



Washington State Liquor Control Board

Washington State Liquor Control Board Meeting

Wednesday, May 14, 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, May 14, 2014. Member Ruthann Kurose and Member Chris Marr were also present.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Kurose moved to approve the April 30, 2014, meeting minutes.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

3. ACTION ITEMS (A-B)

ACTION ITEM 3A - Board Approval to Develop Language for Supplemental (CR 102) for Fair Trade Practices

Karen McCall, Agency Rules Coordinator, began the briefing by providing the proposed supplemental CR 102 (HANDOUT 1). She provided an overview of the request to file the Supplemental CR 102 in Chapter 314-23 WAC to clarify RCW 66.28.170 - Discrimination in price to purchaser for resale prohibited - Price differentials.

Ms. McCall noted that the Board held a public hearing on this topic on April 23, 2014. Many stakeholders gave public testimony during the hearing. Nineteen written comments were also received. A supplemental CR 102 needs to be filed on this rulemaking to better clarify some of the proposed language. Ms. McCall will come back to the Board on May 28, 2014, with revised proposed rules language to file a Supplemental CR 102 with the Code Reviser's Office. At that time she will provide the Board with the revised timeline for the rulemaking. A public hearing will be held on July 9.

Ms. McCall requested approval from the Board to file the supplemental CR 102.

Member Marr noted that he understands that some stakeholders may be concerned about the initial delay but this step is warranted as we move forward. He noted that this issue has been highly reviewed internally and he is confident that this step reflects a number of issues that have been raised. He is comfortable that the case that has been made by our stakeholders has been well vetted by LCB staff and the Board members.

Chair Foster and Member Kurose both agreed that this have been well vetted and they expect to hear much more as the process continues.

MOTION: Member Marr moved to approve the Development of Language for Supplemental (CR 102) for Fair Trade Practices.

SECOND: Member Kurose seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3B - Board Approval of Interim Policy for the Collection of Fees for Inspection of Commercial Kitchens for Marijuana Processors

Karen McCall, Agency Rules Coordinator, provided the proposed interim policy (HANDOUT 1).

Purpose

Marijuana processors are required to have their processing facilities inspected prior to issuance of their marijuana processor license. Some of the marijuana processor applications are nearly ready for inspections but we have not adopted rules regarding the inspection process.

Policy Statement

This policy memorializes the direction the Board is taking in food processing facility inspections. The staff plans to seek Board approval to open rulemaking on this topic by the end of May.

A marijuana processor producing marijuana infused products in a food processing facility as required in WAC 314-55-015(10) must pass a food processing facility inspection. Ongoing annual food processing facility compliance inspections may be required. The Agency will contract with the Department of Agriculture to conduct required food processing facility inspections. All costs of inspections are borne by the licensee and the hourly rate for inspection is \$60.00. A licensee must allow LCB staff or their designee to conduct physical visits and inspect the food processing facility and records during normal business hours without advance notice. Failure to follow the food processing facility requirements outlined in this section will be sufficient grounds for the Board to suspend or revoke a marijuana license.

Ms. McCall requested approval from the Board to the interim policy.

Chari Foster asked if the processors have been made aware that the new fee is coming and Ms. McCall said yes.

MOTION: Member Kurose moved to approve the Interim Policy for the Collection of Fees for Inspection of Commercial Kitchens for Marijuana Processors.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

4. MARIJUANA LICENSING UPDATE

Becky Smith, Marijuana Licensing & Regulations Manager highlighted the following licensing activities:

Issued Licenses (as of 8:00 am May 13, 2014)

32 licenses have been issued for producers, processors & producer/processor:

- Increase of 7 from last report to Board on 4/30
- 24 Producer/Processor
- 7 Producer
- 1 Processor

6 licenses are pending payment:

- 4 Producer/Processor
- 1 Producer
- 1 Processor

Plant Canopy:

- Licensed - 265,078
- Including licenses pending payment or final processing - 308,114

3 producer/processor licenses are pending final processing by Customer Service

Counties Involved

Benton	2	Mason	1
Chelan	2	Pierce	1
Clallam	2	Snohomish	1
Clark	1	Spokane	7
King	4	Douglas	1
Kitsap	3	Grant	1
Klickitat	2	Kittitas	2
Lincoln	1	Pacific	1

Final Inspections

72 applications have been referred to Enforcement for final inspections:

- 42 are complete
- 2 need follow up inspection
- 15 are scheduled for inspection
- 13 are waiting for applicant to finish build
- 0 are awaiting scheduling

8 more applications will be referred to enforcement for final inspection this week

Licensing Specialist 3 File Assignment

Producer, Processor, Producer/Processor:

- 2239 applications have been assigned
- 18 Licensing Investigators
 - 12 Investigators working just non-retail files
 - 1 Investigator working primarily retail files
 - 5 Investigators are working both retail and non-retail files
- Average case load of 128.6 per Licensing Investigator
- 640 applications have not yet been assigned to an Investigator

Retail Applications

154 Retail applications have been assigned to 6 investigators in the following counties:

Benton	1	King	46
Chelan	2	Kitsap	1
Clark	15	Klickitat	4
Douglas	1	Lewis	4
Franklin	3	Peirce	25
Grant	3	Snohomish	26
Grays Harbor	1	Spokane	18
Island	4		

Ms. Smith noted that we will not be working applications in areas with moratoria or bans at this time.

Member Marr noted that the Board members receive a large number of inquiries from stakeholders and they would like to be briefed with additional details about the application process itself such as where the bottlenecks are and where the strengths in the process are. He acknowledged the need to strike a balance between stakeholders' desire for information and the lack of staff resources to produce the information which would keep them from the actual process.

Chair Foster said she is interested in how many applications are on hold or put to the back of the line for various reasons and how that part of the process works.

Ms. Smith said she would be happy to provide additional information. She did add that there are currently all applicants have been contacted.

Member Marr stated that we want to get people in business as soon as possible.

Member Marr then asked Deputy Director, Randy Simmons, to come forward to discuss an additional issue of concern regarding the rule requiring an applicant to be current in their tax obligations to the Department of Revenue (DOR) and the requirement that they need to provide an attestation to the LCB regarding their tax status. He recently received an announcement from DOR indicating that there are undergoing extensive education and review of individuals involved in the medical marijuana industry and the report stated that 60% did not respond to the inquiry and a number of people are stating they do not owe taxes. He asked if the LCB will be taking this issue into account in the licensing process.

Deputy Director, Randy Simmons, came forward and said yes, this is implemented in the licensing process.

5. EMPLOYEE ANNOUNCEMENTS

State Service Recognitions - Randy Simmons, Deputy Director

Deputy Director, Randy Simmons, recognized Edmon Lee, Policy Coordinator, for 30 years of service. Mr. Lee began his state employment with the Washington State Advisory Council on Vocational Education as a Vocational Education Program Specialist. Later became an Administrator for the agency and was nominated for the Governor's Distinguished Managers Award in 1989. He started employment with the LCB on 2-2-2004 as a policy and procedure coordinator. While at the LCB Edmon has successfully implemented the following initiatives:

- Governor Gregoire's GMAP Program
- Establish the agency's policy and procedures
- Deployed the Baldrige and self-assessment processes
- Guided the agency in Washington Results
- Fostered a vital LEAN program

He then presented Mr. Lee with his certificate and his 30 year pin.

Member Kurose noted that she has known Mr. Lee for almost 40 years. 30 years ago they were students together at the UW Graduate School of Public Affairs. She appreciated his tremendous contributions in moving us forward and making us a role model for Results Washington and Lean efforts.

Mr. Simmons said one of Mr. Lee's claims to fame is that his brother is the Mayor of San Francisco and this provides great parking options for Mr. Lee.

The Board congratulated Mr. Lee and thanked him for his important service.

State Service Recognitions - Randy Simmons, Deputy Director

Deputy Director, Randy Simmons, recognized Jim Goodman, Business Integration Specialist, for 10 years of service. Mr. Goodman began his employment with the LCB in 2004 as an Information Technology Systems Specialist 1. He has been recognized for leading several projects at the LCB, including:

- 2005 MBS/POS (Merchandise Business System/Point of Sale)
- 2007 PCI (Payment Card Industry)
- 2007 WAN (wide area network)
- 2009 Audit software project
- 2013 was promoted as the agency Process Improvement Lean Manager

Mr. Simmons added that Mr. Goodman’s claim to fame was a regular appearance on the show “Almost Live” in 1991. He then presented Mr. Goodman with his certificate and his 10 year pin.

The Board thanked him for his service and said he is a valued employee.

Mr. Goodman thanked the Board for the opportunity and he looks forward to another 10 years with the agency.

6. NEW BUSINESS/OLD BUSINESS

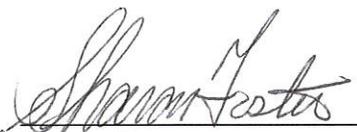
No new or old business was reported.

Chair Foster invited the citizen to address the Board regarding any issue(s) related to LCB business. No one came forward.

ADJOURN

Chair Foster adjourned the meeting at 10:35.

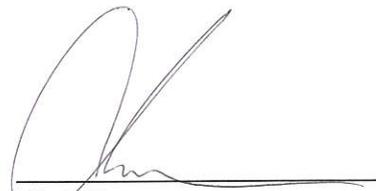
Minutes approved this 21st day of May, 2014



Sharon Foster
Board Chair



Ruthann Kurose
Board Member



Chris Marr
Board Member

Minutes Prepared by: Maureen Malahovsky, Confidential Secretary to the Board

LCB Mission

Promote public safety by consistent and fair administration of liquor and cannabis laws through education, voluntary compliance, responsible sales and preventing the misuse of alcohol, cannabis and tobacco.

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