



## CANNABIS CONTROL COMMISSION PUBLIC MEETING MINUTES

*February 20, 2018 10:30 a.m.*

Massachusetts Gaming Commission  
Public Meeting Space  
101 Federal Street, 12th Floor  
Boston, MA

### COMMISSION MEMBERS IN ATTENDANCE

Chairman Steven Hoffman  
Commissioner Kay Doyle  
Commissioner Jen Flanagan  
Commissioner Britte McBride  
Commissioner Shaleen Title

COMMISSIONER MEMBERS ABSENT: None

### LIST OF DOCUMENTS:

1. Presentation: <https://mass-cannabis-control.com/document/presentation-2-20-18-commission-meeting/>
2. Meeting Minutes from January 9, 2018: <https://mass-cannabis-control.com/document/meeting-minutes-1-9-2018-cannabis-control-commission/>
3. Draft Contract Materials for Discussion (JD Software)
  - a. Statement of Work: <https://mass-cannabis-control.com/document/handout-jd-software-sow-draft-discussion/>
  - b. Standard Contract: <https://mass-cannabis-control.com/document/handout-jd-software-standard-discussion-draft-discussion/>
  - c. Terms and Condition: <https://mass-cannabis-control.com/document/handout-jd-software-terms-conditions-draft-discussion/>
4. Draft Contract Materials for Discussion (METRC)
  - a. Statement of Work: <https://mass-cannabis-control.com/document/handout-metrc-sow-draft-discussion/>
  - b. Standard Contract: <https://mass-cannabis-control.com/document/handout-metrc-standard-contract-draft-discussion/>
  - c. Terms and Condition: <https://mass-cannabis-control.com/document/handout-metrc-terms-conditions-draft-discussion/>

Chairman Hoffman called the meeting to order at 10:30 a.m. Chairman Hoffman said he would like to welcome the newest member of the Commission, Adriana Campos, the new Chief Financial and Administrative Officer for the Commission. Executive Director Collins welcomed Ms. Campos and described her professional background. He welcomed her as a valuable asset as

they continue to grow in their current space as well as into their future space and continue thinking about their budget development and revenue forecasting.

Chairman Hoffman announced that the Commission has made their new website live and shared a screenshot of the landing page. Traffic will be redirected from the old page to the new website, which is active as of this moment. The Chairman thanked Mr. Collins and Program Manager Maryalice Gill for driving this with Dot Joyce. The Commission appreciates any feedback people have.

The Chairman discussed the schedule coming up. As of last Thursday, February 15, the Commission is done with its public comment period. He thanked everyone who showed up at the 10 public hearings throughout the state. He thanked everybody who sent in emailed comments to the website, and all of the organizations that sent letters as well. The Commission would consider all information submitted. The Commission will meet next week for three days in a row to debate policy issues based on the comments. Those meetings will be at 10 a.m. Monday, Tuesday, and Wednesday. They will be at the State House Monday and Wednesday and at the Gaming Commission on Tuesday. Based upon the decisions they make over those three days, they will then get back together in public as a Commission on March 6 and 7 to review and vote on the final regulations on those two dates, and submit them to the Secretary of State so they will be promulgated on March 15, according to the legislative mandate.

Commissioner Doyle said she'd like to thank the facilities around the state that hosted the public hearings. During one of the meetings next week, she wants to distribute thank you notes for Commissioners to sign. Chairman Hoffman agreed.

Chairman Hoffman said the first agenda item is the approval of minutes from January 9. He asked for comments or suggested changes. There were none, and the Chairman asked for a motion to approve the minutes. Commissioner Flanagan made the motion, seconded by Commissioner Doyle. The minutes were approved unanimously.

The Chairman said the next item is to review the two proposed contracts for seed-to-sale and licensing technology. Executive Director Collins said he would start off with the licensing vendor selected to enter negotiations, JD Software, a Salem-based company. In the materials today, they looked at leveraging existing contract structure for the Commonwealth, including the Commonwealth's Terms and Conditions, the Commonwealth's Standard Contract Form articulating the Statement of Work, that really captured what is unique to do this service or software that we would be acquiring, the hierarchy or structure the Terms and Conditions, state the Contract Form would prevail in all cases, and the Statement of Work is really the meat as to what they would be doing for us. He said he will give a high level review of this particular contract, the two will be very similar. He should also mention they worked with their contract vendor Luella Wong in developing the Statement of Work, they also leveraged existing contracts throughout the state using the powers of technology, security, EOTSS, they have kind of model contracts for SAAS, Software as a Service, and this is similar. They had a really productive conversation with JD Software. The Commission is as aggressive as it can be, within reason, and these timelines will put it on pace for launching a system on time. They have deliverables as well they've committed to get to them, and obviously any contract comes to money, and what those

negotiating terms are. This is a multi-year contract. The Commission is licensing their system and it is a SAAS solution. The per year cost for the Commonwealth and the Commission will be \$645,000 per year, so for the life of the contract, the grand total, will be about \$2,978,750, that also includes the configuration costs of this year, so the FY 2018 cost is \$398,750. He said they built on type of that, a licensing fee, that licensing fee is \$645,000. He added that is a reduction from what they quoted the Commission in their response. The pricing is aggressive, it is reasonable, and they remain confident that this better and capable of performing the functions necessary.

Chairman Hoffman added that is substantially below what the Commission has in its budget for FY 2018 budget for new licensing software. He thanked Mr. Collins and staff for accomplishing that.

Executive Director Collins asked for any questions. He added that JD Software is an existing contractor already for the Department of Public Health, they are contracting with the Executive Office of Health and Human Services. What they provide for DPH is their registration system, which is through the virtual gateway, so this is a different system the Commission would be procuring, but they are a known entity.

Chairman Hoffman asked Mr. Collins to discuss what is required of the Commission in terms of deadlines and inputs so JD Software can accomplish their timeline.

Mr. Collins said what is required of the Commission is to provide JD Software workflows and system processes as well as the information the Commission hopes the system will capture. To simplify that, it is to provide them the contents of what the application would look like: names, business IDs, and also as was discussed in the draft regulations, the packet system, what information needs to be contained in the packet in order for the Commission to evaluate any potential applicant and keep that process as virtual as possible, also allowing them to upload documents when necessary, where appropriate, and within that, paramount to this entire contract is security, making sure as the Commission does accept information from anybody, any prospective applicant, that we make sure that information is secure on our end. And those that need to review it, can and are able to, and those that don't, the system can be segregated and separated. This system is also going to allow us to move an application through the process hopefully with ease, but the Commission also has some training responsibilities for both itself and the public to make sure they can navigate the system as efficiently as possible. The deliverables are really to get those workflows to them. Chairman Hoffman asked by when.

Executive Director Collins responded that it was staggered. Some have actually already passed. They have already delivered some materials to them, but they are looking at the rest of this month and early March so they can configure in time. The work is underway its way, delivering their workflows, so they can perform the needs of the contract.

Chairman Hoffman asked Mr. Collins to describe the governance process for development. Executive Director Collins said they are looking at and trying to keep it as streamlined as possible. Within the next few weeks they are hoping to identify a Chief Technology Officer. In the meantime, Ms. Wong and he have been managing the techniques, with Ms. Baily driving the

contract process. From a governance standpoint, it will be Mr. Collins as the key decision point, as well as the CEO of JD Software who is a system developer. When it comes down to getting decisions made, they hope to be as streamlined in decision making as they can be. JD Software is a smaller firm, and they do not have a lot of sales people, they have a lot of system engineers; which has been helpful on their end. Mr. Collins feels they have an efficient process getting materials to them, and direct contact, all articulated in the contract as well.

Chairman Hoffman asked if there will be further reviews prior to system launch. Executive Director Collins agreed. He said it could be in the format of making sure each Commissioner has access to see a demo, or bringing back to the Commission in a formal setting a demo or example of what an application will look like. Finally, he thinks there will be decision points for the Commission to make, especially what materials to be included in that application.

Chairman Hoffman said they should look at laying out that sequence so the agenda is structured appropriately for those meetings. Mr. Collins agreed.

Commissioner Title said it is clear a ton of work went into this and so much attention to detail, especially during all of the hiring and the regulations development. She thanked the staff for their work on this. She asked, with regard to when applicants are filling out the application on the software, when they run into challenges, or find bugs, or have questions, how does Mr. Collins envision responses from staff.

Mr. Collins said it has been negotiated in the context of the contract that there will be help desk availability for the Commission. So, in the event folks find bugs on the public website, or run into a challenge, he would encourage them to call the Commission. If it is a system question, the Commission would then triage that by directing that to JD Software. When they have been talking to JD Software, they would be available to the Commission. What is articulated there is help that someone has to pick up the phone during regular business hours, then also email throughout the night. The Commission needs to build out its own, on its end, a Constituent Services position, but it also may need a help desk of sorts for all technology – that would be helpful to the JD Software contract as well as METRC seed-to-sale in case there's anything to on that end. From a management standpoint, the Commission would build out its own team internally to handle questions. If it is a system question, they would forward it to JD Software. They have negotiated those terms.

Commissioner Title asked Mr. Collins to explain in terms of their staff that is delegated to this project, if for some reason they quit or are not available any more, it was worded really carefully that the person would be replaced; it would be "a replacement will be identified." She asked if Mr. Collins imagines that the Commission would work with JD Software on identifying the right person, or if JD Software would find the right person. Executive Director Collins said JD Software would manage their staff and who they would hire. They have identified their key staff at this point. The Commission has consented to those people being on the project. Similarly, if they make a replacement on their team, the Commission wants to be sure they approve of the person appointed to work on the project, from a qualification standpoint. The Commission wants to make sure that they are giving us the best team we can get on our project. The Commission would not veto a hire per se, but it might have the ability to veto someone serving on its project.

Commissioner Title clarified that if it is a subcontractor, the Commission has to specifically approve them. Executive Director Collins said if they want to subcontract any work, through another firm, yes, mostly to give the Commission the confidence in their ability to perform the contract.

Commissioner Title said her last question is in terms of in the event of a breach, in both the contracts it said that they would immediately notify us and identify the actions they are taking to address it. She was expecting that to be stronger, that if there was a breach that there would be some consequences. Executive Director Collins said the General Law obligates certain requirements if a breach were to occur, which was discussed with JD Soft. Mr. Collins discussed information breaches and mitigation of damages, and the Commission negotiating the strongest possible terms that it could get on those issues and as strong as it can be given the obligations under the General Laws as well. Ultimately, in the event of the data breach, the Commission would manage it very carefully, making sure a notice goes out if anybody's information is comprised in anyway. If it is something that JD Soft is responsible for, the Commission will hold them accountable for the notice, but also making sure they are taking the right steps to remedy the data security integrity issues. Chairman Hoffman asked for other questions. There were none. He asked for a motion to approve the contract with JD Software. Commissioner McBride made the motion to approve, seconded by Commissioner Flanagan. The Commission unanimously approved the contract with JD Software.

Executive Director Collins moved on to the second contract with METRC LLC, a seed-to-sale tracking vendor. This contract looks very similar to the one just reviewed for JD Software. Key points to flag: it is the same timespan; their responsibility is to configure a seed-to-sale tracking system, and providing data management, training support, etc. This contract, from a financing standpoint, is a bit less clear as far as the total cost to the Commission and the total value of the contract. What is clear is that they are providing a service, but also providing materials, to the Commission, and the base materials of course being tags – tracking and packaging tags. The Commission is licensing the system, which is \$65,000 per year, but they are also charging a service fee per licensee, so that provides them access to the licensing system. METRC does not provide any commercial product to licensees, but if they log API using their own point of sale or tracking software, they charge \$40 per month, per licensee for that. The tags cost \$0.45 per plant tag and \$0.25 per packaging tag, so as a result, it is difficult to get a bottom line number, given the Commission doesn't know yet what the volume of licenses will be or what the volume of tags will be.

Executive Director Collins said METRC does provide different options as far as payment of those fees. One option could be, the Commission will be responsible for the \$65,000 licensing fee per year no matter what and that is budgeted and allocated for. The Commission could choose to assume or absorb the \$40 per month per licensee service fee. The Commission could also entertain the concept of paying for the tags themselves. Different states use different models. As far as he understands it, there is not a state that pays for the tags, the reason being tags flow based on need, and one thing he thinks is important to note is the Commission has contracted the price of tags. A licensee is going to pay per tag, that figure is solidified in the contract. It is not going to go up next year, or the year after that. It is embedded in the contract. He thinks that's an important step. So is that \$40 a month per licensee service fee. If the Commission wanted to

entertain paying that \$40 a month per licensee, that is contracted for. The Commission also worked out an understanding with the vendor, METRC, that they will revisit the volume of licensees on an annual basis to make sure they can lock that number in, and give themselves some budgeting certainty.

Chairman Hoffman said there are two issues. We don't know what the volume of licenses will be, and the Commission hasn't made a decision about whether it is going to absorb that or offset that. His suggestion, if it is acceptable to the other Commissioners, is that in next week's conversation when they talk about fees in general, let's include this topic in that conversation. He suggested they defer that conversation until next week. Commissioner Doyle agreed as long as it doesn't complicate anything with the contract. Executive Director Collins agreed. It is also important to remember in the context of a single licensee, the service fees will amount to less than \$500 per year, and theoretically, if the Commission chooses not to pay for the tags, they would pay for their volume of tags that they need. That's why it is difficult to ascertain an actual total value of the contract, aside from saying that the \$65,000 per year license could be easily absorbed by the Commission. Otherwise, this is a vendor that is essentially a SAAS solution, they would work with the Commission. They also would API from JD Software into the seed-to-sale tracking system and make sure once the Commission licenses an entity, they automatically are put into the seed-to-sale tracking system. Both vendors are aware and per contract are required to achieve that.

Chairman Hoffman asked Mr. Collins to go back to JD Software's requirement to interact with the Department of Revenue, so once somebody is licensed, DOR knows they are licensed and can start working on tax collection. Executive Director Collins said there was some hesitation as far as direct API to the Department of Revenue. JD Software has committed to working with the Commission and the Department of Revenue to make sure any information that is necessary to be moved or extracted from the licensing system is available. The rationale is once the Commission licenses an entity, DOR will want to make sure they are in their system as far as tax compliance, and they want to know what entities are licensed by the Commission. That way they know who to expect for sales tax or excise tax, who to expect that from. It is not a direct API for the contract; he thinks there was a concern on the vendor's part about the time and energy it would take to do that. They have committed to making sure they work with us in getting any information DOR might need absent of direct API, but the Commission would work toward that. Chairman Hoffman asked about the same issue with seed-to-sale. He asked if there was required interaction with DOR as well. He said there must be. He asked if it is an API. Executive Director Collins agreed.

Executive Director Collins said the discussion point as far as the payments are concerned, and the reason it will not hold up the contract necessarily, is so long as the vendor is paid, they defer to the Commission as far as how that gets paid.

Chairman Hoffman said they need to resolve it from a Commission standpoint as far as budgeting, but from a contracting standpoint, it is not necessary to resolve at this moment. Mr. Collins agreed. Chairman Hoffman asked for a motion to approve the contract with METRC. Commissioner Doyle made the motion; seconded by Commissioner Title. The Commission unanimously approved the contract with METRC.

Chairman Hoffman thanked Mr. Collins, Ms. Baily, and Ms. Wong. The work got done quickly and well and in a way that will allow the Commission to hit its timelines. He said there are obviously no guarantees with technology development but getting the contracts done gave the Commission a good chance of getting it done in time. Mr. Collins agreed. He said this is a milestone but there is a lot of work remaining to get done and both vendors are committed to that. They are eager to get started and to start talking to each other.

Chairman Hoffman announced that the next Commission meeting is Monday, February 26 at 10 a.m. in State House Room 437. He thanked Commissioner Flanagan for helping the Commission secure rooms on Monday and Wednesday. The Chairman adjourned the meeting at 11 a.m.