



Washington State Liquor Control Board

Washington State Liquor Control Board Meeting

Wednesday, January 14, 2015, 10:00 a.m.
LCB Headquarters - Boardroom
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, January 14, 2015. Member Ruthann Kurose and Member Chris Marr were also present.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Kurose moved to approve the January 7, 2015, meeting minutes.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

3. MARIJUANA LICENSING UPDATE

Becky Smith, Marijuana Licensing & Regulations Manager, began by thanking Chair Foster for all of her support and guidance to her and her team and wished her well in her retirement. She then provided the weekly marijuana licensing update with the following highlights:

Producer/Processor Applications

- 370 Producer/Processor licenses have been issued
 - 272 Producer/Processor
 - 69 Producer
 - 29 Processor
- 24 licenses are pending payment
- 11 moved to enforcement for inspection
- 59 are waiting for applicant to build/hold

3,697,142 M square feet approved for plant canopy

Retail Applications

- 106 Retail licenses have been issued
- 7 are pending payment
- 16 moved to enforcement for inspection

89 out of 106 retailers are reporting sales

Member Marr noted that we are working on an I-502 dashboard to capture data. He identified two key areas that should be focused on including: 1) fiscal and tax collection and, 2) enforcement.

4. HALF HOUR WORK SESSION FOR ALCOHOL IMPACT AREAS (AIA's)

Karen McCall, Agency Rules Coordinator, began the AIA work session with materials (HANDOUTS (4) 1-3). She provided a brief background noting that the purpose of this this work session is to gather input from stakeholders on the rulemaking for WAC 314-12-215 Alcohol Impact Areas Definition and Guidelines. The Board opened the rulemaking on October 22, 2014.

Background

The Washington Beer & Wine Distributors Association (WBWDA) submitted a petition for rulemaking to revise WAC 314-12-215 Alcohol Impact Areas Definition and Guidelines. WBWDA asked the Board to re-evaluate the following areas in the current rule:

- Clarifying the information that must be provided by a local government seeking authority to impose an AIA
- Determining which products should be included in the scope of AIA regulation
- Evaluating the effectiveness of a specific AIA in promoting public safety over time

WBWDA believes all stakeholders could benefit if the Board considers these areas and clarifies the language of the rule. She also noted that after the work session today, staff will consider all comments received and begin drafting proposed revisions to the rule.

Chair Foster then opened the AIA work session and invited stakeholders to the podium to provide comment.

Bruce Bosman - Lieutenant for the Everett Police Department

Mr. Bosman stated that he is new to the area of AIA's but noted that currently the local jurisdictions are required to determine their own *ban* lists and he suggested that any list approved by the Board be incorporated into all other AIA's in other jurisdictions.

Don Stadola - Community Liaison for the Tacoma Police Department

Mr. Stadola stated that they are in the final stages of their 3rd AIA process and noted that their city created the first AIA in the state back in 2002. He indicated that their city is at the final stages of the process for their 3rd community list and have petitioned the LCB for their newest AIA. He expressed concern that if

there are rule changes that they will have to go back to the beginning of the process and they will lose all of the good work they have done. He asked that pending AIA areas that are far along in the process not be required to start from the beginning.

Member Kurose noted that the Hilltop area was very engaged in their AIA process and she asked if the third community is as engaged in the current process of identifying products.

Mr. Stadola responded that this request is for the west end and there are 18 groups representing a broad spectrum and have joined in on the request for their area.

Chair Foster noted that the local jurisdictions are required to provide the Board with an annual report and noted that the Board has not received one from any jurisdiction since 2012 and asked if one could be expected.

Mr. Stadola said he would follow through on that but he wasn't sure how quickly they will be able to prepare a report. He added that the LCB is also required to provide a summary every five years capturing the information from the annual reports.

Chair Foster appreciated that and suggested that the LCB consider sending out reminders to the AIA jurisdictions to further ensure that the reports are timely and consistent.

Brian Wilson - City of Olympia Code Enforcement Division

Mr. Wilson stated that the City of Olympia established their first AIA February 15, 2014, noting that their AIA tool has been very beneficial. He provided a brief update on their process noting that defining the AIA boundaries and the list was a challenging three year process which included monthly task force meetings with local business owners, city staff, and concerned citizens. They also went through two voluntary ban periods and a ten week litter survey. The lengthy and complicated process resulted in a nine product ban (about a quarter of what other cities have listed) and they want to expand that list. He also noted that he supports Mr. Stadola's comments regarding the introduction of new products into an existing AIA.

Darren Nienaber - Deputy City Attorney, City of Olympia

Mr. Nienaber suggested that there may be a more effective process approach to this issue. He said they are open to sitting down with the industry and the stakeholders and that it should be facilitated by LCB to determine agreements and disagreements. He also suggested that the process be slowed down to allow them time to collaborate.

Chair Foster said that sounds like a great idea but it should be led by stakeholders, not LCB.

Member Marr noted that the agency went through a long, challenging process in an attempt to gain consensus on an AIA process. He prefers that stakeholders collaborate and come forward with a clear consensus.

Member Kurose noted that AIA's are community-based and that the stakeholders look to their experiences and collaborate with other jurisdictions.

LCB Director Rick Garza came forward to add that collaboration with the cities is preferred and he asked that they work together and bring their proposals forward to the LCB. He said he would be open to having LCB staff participate in the capacity of their expertise of the the rules.

Member Marr noted that there needs to be justification to changes to the regulatory process. He also noted that he had received feedback that the City of Olympia had been unhappy about the process and wanted to clarify that the City's original proposal was inadequate and he was concerned that it may have put their AIA process at risk. He did state that LCB staff needs to be engaged and that we need to engage all stakeholders in the discussion and ensure that everyone provides concrete proposals and timely reporting.

Scott Hazelgrove - Executive Director of the Beer and Wine Distributors Association (WBWDA)

Mr. Hazelgrove stated that it is not clear how effective AIA's are in the outcomes of alcohol abuse issues and public inebriation. They recognize that there are concerns from local jurisdictions but distributors want to be engaged in the product restriction process to determine if product eliminations are appropriate and that the AIA's are in fact effective. In addition, documentation and statistics are important pieces of evidence in validating AIA's and to determine expectations of local governments. In closing, he stressed the importance of the required reports and to tie together a list of standards and baselines. He wants to ensure transparency in the process. He also endorsed a stakeholder process and suggested that this is a discussion that should be under the Board and LCB's staff direction and oversight. He said he would be submitting specific language.

Member Marr stated that the Association of Washington Cities (AWC) would be good to lead and should be engaged in the discussion. He also noted that Tacoma, Spokane, and Olympia would be good jurisdictions to engage.

Chair Foster suggested that Patrick Woods, LCB Education and Outreach Manager, follow up with stakeholders and the Association of Cities to help guide a discussion.

Mr. Woods came forward and said he would be delighted to work with the local jurisdictions.

Katie Jacoy - Western Council for California Wine Institute

Ms. Jacoy expressed concerned that the City of Olympia did not identify any wine products. She was also concerned about the idea of a statewide ban list containing products that are not linked to product inebriation.

Chair Foster closed the public hearing and thanked everyone for their input.

5. HALF HOUR WORK SESSION FOR SPORTS ENTERTAINMENT FACILITIES (SEF's)

Karen McCall, Agency Rules Coordinator, began the SEF work session with materials (HANDOUTS (5) 1-2). She provided a brief background noting that the purpose of this this work session is to gather input from stakeholders on the rulemaking for the rules on Sports Entertainment Facility Licenses, specifically WAC 314-02-056, WAC 314-02-057, WAC 314-02-058, and WAC 314-02-059. The Board opened the rulemaking on December 17, 2014.

Background

The SEF license was created by the legislature in 1996 (RCW 66.24.570). The rules for this license have not been revised since 1999. Over time, the application of the SEF license has spread from large sports venues to a variety of others, such as entertainment venues (including amphitheatres), smaller, seasonal sporting venues, fairgrounds, racetracks, performing art centers, and tribal event centers.

The Board held two work sessions on Sports Entertainment Facility (SEF) licenses in October, 2014. The workshops were intended to address the concerns of SEF licensees and the unique challenges that they face. Based on the comments received in the workshops the Board opened rulemaking on December 17, 2014. After the work session staff will consider all comments received from stakeholders and begin drafting proposed revisions to the rules.

Dan Sharp - Puyallup Washington State Fair

Mr. Sharp wanted to ensure that their facility is treated independently as they have grown their retail operation from less than \$50,000 to over a million dollars after establishing retail alcohol sales. He asked the Board to be flexible in their approach to differing facilities. He said he will send additional comments.

Dave Malone - Representing CenturyLink

Mr. Malone stated that they had submitted written comments that were a representation of several meetings and work sessions. Through those efforts the following concepts emerged that they would like to see advanced:

1. They would like to see a tiered licensing structure
2. They would like to offer open seating
3. They recommend standardizing operating plans
4. They would like to see the Responsible Vendor Program (RVP) offered to SEF licensees as well

Mr. Malone noted that he did provide detailed comments to Ms. Karen McCall, Agency Rules Coordinator. He closed by thanking Chair Foster for her service to the state and her compassion illustrated through this program

Chair Foster asked if they would like to be part of a workgroup and he said he would.

Ms. McCall noted that there have already been two work sessions and at this time she would prefer to draw up rules from the comments she has received and then provide them to the stakeholders for review and additional comments.

Member Marr agrees that we need to find a way to differentiate the accountability and enforcement role as it relates to the varying sized venues. Pertaining to the extension of the RVP he noted that we will be looking to Best Practices which represents a good starting point. Member Marr also supports the idea of standardized operating plan approach as this will help with staff resources.

Steve Dominguez - Safeco Field

Mr. Dominguez provided informed that Board that he had followed up on the Board's request from the last SEF work session to determine if their serving style is unique to Major League Baseball (MLB) facilities. The primary question that was asked of 30 other stadiums was if they allowed guests to return to their seats with hard liquor drinks. Only 3 out of 30 teams had a policy barring this practice and he provided the MLB hard liquor policy survey response identifying the areas (CITIZEN HANDOUT 1).

Rich Welfringer - Center Plate Manager with Tacoma Dome

Mr. Welfringer followed up on the last SEF work session regarding operating plans. He noted that the Tacoma dome does not have a sports team at this time but they are the largest arena in the state and have many large events such as concerts and monster truck events. But he also wanted to state that they also offer smaller events such as RV shows and they want to see the different size events

considered by the Board during this process. He said a there is a customer service need for walk around events.

Bart Waldman - Seattle Mariners

Mr. Waldman wanted to follow up on comments from the last SEF work session noting that they support Dave Malone's suggestions and they want to streamline the process and they are willing to be part of the discussion. He also asked that the Board consider opening up hard liquor services on the concords noting that much has changed over the years. He also asked that the Board look at allowing a larger tiered venues to open their service area doors when there are major events in their areas but they may not have a ticketed event taking place.

Chair Foster asked how the street vendors feel about the possibility of the competition.

Mr. Waldman said they open a very limited food service and are not seeking to compete with the surrounding vendors. He thinks this would be a positive contribution to the neighborhood.

Chair Foster closed the public hearing and thanked everyone for their input.

6. NEW BUSINESS/OLD BUSINESS

Member Kurose acknowledged Chair Foster's tremendous contributions to the LCB during a significant time for this agency. She celebrated her dedicated work and accomplishments including the transition of I-1183, the implementation of I-502, and balancing the business aspect of the agency with the prevention community.

Member Marr echoed Member Kurose's comments and praised Chair Foster's work ethic and how she led the agency through tremendous change carrying much of the weight on her shoulders. Even when the Board has disagreed there have been resulting positive discussions. He wished her well in her retirement.

Chair Foster thanked her fellow Board members and then invited citizens to address the Board regarding any issue(s) related to LCB business.

Dante Jones - Green Ambrosia

Mr. Jones provided a briefing paper (CITIZEN HANDOUT 2). He focused on the following topics:

1. Canopy - Growing Into 8.5 Million Canopy Space
 - a. He congratulated the LCB for assigning an agent to process every application
 - b. Notices sent to applicants not making progress
 - c. They asked that we start looking at licenses producer/processors and push #2 & #3
 - d. He thanked LCB for processing on the business change requests
2. He expressed appreciation to Chair Foster for her leadership during the implementation of I-502 and praised her for three primary areas:
 - a. Communication - key leadership quality
 - b. Collaboration with the industry
 - c. Tireless public safety advocate

Jedidiah Haney - President of Cause-M Trade Association

Mr. Haney works with a coalition of cannabis business groups, specialists, and advisors who are seeking an endorsement from the Washington Cannabis Commission. They want to discuss what they are doing behind the scenes to assist the LCB with their process and the complicated implementation of I-502. Their members have invested a great deal of funding into the process.

Mr. Haney also asked for the status of moratoriums and bans across the state and noted that lawsuits are an unfortunate side effect of this process. He also presented the Board with a Washington Cannabis Commission brochure (CITIZEN HANDOUT 3).

Phil Wayt - Lobbyist for Northwest Producers & Processors Association

Mr. Wayt congratulated Chair Foster on her retirement and stated that he has worked with the LCB for over 30 years has never seen anyone undertake two major shifts (I-1183 and I-502) and acknowledged her leadership as exemplary. Mr. Wayt then spoke on behalf of his association noting that Chair Foster's accessibility has been fantastic and they have appreciated her interest in coming to visit their facilities.

Rick Garza - LCB Director

Director Garza also congratulated Chair Foster and on behalf of employees, it has been a pleasure to work with her and wished her well in her retirement.

Chair Foster said we have an incredible staff and the Board knows where all the hard work is done.

Cindy Zehnder - Total Wine & More

Ms. Zehnder congratulated Chair Foster on her retirement and thanked her for her steady hand in guiding the agency, her incredible work ethic, the way she listened cared, and that she led from her heart.

Ezra Eikemyer- Citizen

Mr. Eikemyer thanked Chair Foster for her great work, her accessibility, and for being a great role model for open government. He hopes she will walk away proud and will be able to enjoy brownies at home in retirement as she watches this all unfold and make history.

James McCray - Research Associate & Tier 1 Producer

Mr. McCray first thanked Chair Foster for embracing change. He then had 3 primary comments:

1. He expressed concern about moratoriums which have caused problems for those who are far along in the process.
2. He expressed concern about BioTrack security flaws in the seed to sale publishing. He asked that the Board address BioTrack. Currently any and all transactions sent through the seed to sale system are at risk. He wondered if there was anything in the rfp to protect users from breaches. BioTrack's frequent changes are putting competitors at a disadvantage and putting the system users at risk.
3. The average tier 1 tier 2 producer's revenue is not enough to sustain a viable business will fail in the next 6 months. He provided a graphic with an average monthly sales per licensee (CITIZEN HANDOUT 4).

Jean Leonard - Washington Wine Institute

Ms. Leonard said Chair Foster was the best - cheers.

Charlie Brown - Diageo

Mr. Brown noted that Chair Foster has always been so supportive of Diageo and they have appreciated that. He thanked her for her support and her steadfast work as well as the other two Board members.

John Guadnola - Citizen

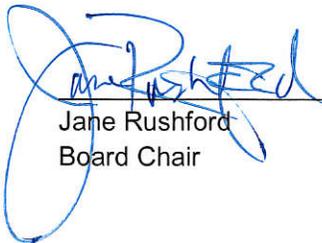
Mr. Guadnola said it has been an amazing experience working with Chair Foster and he noted her shoes are going to be difficult to fill.

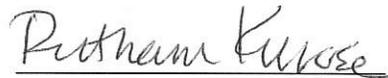
Chair Foster said everyone will be in very good hands with her successor. She said the Governor made an excellent choice and Jane Rushford will fill her shoes twice over. She thanked everyone for their kind comments.

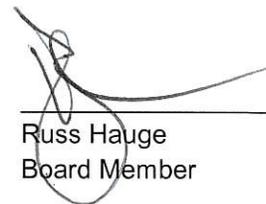
ADJOURN

Chair Foster adjourned the meeting at 12:10.

Minutes approved this 1st day of February, 2015
re


Jane Rushford
Board Chair


Ruthann Kurose
Board Member


Russ Hauge
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 are available online: http://lcb.wa.gov/boardmeetings/board_meetings
For questions about agendas or meeting materials you may email maureen.malahovsky@lcb.wa.gov or call 360.664.1717