

REPORT TO THE CITY COUNCIL



DATE: February 5, 2019

TITLE: First Amendment to the Professional Services Agreement with HdL Companies for Cannabis Facilities Auditing and Compliance Services

Prepared by: Geoffrey Buchheim, Finance Manager

Reviewed by: Linda Kelly, Finance Director

RECOMMENDATION

Authorize the City Manager to execute a First Amendment to the Professional Services Agreement with HDL Companies in the amount of \$53,500 through June 30, 2021 and to execute all necessary agreements; with approval as to form by the City Attorney.

DISCUSSION:

HDL Companies ("Consultant"), and the City of Desert Hot Springs ("City") entered into a Professional Services Agreement, dated October 26, 2016 ("Agreement"), for Consultant to provide the City with services related to auditing and compliance inspections for cannabis facilities. Based on these audits, the Consultant has provided the City with timely and informative reports. These reports have been very helpful in ensuring that cannabis facilities are contributing the correct amount in taxes as well as adhering to code and safety regulations of the City.

The City would like to continue these services with the Consultant through the next two fiscal years. With the recent changes in non-taxing the floor space for manufacturing activities with cultivators, there is a greater need for compliance inspections and floorplan audits. This amendment to the professional services agreement would provide for audits of three cannabis facilities per year for Fiscal Years 2018-2019, 2019-2020, and 2020-2021. The cost for each aspect of the audit by fiscal year is detailed below.

Services	FY2018-2019	FY2019-2020	FY2020-2021
Cannabis Audit	\$ 5,000	\$ 6,000	\$ 6,000
Compliance Inspections	-	1,250	1,250
Total Cost for 1 Audit	\$ 5,000	\$ 7,250	\$ 7,250

Continuing with the services of the Consultant would require an increase in compensation paid to the Consultant of \$53,500 which would bring the new total to \$83,500. The foregoing would necessitate that the City and the Consultant amend the Agreement and establish an expiration date of June 30, 2021.

FISCAL IMPACT:

Staff has included appropriations in the amount of \$15,000 in the FY 2018-2019 Approved Budget and \$21,750 in the FY 2019-2020 Approved Budget to cover the costs. Staff will include sufficient appropriations of \$21,750 for the Fiscal Year 2020-2021 budget for the remainder of the contract balance. These expenses will come from the Contract Services line item for the Finance Department in the General Fund, Account No. 001-41-15-4320.

EXHIBITS:

- 1) First Amendment to the Professional Services Agreement.
- 2) Original Professional Services Agreement. – October 26, 2016