

# City of Visalia

## Cannabis Management Services

August 11, 2023

**HdL**  Companies

### SUBMITTED BY

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## I. COVER LETTER

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August 11, 2023

Devon Jones  
Economic Development Manager  
City of Visalia  
315 E. Acequia  
Visalia, CA 93291

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

Dear Mr. Jones,

Thank you for the opportunity to submit this proposal for cannabis management services for the City of Visalia. The enclosed scope of services provides a comprehensive program to assist the City with meetings and workshops, development of a draft cannabis tax ordinance and cannabis regulatory ordinance, and additional hours of general subject matter expertise to be used as needed by the City

HdL is recognized as the industry leader in the development, implementation and enforcement of cannabis management programs for local governments in California. We have partnered with over 175 California cities and counties on cannabis-related programs, including ordinance development and review, community outreach and education, merit-based application and permitting processes, cost recovery studies, compliance inspections, revenue audits, fiscal analyses and law enforcement training.

Our cannabis team has unmatched expertise, with more than 80 years' combined experience in the development, implementation and enforcement of cannabis regulatory and tax programs. Our team members have conducted over 11,000 cannabis compliance inspections and audits in California, Colorado and Nevada, and have reviewed, scored and processed over 1,700 cannabis business applications in the last six years in California. HdL Companies works for the benefit of public agencies and has no private-sector clients in the cannabis industry.

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

Sincerely,



Andy Nickerson  
President, HdL Companies

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## II. PROPOSED SCOPE OF SERVICES

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The City of Visalia currently disallows any and all commercial cannabis business types. With the passage of SB 1186, the City is now concerned that it may no longer be able to prohibit the establishment of non-storefront (delivery) medicinal cannabis retailers within the City. To prepare for this, the City is seeking assistance from HdL to develop a commercial cannabis tax measure for the November 2024 ballot. The City is also requesting that HdL assist with the development of a cannabis regulatory ordinance and provide outreach and education through meetings and presentations, along with additional subject matter expertise.

This scope of services includes the following list of objectives:

- Attendance or presentations at meetings or workshops. This objective may be used for HdL to meet with City Council Members either individually or in pairs, to provide a presentation at a City Council meeting, to attend the first reading of the draft ordinance, or other purposes.
- Development of a commercial cannabis tax measure, including drafting the ordinance, preparation of a ballot resolution, revenue estimates and assistance with the ballot statement. The ballot measure shall include maximum tax rates for all commercial cannabis business types, though the City may or may not decide to permit any or all of those activities.
- Development of a draft regulatory ordinance that includes appropriate regulations for each cannabis business type.
- Additional hours of general subject matter expertise to be used as requested by the City. Such uses may include the preparation of a memo discussing considerations for various processes for reviewing cannabis business applications.

### **Objective 1: Attendance, Support or Presentations at Meetings or Workshops**

HdL shall provide remote presentations at meetings or workshops to help inform discussion and development of a potential cannabis ordinance and associated regulatory program. It is anticipated that this objective may include meetings with Council Members, a public meeting of the City Council to provide policy direction, attendance at a Planning Commission hearing, and/or the first reading of the ordinance. These meetings are described below.

- Meetings with members of the City Council individually or in pairs to discuss issues and to address potential questions or concerns from the community.
- A presentation at a public meeting or workshop to provide an overview of what a regulated cannabis industry might look like for the City, including revenue projections. This meeting would also provide an opportunity for the City Council to provide policy direction to staff for development of a regulatory ordinance.
- Attendance and support at a Planning Commission hearing for consideration of the draft cannabis regulatory ordinance.

- Attendance and support at the first reading of the cannabis regulatory ordinance before the City Council.

The use and scheduling of these meetings would be determined in consultation with City staff. This objective assumes that all meeting attendance would be virtual. Physical attendance would incur an additional travel charge.

### **Objective 2: Develop Draft Cannabis Tax Ordinance**

HdL shall develop a draft commercial cannabis tax ordinance to generate City revenues from licensed cannabis businesses. The ordinance will set maximum tax rates for each type of cannabis business permitted by the City and will allow the City Council to set the rates as desired up to the maximum rate. The ordinance shall also specify the schedule and procedures for remitting taxes and shall allow the City to conduct audits of cannabis businesses to ensure they are reporting and remitting the proper amounts.

HdL shall also provide the ballot resolution as necessary to place the tax measure on the ballot and shall provide revenue projections as required for the ballot statement. The ballot measure shall include maximum tax rates for all commercial cannabis business types, allowing the City to decide which commercial cannabis activities it wishes to allow.

### **Objective 3: Develop Draft Cannabis Regulatory Ordinance**

HdL shall develop a draft 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 allow the City to specify the number and types of businesses to be permitted, location requirements, site security measures, inspections and enforcement protocols, operational procedures, and other requirements specific to each allowable type of cannabis business. The ordinance would allow the City Council to establish application and renewal procedures by resolution.

### **Objective 4: Technical Assistance and Subject Matter Expertise**

HdL will provide up to 100 hours of general consulting to be utilized on an as-needed basis at the City's request. Such assistance may include technical assistance, subject matter expertise, education, 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

This proposal does not include any additional services that are not specifically enumerated herein. Prices 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
<b>Objective 1: Attendance or Presentations at Meetings or Workshops</b> Assumes remote meetings; Billed hourly under Objective 4	Hourly Rate
<b>Objective 2: Develop Draft Cannabis Tax Ordinance</b> Billed hourly under Objective 4	Hourly Rate
<b>Objective 3: Develop Draft Cannabis Regulatory Ordinance</b> Billed hourly under Objective 4	Hourly Rate
<b>Objective 4: Technical Assistance and Subject Matter Expertise</b> Assumes 100 hours at \$300/hr	\$30,000
<b>Travel</b> (if and as needed for on-site meeting attendance)	Hourly Rate <sup>1</sup>
<b>TOTAL NOT TO EXCEED</b>	<b>\$30,000</b>
<sup>1</sup> Or at a flat rate to be determined in consultation with the City	

#### Conflicts of Interest and Non-Disclosure

HdL Companies works for the benefit of public agencies and has no private-sector clients in the cannabis industry. All cannabis business information will be kept confidential by HdL and will not be shared internally beyond those HdL employees who are required to have access for purposes of conducting the work contemplated herein, or for administrative purposes as necessary.

#### Drafts and Final Work Products

All work products assume one initial draft for review and comment, one iterative draft to incorporate any desired changes, and one final draft for presentation or publication. Additional drafts requested by the client may result in additional charges at HdL's hourly rate.

#### IV. OPTIONAL SERVICES

Optional services are described here for information purposes, only. No additional services will be provided without the expressed mutual agreement of both parties.

##### 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 Person	Title	Hourly Rate
Ajay Kolluri	Director	\$300
Matt Eaton	Deputy Director of Compliance	\$300
Mark Lovelace	Senior Policy Advisor	\$300
Elizabeth Eumurian	Audit Manager	\$300
David Ross	Senior Compliance Inspector	\$250
Michelle Shaw	Compliance Inspector	\$235
Valerie Carter	Senior Auditor	\$250
Tao Lu	Auditor	\$235
Pamela Davis	Auditor	\$235
Eric Magana	Auditor	\$235
Tonson Chieng	Audit Analyst	\$225
Dante Chegini	Audit Analyst	\$225
Jennifer Erwin	Audit Analyst	\$225
Kristi Lervold	Administrative Assistant	\$200
All rates current as of the date of this proposal		

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## V. EXPERIENCE AND RESOURCES

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### **Company Profile**

Founded in 1983, HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Our 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 600 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 80 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 11,000 cannabis compliance inspections and investigations in California, Colorado and Nevada.

### **Key Personnel**

#### **Ajay Kolluri; Director of Cannabis Services**

Ajay Kolluri is the Director of Cannabis Services for HdL. Ajay is responsible for overseeing the cannabis team and the daily operations of HdL's Cannabis Division.

Ajay previously served as 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, encompassing 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, 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.

### **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.

### **Mark Lovelace; Senior Policy Advisor**

Mark Lovelace has 23 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 legitimate 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 Cannabis Working Group for the California State Association of Counties (CSAC) and helped draft CSAC's cannabis legislative platform.

Mark has worked extensively with public agencies and statewide organizations on cannabis issues and has led numerous presentations, workshops and panel discussions. Prior to his time on the Board, he worked for many years as a respected advocate on land use, planning, development, resource management and environmental issues. Mark received his Bachelor of Science degree in Industrial Design from San Jose 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 conducts 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 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.

### **Teresa Schneider; 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.

### **Elizabeth Eumurian; Audit Manager**

Elizabeth Eumurian is the Audit Manager for HdL. Her primary role is to oversee and review the audits conducted by team members to assure accuracy and consistency. She also conducts financial audits, evaluates cannabis applications and conducts 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.

### **Valerie Carter; Senior 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.

### **Pam Davis; Auditor**

Pam Davis conducts revenue audits of licensed cannabis businesses as a member of HdL's Cannabis Management Team. Prior to joining HdL, Pam served as the Director for the Richland County (South Carolina) Business Service Center for over 15 years, where she was responsible for auditing businesses to ensure accurate reporting and remittance of a variety of local taxes. Pam also conducted research and rate impact analyses and developed policies, procedures and user manuals to ensure business and governmental compliance.

Pam received a Master's of Public Administration degree from the University of Georgia and a Bachelor's Degree in Political Science from Clemson University. She also holds a certificate in CannaBusiness from Oaksterdam University as well as numerous other certifications,

### **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.

### **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.

### **Tonson Chieng; Audit Analyst**

Tonson Chieng is 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. Tonson previously worked as an accountant for Release Point, a business services company in Claremont, California, where he was responsible for generating and reviewing financial reports for in depth analysis along with other accounting and bookkeeping functions. Tonson also brings experience as a staff accountant for the CPA firm of MMB & Co.

Tonson received a Bachelor of Science degree in Accounting from California Polytechnic State University at Pomona in 2020.

### **Jennifer Erwin; Audit Analyst**

Jennifer Erwin is an Audit Analyst for HdL's Cannabis Management Team. Jennifer conducts revenue audits of licensed cannabis businesses to ensure they are reporting and remitting the proper amount of cannabis tax revenue to their host jurisdiction. Jennifer previously served as Finance Director for the City of Perris, California and as Assistant Controller for the Morongo Band of Mission Indians. Jennifer brings extensive experience with complex financial analyses, fee studies, cost accounting procedures and collections.

Jennifer is a Certified Public Accountant (CPA #108992) and received her Bachelor of Science degree in Business Administration from the University of Phoenix.

### **Dante Chegini; Audit Analyst**

Dante Chegini conducts revenue audits as a member of HdL's Cannabis Management Team to ensure that licensed cannabis businesses are reporting and remitting the proper amount of cannabis taxes to their host jurisdiction. Dante previously worked as a financial analyst at a public finance investment banking firm in Los Angeles, where he was lead analyst on over 30 deals with a total value exceeding \$1 billion. Dante brings experience with organizing and analyzing large volumes of financial data to determine accurate revenues and debts.

Dante received a Bachelor of Science degree in Business Administration from the University of Southern California, Marshall School of Business in May of 2022 with a focus on financial and managerial accounting and business finance.

### **Kristi Lervold; Administrative Assistant**

Kristi is the Administrative Assistant for HdL's 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.

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## VI. REFERENCES

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### **City of Modesto**

Steve Mitchell

Acting Planning Manager

Phone: 209.577.5287

Email: [smitchell@modestogov.com](mailto:smitchell@modestogov.com)

### **City of Monterey**

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### **City of Claremont**

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### **County of San Diego**

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### **City of Maywood**

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