



Washington State Liquor Cannabis Board Meeting

Wednesday, June 13, 2018, 10:00 a.m.
LCB Headquarters - Boardroom
3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

1. CALL TO ORDER

Chair Jane Rushford called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 a.m. on Wednesday, June 13, 2018. Member Ollie Garrett and Member Russ Hauge were also present.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Hauge moved to approve the May 2, 2018, meeting minutes.

SECOND: Member Garrett seconded.

ACTION: Motion passed unanimously.

MOTION: Member Garrett moved to approve the May 16, 2018, meeting minutes.

SECOND: Chair Rushford seconded.

ACTION: Motion passed unanimously.

3. EMPLOYEE ANNOUNCEMENTS

Swearing In of New Officers – Justin Nordhorn, Chief of Enforcement

Chief Nordhorn introduced incoming officers Rachel Black, George Mars, Ashley Golding, Tyler Thomas, and provided a brief background on each of them. He administered the oath of office and provided them with their badges.

State Service Recognitions - Justin Nordhorn, Chief of Enforcement

Chief Nordhorn recognized Lieutenant J. Mark Keller for 30 years of service.

Employee Retirements - Justin Nordhorn, Chief of Enforcement

Chief Nordhorn congratulated Sgt. Jackie Eliason for 32 years of state service.

4. ACTION ITEMS (A)

ACTION ITEM 4A - Board Adoption of CR 103 for Complete Meals for Spirits, Beer, and Wine Restaurants

Karen McCall, Senior Policy and Rules Coordinator, began the briefing with materials (HANDOUTS 4A 1-3).

Ms. McCall: This rulemaking came about because we realized the requirements we had for the food service did not include any variation as far as cultural diversity. We revised the rules to clarify that and to add examples of other dishes that could be considered an entrée. We also took away the requirement that an entrée had to be served with a side dish. Side dishes need to be available but are not required to be part of the entrée.

We only had one comment on this from the Hospitality Association and we have addressed that issue.

Ms. McCall then requested adoption of the proposed rules.

MOTION: Member Hauge moved to approve the adoption of CR 103 for Complete Meals for Spirits, Beer, and Wine Restaurants

SECOND: Member Garrett seconded.

ACTION: Motion passed unanimously.

5. PUBLIC HEARINGS (A)

PUBLIC HEARING 5A – Curbside Service

Karen McCall, Senior Policy and Rules Coordinator, began the briefing with materials (HANDOUTS 5A 1-3).

Ms. McCall: This rulemaking actually came about as a petition from Deborah Heron, WalMart's Director of Public Affairs. When we filed the CR 101 for this particular rulemaking, we also adopted an interim policy for the fact that some places were already doing this.

We have gotten a lot of comments on this, especially in the last few days. I'm glad we are having the public hearing. I would normally come back to the next Board meeting and ask for adoption but I really do believe based on the comments that have come in on this rulemaking that we need to take further consideration and look at this further before we make a final decision. I'm sure we will get more comments here at the public hearing today.

Chair Rushford opened the public hearing and invited the first citizen to the podium to provide testimony.

Carolyn Logue – Washington Food Industry Association

Overall we are in support of the change to allow curbside service at the stores, it is something our independent grocers have asked for as well. We do have some concerns about the language and the way things are drafted. We are reading the language and haven't seen any changes but we have the word on

page 2 of the existing law where they have made the change by lining out curbside service, they have the term drive in. Then in the new section they have the term drive through. Neither of these is defined as to what that exactly means. From our perspective, the key to compliance and enforcement is clear language. We'd like to see if we could move more toward what is being allowed. We're seeing that in-vehicle pick up as a result of an online order. As long as a MAST trained employee goes out to the vehicle and checks ID of the person making the purchase then that is allowed. It's getting into clarification. We're looking at store employees must verify ID at pick up. Do they actually need to go out to the car? Those are the kinds of things that we think are more clear towards what actually makes it an activity that is allowed at the store that doesn't depend on whether it is called drive through, curbside, or whatever. It is very clear what has to happen. There is an online or phone order that results in an in-vehicle pick up at the store. We get away from what specific retailers are doing and get to more general what you need to be in compliance and how do we keep the public safe.

Deborah Heron – WalMart Public Affairs

We are here today to ask you to support changing the rule as written. I believe there are some good comments that have been mentioned, if there is a way that we can move forward and take these into account so we have a level playing field for all grocers that are operating curbside delivery services that would be great. We could adopt the rule as written now and work making additional amendments to take into account comments from our colleagues or from other comments we may hear this morning.

Currently we operate curbside delivery in a number of locations around the estate. The opportunity to have beer and wine and spirits included in grocery orders really comes from our customers. We hear it all the time. Anecdotally I can share that it is one thing they hear that service is great but they would like to have beer or wine included in their grocery order.

What happens at WalMart, our customer uses our WalMart grocery app or our WalMart grocery website, they place their order and they choose what time they will pick up their order. They arrive at the store and park in a designated space. They phone their grocery pick up team. The team brings the order to the car and that's where the final ID check goes and where the final payment is actually authorized and signed for. The customer has to have a payment device to make the order but the final payment does not occur until the transaction at curbside. Once the payment has been verified, then the associate loads the groceries into the customer's car and the customer can then leave and go onto the next thing they are doing in their day.

The other thing I wanted to point out is that all of our associates have a very strong training system and modulars that we go through. We have an extremely good track record not only with sales inside the stores at cash register but also with the curbside program as we have been operating this for the better part of a year or a year and a half.

I'd be happy to answer any questions. I brought a PowerPoint if you have not seen that before, I believe we have provided it to staff previously. And finally, I'll close, to let you know that this is an operation that we do in 1,500 other stores across the country including stores in Oregon and Idaho that we have nearby. It's something we have good practice with. We're bringing forward this opportunity with you so we can continue serving our customers in the way they are expecting to be able to use our services. I brought today as well, Cindy Cashman, our online grocery pick up market coach, I think she is on the list, she has some more anecdotes to share with you, thank you for your time.

Member Garrett: I have a question. Are you saying the payment is not made at the time they place the order online, the payment is made when the employee goes out to the curbside?

Ms. Heron: The payment transaction is finalized at curbside because the customer has to sign for their payment at that time. At the curbside, and Cindy can speak more eloquently to this as well, at the curbside our associates go through the actual order. Sometimes the customer will authorize a substitution for a certain brand of milk or butter. The associate will go through what that substitution is as well as perform the ID check if there is any beer, wine, or other regulated product.

Cindy Cashman – WalMart

I just wanted to reiterate that our customers are asking for this throughout our stores in Washington. I have a few customer comments:

“I love convenience of grocery pick up. I may never go to another store. The only other addition would be a beer pickup.”

“Awesome service. Also a complete section of beer would be nice.”

“Wish we could pick up beer and wine. Had to make an extra trip inside to grab those.”

We are trying to convenience our customers, save them time and money. They absolutely love the service, they are usually in and out within five minutes. But, because we don't serve that beer and wine at curbside, they have to park and then go inside. If they have small children they have to get them out of the car to go inside to get their beer and wine. Do you have any questions for me?

Member Hauge: Currently, WalMart and other stores provide home delivery of beer and wine, do they not?

Ms. Cashman: Not WalMart.

Member Hauge: Not WalMart, okay, but we do have other stores in the state that do that then.

Ms. Cashman: I believe so. Thank you for your time.

Chair Rushford: Thank you.

Don Skakie – Citizen

I'm encouraged by this process. I think it's a natural progression to reforms that go on annually through this office. As the Board goes through this, I would like it to keep in mind its other charge of cannabis regulation. I know that there is currently under consideration a system for home delivery for patients. This is actually going to be a good thing because it will give more access. The Board should consider if this works out with alcohol, to consider that for cannabis as well since many people with mobility issues. As the lady said earlier, if you are struggling with kids or whatever, it's the same thing with people with mobility issues. It would serve the public interest to provide that for cannabis as well in the future. Thank you.

Anne Sultan – A Bud and Leaf

I strongly oppose this idea. Bringing alcohol from a store into a car filled with kids is a bad idea. I think it sends a bad message. What are you going to do next, start selling lottery tickets at the corner? I think it is a bad idea. I think we push alcohol too much. We know that there are hundreds of thousands of deaths per year in this country due to alcohol. I think with everything that the state can do, it should encourage people to consume alcohol responsibly and bringing liquor and beer and wine out to the curb is antithetical to that particular idea. Thank you.

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

6. GENERAL PUBLIC COMMENT

Chair Rushford invited citizens to address the Board regarding any issues related to LCB business.

Tony Ives – SAGE/NW Pearl

We just have maybe four different issues to speak to. The first one is, we spoke to it before, and the idea of charging producer/processors and retailers under I-502 for a CBD study when it's being sold outside of I-502. I believe it's an \$84 fee that is being charged. Last year in 2017 there was a license fee increase for traceability, it was a one-time fee. We believe that once fees are set they are incremental and they always stay and this is another case in point. It's an undue burden for our businesses. We feel that these fees are being charged to the people that can least afford it and those are the producer/processors that are actually struggling to stay in business, including the retailers.

The next issue that I just had to bring up is traceability. It's ironic because this is the perfect time to bring it up. I want to reiterate the Board's message and staff's message that all bugs would be fixed in Leaf by August. Just have to keep that in our perspective. Last night, Leaf was hacked again and it's ironic that right now Leaf is going through an evaluation period, if you will, and last night it caused a lot of problems for producer/processors especially in their inventory. This isn't the first time it's happened. Maybe we're throwing good money after bad, but I think it's always important to involve the stakeholders including producer/processors and retailers in any decision that's going to go forward for traceability.

The third thing is, we've talked about this under the Advisory Council and we've all had discussions before, but the I-502 data that is released gives a competitive disadvantage to most people in the state. Most of the retailers, most of the producer/processors, we always wanted it changed or eliminated. Washington State is the only state that provides that public data. Case in point, if I own a retail store and less than a mile down the road another retail store can see what business I'm doing and exactly who I'm buying from and exactly the price. They can actually see the manifest that we send. There is no pricing advantage for us as a producer/processor, nor for the retailer. It's important to note that and to understand what it does to the business. It's causing a lot of harm out there. This to me is one of the easiest things that can be fixed but nobody has actually talked about it. We have discussed it on the Advisory panel and I think it's worth really thinking about it and bringing it up again. I think if you took a poll, for most producer/processors and retailers alike most of them would tell you to eliminate it. I understand the LCB or the state is getting tax revenue from the service of selling the data, I'm not sure quite how that works, but we need to consider it.

WAC data. Joanna, it just needs to be updated because retailers are telling me, for example the harvest date is still on WAC. Some of these things need to be updated as we pass the law.

The last thing I just want to say, thank you guys for considering the demographic study. I know we're going to meet with you after the meeting, Ollie, and it's really important. I know New Jersey has already started this process and we appreciate you listening to us.

Anne Sultan – A Bud and Leaf

Good morning again and thank you so much for allowing me to speak and as always for your service.

I have again, written documents, so I'm not going to put all of this on the record so if I may approach (CITIZEN HANDOUT #1). Because my comments are in writing I'm going to address another issue. We opened A Bud and Leaf in January of 2015. We are closing our store on Friday. We have been blessed because we lost our lease, we're up on Lily Rd, and they are going to tear down the building. A new buyer has come in and they are going to build a self-storage facility. So we've lost our lease and we are out looking diligently for another space so that we can reopen.

The advantage to us is that we'll be down without a business for at least 90 days, maybe 120, and during that time it will give us the opportunity to regroup and rethink our operations and hopefully be able to thrive in the business. Certainly, if the tax laws change that will create some additional opportunities for us to grow.

I have requested repeatedly, and I appreciated the conversation I had with Ollie it was very uplifting, we are hoping that the issues that are of particular concern to all small enterprises, but certainly those that are minority and female will have an opportunity to share with you our years of experience. Here today with me is Dr. Julius Debro and his lovely wife, as I mentioned previously when I was working on my PhD degree, my doctor degree, Dr. Debro was my professor. I'm always please to see him and to let you know that between me and Dr. Debro there is over 100 years of high quality empirical research that has been completed, just between the two of us. We want to share with you our many decades of experience, we think that we can under the leadership and direction and with guidance hopefully of Ollie Garrett we can create a national model.

Both Julius and I are big thinkers, national kind of thinkers. You may have heard of Neighborhood Block Watch. I am one of the five criminologists that introduced that concept to the United States back in the 1970s. I know you've heard of Comprehensive Community-Wide Crime Prevention. I introduced that idea in the 1980s as a result of a generous grant from the Reagan administration. And so, that Comprehensive Community-Wine Crime Prevention where we work with police and stores and schools and churches, I wrote the book on that. We have, Dr. Debro and I have large scale national ideas. We know how to do large scale national research. We want to bring that down to the state level, share it with you along with other impressive folks like Tony Ives who has a background in investment.

We hope that we can work with the Board, with this working group, and we thank you so much for all that you've done. We look forward to, over the course of the summer months, rebuilding our business so we can continue to remain a part of this exciting cannabis industry. Thank you so much and God bless you for your work.

Chair Rushford: Thank you very much.

Ms. Sultan: Let me just say, just momentarily, when I talked to Ollie she told me she's from Mississippi. I brought a copy of a newspaper for which I work from Jackson, Mississippi.

ADJOURN

Chair Rushford adjourned the meeting at 10:41 a.m.

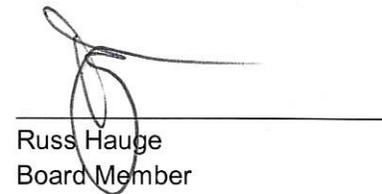
Minutes approved this 8 day of AUGUST, 2018



Jane Rushford
Board Chair



Ollie Garrett
Board Member



Russ Hauge
Board Member

Minutes prepared by: Dustin Dickson, Executive Assistant to the Board

LCB Mission - Promote public safety and trust through fair administration and enforcement of liquor, tobacco and marijuana laws.

Complete meeting packets are available online: http://lcb.wa.gov/boardmeetings/board_meetings
For questions about agendas or meeting materials you may email dustin.dickson@lcb.wa.gov or call 360.664.1717