



Washington State Liquor Control Board

Washington State Liquor Control Board Meeting

Wednesday, April 2, 2014, 10:00 a.m.
LCB Headquarters Building
3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

1. CALL TO ORDER

Chair Sharon Foster called the regular meeting of the Washington State Liquor Control Board to order at 10:00 a.m. on Wednesday, April 2, 2014. Member Ruthann Kurose and Member Chris Marr were also present.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Kurose moved to approve the March 19, 2014, meeting minutes.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

3. ACTION ITEM (A)

ACTION ITEM 3A - Board Approval of Retail Lottery Plan for I-502 Stores

Deputy Director Randy Simmons began the briefing with I-502 updates. He informed that Board that approximately 25% of the applications are being held up due to re-work issues which are causing delays for other applicants. To streamline the process they have placed a freeze on producer/processor applicant changes until everyone is through the process. All applicants will be well informed. He also informed the Board that final inspections have been scheduled but some applicants are not prepared for the inspections so this is also causing additional delays. Many of the delays are around security systems.

Mr. Simmons then provided an overview of the retail lottery plan for the Board's consideration. He discussed the pre-screening process noting that 2,100 applications have been received and the window is closed. 500 have not responded to the pre-screening outreach so they were automatically eliminated. The remaining applications are being reviewed. He explained the criteria and why some applicants have been eliminated due to incomplete packets including minor reasons such as not submitting a driver's license to more outstanding reasons such as not submitting a right to property statement.

Mr. Simmons then outlined the Lottery process.

Event 1: License Lottery

The LCB is not conducting the lottery. We are in contract with and Susan Kraght, managing partner of Kraght-Snell (KS) and Washington State University's Social and Economic Sciences Research Center (SESRC) to conduct the lottery.

Process Highlights

- The lottery will not be a visual event and not open to the public
- LCB personnel will not conduct the lottery
- Marijuana Licensing will generate a spreadsheet with a tab for each location where a lottery is needed that contains name/address all prescreened applicants
- The spreadsheet will be electronically sent to independent auditor Susan Kraght
- KS will randomly assign each prescreened applicant a number; creating a master list with a tab for each jurisdiction where a lottery is needed - Example: If there are 120 lotteries needed, there will be 120 master lists
- One copy of the master list will stay with KS; the other will be placed in a sealed envelope and placed in WSLCB Finance's safe
- The number list, minus identifying information, will be electronically sent to SESRC in Pullman
- SESRC will use a random number generator to assign rank numbers to each of the applicants
- Every prescreened applicant will receive a rank number regardless of how far down the list they are
- The rank numbers are for initial use and do not guarantee a future license
- SESRC will not have access to the master spreadsheet with applicant names and information
- Lotteries will be conducted for each geographic area where there are more applications than available licenses
- SESRC will electronically send the list back to the KS - physical copy will be overnighted to WSLCB and placed in Finance's safe
- KS will match their master list of applicants with the SESRC randomly generated list of numbers to develop a list of the applicants in the rank order they were selected
- KS will write a report certifying the results and stating the governmental audit standards used
- WSLCB staff and KS will have an independent witness open both lists and verify that KS used the original lists in the sealed envelope to develop the results and report
- Marijuana licensing will notify all apparent successful applicants using DocuSign, non-successful applicants will receive a letter notifying them of their rank order
- Lottery lists will be posted online after all letters have been sent out
- Posting lists online is consistent with procedures from similar releases
- Reduces # of inquiries to Public Records, Customer Service, Communications

Timeline

- April 18 - Obtain a by jurisdiction list of qualified licensee applicants (applicants) from the Liquor Control Board. Determine whether list is accompanied by a certification from the Liquor Control Board Marijuana Program Director that the list is accurate and complete
- April 18 - Determine whether the city for each applicant on list matches the city or cities within the defined jurisdiction
- April 18 - Create a tab in an Excel Spreadsheet for each jurisdiction
- April 18 - Compress each applicant's name and address into a cell in Microsoft Excel
- April 21 - Assign a number for each single cell. Repeat for each tab/jurisdiction

- April 21 - Input the number generated next to each cell/applicant. Repeat for all cells/applicants within each tab/jurisdictions. Once completed, the results are the Master List
- April 22 - Deliver a copy of the Master List to Ilene Frisch, Liquor Control Board Director, Purchasing & Contracts in a tamper proof security envelope
- April 23 - Receive a ranking of numbers from Washington State University's Social and Economic Sciences Research Center (WSU) via e-mail
- April 24 - Match each applicant's number to the rank number provided by WSU
- April 25 - Re-sort applicants within each tab/jurisdiction based on the order the order of their ranked number. Once completed, the results are the revised Master List
- April 28 - Deliver revised Master list to Ilene Frisch, Liquor Control Board Director, Purchasing & Contracts in a tamper proof security envelope
- April 28 - Open original Master List and revised Master List. Witnesses to the fact that the envelopes have not been tampered with include Ilene Frisch, Liquor control Board Purchasing & Contracts; Marijuana Program Director; and some other official to be named by April 18
- April 28 - Match assigned cell numbers on Master List with assigned cell numbers on the revised Master List. The witnesses above certify to the fact that the cell numbers on each list match exactly
- April 28 - WSLCB received lottery results
- May 1 - All applicants notified of rank order
- May 2 - Post apparent successful applicant list to the website as a frequently requested list

Mr. Simmons indicated that not all stores will be ready to open at the same time and we expect the openings to be similar to a roll out. He said we will be concentrating on areas that are prepared for openings and will set aside the areas that have bans and moratoriums.

Member Marr stated that the existing medical marijuana stores (if selected) will be able to open much sooner as they will have operational advantages.

Chair Foster wanted to clarify that if a medical marijuana store is selected then they will cease to be a medical marijuana facility and transition to recreational marijuana only.

Mr. Simmons noted there could be additional delays if local authorities decide to conduct intensive background work of their own. He then invited Becky Smith, Marijuana Licensing and Regulations Manager, to the podium to provide additional information.

Ms. Smith began with an update regarding producer/processor noting they have issued (9) licenses and (36) final inspections have been sent forward. Over half are weeks away from being ready for an inspection. She informed the Board that extensive preparation has been provided to the applicants including very detailed checklists but the applicants are still working through building and security issues and requesting delays for their inspections. She said that her staff is seeking ways to better prepare the applicants to minimize the delays. Ms. Smith also informed that Board that so far we have 75,000 square feet of plant canopy for those that are licensed.

Member Marr asked if applicants are finding it difficult to obtain bank loans and if this could be causing delays?

Ms. Smith said she believes about 25% expect to be able to obtain loans from banks.

Mr. Simmons came back to the podium and asked for approval to proceed with the lottery process.

MOTION: Member Kurose moved to approve the retail lottery process as presented.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

4. NEW BUSINESS/OLD BUSINESS

No new or old business reported.

Chair Foster invited citizens to address the Board regarding any issue(s) related to LCB business.

Jeff Debois - KIRO News

Mr. Debois asked the Board if they are satisfied with the process considering the delays?

Chair Foster is very happy with the process and believes that the delays have been well explained by staff. She added that the LCB has been in close contact with the Governor's Office and they are kept well informed of the timelines.

Member Marr remarked that this has been a challenging and lengthy process and noted how much has been done. He is confident that the target dates have been met and said he is comfortable with the process.

Member Kurose noted the differences in the Colorado and Washington models stating there is a tight balance in the Washington system. She added that we engaged the public in forums, hearings and trainings across the state, which took time but was well worth it. She commended LCB staff for their commitment and quality customer service to the applicants. She said it's time to move forward and put the system in place.

George Naphler - Citizen

Mr. Naphler asked if there is an appeals process for those that will be denied by no fault of their own?

Alan Rathbun, Licensing & Regulations Director, responded that if an applicant is ineligible then they will be offered an appeals process.

Citizen - Unidentified

Citizen asked if there was a concern that there may not be enough product?

Director Rick Garza responded that we LCB staff will be coming to the weekly Board meetings to provide updates on these matters. He noted that there is no way to know if the canopy levels will sustain the demand at this time.

Dan Devlin - Applicant

Mr. Devlin asked how much time is a store given to open before the next person in line gets to move forward?

Becky Smith, Marijuana Licensing & Regulations Manager, said that they have 30 days to provide the appropriate information to the LCB.

Deputy Director Randy Simmons added that we will not have control over when a business opens once they receive their license.

Bob Young - Seattle Times

Mr. Young asked about the fingerprinting bottleneck and also asked about the FBI background checks.

Chair Foster stated that the LCB, the Governor's Office and our congressmen continue to work closely with the FBI.

Steve Johnson, Deputy Chief, responded that the fingerprinting delays have improved. It is down to a 7 day turnaround.

Ken Jones - Retail Applicant

Mr. Jones noted that he may need 3 to 4 months to get his store up and running and asked if this would be a delay to those who are behind him in the lottery?

Deputy Director Randy Simmons said yes it would.

Jasmel Sangha - Citizen

Mr. Sangha expressed concern about potential conflicts in the 1000' rule concerning local jurisdictions and LCB rules.

Member Marr responded that the LCB is working closely with local officials to smooth the process on a number of issues. He cautioned that the process does need to continue to move forward while the issues are addressed.

ADJOURN

Chair Foster adjourned the meeting at 11:00.

Minutes approved this 9th day of April, 2014



Sharon Foster
Board Chair



Ruthann Kurose
Board Member



Chris Marr
Board Member

Complete meeting packets will be available online following each meeting: <http://www.liq.wa.gov/board/board-information>