

To: Mendocino County Board of Supervisors
Carmel Angelo, County Administrative Officer
Shari Schapmire, CCA Board Representative & Mendocino Treasurer Tax Collector
From: Cara Martinson, CCA Executive Director
RE: **California Cannabis Authority (CCA) UPDATE – August 2019**

Organizational Background. 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. Mendocino County joined CCA in April of 2018, and appointed Shari Schapmire to serve on the CCA Board. 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 is headed by CCA President, Humboldt County Supervisor Estelle Fennell and Cara Martinson serves as the CCA Executive Director.

Connection Process. 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 is also in the process of negotiating 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. CCA will work directly with businesses in your county to establish individual connections through either their 3rd 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 3rd 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 3rd Party software system 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 is working with the Mendocino Treasurer Tax Collectors office to configure the appropriate time to draft notices to cannabis applicants and permit holders in the county. Once this notice goes out, CCA will be able to work directly with businesses and with 3rd Party Software System providers to establish secure and confidential connections. CCA also offers a manual data submission option for businesses that choose not to work with a 3rd Party vendor to manage their internal data. Templates and instructions are available on the CCA website and staff is available to support businesses that require assistance.

Purpose of Multiple Data Sources. The purpose of CCA connecting to both METRC and individual businesses is to consolidate access for counties, and verify and evaluate information. CCA is not a tracking service, such as METRC or SIPCA. The CCA data platform is designed to start where Track and

Trace systems (tracking systems) stop. Tracking systems are built to track anything entered by an end user. Tracking Systems methodology requires user input and relies on the end user's ability to enter, or scan data correctly into the tracking system.

This is where the CCA platform adds significant value. The CCA platform isn't limited to data from one source, and it isn't built to "track", but is built to analyze and evaluate. The platform looks for anomalies with individual data sources and also looks at how those sources interact with one another, giving a more complete picture and a higher degree of confidence that what is being reported and what is occurring are truly one in the same. When they are not the same, the platform creates an alert. The speed at which the alert is delivered is key for investigation and enforcement actions to ensure for adequate and fair compliance, allowing the opportunity for correction and to catch bad actors quickly and more efficiently. The service CCA provides will create efficiencies for departments that are managing cannabis permitting, taxation and compliance programs. The data can help local regulators better understand their licensees and help to close the potential tax gap.

Benefits to Cannabis Businesses. CCA is also working with interested financial institutions to help provide banking services to the cannabis industry. CCA will work with interested financial institutions and their prospective cannabis clients to provide accurate and cost-effective licensing and compliance information that ensures that the revenue generated from the client's commercial cannabis activity results from fully licensed and compliant activities. Consent from prospective cannabis clients must be obtained before information is shared with financial institutions that might wish to bank them.

Data Security. CCA will operate under a Memorandum of Understanding (MOU) with the state licensing agencies to ensure that all information that is confidential and not subject to the Public Records Act under Proposition 64 remains so. CCA will also sign confidentiality agreements before working with 3rd Party Vendors to ensure for secure data transmittal. The County of Mendocino will control user access, and only approved county employees will be issued a secure log-in connection through the CCA website. The data platform adheres to all federal security standards, including the Federal Risk and Authorization Management Program (FRAMP) process to conduct security assessments, authorizations and continuous monitoring of cloud services.

Timeline. CCA is working concurrently with the state and member counties to connect systems. Before CCA can connect to individual permit holders in your county, notices from your county must be sent out. Once businesses are notified, CCA will work with your permit holders to connect through their 3rd Party Software Provider or through a manual submission process. The timing of notices is the decision of the member county. Monterey County was the first to issue notices to their applicant/permit holders in the beginning of December, and Yolo, San Luis Obispo, Humboldt and Inyo County are following suit.

Fee. The CCA Board of Directors adopted a financing structure that includes a fee to be paid by each member county and participating entity that is based upon gross receipts within the jurisdiction. The fee was recently adjusted by the CCA Board of Directors at their June 2019 meeting, and is as follows:

- Charge of 15 basis points on total sales tracked (gross receipts) for current members until September 30, 2019.
- Charge of 25 basis points for all Members and Participants starting on October 1, 2019
- A quarterly \$5000 administrative fee on new Members and Participants that have not on-boarded with Platform after one year of participation, or for existing Members after September 30, 2019.

It is the decision of the member county or participating entity to determine what source the fee will come from. CCA will only bill counties based on the data tracked in our system. Thus, if CCA is only tracking a portion of your applicant/licenses, CCA will only bill based on total sales tracked in our system. The basis point charge will go into effect when we are connected to your permit holders doing business in Mendocino.

Contact. Please feel free to contact me at 916-526-7082 or cmartinson@cca.ca.gov. Or, visit our website, www.cca.ca.gov.