



CCA Board Meeting  
Monterey County  
June 21, 2019

## MINUTES

### June 21, 2019

President Fennell called the meeting to order at 11:00 a.m.

#### I. Roll Call.

<u>  X  </u>	Estelle Fennell, Humboldt County, CCA President
<u>  X  </u>	Mary Zeeb, Treasurer-Tax Collector, Monterey County, CCA Secretary
<u>  X  </u>	Jim Hamilton, TT Collector/ Auditor Controller, SLO, CCA Treasurer, CCA Board Member
<u>  X  </u>	Shari Schapmire, TT Collector, County of Mendocino, CCA Board Member (via conf call)
<u>      </u>	Supervisor Don Saylor, Yolo County, CCA Board Member
<u>  X  </u>	Alisha McMurtrie, Treasurer-Tax Collector, Inyo County, CCA Board Member

Others: Jeff Griffiths, Inyo County Supervisor/ CCA Alternate; Cara Martinson, Adam Crabtree, Alan Fernandes, Greg Turner, Justin Cooley, San Luis Obispo County; John Bartholomew, Humboldt County Treasurer Tax Collector (via telephone), CCA Alternate, Kristina Parson, Monterey County; Susan Strachan; Yolo County (via telephone)

**II. Approval of Minutes.** Motion made by Mary Zeeb (Monterey), Second made by Shari Schapmire (Mendocino). **Approved.**

**III. Organizational Update.** Cara Martinson, Executive Director of CCA, gave an overview of the progress of the organization. Key points include:

The California Cannabis Authority (CCA) was established in beginning of 2018 with the passage of a Joint Powers Agreement by San Luis Obispo and Monterey Counties. Since that time, CCA has grown to a total of six counties, including San Luis Obispo, Monterey, Humboldt, Mendocino, Yolo and Inyo, with more counties anticipated to join soon. CCA has spent the last year setting up the organizational structure and establishing the contracts and infrastructure necessary to develop a statewide data platform that will gather, collect, and analyze cannabis information from multitude data sources. The organization continues to be headed by CCA President, Humboldt County Supervisor Estelle Fennell.

CCA is working with each individual CCA county to connect their local sources of information to the CCA data platform, in addition to other outside data sources. CCA will work directly with businesses in member counties to establish individual connections through either their 3<sup>rd</sup> Party Software provider, such as a point of sales or inventory system, or by manual upload. This process is similar to the state's requirements for connection to METRC, in that licensees must either connect to METRC through their 3<sup>rd</sup> Party System provider or do a direct input/upload. CCA offers these options as well. However, CCA requires a separate requirement from METRC to ensure for data verification and redundancy.

CCA is working with 3<sup>rd</sup> Party Software providers to establish confidentiality agreements to connect our systems so that businesses that use these types of systems can transmit their data quickly, efficiently and securely into the CCA system. Thus far, CCA has approved nine vendors, including Biotrack THC, GlowFlow and Leafops, Trellis, Leaflogix, GroLens, Sharpe Concepts, Canix and Ciclo. CCA will work with all vendors, and prioritize those that have clients in our member jurisdictions.

CCA staff is working with the new Administration to negotiate the terms of an agreement with the state to directly connect to the state's track and trace system (METRC), and state sales tax data. This conversation has been ongoing, and staff recently met with the Governor's special advisor on cannabis to give a demonstration of the CCA platform. Local governments have a statutory right to access the data in the state's METRC system. CCA's negotiations involve the terms of access and the scope of the data set accessed.

**IV. Strategic Planning & Goals.** Cara Martinson led a discussion of the Board regarding strategic goals of the organization, both short term and over the next year. Staff prioritized goals of:

- Improved customer service— both in terms of working more closely with Member counties and also interface and outreach to businesses within Member's jurisdiction.
- The board suggested working with county inspection and enforcement departments, including law enforcement. There is opportunity for multiple different entities within counties to benefit from the platform.
- Improved outreach to cities, including the League of CA Cities.

**V. Approval of Revenue Model- ACTION ITEM.** Motion to approve alternative revenue model was made by Jim Hamilton (SLO) with a second from Mary Zeeb (Monterey). **Approved.**

Staff gave an overview of the proposed alternative revenue model and a review of our current financing structure. CCA adopted a revenue model in 2018 that charges jurisdictions 35 basis points on all "transactions analyzed" or sales within the CCA platform. As referenced in the budget memo, the predictability of this charge is difficult in the early stages of regulation. The goal of CCA continues to be to provide a service to local governments at a cost effective rate while supporting growth of the organization, with the ability to adjust the cost down overtime.

CCA Member counties are onboarding to the platform at different stages, resulting in some counties being charged prior to others. If the basis point charge is adjusted down in the future, this could result in certain members paying more than others, effectively creating a scenario where a few counties are subsidizing the entire organization in the early stages. To address this timing issue, and to incentivize current Members to onboard with the platform, staff suggested suspending 20 of the 35 basis points for last fiscal quarter of FY 2018-19 and the first fiscal quarter of FY 2019-20, resulting in a charge of just 15 basis points until October 1, 2019. This will cover the costs of the platform, but no operational costs to CCA, or sponsorship/ debt repayment costs to CSAC FC. However, as referenced in the budget memo, CCA received an additional \$200,000 loan from the CSAC FC for FY 2019-20 that will cover the entire operational budget for the fiscal year.

In addition, staff recommended suspending the 35 basis point charge to 25 basis points for the remainder of FY 2019-20 to reduce costs to counties and to incentivize new Members and Participants

to join the organization. Finally, staff recommended instituting a quarterly \$5000 charge to Members/ Participants if they have not on boarded to the Platform after one year, or for current Members after the first fiscal quarter of 2019-20 (October 1<sup>st</sup>). The Board discussed the proposal. Comments centered on incentivizing members to onboard, but also respecting individual county conditions. Mary Zeeb suggested a six month window for new members to onboard with the platform before an administrative charge would be triggered.

**VI. Approval of FY 2019-20 Budget- ACTION ITEM.** Motion to approve FY 2019-20 budget was made by Mary Zeeb (Monterey) with a second from Jim Hamilton (SLO). **Approved.**

Fiscal year 2018-19 revenue projections, which were estimated in the budget to total \$85,437 (charges to counties), were based on 2014 legal medical sales in California. This was the most current data set available at the time. CCA did not collect any revenue in the 2018-19 fiscal year, and 2014 medical sales data is now obsolete. Revenue projections for FY 2019-20, which are proposed to be \$180,000, are based on a floor price structure for all six member counties.

CCA has relatively low overhead costs, with the majority of expenses dedicated to legal and professional services. That said, in order to grow the organization, additional staffing costs could be necessary. The CCA Executive Director position is currently a part-time, contract position (no more than 40 hrs a month). CCA currently has no additional outside administrative or accounting staff. The FY 2019-20 budget is proposing to allocate \$100,000 (an increase of \$52,000) for potential increases to staffing levels. The current contract with the CCA Executive director is a retainer of \$4000 monthly, which is slated for review by the CCA Board before the end of the 2019-20 fiscal year. No immediate changes to this contract are being proposed by staff. However, the proposed budget reflects additional resources for a potential increase upon approval of the CCA Board at their fall meeting if additional contract hours or additional staffing resources are needed.

In addition, the FY 2019-20 budget allocates \$12,000 for Board travel and meetings. These funds will be dedicated to travel associated with the next regular meeting of CCA and any interim travel. The FY 2019-20 budget is proposing to allocate \$96,000 for legal services. This is based on CCA's existing contract with Turner Law, CCA's counsel. CCA entered into a five-year contract for legal services with Turner Law to ensure for legal representation at CCA meetings, general counsel on Brown Act, Public Records Act, and general municipal/public law counsel.

The budget discussion focused on how the new revenue model will allow for growth. Questions were posed regarding resources for staff, and if there were contingencies built into the budget if staff needs additional resources. It was noted that Cara's compensation will be reviewed in the fall. Other comments suggested a fall review would be good timing due to counties and their own budget processes for the coming year.

**VII. Working Lunch Discussion: Facilitating Access to Financial Services.** Prior to the lunch discussion, the Board viewed the CCA promotional video staff put together for use on social media and other presentations.

During the lunch break, Adam Crabtree CEO of NCS Analytics gave an overview of his work with financial institutions and progress other states have made to increase banking in the cannabis sector. Conversation focused on the ongoing security issues presented by a cash industry. Representatives of San Luis Obispo mentioned that their businesses have asked for monthly payments because they don't

want to keep the cash on hand. Humboldt County offered that the state established a one-stop shop in Humboldt county to accept applications and fees.

**VIII. Contract Review: CCA Executive Director.** The Board reviewed and suggested no changes to the Executive Directors contract. As mentioned previously, the Board will have an opportunity to review in the fall.

**IX.** No public comment.