



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 01/18/2022

ITEM NO: 4

DATE: January 26, 2022
TO: Mayor and Town Council
FROM: Robert Schultz, Town Attorney
SUBJECT: Approval of Cannabis Consultant Services Proposal Submitted by Hinderliter, deLlamas & Associates (HdL) Companies and Authorization for the Town Manager to the Execute Agreement

RECOMMENDATION:

Staff recommends that the Town Council approve the Cannabis Consultant Services Proposal submitted by Hinderliter, deLlamas & Associates (HdL) Companies and authorize the Town Manager to the execute agreement.

BACKGROUND:

At the January 18, 2022 Council meeting, the Town Council directed staff to hire a consultant to assist with understanding potential options the Town has for commercial cannabis activities in the Town. The Council direction was to bring back a cannabis consultant proposal for approval that provides for Council and community input, survey, the preparation of a fiscal analysis, the development of a potential regulatory cannabis ordinance, and the development of a potential cannabis tax ordinance and accompanying ballot measure for the possibility of a tax measure on the 2022 ballot.

DISCUSSION:

Staff recommends approval of the attached proposal submitted by Hinderliter, deLlamas & Associates (HdL) Companies for consulting services for cannabis management services. The Town has no current contract for such services, nor does the Town have the in-house capacity or expertise for the development and implementation of such tasks. Based on staff's research, HdL is one of the leading firms offering cannabis regulatory and taxation programs and services. Their consultant team headed up by David McPherson, Compliance Director, has more than 65 years of combined direct experience implementing such programs. Their team has completed over 18,000 cannabis compliance inspections and financial audits in California, Colorado, and Nevada. HdL has also reviewed more than 3,500 cannabis business applications within the last

PREPARED BY: Robert Schultz
Town Attorney

Reviewed by: Town Manager, Assistant Town Manager, and Finance Director

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DISCUSSION (continued):

six years. HdL Companies works solely with public agencies and has no private-sector clients in the cannabis industry. Staff also researched other consulting firms and numerous local governments and no other consultants were identified that provided comparable services.

The proposed scope of work for cannabis consultant services submitted by HdL is set forth in Attachment 1. The proposal is comprised of five primary objectives, each of which are summarized as:

- A series of meetings with individual Town Council Members to provide a common baseline understanding of the legal cannabis industry and to address questions or concerns they may have.
- Attendance or presentations at up to four public meetings or workshops to explore issues or concerns from the community.
- Conducting an online community survey to gauge overall support or opposition.
- A fiscal study to analyze the impacts and potential revenues that could be generated by cannabis businesses, as well as sales tax revenues that are currently being lost through leakage to deliveries from nearby communities.
- Developing a draft cannabis tax ordinance and associated ballot measure to be placed before the voters in November.
- Developing a draft cannabis regulatory ordinance to provide a regulatory program, should the tax measure be approved by the voters.
- Additional hours of general subject matter expertise to be used as needed.

Each of these service objectives is described in greater detail in the attached proposal.

CONCLUSION:

Staff seeks approval of the proposal submitted by HdL for cannabis consultant services.

ALTERNATIVES:

Direct staff to discontinue research and related work on potential regulation and taxation of commercial cannabis.

COORDINATION:

This report was coordinated with the Town Manager's Office.

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FISCAL IMPACT:

Cannabis Consultant services will cost approximately \$50,000 and the Council previously authorized payment from the available Capital/Special Projects Reserve account.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. Proposal from HdL