Opinion: Marijuana needs a few good middlemen

By Eric Spitz

California's marijuana industry will soon begin its transition from an illicit ecosystem fraught with guns, cash, and cartels into a regulated economic juggernaut.

The stakes of getting it right are high. Not only will the industry produce an expected $1 billion in annual tax dollars for youth drug prevention, restoration of the environment, and enforcement against the black market, but legal marijuana will influence the state's economy, reshape the national market for marijuana, and likely determine when and how the rest of the United States adopts paths to legalization.

For all the drama inherent in bringing an industry out of the shadows, the success of the transition may depend on seemingly boring details: specifically, the technical business processes that could allow rapid progress toward an industry that looks and feels like a traditional consumer market.

And at the center of a progressive structure is distribution.

I've operated businesses in a variety of consumer industry sectors—including several years rebuilding a historical New England beer brand—and that gives me a deep appreciation for the significance of logistics and distribution. When building its nascent supply chain, California should prioritize the success of the distribution function in this regulated industry.

Modern distributors, regardless of industry, build the logistical and transportation infrastructure that their supply chain partners use to conduct commerce. By developing a sophisticated, modern logistics system, California can reduce waste, protect current industry operators, and hasten the industry's transition from its black market roots.

The distributor is a natural middleman. And, given the estimated 30,000 to 50,000 marijuana producers in California, plus an expected 10,000 eventual retailers, California's cannabis industry requires an organizing center with a group of operators tasked to monitor and police the system from the inside.

Good distributors serve as built-in rule followers and can therefore be trusted to take on system functions—such as taxation and test-monitoring—in order to reduce the government's expensive and significant oversight burden. Distributors will be even more important in this case, due to marijuana's status as an illegal drug under federal law. As such, the cannabis industry lacks access to the U.S. banking system and remains dominated by cash transactions. As middlemen, cannabis distributors will be in a great position to create "chain of custody" systems, provide credit terms, and deliver the temporary financial lubrication that this industry so desperately needs.

Then there is security. A truck full of marijuana products is a multi-million-dollar asset that requires protection, whether it's on the roads or parked at a warehouse. The bulk of the security responsibility rests with distributors, who will need to build sophisticated apparatuses to track and protect assets throughout the supply chain. You can bet that newly-displaced organized crime outfits and common criminals alike will try to pick off low-hanging fruit. In fact, the Central Valley has recently encountered a criminal enterprise stealing truckloads of nuts, a product that delivers a significantly smaller dollar payload than marijuana.

The best chance to successfully transition cannabis into a safe, regulated, and tax-paying economy will come if California designs its cannabis policy by borrowing frameworks and best practices from similar industries and then adjusting for elements that are unique.

The obvious analog is the alcohol industry, due to its own similar transition from an illicit economy after the repeal of prohibition in 1933 and its 84-year history of success since then. As a small beer operator I certainly had my frustrations with the system, but the big picture looks quite good: There’s no tainted product, no mob control and no moonshining anymore. Alcohol also mirrors marijuana as a “sin product” that has age limitations, social stigma and public safety challenges.

As we approach 2018, when California will begin regulating the commercial sale of cannabis, much of the Sacramento sausage-making hinges on the issue of distribution. Nearly everyone agrees that there ought to be three distinctly licensed supply chain segments—production, distribution, and retail. But an intra-industry schism threatens the question of whether a distributor should also be allowed to hold additional license-types. That is, should the system allow operators to vertically integrate, or should it contain rules that limit certain business activities from co-ownership?

Many current industry operators support a hands-off approach that allows cultivators and manufacturers of cannabis to continue distributing their own products directly to retail stores. On the other side, a coalition including law enforcement, small growers and current distributors support the concept of “mandatory independent distribution.” In short, the coalition wants to prohibit those holding distribution licenses from owning businesses in other market segments simultaneously. (There would be an exception for small operators, who could hold end-to-end microbusiness licenses or something similar.)

In the fight over “mandatory independent distribution,” as with any good Sacramento battle, big labor has a dog on both sides. The Teamsters have long supported the distributors’ coalition, and the United Food and Commercial Workers have thrown in with the current industry big players. In short, the debate pits a strict rules-based design against one that lets the free market determine the industry's outcome over time.

I launched a company last year with former California Attorney General Bill Lockyer that has participated in this debate, which will ultimately determine how the legal cannabis system will work. We have spoken to multiple stakeholders, both inside and outside the industry, and we are very much in the rules-based design camp. A free market approach can be attractive, but it comes with a significant risk of non-compliance.

If distributors collect taxes and monitor testing compliance, then allowing them to be producers or retailers leaves the fox guarding the proverbial henhouse. Transitioning an industry whose operators have never existed inside a regulated environment will be challenging. Allowing companies to monitor themselves seems naïve.

By designing independent distribution into the system at the outset, the state of California will have a good chance of transitioning this complex industry successfully. Without it, failure points appear around every curve.

Eric Spitz is the CEO and founder of Golden Systems, a supply chain logistics company in the cannabis industry in California. He is the former chairman of the Orange County Register. He wrote this for Zocalo Public Square.

Environmental review of shoreline plan to begin

The Tahoe Regional Planning Agency is ready to come up with another shoreline plan for the basin.

The bi-state regulatory agency will take comments until Aug. 16 on the scoping document for the draft environmental impact statement.

The plan that was adopted in 2008 got sidetracked by litigation from the League to Save Lake Tahoe.

A group of stakeholders has been meeting for the last 20 months to come up with a framework that includes updated goals, policies, and regulations focused on shoreline structures such as marinas, piers, buoys, ramps, and boat slips to support water-dependent recreation and effective resource management. The plan includes five policy areas focusing on boating, access, marinas, piers, and low lake level adaptation.

The plan is available **online**.

Public scoping meetings are also scheduled for the TRPA Governing Board meeting at 9:30am July 26 at the North Tahoe Event Center in Kings Beach, and for the TRPA Advisory Planning Commission meeting at 9:30am Aug. 9 at the TRPA offices in Stateline.

Celebs warming up for ACC golf tournament

Former Green Bay Packers wide receiver Sterling Sharpe practices putting July 12. Photo Copyright 2017 Carolyn E. Wright

By Lake Tahoe News

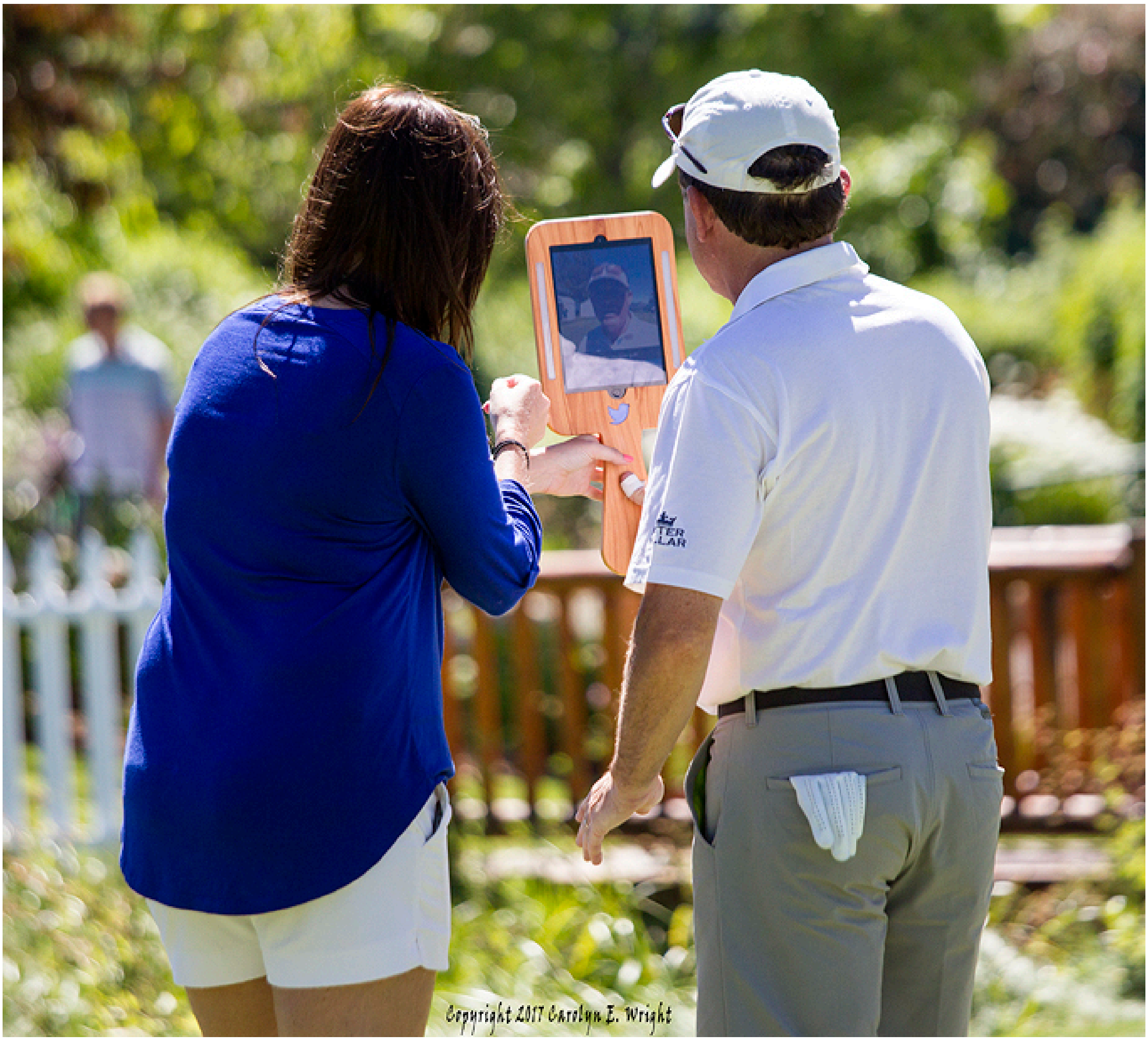
Several of the contestants in the American Century Championship were sharpening their skills Wednesday at Edgewood Tahoe.

Practice rounds and the pro-ams have a distinct casual feel about them.

Former Cal star Jared Goff, who is coming off his rookie season as the Rams quarterback, has a throng of fans wanting an autograph. Photo Copyright 2017 Carolyn E. Wright

And while there are plenty of guys like Charles Barkley and Larry the Cable Guy who don’t ever take themselves too seriously while at Edgewood Tahoe, there are others who are in it to prove something.

It’s not like any of the players really needs the money, but there is a purse of $600,000 with first place worth $125,000.



NBC Sports commentator Jimmy Roberts reads the Twitter feed on what looks like a mirror. The network will be broadcasting the tournament. Photo Copyright 2017 Carolyn E. Wright

Mark Mulder is the man to beat. He has won the tournament the last two years.

Even the serious golfers still find time to be playful. When it’s 80 degrees out, not a cloud in the sky and a cool breeze blowing off Lake Tahoe, it’s not a bad way to spend a day. Then there are all those adoring fans – most who are well behaved.

Washington Redskins two-time Super Bowl champion quarterback Joe Theismann is a regular at the ACC. Photo Copyright 2017 Carolyn E. Wright

The party, well, that's always on hole 17 – right on the beach. Get there early to have a good spot to see the players.

A little more intimacy can be found near the putting green. A quick trip to the driving range makes it easy to tell who will likely be in the bottom half or the top half when Sunday comes to a close.

Actor Jack Wagner, left, who is going for this third ACC title, chats July 12 with former pitcher Josh Beckett and musician Colt Ford. Photo Copyright 2017 Carolyn E. Wright

Here are the **pairings** for July 13.

The actual tournament is Friday-Sunday. For more info, go **online**.

Nev. paid insurance for 30,000 people who received no

health care

By Anjeanette Damon, Reno Gazette-Journal

Lying under a bridge on a freezing night in February, Bill George had an idea of how close to death he might be even if he didn't want to admit it to himself.

By the time Lisa Lee, a case manager for Northern Nevada HOPES, found George, he was likely hours from death. Frostbite had eaten away at his feet so badly that they hung from exposed tendons.

Although George, 52, is homeless, he has health insurance through the state Medicaid program for severely low-income individuals. His Medicaid insurance, paid for by state and federal tax dollars, is through Health Plan of Nevada.

But George never received his insurance card, despite listing the downtown homeless shelter as his address. Nor did he receive the welcome phone call for new enrollees, nor the packet of information explaining how his managed care organization works.

Read the whole story

Water turned off, Fresh Ketch restaurant closed

Signs at the Fresh Ketch on July 12 say the restaurant is closed. Photo/LTN

By Kathryn Reed

The Fresh Ketch restaurant in South Lake Tahoe has been closed by the county health department because it doesn’t have any running water.

A red sign from the county is on the front door saying why the restaurant is closed. Below it is a sign from the restaurant apologizing for the inconvenience.

“They will have to have their water turned back on and we will verify they have hot and cold water running and we will lift the suspension,” Carla Hass, spokeswoman for El Dorado County, told *Lake Tahoe News* as to when the restaurant might reopen.

No one answers the restaurant phone. A voice message talks about the Fourth of July weekend.

No other businesses in the center are affected, according to Hass. She did not know why the water was shut off.

Donna and Robert Krilich and their son Robert Krilich Jr. own the restaurant and Tahoe Keys Marina. They have been in a constant battle with the Tahoe Keys Property Owners Association. TKPOA operates the Tahoe Keys Water District, which supplies water to all of the homeowners as well as commercial entities in this South Shore enclave.

The water department deferred comment to TKPOA General Manager Kirk Wooldridge. Wooldridge, as usual, was not available for comment.

Those close to the situation have told *Lake Tahoe News* the water was shut off because the Fresh Ketch did not pay its water bill.

Clinton skips Tahoe, plays golf in Genoa

When word got out that former President Bill Clinton was going to play a round of golf at Edgewood Tahoe, he made other plays.

He and his entourage of Secret Service agents headed off the hill to Genoa Lakes Golf Club on July 12.

Clinton flew into Lake Tahoe Airport on July 11 as guests of the owners of the American Century Championship celebrity golf tournament. He will be giving a talk tonight at Harveys at an invitation only event.

American Century Investments and NBC Sports own the celebrity golf event that is played at Edgewood Tahoe.

— Lake Tahoe News staff report

Youth homelessness is on the rise

By Teresa Wiltz, Stateline.org

They are the nation's invisible homeless population, undercounted for years, hiding out in cars and abandoned buildings, in motels and on couches, often trading sex for a place to sleep. And now, for a complex variety of reasons, the number of youth — teens and young adults — living on the street appears to be growing.

San Diego saw a 39 percent jump in homeless youth over the past year. In Atlanta, the number of homeless youth in 2016 was estimated to be nearly triple that of previous years. After a concerted effort to count homeless young people, Seattle's King County saw its numbers jump more than 700 percent between 2016 and 2017. And the number of homeless, unaccompanied public school students increased one-fifth between 2012 and 2015.

Young homeless people are at risk for a host of troubles with long-lasting impact, including substance abuse, mental health problems and physical abuse, as well as sexual exploitation. Many get caught up in the criminal justice system. Up to 40 percent of homeless youth are lesbian, gay, bisexual or transgender.

Read the whole story

Farad Fire along I-80 at 20% containment

Steep terrain is making fighting the Farad Fire difficult. Photo/USFS

The Farad Fire that started on July 10 near the California-Nevada border remains at 670 acres and 20 percent containment. However, there has been a decrease in fire activity.

Eight aircraft including helicopters and air tankers played a significant role in limiting the fire's spread by dropping thousands of gallons of water and retardant, according to authorities. Smoke and fire can still be seen from Interstate 80.

Eastbound traffic on I-80 is open, while westbound is down to one lane.

Liberty Utilities has a generator working to keep power on in the area.

— Lake Tahoe News staff report

Passenger counts at Reno airport keep climbing

May marked the 24th consecutive month Reno-Tahoe International Airport has had year-of-year increase in passenger.

The airport, which is the gateway to Lake Tahoe, served 317,935 passengers in May, an increase of 10.1 percent compared to 2016.

In the first five months of this year, the airport has served 1,544,554 passengers, an increase of 10 percent from a year ago.

Eight airlines fly out of Reno. In May, they provided 1,738 departures to 21 nonstop destinations (23 nonstop destinations if seasonal flights are included). Seat capacity increased 14.5 percent and flights increased 10.7 percent compared to May 2016.

— Lake Tahoe News staff report

Foreclosure prevention

lifeline again available to Nev.

By Associated Press

Nevada homeowners facing financial difficulties can once again take advantage of a foreclosure prevention lifeline offered by the state.

The foreclosure mediation program allows homeowners to sit down with lenders and discuss alternatives to foreclosure. But interested Nevada residents will have to act quickly in order to qualify for the program.

A measure signed into law earlier this year closed a gap of several months during which homeowners had few options to help them save their house.

Read the whole story