



**Washington State Liquor and Cannabis Board
Alcohol Advisory Council (AAC) Meeting**

Wednesday, May 23, 2018, 1:30 pm to 3:30 pm

Room 201, LCB Headquarters - 3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

AAC Members Present

Jane Rushford, WSLCB Board Chair
Ollie Garrett, WSLCB Board Member
Russ Hauge, WSLCB Board Member
Rick Garza, WSLCB Director
Association of WA Spirits & Wine Distributors: John Guadnola
Beer Institute: Gilbert Canizales (*Absent*)
California Wine Institute: Katie Jacoy- Roland Thompson
Convenience Independent Contractors: Ted Yi (*Absent*)
Distilled Spirits Council of US (DISCUS): Adam Smith (*Absent*)
Family Wineries of Washington State: Paul Beveridge
First & Goal: Ed Goines (GoToMeeting)
Korean American Grocers Association of WA (KAGRO): Daniel Kim (*Absent*)
Northwest Grocers Association: Holly Chisa
Tribe (Nooksack): Bob Kelly (*Absent*)
Tribe (Puyallup): David Bean (*Absent*)
WA Association of Neighborhood Stores: TK Bentler (*Absent*)
WA Beer & Wine Wholesalers Association: Scott Hazlegrove
WA Brewers Guild: Annie McGrath
WA Distillers Guild: Mhairi Voelsgen
WA Food Industry Association: Jan Gee (*Absent*)
WA Hospitality Association: Julia Gorton
WA Liquor Store Assoc: Brad Tower (*Absent*)
WA Wine Institute: Josh McDonald

Chair Rushford called the AAC meeting of the Washington State Liquor and Cannabis Board to order at 1:30 pm on Wednesday, May 23, 2018. Jane introduced the new council member Mhairi Voelsgen, representing Washington Distillers Guild. She asked the other council members to introduce themselves.

System Modernization Update – Peter Antolin, Deputy Director

Peter Antolin gave a brief outline on the status of the Systems Modernization Project (SMP):

- SMP remains a strategic project for LCB and we remain committed to its success. We cannot be effective at what we do if we can't manage our business efficiently and use our data for rapid, insightful decision-making. Everyone here wants to do his and her job with excellence.
- We took a few months to look at what worked and what didn't. We conducted a lessons learned process to inform where changes needed to be made.
- **Key lessons learned:**
 - Project governance lacked alignment and accountability = Governance model changed to streamline decisions and accountabilities
 - Business design and enabling technology needs must be fully articulated before a new LECMS RFP. We are taking the time to do it right.

- Universe of potential vendors is unknown = Market research includes calls on states, LCB RFI, DOL RFI, and on-going procurement work group research
- LCB resources were not well utilized = LCB will drive project approach and schedule rather than the vendor
- We expect to be back on a firm project schedule this month. I already see progress being made and I am confident we are catching our stride.
- I know it has been a long road already and a lot of work has been done to get us where we are today.
- We are going to leverage as much of the good already done as we can. We're documenting our programmatic business and IT needs.
- We are undertaking an effort to learn from the **Department of Licensing**, which has its own similar acquisition underway. If we can leverage their work we will, but our first responsibility is to our business needs, and making sure that whatever gets implemented supports our business needs.
- We continue to think out of the box and keep asking how we can do things better. The benefit will be a better result tomorrow.

Key Milestones:

- June = assess collaboration opportunity with DOL
- July = finalize business process design
- Aug = finalize LECMS requirements
- Aug = review RFI responses from LECMS vendors not previously researched by LCB or DOL
- Aug = submit budget package
- Oct = complete ECM (Laserfiche) rollout (Records, HR, Finance, IT)
- Nov = assess DOL vendor proposals
- Jan (2019) = issue LCB RFP for LECMS systems and services

Legislative Update – Chris Thompson, Legislative Director

Chris gave a brief overview of the 2018 Legislative session.

Only two bills related to alcohol made it all the way through the legislative process:

- HB2517 – Alcohol Manufacturer Ancillary Activities – Penalties
Adds a new section to RCW 66.24.
Requires the agency to adopt rules outlining penalties for licensed alcohol manufacturers who commit violations as part of the licensee's ancillary activities. For example; a suspension of a brewery's tap room for over service would impact the tap room, not the brewery's ability to brew, bottle and distribute beer.
- HB 2699 – Alcohol Manufacturers Food Storage Warehouse License
Amends RCW 69.10.020.
Removes the requirement for certain food storage warehouse operators to obtain a permit from the Department of Agriculture.
In order to qualify for this exemption from the license requirement, the food storage warehouse must meet each of the following conditions:
 - The warehouse is used to store alcoholic beverages;
 - The warehouse is not used to store any food other than alcoholic beverages; and
 - The alcohol stored at the warehouse is manufactured or distributed under a license issued by the WSLCB under Chapter 66.24 RCW

Rick shared there have been concerns over the last several years by legislators from both houses and the governor's office that they are seeing too many alcohol bills. He noted we're also seeing the same thing around cannabis. Much of the discussion has been around all the access points due to the additional privileges allowed within the first two tiers. Specifically the producer tier; they have the ability to distribute, retail and taste from other locations.

He added over that past few years we've been looking at two things; what it's going to cost the agency to implement the privilege, what's the cost for licensing, what's the cost for enforcement to implement and get compliance around that practice. We haven't had an in-depth discussion around what the impacts would be to the community, public health, prevention and youth access.

Chris shared some background on the appropriate access project that the agency is undertaking. The goal of the effort is to construct a policy framework with criteria and principals that is transparent for to all to see. We want to be more comprehensive and will be reaching out to a whole variety of external entities and state agencies. We will also connect to the research community and learn more about what they have to teach us along with other levels of government, such as, city, county, and tribal representatives. We will also put together a list of stakeholder and interested parties for input and assistance.

He added that the purpose and focus are to develop a tool that is more powerful, more comprehensive, and more flexible to produce greater insight for our own internal deliberations and work with stakeholders on potential rules or potential legislation. We envision this potential framework to be internal. We want to use it for our own purposes at the agency.

Rules Update - Karen McCall, Sr. Agency Rules Coordinator

Karen McCall gave an update on current rules that have been updated and gone into effect and where we're at in the process.

Private Label Spirits

- CR 103 filed April 4, 2018
- Effective Date – May 5, 2018

Acceptable Forms of ID

- CR 103 filed April 4, 2018
- Effective Date – May 5, 2018

Self-Dispensing Beer and Wine

- Public Hearing – April 18, 2018
- Board Adoption (CR 103) – May 2, 2018
- Effective Date – June 2, 2018

Mini Spirits Bottle Storage

- Public Hearing – May 16, 2018
- Board Adoption (CR 103) – May 30, 2018
- Effective Date – June 30, 2018

Spirits Restaurant Meal Requirements

- CR-102 – April 18, 2018
- Public Hearing – May 30, 2018

- Board Adoption (CR 103) – June 13, 2018
- Effective Date – July 14, 2018

Curbside Service

- CR 102 – May 2, 2018
- Public Hearing – June 13, 2018
- Board Adoption (CR 103) – June 27, 2018
- Effective Date – July 28, 2018

Breweries and Wineries – Alternating Proprietorships and Internet Sales (tentative schedule)

- CR 101 filed February 21, 2018
- CR 102 – No date yet

Spirits Distributor Licensing Fees (tentative schedule)

- CR 101 filed March 21, 2018
- CR 102 – No date yet

2018 Liquor Legislation (tentative schedule)

- CR 101 filed April 4, 2018
- CR 102 – No date yet

Council members shared concerns over the disparity in the Mini Spirit Bottle Storage language. The proposed language exempts former State and Contract liquor stores or other spirit retail stores with more than fifty percent of their sales in alcohol the requirement to secure mini spirit bottles. Members feel the regulation should be fair and equal for all types of retailers.

Special Events & Activities Presentation – Jennifer Dzubay-Commander Enforcement and Rich Manoli-Lieutenant Enforcement

Jennifer and Rich gave a PowerPoint presentation titled Special Events and Activities. The presentation covered:

- Tied House
- Money's Worth
- Activities
- Special Occasion
- Advertising

PowerPoint presentation was shared with meeting participants and is attached.

AAC Members Round Table

Chair Rushford opened the round table discussion.

Julia Gorton, WA Hospitality Assoc:

Shared the association made a strategic decision not to engage heavily on alcohol liquor reform issues over the past few years. Since then, members have pointed a number of issues where they think the regulatory scheme

has not kept up with market place trend and what customers expect. She highlighted a list of issues which they will be working with stakeholders and the Board to address.

Paul Beverage, Family Wineries of WA:

Tax reform is highest priority. It's hitting the bottom line of small wineries that are already struggling to stay in business.

Roland Thompson, CA Wine Institute:

Concerns around shipping regulations and the requirement to have a signature from common carriers.

Annie McGrath, WA Brewers Guild:

Shared that the guild continues to be focused on education and hoping they can assist the LCB with getting clear information out to their members. She noted there is still a lot of confusion within their members. They would appreciate any educational information with clear concise points that they can share with their members so everyone is on the same page. She added they appreciate that LCB staff is always willing to come out to meetings and help educate. Annie offered her assistance to share what's going on in the beer industry and their challenges.

Holli Chisa, NW Grocery Assoc:

Thanked the Board for their work on the private label rules and click internet sales pickup services at grocery stores. Looking forward to working with stakeholders on an omnibus bill.

Scott Hazlegrove, WA Beer & Wine Wholesalers Assoc:

Provide education about what the rules are along with enforcement rules, especially around trade practice. We think they play an important role in the market for both public safety and ensuring market access for smaller players.

John Guadnola, Assoc of WA Spirit & Wine Distributors:

Provide more educational information to members. We believe strongly in the regulations and do not have any objection to changes that will make the system work better.

Mhairi Voelsgen, WA Distillers Guild:

Focus of the guild is on legislation and trying to help some of the smaller businesses survive. We are focused on revenue generating activities trying to help them have a place in the market. Also agreed with the need for more education and enforcement especially around trade practices in the retail environment.

Josh McDonald, WA Wine Institute:

Looking into the WAC revisions. There are some significant definitions that need to be revised, specifically around custom crush facilities, alternate proprietorship and bulk wine storage transfer. We're working on language around quality tasting and educational tasting. Josh noted they are looking into the way they utilize advertising and marketing mediums.

Directors Comments – Rick Garza, Director

Rick reinforced how important the education piece is. He reminded the members that we have created the electronic educational newsletter. He hoped they found it informative and they were sharing the information with their members. He added we invite you to give ideas on your areas of interest for newsletter. Please submit ideas to Brian Smith, Communications Director.

Rick announced that Pat Kohler is coming back on July 16th as the new Deputy Director. She will be leading projects and the day to day activity.

Russ shared he had his confirmation hearing but was not confirmed yet. During that time a Senator approached him and expressed concern that he is hearing we're spending too much time with cannabis and to not forget about the alcohol industry. Russ reassured the council that it may seem like it, but we are creating a new (cannabis) industry from nothing. He assured the council members that all three Board members are absolutely invested in the alcohol industry. Russ suggested if stakeholders think they need legislation on something to consider talking to the Board first. We might be able to find a way around the issue in rules, which is a much more efficient process. He added we can do it faster and easily make corrections if needed.

Closing Comments


In closing, Chair Rushford thanked everyone for being here today and appreciation for their engagement. She added as we work with the legislature or when things come up in your business communities, please let us know if we can assist.

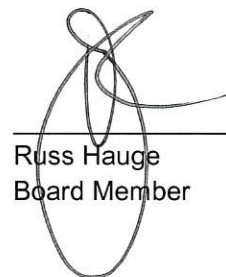
- Next meeting TBD

Chair Rushford adjourned the meeting at 3:30 pm.

Minutes approved this 7 day of AUGUST, 2018.


Jane Rushford
Board Chair


Ollie Garrett
Board Member


Russ Hauge
Board Member

Minutes Prepared by: Cindy Doughty, Administrative Assistant to the Board