviews annually for each permit at a rate of \$9,750.
- F.** Conduct one (1) financial audit and four (4) compliance reviews annually for each permit at a rate of \$11,000.

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
Tim Cromartie	Senior Policy Advisor	\$250
Mark Lovelace	Senior Policy Advisor	\$250
Christina Altringer	Audit Manager	\$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
All rates current as of May 15, 2020		

V. 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 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, 333 cities and 175 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 46 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 16,000 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 9 years of experience working with cannabis regulatory programs.

David is one of the state's most recognized experts in cannabis and hemp 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, Concord 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 Compliance Deputy 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 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 six-year tenure at the MED, he conducted approximately 10,000 criminal investigations and compliance reviews which included regulatory and financial investigations. In addition, he is a subject matter expert on track and trace systems. He 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 currently maintains a Colorado Post Certificate. 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.

Tim Cromartie, Senior Policy Advisor

Tim Cromartie is a Senior Policy Advisor at HdL, in which his primary role is providing policy expertise related to cannabis regulatory and tax policies at the state and local level. Prior to joining HdL, Tim served as the legislative representative covering public safety issues for the League of California Cities since 2013, with a heavy emphasis on shaping legislation governing state and local regulation of marijuana. He has been actively involved in educating cities on changes in the law resulting from the Medical Cannabis Regulation and Safety Act, as well as Proposition 64, the Adult Use of Marijuana Act. When these two Acts were merged into a single regulatory structure in 2017, Tim successfully advocated for clarification of local government's regulatory and enforcement authority in the cannabis context, and for related environmental safeguards in cultivation operations, protections against over-concentration of businesses, regulation of testing labs, and the inclusion of fire safety standards and a definition of volatile solvents in state law governing cannabis manufacturing operations. Since then he has been engaged in educating local governments on the more recent Medical and Adult Use Cannabis Regulation and Safety Act (MAUCRSA), as well as advocating for a reduction in the cumulative state tax rate for cannabis, improvements in the state's track-and-trace program, and the restoration of a statewide cultivation cap.

Prior to the League, he held a variety of positions in the Legislature and state government, including legislative representative for CalPERS Governmental Affairs, legislative director and public safety consultant to former state Senator Gloria Romero, and field representative for Congresswoman Barbara Lee during her term in the state Senate. Mr. Cromartie holds degrees from the University of California at Berkeley (B.A. Political Science) and UC Hastings College of the Law. Tim is an ardent aviation buff and a member of the California Aerospace Museum at the site of the former McClellan Air Force Base in Sacramento.

Christina Altringer, Audit Manager

Christina Altringer is the Audit Manager at HdL. Her primary role is to oversee the audit staff, conduct forensic audits, review staffs reports, and be the point person to work directly with client cities and counties as it pertains to financial audits. In addition, she is responsible for managing and developing the data intelligence CATS™ program. Furthermore, in preparation of conducting forensic audits she also prepares Tax Analytical Remittance Report (TARR) summaries to evaluate under reporting or anomalies in the remittance of tax payments to local jurisdictions.

Kristina previously worked as a Forensic Accountant for the Federal Bureau of Investigation (FBI). In this role, she investigated alleged violations of federal and state laws for bribery and kickbacks, corruption, money laundering, white collar and health care fraud as well as drug trafficking. She also conducted blockchain analysis for virtual currency transactions. Prior to working with the FBI she worked at a Public Accounting firm as a Certified Public Accountant.

She earned her Bachelor of Science degree in Accounting from Minnesota State. Christina is also a Certified Public Accountant and a Certified Fraud Examiner.

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-ever six-County regional summit on cannabis issues in 2015 which resulted in the North Coast Counties Marijuana Policy Statement. His work and input were pivotal in guiding 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, the Department of Justice, members of Congress 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 cannabis industry groups.

Mark received his Bachelor of Science degree in Industrial Design from California State University, San Jose. 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.

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.

She earned her Bachelor of Arts degree in History from California State University, Concord. She has also received a certificate in CannaBusiness from Oaksterdam University.

Michelle Shaw, Compliance Inspector

Michelle is a 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 financial audits. Alfredo previously worked for Teledyne Technologies analyzing risk assessments for acquiring new businesses and various units in the organization. In this role he worked with people at various levels in the organization and successfully conducted financial, Sarbanes Oxley and compliance audits across North America, Latin America, Europe, and Asia. Alfredo has recently done work for Cotati, Cloverdale, Desert Hot Springs, Mammoth, Perris, and Vallejo. He earned his Bachelor's Degree in Accounting from the University of La Verne.

Odette Mikhail, Auditor

Odette Mikhail is an Auditor at HdL. She conducts financial audits in accordance with state and local regulations, analyzes financial and point of sale systems for accuracy of reported

tax liabilities, and prepares reports summarizing the audit findings. Odette previously worked as a senior auditor at public accounting firms. In that 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. Odette is also a Certified Public Accountant.

VI. REFERENCES

City of Modesto

Steve Mitchell
Acting Planning Manager
Phone: 209.577.5287
Email: smitchell@modestogov.com

City of Farmersville

Steve Huntley
Finance Director
Phone: 559.747.0458
Email: shuntley@cityoffarmersville-ca.gov

City of Hanford

Darlene Mata
Community Development Director
Phone: 559.585.2580
Email: dmata@cityofhanfordca.com

City of Fresno

Jane Sumpter
Assistant City Manager
Phone: 559.621.7774
Email: Jane.Sumpter@fresno.gov

City of Turlock

Beth Morgan
Municipal Service, Finance Division
Phone: 209.668.6094
Email: bmorgan@turlock.ca.us

City of Porterville

Julie Philips
Community Development Manager
Phone: 559.782.7460
Email: jphillips@ci.porterville.ca.us

Insurance Requirements for Consultants

Without limiting Consultant's indemnification of City, and prior to commencement of Work, Consultant shall obtain, provide, and continuously maintain at its own expense during the term of the Agreement, and shall require any and all Subcontractors and Subconsultants of every Tier to obtain and maintain, policies of insurance of the type and amounts described below and in form satisfactory to the City.

Minimum Scope and Limits of Insurance

Consultant shall maintain limits no less than:

- **\$2,000,000 General Liability** (including operations, products and completed operations) per occurrence, \$4,000,000 general aggregate, for bodily injury, personal injury and property damage, including without limitation, blanket contractual liability. Coverage shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability coverage form CG 00 01. General liability policies shall be endorsed using ISO form CG 20 10 that the City and its officers, officials, employees and agents shall be additional insureds under such policies.
- **\$2,000,000 Automobile Liability** combined single limit per accident for bodily injury or property damage at least as broad as ISO Form CA 00 01 for all activities of Consultant arising out of or in connection with Work to be performed under this Agreement, including coverage for any owned, hired, non-owned or rented vehicles. Automobile Liability policies shall be endorsed to provide that the City and its officers, officials, employees and agents shall be additional insureds under such policies.
- **Worker's Compensation** as required by the State of California and **\$1,000,000 Employer's Liability** per accident for bodily injury or disease. Consultant shall submit to the City, along with the certificate of insurance, a Waiver of Subrogation endorsement in favor of the City, its officers, agents, employees, and volunteers.
- **\$1,000,000 Professional Liability (Errors & Omissions)** per claim and in the aggregate. Consultant shall maintain professional liability insurance that insures against professional errors and omission that may be made in performing the Services to be rendered in connection with this Agreement. Any policy inception date, continuity date, or retroactive date must be before the effective date of this Agreement, and Consultant agrees to maintain continuous coverage through a period no less than three years after completion of the services required by this Agreement. The cost of such insurance shall be included in Consultant's bid.

Maintenance of Coverage

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 Consultant, its agents,

Exhibit A: Insurance Requirements

representatives, employees, subcontractors or subconsultants as specified in this Agreement.

Proof of Insurance

Consultant shall provide to the City certificates of insurance and endorsements, as required, as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers' compensation. Insurance certificates and endorsements must be approved by the City prior to commencement of performance. Current evidence of insurance shall be kept on file with the City at all times during the term of this Agreement. Agency reserves the right to require complete, certified copies of all required insurance policies, at any time.

Acceptable Insurers

All insurance policies shall be issued by an insurance company currently authorized by the Insurance commissioner to transact business of insurance in the State of California, with an assigned policyholders' Rating of A- (or higher) and a Financial Size Category Class VII (or larger), in accordance with the latest edition of Best's Key Rating Guide.

Waiver of Subrogation

All insurance coverage maintained or procured pursuant to this agreement shall be endorsed to waive subrogation against the City, its elected or appointed officers, agents, officials, employees, and volunteers, or shall specifically allow Consultant, or others providing insurance evidence in compliance with these specifications, to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against the City and shall require similar written express waivers and insurance clauses from each of its subconsultants or subcontractors.

Enforcement of Contract Provisions (non estoppel)

Consultant acknowledges and agrees that any actual or alleged failure on the part of the Agency to inform Consultant of non-compliance with any requirement imposes no additional obligations on the City, nor does it waive any rights hereunder.

Specifications not Limiting

Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. If Consultant maintains higher limits than the minimums required above, the entity shall be entitled to coverage at the higher limits maintained by Consultant.

Notice of Cancellation

Consultant agrees to oblige its insurance agent or broker and insurers to provide to the City with thirty (30) calendar days notice of cancellation (except for nonpayment for

Exhibit A: Insurance Requirements

which ten (10) calendar days notice is required) or nonrenewal of coverage for each required coverage.

Self-insured Retentions

Any self-insured retentions must be declared to and approved by the City. The City reserves the right to require that self-insured retentions be eliminated, lowered or replaced by a deductible. Self-insurance will not be considered to comply with these specifications unless approved by the City's Risk Manager.

Timely Notice of Claims

Consultant shall give the City prompt and timely notice of claims made or suits instituted that arise out of or result from Consultant's performance under this Agreement, and that involve or may involve coverage under any of the required liability policies.

Additional Insurance

Consultant shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgement may be necessary for its proper protection and prosecution of the Work.