



Washington State Liquor and Cannabis Board

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

Wednesday, November 29, 2017, 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
Rick Garza, WSLCB Director
Beer Institute: Gilbert Canizales
California Wine Institute: Katie Jacoy
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 (**Absent**)
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
WA Association of Spirits & Wine Distributors: John Gaudnola
WA Beer & Wine Wholesalers Association: Scott Hazlegrove
WA Brewers Guild: Annie McGrath
WA Distillers Guild: Jason Parker (**Absent**)
WA Food Industry Association: Holli Johnson
WA Hospitality Association: Julia Gorton (**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, November 29, 2017.

Rules Update, Karen McCall, Sr. Agency Rules Coordinator

Karen McCall, Sr. Agency Rules Coordinator, welcomed everyone and gave a review of the agenda items that were presented at the November 29, 2018 Board meeting:

- Public Hearing on Private Label Spirits
- Public Hearing on 2017 Liquor Legislation Implementation
- Public Hearing on Non-Retail Rules Review

Private Label Spirits

Karen stated that since the Board meeting this morning she talked with the AAG's about the private label spirits rule requiring the contract between the producer and the retailer to be submitted to the Board. It was decided since the contracts are not proprietary and would be open to public records we will change the language to read "contracts must be available for inspection by the Board". This would enable Enforcement Officers to request a

copy of a contract to review to make sure there is no exclusivity or anything that would involve tied house. This change should address stakeholder concerns about contracts being available for public disclosure.

2017 Liquor Legislation Implementation

Karen noted she will be filing a supplemental CR 102 after the next board meeting to add language in the rules for the new combination spirits, beer, and wine license. She also mentioned she did not separate the sampling requirements for a grocery store or specialty shop so this will also be done in the supplemental.

Non-Retail Rules Review

Karen stated in the Board meeting she will be taking out two new sections for wineries:

- Domestic winery alternating proprietorships
- Consumer orders, internet sales, and delivery for domestic winery license

Annie McGrath requested that the same section be removed for breweries. Karen noted once the Board adopts the rules, we will open them back up in January and will meet with stakeholders to discuss the language for the alternating proprietorships. We will also discuss the language on the consumer order, internet sales at the same time. She added there is one additional open rule which is on self-dispensing machines. A petition for rulemaking was received from a tavern that has off premises sales. Karen will propose rules to the Board in December.

Several council members had additional questions/concerns on the contracts for private label spirits. Comments were made around the fact that contracts will not be made available to review by a third party to see if there is compliance or to raise a complaint. A complaint is the primary mechanism to getting enforcement to investigate. There was concern that industry members would not be able to make a complaint or share concerns if they don't have access to the contracts to review.

Rick added this is why we suggested a change in the law which didn't happen so we are responding to the fact that we didn't have a bill that would allow spirit manufacturers to do what wineries and breweries are able to do. We will attempt to address the issue. He added he can appreciate and understand the comments from all sides.

SMP Update, Peter Antolin, Deputy Director

Peter Antolin, Deputy Director gave an update on the Systems Modernization Project (SMP). Peter gave a brief history and timeline of the SMP project.

LCB entered into a contract with Paladin Data System and began work in October 2016.

By spring of 2017 we noticed some slippage in the schedule, requested more detailed schedule from the vendor so we could monitor the project.

Met with Paladin in early October because some requirements were not being met. At that time it became clear that their system was not going to meet our requirements. There were many technical challenges and issues with limited flexibility. On October 27th the LCB and Paladin CEO decided to mutually terminate the contact.

Peter noted we had learned a lot through our experience with Paladin. We were able to identify many areas in the RFP in the contract that can be strengthened. We gained a better understanding of our business requirements. Working with Paladin helped to clarify what's really important to us in terms of processes, what's available to licensees who will have access to the system and how we make the system better for that. We also gained a better understanding in the features we need in the system.

Further, Peter shared that we have a lessons-learned process with SMP Operations, steering committee members and others involved in the process. These findings will be invaluable going forward. He added we anticipate having a new RFP sometime next spring.

A question was asked about resources available for the project going forward noting that the licensing surcharge is supposed to expire soon. Is the board going to extend it? Peter commented, it depends upon what the cost will be for the new system. The Board's approach this time will be to tell the vendor what our requirements are and have them tell us what it will take to meet those requirements. We want to do our due diligence in terms of finding a vendor/vendors and determine the cost of meeting all requirements.

Legislative Update, Chris Thompson, Legislative Liaison

Jane introduced Chris Thompson, the LCBs Legislative Liaison.

Chris stated there will be a modest agenda for the 2018 session. He added we are currently developing agency request legislation that relates to cannabis and we do not expect any budget requests at this time.

He mentioned SB5132, a holdover from the 2017 session which relates to the authority of enforcement officers regarding patron conduct in the vicinity of licensees. That bill is still in play.

Chris shared his background in policy work and with the legislative process. He added he has worked for several agencies and knows a lot about the process. Chris acknowledged he is new to the field of alcohol and cannabis and he looks forward to learning about the alcohol industry and working with the industry stakeholders.

General Updated and Legislative Priorities, AAC Members

Chair Rushford opened the round table discussion. She asked the members to share what their priorities are and what they have going into the 2018 session.

- Annie McGrath, WA Brewers Guild:
Mentioned the issues with breweries that operate tap rooms. Licensing structure ties everything to the brewery license. Anything that would happen on the brewery premises inside the taproom impacts the wholesaling and production abilities as well as to the onsite retailing.
They plan to run a bill that would separate on-premises retail violations so any violation would only apply to the retail space and not negatively impact the production/wholesale side. She added that licensees don't want breweries to view their taprooms as a liability. There would still be one license but would be looking at the type of violation and where it occurred. Activities will only apply to violation in that space.
- Paul Beveridge, Family Wineries of WA:
Hoped to talk about licensing reform and a license reform bill.
Separation requirement: does not allow another operation on the same licensed premises. First time it will be put in a regulation. Does not allow for economic growth amongst and shared facilities. Concerned no one is aware of what is in these regulations.

Paul also stated they still have a desperate need for a small winery tax relief. This is the only industry in the state that doesn't get a small business tax relief.

They are still working on wine growers.

We want to look at small wine retailers and restaurants getting 30 days credit. The alcohol industry is the only industry that does not allow us to give credit to our customers.

He shared that King County is looking at regulating wineries/tasting rooms around Woodinville. Existing wineries would be grandfathered in. New wineries in King County will have a hard time getting permitted because they will not be able to meet the new requirements.

- There was no additional proposed legislation shared by council members.

Director Comments, Rick Garza Director

Rick addressed the 30 day credit for retailer issues. He said this concept had been looked at before and the industry was opposed to it. He added that it does require a change in the law.

He also shared a concerted effort was made to communicate with licensees throughout the agency:

- Launched an electronic newsletter addressing questions that are commonly asked of the agency. Electronic news letters were sent out in the spring and summer.
- Over-service education video created by Enforcement
- Enforcement and Licensing took a practical approach to answering the questions they tend to get most

Webinars:

- Selected issues that are of interest to industry/licensees, such as special occasion licenses. There is an upcoming webinar on the responsible vendor program (RVP) and preventing underage sales
- Continue to build on new topics as you tell us what your membership doesn't have as far as education and communication.

Let us know of anything you think we can do to reach out to your associations to provide education and communication. Contact Communications Director Brian Smith about ideas for webinars we can provide and industry specific questions.

Scott Hazlegrove suggested looking into providing short videos which would be a great training tool. Holli Chisa offered to help with retailer specific questions.

Final Comments

Jane will solicit your ideas on topics/presentations of interest to enrich these discussions.

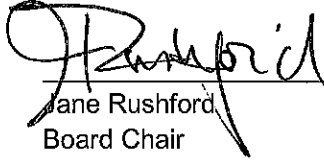
Next meeting date will be scheduled sometime in early spring after the 2018 legislative session is over.

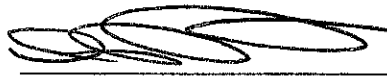
Next meeting Date

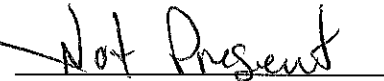
April 25, 2018

Chair Rushford adjourned the meeting at 2:30pm.

Minutes approved this 6 day of FEBRUARY, 2018.


Jane Rushford
Board Chair


Ollie Garrett
Board Member


Russ Hauge
Board Member

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