

County of Humboldt

Cannabis Management Services

October 20, 2025

HdL  Companies

SUBMITTED BY

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TABLE OF CONTENTS

I. COVER LETTER	2
II. PROPOSED SCOPE OF SERVICES	3
III. COST.....	6
IV. OPTIONAL SERVICES	7
V. EXPERIENCE AND RESOURCES	8
VI. REFERENCES.....	11

I. COVER LETTER

October 20, 2025

Sean Quincey
Deputy County Administrative Officer
County of Humboldt
825 5th Street
Eureka, CA 95501

Re: Proposal for Cannabis Management Services

Dear Mr. Quincey,

Thank you for the opportunity to submit this proposal for cannabis management services for the County of Humboldt. The enclosed scope of services provides a comprehensive program to conduct a detailed fiscal analysis of the County's cannabis cultivation tax, provide a series of meetings and presentations to discuss the analysis, development of a new tax ordinance to replace Measure S, and additional hours of general subject matter expertise that may be used to provide presentations to the Board of Supervisors or as requested by the County.

HdL is recognized as the industry leader in the development, implementation and enforcement of cannabis management programs for local governments in California. We have partnered with over 200 California cities and counties on cannabis-related programs, including ordinance development and review, community outreach and education, merit-based application and permitting processes, cost recovery studies, compliance inspections, revenue audits, fiscal analyses and law enforcement training.

Our cannabis team has unmatched expertise, with more than 80 years' combined experience in the development, implementation and enforcement of cannabis regulatory and tax programs. Our team members have conducted over 11,000 cannabis compliance inspections and audits in California, Colorado and Nevada, and have reviewed, scored and processed over 1,700 cannabis business applications in the last six years in California. HdL Companies works for the benefit of public agencies and has no private-sector clients in the cannabis industry.

We look forward to the opportunity to partner with the County of Humboldt in developing a strategy which meets your program needs. If you have any questions or require additional information, please feel free to contact me by email at anickerson@hdlcompanies.com or Matt Eaton at meaton@hdlcompanies.com or by phone at 714.879.5000.

Sincerely,



Andy Nickerson
President, HdL Companies

II. PROPOSED SCOPE OF SERVICES

Humboldt County has long been recognized as the epicenter of marijuana (cannabis) cultivation in the United States. From the late 1960's up through the passage of Proposition 64 in 2016, illegal or unlicensed cannabis cultivation provided a major input to the County's economy. In 2012 it was estimated that there were over 10,000 cannabis cultivation sites in Humboldt County, and a 2011 study projected that one out of every four dollars in Humboldt County originated in the underground cannabis industry.

The Humboldt County Board of Supervisors approved a Commercial Cannabis Land Use Ordinance (CCLUO) in September of 2016, and an accompanying cannabis cultivation tax (Measure S) was approved by the voters in November of 2016, Measure S established tiered tax rates of \$1 per square foot for outdoor cultivation, \$2 per square foot for mixed-light and \$3 per square foot for indoor cultivation. The County does not currently tax any other commercial cannabis activities besides cultivation, other than regular retail taxes and the County's 1.0% transactions and use tax (Measure O).

Beginning with the issuance of state licenses in early 2018, the County's cannabis growers began experiencing significant competition from large industrial growers in other parts of California that were not previously recognized as part of the cannabis industry. The cultivation sector quickly became oversaturated to where licensed growers had enough capacity to produce more than eight times as much cannabis as Californians consume. This competition has driven wholesale cannabis prices down significantly. In addition, while cannabis growers in Humboldt anticipated that "sun grown" cannabis from legacy growers in Humboldt County would be received as higher-value premium product, the marketplace generally pays far less for outdoor cannabis than for either mixed-light or indoor.

In response to these market factors, the County of Humboldt has taken a number of actions over the years to provide relief to cannabis growers, including reducing or waiving cultivation taxes. The County's taxes are currently set at 10% of their initial rates (\$0.10/sf for outdoor, \$0.20/sf for mixed-light and \$0.30/sf for indoor). The County's current tax rates are the lowest in California.

To help inform future discussion and further possible changes to its cannabis cultivation tax, the County is requesting that HdL Companies conduct a fiscal analysis that would provide cultivation tax rates from other jurisdictions around the state and compare them with the County's rates. The analysis would include a means to compare square footage-based taxes with gross receipts taxes and would also provide information on taxes and rates for other commercial cannabis business types, including retail, manufacturing and distribution. The full scope of the analysis would be determined in consultation with the County.

HdL would then provide a series of meetings with County Supervisors to discuss the findings of the analysis and answer any questions prior to providing a public presentation at a Board of Supervisors meeting. That presentation would give an opportunity to take input and answer questions from the public to inform any possible Board direction to staff based on the findings from the report.

This proposal also describes a number of other possible services that may be of interest to the County, including development of a cannabis tax ordinance to replace the existing Measure S, and additional hours of general subject matter expertise that can be used to conduct further research and analysis, or other needs as requested by the County.

Objective 1: Conduct a Fiscal Analysis

Consultant HdL shall conduct a fiscal analysis of the cannabis cultivation sector in Humboldt County to help inform continued discussion of possible modification to the County's cannabis cultivation tax rates. The analysis would provide comparisons with tax structures and rates from other jurisdictions in California and would include a means for comparing tax rates based on square footage with rates based on gross receipts. The analysis would also include a general discussion of the cannabis cultivation sector in California and other market factors that may be of interest for the County's consideration. The report will include a discussion of tax rates and structures for other cannabis business types, including manufacturing, distribution and retail.

The scope of the analysis will be developed in consultation with the County. We anticipate that County staff involvement in this process would largely be limited to participation in an initial kick-off meeting, providing documents and information, reviewing the draft report and directing any edits or changes. Overall staff time involved would likely be no more than 3 to 4 hours.

This proposal assumes that HdL will provide one initial draft report for staff to review and critique plus one iterative draft that will incorporate any requested revisions prior to providing the final report. HdL will advise the County in advance if additional requested revisions are beyond the defined scope and may result in additional cost.

Objective 2: Attendance, Support or Presentations at Meetings or Workshops

HdL shall provide attendance or presentations at two meetings or workshops to present the findings of the fiscal analysis under Objective 1. The meetings would provide an opportunity to answer questions to ensure a thorough understanding of the report, and help guide possible policy direction to staff. It is anticipated that this objective may include meetings with County Supervisors individually and a public meeting of the Board of Supervisors to provide possible policy direction. These meetings are described below.

- A series of meetings with County Supervisors individually or in pairs to discuss the findings of the fiscal analysis and to answer questions, so as to ensure a thorough understanding of the material. This series of three meetings would be billed as a single meeting for the purpose of this proposal.
- Attendance at a public meeting or workshop to provide a presentation of the findings of the analysis and to respond to comments and questions from the public. This meeting would also provide an opportunity for the Board of Supervisors to discuss the findings and provide possible policy direction to staff based on the report.

The scheduling of these meetings and scope of the presentations would be determined in consultation with County staff.

Objective 3: Develop Draft Cannabis Tax Ordinance

HdL shall develop a draft commercial cannabis tax ordinance to replace the current Measure S. The ordinance will set maximum tax rates for each type of cannabis business permitted by the County and will allow the Board of Supervisors to set the rates as desired up to the maximum rate. The ordinance shall also specify the schedule and procedures for remitting taxes and shall allow the County to conduct audits of cannabis businesses to ensure they are reporting and remitting the proper amounts. HdL may also provide the ballot resolution as necessary to place the tax measure on the ballot and/or revenue projections to include in the ballot statement.

The ordinance development process would be tailored to fit the County's desired level of involvement and interaction. This proposal assumes that County staff will initially participate in a working meeting with HdL's cannabis team to identify the desired parameters of the new ordinance and provide direction. HdL would then develop a draft ordinance for review and discussion with County staff and would incorporate any requested changes into a revised draft for presentation to the Board of Supervisors. Any changes directed by the Board would be incorporated into the final draft ordinance. HdL anticipates up to 10 hours of County staff time to guide development of the draft ordinance, not including internal staff time for preparation of staff reports or review by multiple departments.

The estimated cost for this service does not include attendance or participation in meetings of the County Board of Supervisors. Any such addition meeting attendance or presentations would be billed at HdL's hourly rate under Objective 3.

Objective 4: Technical Assistance and Subject Matter Expertise

HdL will provide up to 40 hours of general consulting to be utilized on an as-needed basis at the County's request. Such assistance may include technical assistance, subject matter expertise, research and analysis, meeting attendance, additional presentations to the Board of Supervisors, education, monitoring of changes to State laws and regulations, participation in conference calls, responding to staff inquiries via phone and email, reviewing staff reports, assisting with responses to inquiries from the public, or other issues as mutually agreed to by the County and HdL. Any such assistance will be billed at HdL's standard hourly rate.

Should the County choose to move forward with the proposed services described herein, HdL anticipates that we would provide a draft report within 2 months of the contract start date. Meetings with individual Supervisors would be scheduled approximately 2 weeks prior to the public presentation to allow time to consider the report and prepare for the discussion. The Board would discuss the report, take comments and questions from the public and provide direction to staff, which could be to move forward with a new ordinance amending or replacing Measure S, or to come back with additional information, or to table the issue for future discussion. HdL would only move forward with ordinance development or additional services if staff is so directed by the Board at that time.

III. COST

This proposal does not include any additional services that are not specifically enumerated herein. Prices are valid for 90 days from the date of this proposal to allow time for consideration and negotiating a service agreement. Once under contract, prices shall be honored for the initial term of the agreement (up to a maximum of 3 years), with extensions subject to mutual agreement with pricing to be negotiated at that time.

Scope of Service Objectives	Estimated Cost
Objective 1: Conduct a Fiscal Analysis Assumes up to 80 hours at \$300/hr (billed at hourly rate)	\$24,000 ¹
Objective 2: Attendance or Presentations at Meetings or Workshops Assumes 2 meetings and includes all preparations	\$4,800 ¹
Objective 3: Develop Draft Cannabis Tax Ordinance Assumes up to 40 hours at \$300/hr (billed at hourly rate)	\$12,000 ¹
Objective 4: Technical Assistance and Subject Matter Expertise Assumes up to 40 hours at \$300/hr (billed at hourly rate)	\$12,000 ¹
Travel: As needed for site visits or in-person meetings	N/A
TOTAL NOT TO EXCEED	\$52,800
¹ Objective billed at hourly rate	

Services Billed at Hourly Rate

Service objectives shown as being billed at HdL’s hourly rate may be billed up to the maximum estimated hours. HdL will not exceed the maximum estimated hours without first notifying the County and receiving written approval in advance.

Conflicts of Interest and Non-Disclosure

HdL Companies works solely for public agencies and has no private-sector clients in the cannabis industry. All business information will be kept confidential by HdL and will not be shared internally beyond those HdL employees who are required to have access for purposes of conducting the work contemplated herein, or for administrative purposes as necessary.

Drafts and Final Work Products

All work products assume one initial draft for review and comment, one iterative draft to incorporate any desired changes, and one final draft for presentation or publication. Additional drafts requested by the client may result in additional charges at HdL’s hourly rate.

IV. OPTIONAL SERVICES

Any optional services are described here for information purposes, only. No additional services will be provided without the expressed mutual agreement of both parties.

V. EXPERIENCE AND RESOURCES

Company Profile

Founded in 1983, HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Our audit and consulting services include sales, use and transaction taxes, property taxes, transient occupancy taxes, and a Cannabis Management Program. The firm also provides a variety of enterprise software processing tools for business licensing, code enforcement, animal control, building permits and tracking/billing of false alarms.

HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 600 agencies in six states. The firm currently serves 49 counties, 311 cities and 132 transactions tax districts in California.

HdL's key staff has extensive experience serving local government and many have previously held positions in city management, finance, planning, economic development or revenue collection. HdL is a Corporate Partner of the League of California Cities and California State Association of Counties and works extensively with the County Auditor's Association of California, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.

This close understanding of local government needs coupled with extensive databases and advanced methodology provides for the most relevant, productive and responsive revenue recovery; forecasting; and economic services available.

Our team of professionals has over 80 years of direct experience establishing and implementing cannabis regulatory and taxation programs, including outreach and education, research and analysis, ordinance development, application processes, cost recovery fees, structuring cannabis business taxes, regulatory compliance, financial audits, and law enforcement training. Our team has conducted over 11,000 cannabis compliance inspections and investigations in California, Colorado and Nevada.

Key Personnel

Matt Eaton; Director of Cannabis Services

Matt Eaton is the Director of Cannabis Services at HdL and plays a critical role in implementing the Cannabis Compliance Program for local agencies. Prior to joining the firm, he was a progressive law enforcement professional with 30 years' experience conducting criminal/regulatory investigations, and corporate/individual background investigations.

While working as a Supervisory Investigator at the Colorado Department of Revenue in the Marijuana Enforcement Division (MED), Matt managed criminal investigators and civilian staff in the Denver Metro and Longmont field offices. During his six-year tenure at the MED, he conducted approximately 10,000 criminal investigations and compliance reviews, including regulatory and financial investigations. He is a subject matter expert on track and trace systems

and understands the complexity of reviewing data to ensure businesses are in compliance with state and local regulations. Matt was responsible for planning, developing and implementing report and field inspection protocols for the agency. He also played an instrumental role in recommending changes to current regulations and identifying essential language for new legislation in Colorado. Matt is well known for his ability to maintain working relationships with cannabis industry leaders and external stakeholders in resolving issues.

Matt received his Bachelor of Science Degree from Biola University and maintained Police Officer Service Training (POST) certification for over 30 years in California and Colorado. He has also served as an adjunct instructor teaching law enforcement principle related to criminology, correctional processes, procedural law, interviews, interrogations and criminal evidence at AIMS Community College in Greeley, Colorado.

Mark Lovelace; Senior Policy Advisor

Mark Lovelace has 23 years of broad experience in public policy, community engagement and advocacy and is recognized as a leader in advancing the statewide discussion of medical and recreational cannabis as a legitimate policy issue in California. Mark served on the Humboldt County Board of Supervisors from 2009 through 2016 where he helped develop a comprehensive approach to regulating cannabis, including a voter-approved tax on commercial cultivation and an innovative track and trace pilot program. Mark also established and co-chaired the Cannabis Working Group for the California State Association of Counties (CSAC) and helped draft CSAC's initial cannabis legislative platform.

Mark has worked extensively with public agencies and statewide organizations on cannabis issues and has led numerous presentations, workshops and panel discussions. He has conducted research and analysis for over 100 counties and cities in California to help them develop or refine their cannabis regulatory and tax programs. Prior to his time on the Board, he worked for many years as an advocate on land use, planning, development, resource management and environmental issues. Mark received his Bachelor of Science degree in Industrial Design from San Jose State University.

Elizabeth Eumurian; Audit Manager

Elizabeth Eumurian manages the HdL cannabis audit team. In her role she oversees the development and refining of HdL's proprietary audit methodology to better identify reporting variances, discrepancies and outliers, and to ensure audit accuracy and consistency. She also reviews audit reports, evaluates cannabis business financial information and assists with special projects. Before becoming manager, Elizabeth conducted cannabis audits for HdL.

Elizabeth previously worked as a senior auditor in the entertainment industry. In this role, she executed testing procedures for targeted audit programs, analyzed findings and prepared audit and compliance reports. She also has experience working for a large financial institution analyzing data for reporting anomalies and performing internal audits.

Elizabeth earned her Bachelor of Arts degree from California State University Fullerton and holds a certificate in CannaBusiness from Oaksterdam University.

Brad Schneider; Compliance Manager

Brad Schneider manages HdL's team of cannabis compliance inspectors to ensure that licensed cannabis businesses are operating within state law and complying with all of their obligations under the terms of their local permit. He oversees the team to ensure that all inspections are conducted on a timely schedule in coordination with the local jurisdiction and that all reports are clear and fully-documented.

Brad brings 30 years of experience with the Ontario Police Department where he worked as a detective, background investigator and Sergeant. Brad spearheaded operations within the Narcotics Division, concentrating on identifying and mitigating illegal activities. Following his law enforcement career, he worked in aircraft sales where he managed contracts with state and local government agencies. Brad has broad experience in regulatory compliance from both the public and private sector, ensuring alignment with industry regulations and standards and directing training, safety programs and operational procedures.

Kristi Lervold; Compliance Administrator

Kristi is the Compliance Administrator for HdL's cannabis team. In this role she conducts pre-license site visits, compliance inspections and background checks while also supporting the cannabis team members, coordinating internal processes, and assisting with client requests, contracts, billing reconciliation and invoicing. Kristi's 18-year career includes ten years as the administrative assistant to HdL's CFO, handling various operational responsibilities and supporting financial functions, as well as experience in the occupational health industry, facilitating services for federal, state, and local government clients. Kristi holds a Bachelor's of Science degree in Business Management with a minor in Business Administration.

Additional Cannabis Team Staff

HdL's Key Personnel identified here are assisted by a team of 8 additional cannabis specialists who conduct compliance inspections, perform revenue audits, assist with background checks, and carry out other tasks as assigned.

VI. REFERENCES

City of Maywood

Jennifer Vasquez

City Manager

Phone: 323.562.5721

Email: jennifer.vasquez@cityofmaywood.org

City of Perris

Kenneth Phung

Director of Development Services

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City of Moreno Valley

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