



Office of the City Manager

CONSENT CALENDAR

April 3, 2018

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Henry Oyekanmi, Director, Finance Department
Subject: Contract: HdL Companies for Audit Services-Cannabis Dispensaries

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract and any amendments with HdL Companies (“HdL”) to provide auditing and consulting services for cannabis regulation and taxation support for a three-year period, with the option to extend for two (2) additional 12-month periods, in an amount not to exceed \$94,000 per year for a total award not to exceed five (5) years and \$470,000.

FISCAL IMPACTS OF RECOMMENDATION

The contract with HdL will enable enforcement of the Cannabis ordinance(s) that legalizes, taxes, and regulates cannabis establishments in the City of Berkeley. The services provided by HdL will allow the City to ensure compliance of its requirements to collect revenue in the form of business license taxes and other fees stipulated in adopted ordinance(s).

Revenue generated from the Cannabis ordinance will be deposited into the General Fund. The service fee will be negotiated as a percentage of total collected revenue (depending on the features and complexity of the audit) or a flat fee, whichever is in the best interest of the City. The Contract Management System (CMS) number is CMS No. GD3LA.

CURRENT SITUATION AND ITS EFFECTS

Staff seeks to enter into a contract with HdL Companies to provide audit and consulting services to support regulation of cannabis dispensaries. Ensure compliance with the City ordinance(s) and collect City tax revenues and fees.

The City conducted a competitive request for proposals (RFP) process (specification No. 17-11094-C) to select the firm best qualified to provide audit and consulting services. A committee of City staff was convened to review and evaluate submitted proposals in accordance with the selection criteria contained in the outgoing RFP.

Following review and evaluation, which included a comprehensive and detailed check of references, the committee determine HdL Companies to be the respondent best qualified to provide the required services.

BACKGROUND

The Berkeley Municipal Code (“B.M.C.”) Section 9.04 provides for the imposition of a tax on cannabis businesses. The tax is calculated as a percentage of gross receipts. In order to determine if such cannabis businesses are operating in accordance with the requirements contained in the B.M.C., more specifically as relates to financial recordkeeping (reference B.M.C. Section 12.27), and to ensure the proper amount of taxes are paid to the City, regular financial audits are necessary. Currently, the City does not have the internal capacity to perform such audits.

The City of Berkeley issued a request for proposals to qualified certified public accountant (“CPA”) firms and individuals to perform, on an as-needed basis, independent financial audits of cannabis dispensaries, collectives, cooperatives, retail establishments, and similar facilities operating in the City of Berkeley. The RFP scope of services also included, on an as-needed basis, consulting and other services the City may require as the California cannabis industry continues to evolve.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

HdL met all the City’s requirements, ranked highest among all respondents, and was determined to be the best qualified respondent to enter into negotiation and a contract for the provision of the required services.

ALTERNATIVE ACTIONS CONSIDERED

None. The City does not have the capability or the capacity to perform this work internally.

CONTACT PERSON

Henry Oyekanmi, Director of Finance, 981-7301

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT: HDL COMPANIES FOR AUDIT SERVICES FOR CANNABIS
DISPENSARIES

WHEREAS, the Council of the City of Berkeley adopted an ordinance (Ordinance No. 7,523-N.S.) amending the Berkeley Municipal Code (B.M.C.) Section 12.27 to regulate and audit cannabis businesses; and

WHEREAS, the City does not have the expertise required to conduct audits and perform the cannabis-industry specific work necessary to regulate cannabis businesses, structure business tax rates, and collect the City tax revenue and fees as set forth in the ordinance(s) of the City; and

WHEREAS, the audits are necessary to ensure that the City is collecting tax revenue and other fees from cannabis establishments operating in the City; and

WHEREAS, a request for proposals bearing Specification No. 17-11094-C was issued with HdL Companies deemed the most qualified of the five (5) respondents based on previous experience experience/past performance, cannabis industry knowledge, approach/methodology, technical capabilities, cost and the positive feedback received from its references; CMS No. GD3LA.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager or her designee is hereby authorized to execute a contract and any amendments with HdL Companies for the audit and regulation requirements of the Cannabis ordinance(s), as adopted for the period of April 1, 2018 to March 31, 2021 with the option to extend for two (2) additional 12-month periods in an amount not to exceed \$94,000 per year for a total award not to exceed five (5) years and \$470,000, subject to the City's annual budget appropriation process. A record signature copy of said contract will be on file in the Office of the City Clerk.

