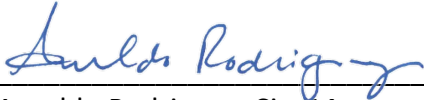


REPORT TO CITY COUNCIL

Approved by:

Council Meeting of: September 1, 2021

Agenda Number: D-2


Arnoldo Rodriguez, City Manager

SUBJECT:

Renewal of existing contract, along with an amendment for additional services, between the City and Hinderliter, deLlamas & Associates (HdL Companies) for consulting services related to cannabis

RECOMMENDATION:

Adopt a Resolution to:

1. Renew the existing contract through September 1, 2023
2. Amend the Scope of Services provided and the cost associated with such services

SUMMARY:

This item contains two components. The following is a synopsis of both:

1. On May 20, 2020, City Council (Council) approved an agreement with the consulting firm HdL Companies for cannabis management services to develop a regulatory program to allow, permit, regulate, and tax commercial cannabis businesses. The original agreement was for one year with a not-to-exceed amount of \$29,700. Staff is proposing that the term of the original agreement be extended; however, no amendments to either the scope of work or cost are proposed considering that the objectives in the initial agreement are a work in progress.
2. Staff is also recommending that the Council consider an amendment to the initial agreement for additional services and adopting new fees applicable to the amended Scope of Services.

BACKGROUND

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 nonmedical marijuana activities. This proposition legalized the recreational use of marijuana by adults in California. AUMA 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.

INITIAL CONTRACT

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 the City's vision and goals. At a subsequent meeting, Council approved a one-year agreement with HdL not to exceed \$29,700.

The scope of work for the initial contract was comprised of five primary objectives listed below.

Table 1: Objectives per the original agreement approved on May 20, 2020	
<i>Objective</i>	<i>Tasks</i>
1	Meeting with City Council or Planning Commission
2	Develop a Draft Cannabis Regulatory Ordinance
3	Application Process Development
4	Cost Recovery / Fiscal Strategies
5	Provide Subject Matter Expertise and Technical Support

Since partnering with HdL, Council has approved two ordinances to allow and regulate commercial cannabis businesses within the City. More specifically, Council approved the amendments to the following MMC sections:

- A Zoning Ordinance Amending Sections §10-3.802 (Light Industrial), §10-3.902 (Heavy Commercial), §10-3.1002 (Industrial zones), and §10-3.11.503 (Industrial Park Zones) of the Zoning Ordinance
- A Regulatory Ordinance Adding Chapter 5 to Title VI of the Madera Municipal Code Relating to Cannabis Businesses; Repealing Section §4-15 (Medical Marijuana and Cultivation; Chapter 15 to Title IV: Public Welfare); and Adding Section §6-1.95 (Cannabis; Chapter 1 to Title VI: Businesses, Professions, and Trades)

Today, HdL and staff continue to partner on preparing the Application Process (Objective 3) and Cost Recovery (Objective 4) components. Given that the process has extended beyond the anticipated one-year time term as outlined in the original agreement, staff is recommending that

Council extend the term of the agreement through September 1, 2023. It is noted that no changes to either the objectives or cost are proposed.

PROPOSED CONTRACT AMENDMENT

In addition to extending the existing contract, staff is also recommending that Council consider an amendment. The amendment would allow HdL to assist staff review applications and prepare reports for Council consideration. As Council is aware, the cannabis industry is fluid with ever-changing market trends and state guidelines. As such, subject matter expertise and technical assistance are being sought to expediate the processing of applications.

The scope of work for the contract amendment is listed as follows:

1. Objective 1: Application Reviews, Quality Assurance Scoring, and Interviews

HdL staff will conduct a full review of all cannabis business applications to ensure they address all state and local laws and meet a minimum standard of quality. Scores and comments will be compiled into a report by HdL. The review process will consist of the following four phases:

- a. *Phase 1:* Screening applications for completeness.
- b. *Phase 2:* HdL shall compile all scores from the application review process and prepare a report for the City, including scores and narrative comments, which will form the basis for the eligibility list to inform subsequent phases of the selection process. Top-scoring applications will be placed on the eligibility list for consideration at a public meeting conducted by City staff to gather community input prior to the City Council's final determination of which applicants will be granted permits.
- c. *Phase 3:* Staff will hold a public meeting to allow members of the public to provide comments and input regarding those applications on the eligibility list before a final determination is made.
- d. *Phase 4:* A final determination will be made by Council on which applications shall be granted a permit.

HdL has proposed a flat fee per application which includes assistance from HdL to the City for the four phases.

2. Objective 2: Supplemental Background Checks

HdL will conduct background checks that will supplement the State-required Live Scan fingerprint check, only disclosing Department of Justice (DOJ) records regarding arrests or convictions. HdL supplemental background checks expand upon the Live Scan information to identify other factors that local governments may consider before granting permits. These considerations may include other felony offenses, misdemeanor convictions, arrest records, civil judgments, restraining orders, the terrorist screening

database, the national sex offender registry, delinquent child support payments, bankruptcies, employment, and credit records.

Applicants provide their payment directly to HdL through an online portal per Table 2. It is noted that there is no cost to the City, nor does the City profit from background checks.

Table 2: Cost for background checks		
	<i>Owner, principal, or manager</i>	<i>Employee or staff</i>
Initial background check	\$300	\$100
Annual renewal	\$100	\$75
Reissue lost or stolen badge	\$10	\$10

3. Objective 3: Technical Assistance and Subject Matter Expertise

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 attendance and presentation at Council meetings, 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.

Table 3: Scope of Service (proposed amendment for expanded services)		
<i>Service</i>		<i>Cost</i>
Objective 1	Application Review & Scoring	
<i>Phase 1</i>	<i>Initial Review for completeness</i>	Included
<i>Phase 2</i>	<i>Quality-Assurance Review</i> Includes compiling a report to inform Phases 3 & 4	Included
Objective 2	Supplement Background Checks Costs paid directly to HdL by applicant	No cost to City
Objective 3	Technical Assistance & Subject Matter Expertise	Included
<i>Travel</i>	If and as needed for in-person meetings	Included
Total Cost per Application (flat rate)¹		\$5,900
¹ Flat rates include all services described above other than background checks which are paid directly to HdL by the applicant		

OPTIONAL SERVICES

In addition to the services proposed, HdL provides additional services. The items below are intended to be informational only, and no action is being requested of Council at this time. The

purpose of providing this information is to illustrate the ongoing costs of the labor-intensive and complex processes involved in monitoring and auditing cannabis businesses.

- *Pre-License Site Visits*
Includes a review of the premises diagram, site visit, and an inspection supplemental to those required by the City and State guidelines. A pre-license site visit, including travel costs, is \$1,600 per site.
- *Cannabis Revenue Audits:*
HdL provides annual revenue audits of each business to verify the accuracy of the revenue reported and remitted to the City and conducts on-site inspections (i.e., compliance review), as requested by the City. The purpose of the on-site inspection is to determine compliance with State and/or local laws. Should a non-compliant activity be identified, HdL would provide the City with a recommended appropriate action to address the deficiency and to ensure future compliance by the permittee.

The annual cost per permit are as follows:

- One revenue audit: \$8,000
- One compliance review: \$1,300
- One revenue audit and one compliance review: \$9,300
- One revenue audit and two compliance reviews: \$10,600
- One revenue audit and three compliance reviews: \$11,900
- One revenue audit and four compliance reviews: \$13,200

FINANCIAL IMPACT:

Costs associated with cannabis related work is listed below includes the following:

- Contract with HdL totaling \$30,000
- Cost to place the ballot measure on the November 3, 2020 election was approximately \$100,000.
- Publication and distribution of public notices (Initial Study availability/intent to adopt a Negative Declaration and public hearing) fees totaling approximately \$1,400
- Various staff time and City Attorney fees

Note that HdL contract cost may be recovered by fees from potential applicants should the City permit cannabis activities in the City.

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 preparation for future growth.

ALTERNATIVES:

Council may elect not to extend the contract with HdL and therefore will not be amending the existing contract pertaining to the scope of services.

ATTACHMENTS:

1. Resolution
 - a. Agreement, including Scope of Work and Insurance Requirements for Consultants

Attachment 1:
Resolution

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA,
CALIFORNIA, APPROVING THE FIRST AMENDMENT TO THE AGREEMENT
FOR CONSULTANT SERVICES BETWEEN THE CITY OF MADERA AND
HINDERLITER, DELLAMAS & ASSOCIATES (HDL COMPANIES) RELATING TO
CANNABIS**

WHEREAS, the City of Madera (City) sought assistance from HdL Companies for cannabis consultant services to develop a regulatory program to allow, permit, regulate and tax commercial cannabis businesses; and

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

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

WHEREAS, HdL Companies submitted 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, on May 20, 2020, the City Council adopted a resolution to enter into an agreement with HdL Companies for the provision of consulting services for cannabis management services specifically for cannabis regulation and taxation in an amount not to exceed \$29,700; and

WHEREAS, said agreement was for a term not to exceed one year;

WHEREAS, the City requires further services from Consultant consisting of assistance to the City with full review and evaluation of applications for cannabis businesses under the City's recently approved cannabis regulatory ordinance, along with conducting supplemental background checks of owners, managers, and employees of cannabis businesses; and

WHEREAS, the parties wish to amend the agreement by extending the term of the agreement, amending the Scope of Services, and adopting new fees applicable to the amended Scope of Services; and

WHEREAS, the City and HdL Companies would like to amend the existing agreement.

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 First Amendment to 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.

* * * * *

Attachment 1a:
Agreement, including Scope of Work and Insurance
Requirements for Consultants

**FIRST AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES BETWEEN THE
CITY OF MADERA AND HINDERLITER, DELLAMAS & ASSOCIATES (HdL COMPANIES)
RELATING TO CANNABIS**

This First Amendment to Agreement for Consultant Services is made and entered into 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

Whereas, the City and Consultant entered an Agreement for Consultant services on May 20, 2020, (“Agreement) to provide consulting services relating to a cannabis regulatory ordinance, a taxation ordinance, and related regulations; and

Whereas, Consultant has provided services under the Agreement; and

Whereas, the Agreement technically expired on May 20, 2021, and as requested by City, the Consultant continued to perform services under the Agreement; and

Whereas, the City is in need of further services from Consultant consisting of assistance to the City with full review and evaluation of applications for cannabis businesses under the City’s recently approved cannabis regulatory ordinance, along with conducting supplemental background checks of owners, managers and employees of cannabis businesses; and

Whereas, the parties wish to amend the Agreement by extending the term of the Agreement, amending the Scope of Services, and adopting new fees applicable to the amended Scope of Services; and

Whereas, the City also wishes to have Consultant provide additional hours of general consulting on an as needed basis; and

Whereas, the City has considered a proposal for Consultant to provide said services; and

Whereas, the parties wish to document the additional work by way of this First Amendment to Agreement.

AGREEMENT

In consideration of the recitals listed above and the mutual obligations of the parties herein, City and Consultant agree that the Agreement for Consultant Services dated May 20, 2020, and described above shall be amended as follows:

SECTION 1. Section 2.1 of the Agreement shall be amended as follows:

- A. The heading for Section 2.1 which states "Scope of Maintenance Services" shall be amended to read "Scope of Services."
- B. Section 2.1 shall be amended by adding the Scope of Services described in Exhibit A to this First Amendment which is incorporated herein by reference.

SECTION 2. Section 3.1 of the Agreement is amended by adding subsection "c" to read as follows:

3.1 c. Fees for services performed prior to September 1, 2021, will be paid as set forth in subsections "a" and "b" above. Commencing September 1, 2021, fees for services shall be paid in accordance with the Cost Schedule set forth in Exhibit A to this First Amendment which is incorporated herein by reference. The fees in said Exhibit A shall apply to the amended Scope of services as described above in Section 1 of this First Amendment.

SECTION 3. Section 4 of the Agreement "Term of Agreement" is amended to read as follows:

"This Agreement shall be effective on May 20, 2020 and shall continue in full force and effect through August 31, 2021, unless terminated earlier by one of the parties per Section 8 of this Agreement." Further, this Agreement shall be extended effective September 1, 2021, and continue in full force and effect through September 1, 2023.

SECTION 4. This First Amendment to Agreement for Consultant Services is effective September 1, 2021.

SECTION 5. Except as set forth in this First Amendment to Agreement all terms and conditions in the Agreement for Consultant Services shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as follows.

CITY OF MADERA

Santos Garcia, Mayor
Date: _____

HdL COMPANIES

Andy Nickerson, President

Date: _____

ATTEST:

Alicia Gonzales, City Clerk

APPROVED AS TO FORM:

Hilda Cantu Montoy, City Attorney

City of Madera

Cannabis Management Services

August 26, 2021

HdL  Companies

SUBMITTED BY

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

CONTACT

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TABLE OF CONTENTS

I.	LETTER OF TRANSMITTAL	2
II.	PROPOSED SCOPE OF SERVICES.....	3
III.	COST	7
IV.	OPTIONAL SERVICES.....	8
V.	EXPERIENCE AND RESOURCES	12
VI.	REFERENCES	19

I. LETTER OF TRANSMITTAL

August 26, 2021

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 full review and evaluation of applications for cannabis businesses, pursuant to the City's recently approved cannabis regulatory ordinance, along with conducting supplemental background checks of owners, managers and employees of cannabis businesses. This proposal also includes additional hours of general consulting to be used as needed or requested by the City.

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

The City of Madera has engaged the services of HdL Companies since 2020 to assist with the exploration and development of a regulatory program to allow, permit, regulate and tax commercial cannabis businesses. Over the past year HdL has provided assistance with meetings and presentations, development of a draft cannabis regulatory ordinance, cost recovery fees and a cannabis tax measure (Measure R).

On June 16th, the Madera City Council approved two ordinances to allow and regulate commercial cannabis businesses within the City limits. The first of these ordinances amended the City's zoning code to specify the allowable zones and conditions for each of the various cannabis business types. The second ordinance made a number of changes to the Madera Municipal Code (MMC) to require that any person wishing to operate a commercial cannabis business in the City must obtain a Cannabis Business License, and to outline and codify the process and requirements for obtaining a permit to operate a cannabis business.

HdL is now working with the City to design a 4-phase application process that includes initial review, scoring, a public meeting and final selection of cannabis business permittees. The process will have different requirements and allowances for each of the various types of cannabis businesses to be allowed. The City Council shall have the ability to set the maximum allowable number for each type of cannabis business by resolution.

It is anticipated that the number of free-standing cannabis retailers will initially be limited to 8 such businesses, of which 2 will be reserved for social equity applicants. Vertically integrated businesses that include retail as a component shall not be subject to this limitation. All other non-retail cannabis business types will not be subject to numerical limits.

The City is now seeking additional assistance from HdL to review and evaluate cannabis business applications pursuant to the specific procedures and criteria being developed for each type of business. All applications shall be reviewed on a quality assurance basis to ensure they address all state and local requirements and meet or exceed a minimum standard of quality.

In addition, the City is also seeking assistance with conducting supplemental background checks of owners, principals, managers and employees associated with cannabis business applications. These objectives are both described in greater detail below.

Objective 1: Application Reviews, Quality Assurance Scoring and Interviews

HdL staff will conduct a full review of all cannabis business applications to ensure they address all state and local laws and meet a minimum standard of quality. The review process shall consist of four phases, including an initial screening for completeness, followed by a full quality assurance review to ensure the application has fully addressed all state and local regulatory requirements and meets a minimum standard of quality. Scores and comments will be compiled into a report by HdL. Top-scoring applications will be placed on the eligibility list for consideration at a public meeting conducted by City staff to gather community input prior to the City Council's final determination of which applicants will be granted permits.

Phase 1: Initial Screening for Completeness

HdL shall 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 deemed incomplete will be disqualified and those applicants will not be allowed to submit any supplemental information.

Phase 2: Full Quality Assurance Review

Applications which have been deemed complete will move forward for a full quality assurance review, including scoring to ensure they meet a minimum standard of quality. Applicants must provide detailed information on how they plan to meet the required criteria. An applicant's pass/fail score shall be based on their demonstrated ability to meet or exceed minimum requirements in each category.

Reviews shall include narrative comments that identify both strengths and weaknesses of each application as well as any deficiencies or areas of concern. Reviews shall be adequately detailed to inform the subsequent interview process but shall not contain any recommendations for approval or denial, other than a pass/fail score.

HdL shall compile all scores from the application review process and shall prepare a report for the City, including scores and narrative comments, which will form the basis for the eligibility list to inform subsequent phases of the selection process.

In Phase 3, City staff will hold a public meeting to allow an opportunity for members of the public to provide comments and input regarding those applicants on the eligibility list before a final determination is made. The final determination of which applicants will be granted permits shall be made by the City Council under Phase 4.

Objective 2: Supplemental Background Checks

HdL is qualified to provide background checks of all owners, principals, managers and employees of cannabis businesses. Our background checks supplement the State-required Live Scan fingerprint check, which will only disclose Department of Justice (DOJ) records regarding arrests or convictions. California's licensing agencies are only allowed to consider convictions for certain "red line" offenses such as serious or violent felonies, or certain felonies involving fraud, minors or drug trafficking, as automatic disqualifiers before granting or denying a license.

Our supplemental background checks expand upon the Live Scan information to identify other factors that local governments may wish to consider before granting discretionary business licenses or permits. These considerations may include 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. Our search includes up to 5

variations on the subject's name and will alert if additional aliases are found which might warrant further investigation.

Our comprehensive background process checks the subject's name and social security number against over 200 million databases nationwide, including all of the following¹:

- 7 yr. unlimited county courts and criminal records search
- Social Security, name and address comparison
- DMV search
- National Criminal Court report
- National Sex offender registry
- Federal criminal history
- State Department of Public Safety
- State Department of Corrections
- Terror watch list
- Bankruptcy, lien and judgments
- Delinquent child support payments
- Employment credit report
 - Financial summary
 - Personal information comparison
 - Address comparison
 - Employment comparison
 - Credit bureau report / credit history
 - Public records search

Any felony convictions that would be automatic disqualifiers pursuant to B&P 26057 (Violent and Serious Felony Convictions) must be confirmed through the Live Scan process. The degree to which other records may be used to inform the approval or renewal of a local business license or permit is subject to local ordinance requirements.

HdL offers separate rates for owners, principals or managers of cannabis businesses and for regular employees or line staff. We also offer a lower rate for annual renewals after the initial background check has been completed. Our rates include an HdL-designed employee identification badge with the city or county logo which meets all State regulatory requirements.

Background Checks	Owner, principal or manager	Employee or line staff
Initial background check	\$300	\$100
Annual renewal	\$100	\$75
Reissue lost or stolen badge	\$10	\$10

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

¹ Renewals and background checks for employees include a lesser level of investigation.

HdL provides an online portal for applicants to submit their application and authorization for background checks and all necessary documentation. Applicants provide their payment directly to HdL through the portal, so there is no cost to the City.

Objective 3: Technical Assistance and Subject Matter Expertise

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 attendance and presentation at City Council meetings, 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

All services described in this proposal would be provided to the City at a single flat rate for each cannabis business application, other than supplemental background checks which are paid directly to HdL by the applicant.

The proposal assumes HdL will not be asked to review any supplemental information provided by applicants, and that HdL will not be a part of any appeal process. Any such additional reports or documentation that may be requested by the City would be in addition to the costs shown in the table below and shall be billed at HdL's hourly rate.

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 first full year, with successive years subject to an annual increase based upon the Consumer Price Index for the Los Angeles-Long Beach-Anaheim region.

Scope of Service Objectives	Estimated Cost
Objective 1: Application Reviews and Scoring Includes all of the services under Phase 1 and Phase 2	Included
Phase 1: Initial Review for Completeness	Included
Phase 2: Full Quality-Assurance Review Includes compiling report to inform Phases 3 and 4	Included
Objective 2: Supplemental Background Checks Cost paid directly to HdL by applicant	No cost to City
Objective 3: Technical Assistance and Subject Matter Expertise	Included
Travel: If and as needed for in-person meetings	Included
Total Cost per Applicant Flat rate includes all services described above other than background checks which are paid directly to HdL by the applicant	\$5,900
All costs would be recoverable from cannabis business applicants	

IV. OPTIONAL SERVICES

Note: These optional services are described here only for the City's consideration and are not a part of this proposal. HdL shall not provide or bill for any such additional services without the express, written permission of the City in advance.

Pre-License Site Visits

HdL shall review the premises diagram and conduct a site visit of each cannabis business prior to issuance of a certificate of occupancy. Site visits shall complement the final building inspection by verifying all interior and exterior physical site security requirements have been addressed in accordance with the application and all State and local requirements. Site visits shall examine all entrances and exits, limited access areas, locks and alarm systems, access control procedures, surveillance camera locations, safes and cash management procedures, signage, operational protocols and administrative privileges associated with the license type(s) being sought, and other requirements as necessary. The HdL inspector may be accompanied on the site inspection by the City's building inspector or representatives from the Police Department and Fire Department, if desired by the City.

The cost for this service includes an initial premises diagram review and report, coordination and arrangements with the business and other agencies, site visit, post-inspection report, all travel costs and any follow up.

Pre-License Site Visits

\$1,600

Cannabis Revenue Audits and Regulatory Compliance Inspections

HdL's Cannabis Management Team has over 52 years combined experience conducting over 18,000 cannabis compliance inspections, revenue audits and investigations in California, Colorado and Nevada. HdL can provide annual compliance reviews and cannabis revenue audits at the following rates for each cannabis business permitted in the City.

Combined cost per business:

- A. Conduct one (1) revenue audit annually for each permit at a rate of \$8,000.
- B. Conduct one (1) compliance review annually for each permit at a rate of \$1,300.
- C. Conduct one (1) revenue audit and one (1) compliance review annually for each permit at a rate of \$9,300.
- D. Conduct one (1) revenue audit and two (2) compliance reviews annually for each permit at a rate of \$10,600.
- E. Conduct one (1) revenue audit and three (3) compliance reviews annually for each permit at a rate of \$11,900.
- F. Conduct one (1) revenue audit and four (4) compliance reviews annually for each permit at a rate of \$13,200.

Cannabis Revenue Audits

HdL will conduct an annual revenue audit of each cannabis business to verify the accuracy of the revenue reported and remitted to the City during the review period and will recommend a tax assessment should the audit reveal any unreported revenue. As part of the audit process, HdL will conduct a risk-based review of each business using our proprietary Cannabis Analytical Testing System (CATS™). CATS was designed by HdL to address the unique challenges associated with auditing the cannabis industry. CATS allows audit staff to cross-analyze multiple business records to identify reporting variances, discrepancies and outliers to produce the most accurate measure of gross receipts on behalf of the City.

To initiate the process, the City shall provide HdL with a list of all licensed cannabis businesses subject to audit. HdL shall work with the City to determine the appropriate review period for each business and to develop a schedule for conducting all audits. As the time for each audit approaches, HdL will prepare a notification letter informing the licensee of the impending audit and providing a list of all records and documentation the business is required to provide, including remote access to the business's point-of-sale (POS) system where applicable. HdL recommends that the notification letter be sent by the City to communicate HdL's authority to conduct the audit and to encourage cooperation by the business. The full annual audit shall include:

- Review Point-of-Sale (POS) system structure
- Review inventory system (subject to METRC data)
- Analyze and compare POS data with other available data sources, including:
 - City cannabis tax returns
 - State tax returns
 - Federal tax returns
 - METRC sales and inventory data
 - CDTFA data
 - Bank statements
 - ATM merchant statements
 - Other financial documents as available
- Identify any variances or over/under reporting
- Calculate any taxes or fees due to the City
- Prepare and issue report

Where cannabis cultivation is taxed on a square-footage basis, the audit shall include one annual site inspection to verify compliance with maximum permitted canopy area. Square footage audits may also consider documented findings from inspections by the City, CDFA or other agencies, where available.

A business that holds multiple state cannabis licenses shall be considered a single business for audit purposes, provided that all licenses are held and operated under the same name, ownership, location, and a single tax ID number. Any variation may indicate separate business entities requiring separate audits. Any such determination shall be made on a case-by-case basis in consultation with the City.

HdL will provide a draft audit report to the commercial cannabis business. The business will be given an appropriate opportunity 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/fee assessment as necessary prior to issuing the final report to the City.

The cost for this service assumes a standard 12-month review period. This may be increased up to a maximum of 24 months, in accordance with the statute of limitations for tax audits. This cost also assumes reasonable cooperation from the licensee. Non-cooperation by the licensee may result in additional charges at HdL's hourly rate, or in termination of the audit and potential enforcement action by the City. Any such action or additional charges would be determined in consultation with the City.

The cost does not include assistance with administrative appeals or enforcement of audit findings, cannabis tax policy questions or guidance, or other services not directly associated with preparing the revenue audit report. Any costs associated with such additional services would be billed at HdL's hourly rate.

Regulatory Compliance Inspections

HdL will conduct a series of up to four on-site compliance inspections annually, as requested by the City, for each permitted 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 this service includes all of the following:

- Notifying permittee of pending inspection
- Full 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
 - Product safety
 - 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.

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.

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, 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.

David Ross, Senior Compliance Inspector

David Ross is a Certified Fraud Examiner with 7 years of experience conducting gaming and non-gaming audits and investigations of tribal gaming facilities. David's experience includes conducting forensic accounting investigations into cash larceny, expense reimbursement fraud, check fraud, credit card fraud, payroll fraud, wire fraud, insider trading, construction fraud in addition to litigation support.

David previously worked as Surveillance Officer and Internal Auditor for the Shingle Springs Tribal Gaming Commission, where he was responsible for analyzing financial statements for a facility with revenues exceeding \$20 million per month. David also analyzed internal controls and established policies and procedures to ensure compliance with federal, state and local regulations. In addition, David conducted surveillance reviews and investigations into criminal activity including check and credit card fraud, skimming, money laundering, drug activity and other violations.

David holds a Bachelor's Degree in Business Administration from Vanguard University in Costa Mesa and a Master's Degree in Finance from California State University San Bernardino. He is a member of the Association of Certified Fraud Examiners.

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.

Jeff Burris, Background Investigator / Compliance Inspector

Jeff Burris is a retired Law Enforcement Professional with over 28 years of experience. Jeff began his career with the Orange County Sheriff's Office before moving to the Ontario Police Department, where he advanced to Corporal, Police Detective and Sergeant before retiring as a Lieutenant.

Jeff worked various investigative assignments during his career, including both criminal and non-criminal investigations. While working as a Police Detective Jeff conducted personnel background investigations for sworn, non-sworn, administrative, and confidential employees. These investigations included criminal checks, credit checks, prior employment verification, personal reference verification, driving records, pre-polygraph questioning, neighborhood canvassing, and oral interviews. His assignments also included annual State audits for regulatory compliance.

Jeff received his Bachelor of Science degree in Occupational Management from the California State University in Long Beach. Throughout his career he has completed numerous specialized training courses in investigative techniques, including a course in background investigations by the California Commission on Peace Officer Standards and Training (CA POST), and is a former member of the California Background Investigators Association (CBIA).

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.

Valerie Carter, Auditor

Valerie Carter works as an Auditor for HdL's Cannabis Management Team. Valerie has over 5 years of public sector work experience focusing on public policy, auditing and revenue tax implementation. She was a Tax Auditor II for the City of Oakland's Revenue Management Bureau and an Assistant Management Analyst for the City of Berkeley's Transportation division. Valerie earned a Bachelor's Degree in Business Administration from Cal Poly Pomona, with an emphasis on Finance, Real Estate, and Law.

Eric Magana, Auditor

Eric Magana works as an Auditor for HdL's Cannabis Management Team, conducting revenue audits of licensed cannabis businesses to ensure they are accurately reporting their revenues and remitting the proper amount of fees or taxes. Prior to joining HdL, Eric worked as a Loan Specialist for the U.S. Small Business Administration, where he processed over 5,000 business loans and grant applications. Eric holds a Bachelor's Degree in Economics and Administrative Studies from University of California at Riverside.

Teresa Schneider, Background Investigator / Compliance Inspector

Teresa Schneider served for 28 years with the Montclair Police Department, including 12 years in the Background Investigations Unit. In this capacity, Teresa was responsible for conducting background investigations of all City business license applicants, as well as all sworn and non-sworn positions within the police and fire departments and of civilians requesting access to police department records.

Theresa previously served 4 years in the U.S. Army's nursing program at Fort Campbell, Kentucky. During this time she attended college at the University of Kentucky and Austin Peay State University. After receiving an Honorable Discharge in 1990, Teresa was hired by the Montclair Police Department. During her 28-year career, she worked numerous assignments, including patrol, K9, detective bureau, court liaison, volunteer coordinator, and red-light automated enforcement. Teresa received many awards throughout her career, including Officer of the Year.

Cheryl Lee-Steele, Business Application Reviewer

Cheryl Lee-Steele is a Business Application Reviewer at HdL whose primary role is to evaluate cannabis business applications for compliance with State law, local ordinance and industry best practices. A small business owner and bookkeeper for over 30 years, she has direct knowledge of best business practices and how to comply with regulatory requirements.

Cheryl attended Chaffee College for accounting and is a Certified Public Bookkeeper through the National Association of Certified Public Bookkeepers.

Lisa Davis, Business Application Reviewer

Lisa Davis is a Business Application Reviewer at HdL whose primary role is to evaluate cannabis business applications for compliance with State law, local ordinance and industry best practices. A small business owner and operator for 20 years prior to joining the firm, she is familiar with operational best practices, inventory control measures and compliance with government and industry regulations and standards.

Kristi Lervold, Administrative Assistant

Kristi is the Administrative Assistant for cannabis team. In this role she supports individual team members, coordinates internal processes, and assists with client requests, contracts, billing reconciliation and invoicing. Kristi's 18-year career includes ten years as the administrative assistant to HdL's CFO, handling various operational responsibilities and supporting financial functions, as well as experience in the occupational health industry, facilitating services for federal, state, and local government clients.

Kristi holds a Bachelor's of Science degree in Business Management with a minor in Business Administration.

VI. REFERENCES

City of Modesto

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City of Fresno

Jennifer Ruiz
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City of Farmersville

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Finance Director
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City of Porterville

Julie Philips
Community Development Manager
Phone: 559.782.7460
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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.