

FIRST AMENDMENT TO AGREEMENT FOR PROFESSIONAL SERVICES

THIS FIRST AMENDMENT TO AGREEMENT is made and entered into this ____ day of _____, 2018, by and between the City of Merced, a California Charter Municipal Corporation (“City”), and SCI Consulting Group, a California Chapter S Corporation, whose address of record is 4745 Mangels Blvd., Fairfield, California 94534, (“Consultant”).

WHEREAS, City is undertaking a project to prepare a tax measure for cannabis; and,

WHEREAS, City and Consultant have previously entered into an Agreement for Professional Services (“Agreement”) dated February 21, 2017; and,

WHEREAS, City and Consultant desire to amend said Agreement to provide for additional services in connection with said project.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants hereinafter recited, agree as follows:

1. Section 22, “ADDITIONAL WORK,” is hereby added to the Agreement to read as follows:

“SECTION 22. ADDITIONAL WORK. Consultant shall perform the additional work outlined in the proposal from Consultant to City attached hereto as Exhibit “1”.

2. Section 23, “ADDITIONAL COMPENSATION,” is hereby added to the Agreement to read as follows:

“SECTION 23. ADDITIONAL COMPENSATION. City shall pay to Consultant the not to exceed additional sum of Twenty-Six Thousand Seven Hundred Fifty Dollars (\$26,750.00) for the additional work described in the proposal attached hereto as Exhibit “1” and in accordance with the rates set forth on Exhibit “1.”

3. Except as herein amended, the Agreement dated February 21, 2017, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this First Amendment to Agreement to be executed on the date first above written.

CITY OF MERCED
A California Charter Municipal
Corporation

BY: _____
City Manager

ATTEST:
STEVE CARRIGAN, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

APPROVED AS TO FORM:

BY:  12-20-2017
City Attorney Date

ACCOUNT DATA:

BY: _____
Verified by Finance Officer

SCI CONSULTING GROUP,
A California Chapter S Corporation

BY: 

(Signature)

JOHN W. BLISS

(Typed Name)

Its: PRESIDENT

(Title)

BY: _____

(Signature)

(Typed Name)

Its: _____

(Title)

Taxpayer I.D. No. 94-2984547

ADDRESS: 4745 Mangels Blvd.
Fairfield, CA 94534

TELEPHONE: (707) 430-4300

FAX: (707) 430-4319

E-MAIL: john.bliss@sci-cg.com

December 20, 2017

Kim Espinosa, Planning Manager
City of Merced Planning & Permitting
678 West 18th Street
Merced, CA 95340

Dear Ms. Espinosa:

SCI Consulting Group ("SCI") is pleased to submit this proposal for cannabis-related consulting services to the City of Merced ("City"). We understand the City is interested in proposing a cannabis-related tax to its voters, and we believe our knowledge and experience will serve the City well. To assist the City of Merced, in the successful implementation of an equitable and efficient cannabis-related tax, we propose the following services. (All project work can be completed in 9 to 12 months.)

1. Development of Tax Methodology
 - 1a. Conduct Stakeholder Meeting in support of Development of Tax Methodology
2. Development of tax ordinance document

SCI provides cannabis-related advice and consulting to a variety of public agencies in California regarding community support analysis, health and safety regulations, fee studies, taxation, implementation, monitoring and compliance, and community outreach. SCI has conducted comprehensive cannabis-related webinars, workshops and training specifically for public officials in California. See www.sci-cg.com/webinars-past.php, and scroll down to watch any of our five cannabis-related webinars. Our two most recent webinars are:

- **THE NEW MARIJUANA FRONTIER IN CALIFORNIA - PREPARING FOR PROPOSITION 64 AND THE MCRSA AND THEIR EFFECT ON CITIES AND COUNTIES**
- **LOCAL CANNABIS REGULATION AND POLICY: UNDERSTANDING STATE INTEGRATION OF MEDICAL AND NON-MEDICAL CANNABIS – SB 94 FOR PUBLIC AGENCIES**

SCI developed and maintains a network of relationships with government agencies and cannabis-related industry leaders, including attorneys, testing laboratories, cultivators, nursery owners, and retailers. SCI maintains these relationships and continually upgrades and expands our knowledge base so we can provide expertise on all elements of the cannabis industry: retail operations, cultivation, manufacturing, delivery, monitoring and compliance, legal issues, ordinance development, and State regulations. SCI staff trained at the nation's premier cannabis educational entity, Oaksterdam University in Oakland, and investigated and gathered lessons learned and best practices regarding cannabis operations in Colorado, Michigan, Oregon, Washington, and British Columbia.

Our new business comes almost entirely from word-of-mouth referrals. We encourage you to contact our clients who can attest to the level of service we provide, the long-term relationships we have developed, the unmatched accuracy of our approach, our successful experience with funding measures, and our industry-leading track record of winning ballot measures.

SCOPE OF WORK

1. Development of Tax Methodology

SCI will work with the City to develop a comprehensive tax methodology consistent with applicable City ordinances, state and federal law, and input from City staff, elected officials and

EXHIBIT 1--Page 1

stakeholders. Our revenue approach is to develop revenue models based upon taxation scenarios consistent with the City's goals, and public support. SCI will analyze the opportunities in each of City's regulated commercial cannabis activities, propose the optimal combinations of taxes based upon factors like gross receipts, per square foot taxes, and weight-based taxes. We will review and discuss our findings and recommendations to develop the best mechanism for providing optimal revenue for the City with a reasonable administrative burden and that is well-supported and understood by the community. We will consider the effect of competition from other jurisdictions and the goal of eliminating the black market.

1a. Conduct Stakeholder Meeting in support of Development of Tax Methodology

SCI will plan and conduct two stakeholder meetings to obtain input in support of the development of the tax methodology.

2. Development of tax ordinance document

SCI will lead the preparation of the tax ordinance for all the City's regulated commercial cannabis activities based upon the finalized tax methodology and consistent with applicable City ordinances, state and federal law, and input from City staff, elected officials and stakeholders. We will use our established matrix of established cannabis ordinance attributes to ensure completeness. We will include the best practices from other similar cannabis taxation ordinances, as well as emerging or anticipated industry changes in the draft of the City's ordinance. Our work will be carefully documented with specific reference to the appropriate code or reason for a change.

PROJECT TEAM

NEIL HALL, CANNABIS PROJECT LEADER

Neil Hall brings over 40 years of intensive interaction with public agencies and communities throughout California. He is a recognized leader in municipal cannabis policy in California. As Owner and President of the Fairfield Research Group from 1995 to 2014, Mr. Hall conducted over 150 focus groups, and attitude and satisfaction surveys for various communities, political candidates, and public agencies in Solano County. Mr. Hall earned a Bachelor of Arts degree in Business Management and M.B.A. from St. Mary's College.

JOHN BLISS, M.ENG., P.E., PRESIDENT

John Bliss, a professional engineer and President of SCI, specializes in special tax consulting, assessment engineering, special and general benefit analysis, crafting legally compliant, robust Engineer's Reports, assessment administration, cost estimating and budgeting, database design and implementation, regulatory compliance, and revenue measure formations. He has 15 years of experience in this field of expertise. Mr. Bliss graduated from Brown University with a Bachelor of Science Degree in Engineering, and holds a Master's Degree in Civil Engineering from The University of California, Berkeley, where he was a Regent's Scholar. He is a licensed professional Civil Engineer in the State of California and is a LEED accredited professional.

ARCELIA HERRERA, SENIOR CONSULTANT

Arcelia Herrera, contributes over eleven years of experience in administration and consulting for public and private sector organization. Ms. Herrera has extensive expertise in the creation and administration of assessments and fees, database management, and community educational outreach. She also can connect with the Hispanic community and has experience with translations of outreach materials and other needed documents. Most recently, Ms. Herrera has participated in a series of webinars and workshops aimed at establishing an industry standard for taxation, health and safety regulations and monitoring and compliance of cannabis in California. Ms. Herrera graduated from the California State University, Monterey Bay with a Bachelor of Science Degree in Telecommunications, Multi-Media and Applied Computing.

EXPERIENCE AND REFERENCES

SCI's most recent similar cannabis-related services were provided to:

City of Alameda

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder Engagement, Ordinance Review and Regulatory Fees
 Status: Ongoing
 Contact: Debbie Potter, Community Development Department Director
dpotter@alamedaca.gov; (510) 747-6800

City of Avalon

Cannabis Services: Implementation Planning and City Council Workshop
 Status: Complete
 Contact: Scott Campbell, Contract Attorney to the City
Scott.campbell@bbklaw.com; (310) 510-2125

City of Coalinga

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder Engagement, Ordinance Review, Regulatory Fees and Monitoring and Compliance
 Status: Complete with ongoing monitoring and compliance
 Contact: Sean Brewer, Community Development Director
sbrewer@coalinga.com; (559) 935-1533, ext. 124

City of Davis

Cannabis Services: Implementation Planning, Stakeholder Engagement and Ordinance Development and Review
 Status: Complete
 Contact: Ashley Feeney, Assistant Director Community Development & Sustainability
afeeney@cityofdavis.org; (530) 757-5654

City of Encinitas

Cannabis Services: Community Outreach and Stakeholder Engagement and Ordinance Development and Review
 Status: Ongoing
 Contact: Glenn Sabine, City Attorney
gsabine@encinitasca.gov; (760) 633-2672

City of La Mesa

Cannabis Services: Ordinance Development and Review and Application Process
 Status: Ongoing
 Contact: Carol Dick, Director of Community Development
cdick@ci.la-mesa.ca.us; (619) 667-1187

City of Merced

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder Engagement, Ordinance Development and Review, Application Process, Fees and Implementation and Regulatory Fees
 Status: Ongoing
 Contact: Kim Espinosa, Planning Manager
espinosak@cityofmerced.org; (209) 385-6858

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City of San Carlos

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder Engagement, Ordinance Development and Review, Application Process, Fees and Implementation and Regulatory Fees

Status: Ongoing

Contact: Martin Romo, Economic Development Coordinator
mromo@cityofsancarlos.org; (650) 802-4257

City of Santa Ana

Cannabis Services: Ordinance Development and Review

Status: Ongoing

Contact: Ali Pezeshkpour, Senior Planner
apezeshkpour@santa-ana.org; (714) 647-5882

City of Santa Clara

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder Engagement, Ordinance Development and Review, Application Process, Fees and Implementation and Regulatory Fees

Status: Beginning phase

Contact: Ruth Shikada, Assistant City Manager
RShikada@SantaClaraCA.gov; (408) 615-2210

City of Shasta Lake

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder Engagement, Ordinance Development and Review, Application Process and Fees, Regulatory Fees and Tax Measure

Status: Complete with ongoing monitoring and compliance

Contact: John Duckett, City Manager
jduckett@cityofshastalake.org; (530) 275-7427

City of Vallejo

Cannabis Services: Ordinance Development and Review

Status: Ongoing

Contact: Joanna Altman, Assistant to City Manager
Joanna.altman@cityofvallejo.net; (707) 648-4362

City of Woodlake

Cannabis Services: Ordinance Development and Review, Application Process and Fees, Regulatory Fees and Monitoring and Compliance

Status: Complete with ongoing monitoring and compliance

Contact: Jason Waters, Community Development Director
jwaters@ci.woodlake.ca.us; (559) 564-8055

City of Yreka

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder Engagement, Ordinance Development and Review, Application Process and Fees, Regulatory Fees and Tax Measure

Status: On hold

Contact: Brian Bowles, Police Chief
bbowles@yrekapd.org; (530) 841-2300

County of Alameda

Cannabis Services: Application Process and Regulatory Fees
 Status: Beginning phase
 Contact: Elizabeth McElligott, Assistant Planning Director
Elizabeth.mcelligott@acgov.org; (510) 670-5400

County of San Luis Obispo

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder
 Engagement, Ordinance Development and Review, Application
 Process and Fees
 Status: Ongoing
 Contact: Guy Savage, Assistant County Administrative Officer
gsavage@co.slo.ca.us; (805) 781-5071

County of Tuolumne

Cannabis Services: Implementation Planning, Community Outreach and Stakeholder
 Engagement
 Status: Ongoing
 Contact: Daniel Van Essen, Assistant Planning Director
dvanessen@co.tuolumne.ca.us; (209) 533-5612

Please let us if you would like to speak with any of our clients directly and we will provide contact information.

OTHER INFORMATION**EMPLOYMENT POLICIES**

SCI does not and shall not discriminate against any employee in the work place or against any applicant for such employment or against any other person because of race, religion, sex, color, national origin, handicap, or age or any other arbitrary basis. SCI Consulting Group insures compliance with all civil rights laws and other related statutes.

CONFLICT OF INTEREST STATEMENTS

SCI has no known past, ongoing or potential conflicts of interest for working with the City, performing the Scope of Work or any other service for this Project.

INSURANCE

SCI carries professional Errors and Omissions insurance in the amount of \$2 million per occurrence and \$2 million aggregate. SCI also carries general liability insurance in the amount of \$2 million per occurrence and \$4 million aggregate.

INDEPENDENT CONTRACTOR

If selected, SCI shall perform all services included in this proposal as an independent contractor.

SCOPE OF WORK

In the event the City elects to request optional, additive scope of work, SCI will work with the City to negotiate compensation for these additional tasks, and execute an Addendum to the agreement for these additional services.

RESPONSIBILITIES OF CITY

SCI will make every effort to minimize the workload on the City, but may need assistance, iteratively, with project overview and history, scheduling and budgeting.

COORDINATION WITH CITY

SCI will coordinate services with City staff through frequent and concise communications including face-to-face meetings, telephone calls and e-mail.

SOFTWARE USED

SCI uses Microsoft Word for word processing on computers using the Windows operating system.

FEE SCHEDULE

In consideration for the work accomplished, as outlined in this proposal, SCI shall be compensated as detailed below:

1. Development of Tax Methodology

Services as described in the Scope of Work will be billed at the hourly rates below not to exceed \$7,500 without approval from the City.

1a. Conduct Stakeholder Meeting in support of Development of Tax Methodology

Services as described in the Scope of Work will be billed at the hourly rates below not to exceed \$7,500 without approval from the City.

2. Development of tax ordinance document

Services as described in the Scope of Work will be billed at the hourly rates below not to exceed \$10,000 without approval from the City.

Billing shall be based upon hourly rates shown in the table below:

SCI Staff	Hourly Rates
John Bliss, President, Fee Engineer	\$ 245
Neil Hall, Senior Cannabis Consultant	\$ 275
Arcelia Herrera, Cannabis Consultant	\$ 175
Support Staff	\$ 65

Incidental costs incurred by the SCI Team for the purchase of travel and other out-of-pocket expenses will be reimbursed at actual cost, with the total not to exceed \$1,750 without prior authorization from the City. The scope of services includes two in-person staff meetings. Any additional staff meetings, if required, shall be billed at the rate of \$1,200 per person, per meeting, depending on the staff in attendance.

We look forward to this opportunity in assisting the City of Merced with this important project and stand ready to proceed. If you have any questions or require additional information, please do not hesitate to contact me. I can be reached at (707) 430-4300 or via email at john.bliss@sci-cg.com.

Sincerely,



John W. Bliss, P.E.
President, SCI Consulting Group