



REPORT to the MAYOR and MEMBERS of the CITY COUNCIL  
From the CITY MANAGER

DATE: February 28, 2023

SUBJECT: AWARD OF REQUEST FOR PROPOSALS 23-09 FOR  
CANNABIS TAX AUDIT SERVICES TO THE PUN  
GROUP, LLP

ISSUING DEPARTMENT: Finance

SUMMARY:

Issues:

Should the City Council adopt the resolution to award RFP 23-09 for Cannabis Tax Audit Services to The Pun Group, LLP?

Recommendation:

That City Council adopt the resolution to award RFP 23-09 for Cannabis Tax Audit Services to The Pun Group, LLP.

Fiscal Impact:

Annual costs are capped at \$6,000 per business (“licensee”) using cannabis tax revenues. Funds are budgeted in account 101-64300-141-000000 for this service.

City’s Strategic Goals:

- Maintain a financially sound and affordable city government

BACKGROUND:

On November 6, 2018, La Mesa voters approved a cannabis business tax (Measure V) by 73.4 percent, which authorized the establishment and implementation of a cannabis business tax on all cannabis businesses operating in the City of La Mesa. This is a

general tax and is used to fund general expenses such as police, fire, roads and recreation.

La Mesa Municipal Code Section 6.10.200 allows the City to examine all books and financial records of cannabis businesses for the purpose of determining taxes owed and verifying the returns submitted. In doing this, the City follows all standard auditing procedures as applied to any financial activity. In 2019 the City issued RFP (Request For Proposals) 19-15 and selected a firm for cannabis business tax auditing services during the initial period.

**DISCUSSION:**

Faced with increasing costs for the auditing services the City issued new RFP 23-09 in cooperation with the City of Chula Vista and the County of Imperial, both of which needed the same services. The RFP was published through the City's online bid system and 1,291 firms were notified by email. Twenty-one prospective bidders accessed the RFP documents and five submitted proposals. Staff from all three agencies evaluated the proposals and determined that The Pun Group, LLP best fit the needs for these services.

Staff recommends entering into an agreement for these services for an initial term through June 30, 2024 with four one-year options to renew through fiscal year 2027/2028. The agreement would allow the renewals by mutual written consent of both parties with the City Manager having sole and exclusive right to exercise any options contained in the agreement on behalf of the City. The City of Chula Vista and the County of Imperial would be responsible for their own agreements with The Pun Group, LLP.

**CONCLUSION:**

Staff recommends that the City Council adopt the resolution to award RFP 23-09 for Cannabis Tax Audit Services to The Pun Group LLP.

Reviewed by:



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Greg Humora  
City Manager

Respectfully submitted by:



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Tammi Royales  
Director of Finance

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Scott Munzenmaier  
Purchasing Officer

Attachments:   A. Resolution  
                  B. Draft Agreement