



Washington State Liquor Control Board

Washington State Liquor Control Board Meeting

Wednesday, August 6, 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, August 6, 2014. Member Chris Marr was also present. Member Ruthann Kurose was absent.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Marr moved to approve the July 16, 2014, meeting minutes.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

3. ACTION ITEMS (A-F)

ACTION ITEM 3A - Board Approval to File (CR 102) for Distillery & Craft Distillery Changes

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3A1-3). She provided a brief background noting that this rulemaking is the result of legislation passed in the 2014 legislative session - SSB 6226 Changes to the Distiller & Craft Distiller Licenses.

Proposed Changes

Revised Section: WAC 314-28-005 Definitions - Added a definition for "craft distillery".

Revised Section: WAC 314-28-030 - What does a distillery allow? Changed the title of the section. Added language to include what activities a distillery is allowed to conduct under the distillery license which includes selling product of their own production to customers at their licensed premises, providing samples, free or for a charge to customers at their licensed premises, and contract distilling spirits for other distilleries, craft distilleries, and manufacturers' or for export.

Revised Section: WAC 314-28-050 - What does a craft distillery license allow? Changed the maximum amount a craft distillery can produce in a calendar year from 60,000 proof gallons to 150,000 proof gallons. Removed the two liter a day per person limit a craft distiller can sell to customers at their licensed premises. Added language that allows a craft distiller to charge for samples provided at the licensed premises to customers. Also added language that allows the craft distiller to dilute the samples with water or ice only.

Revised Section: WAC 314-28-055 - What are the requirements for contract production by craft distilleries? Changed the maximum amount a craft distillery can produce in a calendar year from 60,000 proof gallons to 150,000 proof gallons.

Timeline

Aug. 6, 2014 Board is asked to approve filing the proposed rules (CR 102 filing)
Aug. 20, 2014 Code Reviser publishes notice - LCB sends notice to rules distribution list
Sept. 10, 2014 Public hearing held
Sept. 10, 2014 End of written comment period
Sept. 17, 2014 Board is asked to adopt rules
Sept. 17, 2014 Agency sends notice to those who commented
Sept. 17, 2014 Agency files adopted rules with the Code Reviser (CR 103)
Oct. 18, 2014 Rules are effective (31 days after filing)

Ms. McCall requested approval from the Board to file proposed rules.

MOTION: Member Marr moved to approve filing the (CR 102) for Distillery & Craft Distillery Changes.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3B - Board Approval to File (CR 102) for Senior Center License

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3B1-3). She provided a brief background noting that this rulemaking is the result of legislation passed in the 2014 legislative session - SB 5310 Senior Center License.

Proposed Changes

New Section: WAC 314-02-114 - What is a senior center license? Explains the requirements for the senior center license and the activities allowed under the license.

Timeline

Aug. 6, 2014 Board is asked to approve filing the proposed rules (CR 102 filing)
Aug. 20, 2014 Code Reviser publishes notice - LCB sends notice to rules distribution list
Sept. 10, 2014 Public hearing held
Sept. 10, 2014 End of written comment period
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Sept. 17, 2014 Agency sends notice to those who commented

Sept. 17, 2014 Agency files adopted rules with the Code Reviser (CR 103)
Oct. 18, 2014 Rules are effective (31 days after filing)

Ms. McCall requested approval from the Board to file proposed rules.

MOTION: Member Marr moved to approve filing the (CR 102) for Senior Center License.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3C - Board Approval to File (CR 102) for Day Spa Permit

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3C1-3). She provided a brief background noting that this rulemaking is the result of legislation passed in the 2014 legislative session - ESSB 5045 Day Spa Permit.

Proposed Changes

New Section: WAC 314-38-070 - Class 16 day spa permit. Explains the requirements for a class 16 permit and what is allowed under the permit.

Timeline

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Sept. 10, 2014 End of written comment period
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Sept. 17, 2014 Agency sends notice to those who commented
Sept. 17, 2014 Agency files adopted rules with the Code Reviser (CR 103)
Oct. 18, 2014 Rules are effective (31 days after filing)

Ms. McCall requested approval from the Board to file proposed rules.

MOTION: Member Marr moved to approve filing the (CR 102) for Day Spa Permit.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3D - Board Approval to File (CR 102) for Caterer's License

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3D1-3). She provided a brief background noting that this rulemaking is the result of legislation that passed during the 2014 legislative session - ESHB 2680 Caterer's License.

Proposed Changes

New Section: WAC 314-02-112 - What is a caterer's license? Explains the requirements for the caterer's license and the activities allowed under the license.

Timeline

Aug. 6, 2014 Board is asked to approve filing the proposed rules (CR 102 filing)
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Sept. 10, 2014 End of written comment period
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Sept. 17, 2014 Agency sends notice to those who commented
Sept. 17, 2014 Agency files adopted rules with the Code Reviser (CR 103)
Oct. 18, 2014 Rules are effective (31 days after filing)

Ms. McCall requested approval from the Board to file proposed rules.

MOTION: Member Marr moved to approve filing the (CR 102) for Caterer's License.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3E - Board Approval to File (CR 102) Wine & Cider Growlers & Multiple Licenses Under the Same Ownership at a Single Location

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3E1-5). She provided a brief background noting that this rulemaking is the result of legislation that passed during the 2014 legislative session - SHB 1742 Wine Growlers and SSB 6442 Cider Growlers.

Proposed Changes

Revised Section: WAC 314-02-015- What is a spirits, beer, and wine restaurant license? Added language that a licensee holding an endorsement to sell kegs of malt liquor can also sell cider for off-premises consumption in a sanitary container brought to the premises by the purchaser or furnished by the licensee and filled at the tap by the licensee at the time of sale.

Revised Section: WAC 314-02-041 - What is a hotel license? Added language that a hotel licensee can sell cider for off-premises consumption in a sanitary container brought to the premises by the purchaser or furnished by the licensee and filled at the tap in the restaurant area by the licensee at the time of sale.

Revised Section: WAC 314-02-045 - What is a beer and/or wine restaurant license? Added language that a licensee holding an off-premises endorsement can sell cider for off-premises consumption in a sanitary container brought to the premises by the purchaser or furnished by the licensee and filled at the tap by the licensee at the time of sale.

Revised Section: WAC 314-02-070 - What is a tavern license? Added language that a licensee holding an off-premises endorsement can sell cider for off-premises consumption in a sanitary container brought to the premises by the purchaser or furnished by the licensee and filled at the tap by the licensee at the time of sale.

Revised Section: WAC 314-02-105 - What is a beer and/or wine specialty store? Added language that a licensee with an endorsement to sell beer in sanitary containers for off-premises consumption may also sell cider in sanitary containers brought to the premises by the purchaser or furnished by the licensee or manufacturer and filled at the tap by the licensee at the time of the sale.

Revised Section: WAC 314-20-017 - Brewery and microbrewery retail liquor licenses - Selling kegs and containers. Added language that a brewery or microbrewery holding a spirits, beer, and wine restaurant may sell cider for off premises consumption only in sanitary containers brought to the premises by the purchaser or furnished by the licensee and filled at the tap by the licensee at the time of the sale.

Revised Section: WAC 314-24-160- Domestic wineries-Retail sales of wine on winery premises-Wine served without charge on premises-Spirits, beer and wine restaurant operation. Added language that a domestic winery may sell wine of its own production in kegs or sanitary containers brought to the premises by the purchaser or furnished by the licensee and filled at the tap at the time of sale.

Revised Section: WAC 314-24-161 - Domestic winery-Additional locations for retail sales only. Added language that an additional location may sell wine of its own production in kegs or sanitary containers brought to the premises by the purchaser or furnished by the licensee and filled at the tap at the time of sale. Added language that allows an additional location winery to also have a beer/wine restaurant at the additional location if they hold a beer/wine restaurant at their winery. Language includes the requirements that must be followed.

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Ms. McCall requested approval from the Board to file proposed rules.

MOTION: Member Marr moved to approve filing the (CR 102) Wine & Cider Growlers & Multiple Licenses Under the Same Ownership at a Single Location.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

ACTION ITEM 3F - Board Approval of Amendment to Squaxin Island Tribe Memorandum of Agreement (MOA)

Sharon Hendricks, Compliance & Policy Manager, began the briefing with materials (HANDOUTS 3F1-2). She provided a brief background noting that there is a current MOA in effect between the Liquor Control Board and the Squaxin Island Tribe. The MOA covers all liquor service locations on designated tribal land. Based on a provision in the current MOA the tribe has requested an amendment to include a new service location called the Steamboat Trading Post. The tribe has completed all the necessary steps to gain approval for this amendment. She noted that this will be their second amendment.

The new service location address is: 6610 Sexton Rd NW, Olympia.

Ms. Hendricks requested approval of the amendment to the MOA.

MOTION: Member Marr moved to approve the Amendment to Squaxin Island Tribe MOA.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

4. MARIJUANA LICENSING UPDATE

Becky Smith, Marijuana Licensing & Regulations Manager provided the weekly marijuana licensing highlights including:

Producer/Processor Applications

- 155 Producer/Processor licenses have been issued (Increase of 12 from last week)
 - 115 Producer/Processor
 - 34 Producer
 - 6 Processor
- 22 licenses are pending payment
- Plant Canopy
 - Licensed - 1.5 M square feet
- 234 applications have been referred to Enforcement for final inspection
 - 180 are complete
 - 3 needs follow up inspection
 - 26 are scheduled for inspection
 - 2 are waiting for applicant to finish build
 - 0 are awaiting scheduling
 - *Additional Information: 520 on a year hold due to duplicate licenses/369 on 6 month hold*

Retail Applications

- 38 Retail licenses have been issued
- 4 are pending payment
- 54 retail applications have been referred to Enforcement for final inspection
 - 43 are complete
 - 2 have been scheduled for inspection
 - 9 are awaiting scheduling

5. STAFF UPDATE - LCB Responsible Vendor Program (RVP) Receives Grant from WTSC

Alan Rathbun, Licensing & Regulations Director, provided a brief introduction to the LCB MAST program and expressed his enthusiasm and appreciation for the \$70,000 grant that the WTSC has approved to fund the LCB Alcohol Seller E-Learning Program. He noted that this project grant was awarded by the WTSC advisory committee due to the impressive package developed by Kim Sauer and her team and he congratulated her and her team for their efforts in pursuing this grant. He noted that the package was formally adopted by the advisory committee on April 17, 2014. He then invited Ms. Edica Esqueda to the podium to explain the grant process and the advisory committee's decision.

Edica Esqueda, Program Manager, WA Traffic Safety Commission (WTSC), began by recognizing Ms. Sauer and her team. She then noted that the WTSC is very excited to partner with the LCB on this initiative. She provided an overview of the program and the grant selection process. The technical advisors review the grant proposals in great detail and the final decision is made by the WTSC Commissioners. There were a total of 61 grant proposals and about 1/3 were approved including the LCB's. She noted that the program will be provided in multiple languages. The program will begin on October 1. Ms. Esqueda then invited Kim Sauer to the podium to present her program.

Kim Sauer, LCB Mandatory Alcohol Server Training (MAST)/RVP Program Manager, thanked Ms. Esqueda for this important grant. She then provided an overview of the program noting that the RVP was brought by the I-1183 to encourage retailers to sell alcohol responsibly by adopting best practices. The program has been available to 1,400 spirits retailers with about 70% participation. However, it left out more than 5,500 grocery stores selling beer and wine. Whether it is spirits, beer or wine, they all have potential to be misused which prompted us to work on the expansion of the program.

With the timely grant, they plan to create and provide web-based interactive online employee training program for all retailers. We believe an online training program including translated version for those with ESL, meets today's learning style and accommodate busy lives of the licensees and their employees. We plan to complete the online course production by the end of this year and by the end of September of 2015 educate at least 1,000 alcohol sellers and have 500 licensees join the program. The RVP aims for more than an improved compliance rate. It aims for the new culture where alcohol is sold responsibly by the educated alcohol sellers and reaching for the successful completion of the Target Zero program. With more than 7,000 educated liquor licensees and their employees with RVP we can make a positive difference in the State of Washington.

Ms. Sauer then recognized the individuals involved in this important project including:

- TSC grant committee for seeing our vision, giving our proposal a chance and granting us \$70,000. This grant provides the online training program for our licensees and a tremendous encouragement to us.
- Mary Segawa, LCB Alcohol Awareness Manager, who was with the project from the beginning and is an excellent mentor for this project. She also contributes her expertise in developing the training materials.
- LCB Communications Team including Brian Smith, Mikhail Carpenter and Brad Reinke, for their tireless editing and adding the professional touch into the training publications.
- Kim Nygaard, former Chair of the Washington's Coalition of the Coalitions, for her contribution, enthusiasm and insight she brought from the local community groups. She will bring student volunteers for the video part in the online training program and this is just one of the many she does for this project.

- Chief Justin Nordhorn and Deputy Chief Steve Johnson - without their buy-in and support, we couldn't have the Beer and Wine RVP rules completed.
- Alan Rathbun and Patrick Woods, LCB Education and Outreach Manager, for their leadership and encouragement during this process. She appreciated the working environment they create.
- Chairman of the Board, and Board members, for their support and generosity in recognizing and giving compliments for the work we do.
- Moving forward she wanted to acknowledge IT and Finance who will be very involved in managing the grant.

6. EMPLOYEE ANNOUNCEMENTS

New Employee Introduction - Alan Rathbun, Licensing & Regulations Director

Mr. Rathbun introduced Summer Petty, new licensing manager. He stated that she has been working with the Squaxin Island Tribal Gaming for 19 years beginning on the operations/casino side as a valet, a dealer, a security officer and environmental services. She transitioned to the regulatory side 16 years ago primarily in surveillance. She was also the Director of the Tribal Gaming Committee. Ms. Petty and her husband met over 20 years ago and they have 2 daughters. She enjoys spending time with her family, the outdoors, fishing, crabbing, shrimping and camping.

Ms. Petty thanked the Board for the opportunity to join the LCB team and she looks forward to working with her staff and to be part of their success.

7. NEW BUSINESS/OLD BUSINESS

No new or old business was reported. Chair Foster invited citizens to address the Board regarding any issue(s) related to LCB business.

Phil Wayt - Northwest Producers, Processors and Retailers

Mr. Wayt addressed two items of concern, 1) he would like to see information regarding the pounds delivered to retailers be made available and, 2) he noted that producers and processors work closely with investors and they are hopeful that as the market grows they will be able to add investors and would like a process for that to be expedited. He suggested the LCB designate one person to manage this function.

ADJOURN

Chair Foster adjourned the meeting at 11:05.

Minutes approved this 24TH day of SEPTEMBER, 2014



Sharon Foster
Board Chair



Ruthann Kurose
Board Member



Chris Marr
Board Member

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