



CONSENT CALENDAR

City of San Bernardino Request for Council Action

Date: December 4, 2024

To: Honorable Mayor and City Council Members

From: Rochelle Clayton, Acting City Manager
Gabriel Elliott, Director of Community Development & Housing

Department: Community Development & Housing

Subject: **Professional Services Agreement with Tetra Growth Systems dba Canna Business Services for Cannabis Monitoring and Financial Audit Services (All Wards)**

Recommendation:

It is recommended that the Mayor and City Council of the City of San Bernardino, California adopt Resolution No. 2024-231 authorizing:

1. The City Manager, or designee, to execute a Professional Services Agreement with Tetra Growth Systems dba Canna Business Services for Cannabis Monitoring and Financial Audit Services for an amount not to exceed \$362,316, and execute all documents to effectuate the Agreement for the term beginning January 1, 2025 and ending December 31, 2027; and
2. The City Manager, or designee, to execute the two (2) optional one (1) year extensions with an amount each year not to exceed \$120,772.

Executive Summary

The City's current Cannabis Monitoring and Financial Audits agreement expires on January 30, 2025. To ensure continued service, the City published a Request for Proposal (RFP) and selected Tetra Growth Systems dba Canna Business Services to replace SCI Consulting, which has been providing those services since 2019. The proposed agreement is for three (3) years with the option of two (2) one-year extensions, and in an amount not to exceed \$362,316 (or \$120,772 annually).

Background

In March 2018, the City Council enacted Chapter 5.10, establishing Commercial Cannabis Regulations through Ordinance MC-1546. This ordinance was later

amended in October 2018 with the adoption of Ordinance MC-1503. The City Council then passed Resolution 2018-227 to place the ordinance on the ballot for voter approval. The voters approved MC-1503, officially implementing cannabis regulations.

In June of 2019, staff released its first RFP for Cannabis Monitoring and Financial Audit Services. An agreement was awarded in December 2019 for a five (5) year term. That agreement is set to expire January 30, 2025.

In August 2024, an RFP for Cannabis Monitoring & Financial Audits was released by the Finance & Management Services Department. The scope of the RFP included:

- Facilitating yearly financial audits ensuring compliance with applicable laws
- Monitoring Compliance with City Ordinance(s), and State and Local Laws through Inspections
- Conducting Background Checks
- Providing Plan Review Services
- Conduct Compliance Inspections

The RFP submittal deadline was schedule for September 25, 2024. A total of six (6) consultants submitted proposals which were all reviewed and evaluated by the Community Development & Housing Department. Interviews were held with the top four (4) consultants on October 14, 2024.

Discussion

The agreement with Tetra Growth Systems dba Canna Business Services for Cannabis Monitoring and Financial Audit Services is for a term of three (3) years with the option of two (2) one-year extensions, and in an amount not to exceed \$362,316 (or \$120,772 annually). The agreement begins on January 1, 2025 and is set to expire December 31, 2027. The agreement contains two (2) optional one (1) year extensions to be executed by the City Manager, or their designee.

The Agreement for Cannabis Monitoring and Financial Audits will provide the City with the following scope of services:

1. Compliance Inspections - This task would include onsite inspections of each commercial cannabis facility to ensure compliance with all State and local laws and regulations, including physical security measures, standard operating procedures, inventory track and trace controls, limited access areas, surveillance systems, locks and alarms, records retention and other requirements.
2. Financial Audits – Financial Audits will be done annually to ensure compliance with business tax reporting and remittance requirements, sales and inventory tracking, and all other requirements pursuant to Section 5.18 of the City of San Bernardino Municipal Code.
3. Background Checks – As a requirement set forth in Chapter 5.10 of the City of

San Bernardino Municipal Code, background checks are necessary for all owners, managers and principals associated with cannabis business applications, as well as for all employees or line staff as needed.

4. Plan Check – This task would include plan check services for proposed tenant improvements to ensure compliance with all State and local requirements.

The RFP issued by the City in August 2024, sought the services of a qualified consultant to assist the City in Cannabis Monitoring and Financial Audit Services.

The City received six (6) proposals from a wide range of consultants. The written proposals were evaluated by a selection committee comprised of City staff representing the Community Development & Housing and the Economic Development Departments, with follow-up interviews held with all the qualified submitting consultants. The total and average scores are listed below:

Consultants	Total	Average
Tetra Growth Systems dba Canna Business Services	88 / 105	29.3
SCI Consulting Group	85 / 105	28.3
Global Go	82 / 105	27.3
Avenu	60 / 105	20

As a result, Canna Business Services was selected as the top candidate by the selection committee. The consulting firm is experienced and is considered an industry leader in cannabis development, implementation and enforcement. Additionally, Canna Business Services has extensive experience in Public Sector and local government work that spans a collective 50+ years of experience and over 28 markets.

Canna Business Services has proposed a per applicant fee of \$4,875.00 for their services as outlined in the Scope of Services (Attachment 1). Cost breakdown of agreement is as follows:

Annual Financial Audits and Compliance Inspections	\$87,750
Background Checks	\$2,000
Plan Check Services	\$10,500
Material Development	\$5,250
Technical & Policy Expertise	\$10,500
Misc. Operations	\$5,000
Total Contract Costs	\$120,772 / 1 year \$362,316 / 3 years

The total cost of the agreement is set not to exceed \$362,316 (or \$120,772 annually). The term of the proposed agreement is three (3) years with the option of two (2) one-year extensions.

2021-2025 Strategic Targets and Goals

Executing an agreement for Cannabis Monitoring & Audit Services aligns with Key Target No 1: Improved Operational & Financial Capacity ensuring regulatory compliance and enhancing revenue collection from cannabis businesses. This oversight strengthens financial accountability and helps optimize operational efficiency.

Fiscal Impact

The fiscal impact of this PSA with Tetra Growth Systems dba Canna Business Services is \$362,316. There is sufficient budget in Community Development & Housing Department’s Fiscal Year 2024-25 Operating Budget to cover the cost of this agreement.

Conclusion

It is recommended that the Mayor and City Council of the City of San Bernardino, California adopt Resolution No. 2024-XXX authorizing:

- 1. The City Manager, or designee, to execute a Professional Services Agreement with Tetra Growth Systems dba Canna Business Services for Cannabis Monitoring and Financial Audit Services for an amount not to exceed \$362,316, and execute all documents to effectuate the Agreement for the term beginning January 1, 2025 and ending December 31, 2027; and
- 2. The City Manager, or designee, to execute the two (2) optional one (1) year extensions with an amount each year not to exceed \$120,772.

Attachments

Attachment 1	Resolution 2024-231
Attachment 2	Professional Services Agreement with Tetra Growth Systems dba Canna Business Services
Attachment 3	Tetra Growth Systems dba Canna Business Services RFP Submittal
Attachment 4	RFP F-24-1012 Cannabis Monitoring and Financial Audit Services

Ward:
All Wards

Synopsis of Previous Council Actions: