



Washington State Liquor Cannabis Board Meeting

Wednesday, July 25, 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, July 25, 2018. Member Ollie Garrett was present; Member Russ Hauge was excused.

2. ACTION ITEM (A)

ACTION ITEM 2A - Board Approval of Supplemental CR 102 for Spirits Mini Bottles

Janette Benham, Policy and Rules Coordinator, began the briefing with materials (HANDOUTS 2A 1-3).

Ms. Benham: An issue paper was included with meeting materials for your review. The proposed rule requires that mini spirits bottles offered to customers for off premises consumption be stored in a secure manner. A licensee or employee must unlock or otherwise access the spirits for a customer prior to purchase.

A change was made to the originally proposed rule based on comments received at the May 16, 2018, Board hearing. The change, which is the reason for needing to file a supplemental CR 102, removes the exemption for former state and contract liquor stores. It keeps the exemption, however, for licensees with more than 50% of their sales in alcohol.

Timeline

If approved for filing, the tentative timeline for the rule making process is outlined below:

July 25, 2018	Board is asked to approve filing the revised proposed rules (Supplemental CR 102 filing)
August 15, 2018	Code Reviser publishes notice, LCB sends notice to rules distribution list
September 5, 2018	Public Hearing held
September 5, 2018	End of written comment period
September 19, 2018	Board is asked to adopt rules
September 19, 2018	Agency sends notice to those who commented both at the public hearing and in writing.
September 19, 2018	Agency files adopted rules with the Code Reviser (CR 103)
October 20, 2018	Rules are effective (31 days after filing)

Ms. Benham then requested approval from the Board to file proposed rules.

MOTION: Member Garrett moved to approve the supplemental CR 102 for Spirits Mini Bottles

SECOND: Chair Rushford seconded.

ACTION: Motion passed unanimously.

3. GENERAL PUBLIC COMMENT

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

Jim MacRae – Straight Line Analytics

A comment on the decision of the LCB to extend the contract of MJ Freeway for the Leaf traceability system for six months. Looking objectively at progress of the vendor towards the originally contracted goals and deliveries of the contract, in January when the decision was made to go live, which was one of the clear deliverables of the project, there were indicated to be zero critical bugs in the system and indeed just a relatively small number of overall bugs. In the ensuing months, culminating at the end of June, the number of overall bugs in the system has increased from 150 to about 450. It's gone up three-fold. The number of high and critical severity bugs has doubled in the same period of time. With, by the way, at last report indication 12 critical severity bugs in the system which are ones that basically stop critical work flow as you know. We now at face, basically have six times as many high and critical severity bugs as we did when the decision was made to go live four or five months ago. It's effectively negative progress.

Two or three key components that are very obvious to people are, I believe, today not yet live in the system. Those include the ability for businesses to report revenue in the system to a standard that is appropriate for taxes to be calculated. It is my understanding that licensees are still reporting on a monthly basis, the revenue for taxation purposes. That is evidenced in the apparent inability of this organization to report monthly business level revenue for anything other than retailers at the moment. I do commend you on continuing to report that on the updates on the website but the wholesaler data basically has not been updated since February, even at the revenue level.

The decision to go forward in June on a contract that was ending at the end of June... the original contract as specified was no only the delivery of a system but ultimately the delivery of six minor sub-versions to deal with problems that weren't fixed or functions that weren't active in the originally delivered system. None of those iterations, I believe, have been activated in the system yet. They are still working on what appears to be the hot-fix that was originally supposed to be delivered on February 23, 2018. It's a hard decision whether to go forward or not go forward with a system that... This organization made the decision to go forward where virtually every indication is that the vendor is nowhere closer to delivering what they originally promised to deliver than they were on February 1, 2018, when they first went live, many months after they were supposed to.

So, we're now over a year into this contract which is now extended through the beginning of January of next year. I've looked at some of the documents, it looks like there may even be a \$50,000 per month fee associated with that I'm not quite sure. It was just a quick scan on a difficult document. I submit to you, as I have before, this is effectively throwing good taxpayer money after bad, and I look forward to you making a decision where I hope the vendor can deliver eventually, but they have not yet as of today. Thank you.

Catherine Holm – WA Food Industry Association

Unfortunately we are here today to oppose the Board approval for the CR 102 Spirits Mini Bottles. We appreciate the Board's effort to remove the reference to the former state and contract stores. However, this proposed section states that spirits retail stores with more than 50% of their sales in alcohol do not secure these spirits mini bottles. These stores tend to be former state or contract stores and specialty stores. Thus, the proposed rule continues to target grocery stores without any evidence that mini bottles are more frequently shoplifted in grocery stores than other liquor stores.

We've already sent a letter to you yesterday, and we will send a revised one with more detail. I wanted to show that we are still against it and we would like to work with you in trying to make sure that this rule affects everyone the same. Thank you.

Don Skakie - Citizen

This morning I would like to make a comparison. When law enforcement pulls someone over for going a few miles over the speed limit, those officers have some discretion they can exercise on whether to issue a ticket or not or just give a warning and send somebody on their way. In the case of a drunk driver the law is very clear. Those officers no longer have discretion. An arrest has to be made, the vehicle has to be towed. There are definite consequences that are well known to the drivers ahead of time.

I'd like to compare that with the hidden ownership issue the Board is now looking into. I'm understanding that there is a desire to try and bring these bad players back into the fold, but the reality is that it's clear in the rules. It's a one strike and you're out. The license is revoked. My understanding also is that all of the applications through 502 and 5052 have now finally been vetted. The LCB has had a good chance to look at all those players. It's my thinking, and I'm sure a great deal of the public is thinking, that there's got to be some better people out there. To have such a severe violation that the first recourse is revocation of license, that really says something. It says something to the people about the confidence they should have in the LCB and its processes, leadership, and the agency at large.

I would ask the Board and the agency to not waste any time looking at how to fix this. The fix is clear in the rules as they exist. The revocations must take place and then the licenses should be reissued to people that have already spent a lot of time and money to make the application and be vetted through that application process to have the chance to step up and be good players. We already know the people that, for whatever reason, are in violation of the current rules. Unfortunately, if the desire is to bring the bad players back into line through some kind of amnesty (I know the word is not appealing to the Board), the Board needs to look at the processes and make adjustments to the rules. That should be done in the future. For the present time, I should think that public confidence in the Board and the agency is best served by upholding the rules that you have now.

It is very important to not try and figure out a way to keep this working. It is more important to follow the process in place and move on. I would hope that any of the new licensees that are granted licenses from these revocations see the consequences of any bad action and will be more accountable than those that for whatever reason in the past have violated these rules. Thank you.

ADJOURN

Chair Rushford thank everyone again and adjourned the meeting at 10:13 a.m.

Minutes approved this 5 day of SEPTEMBER, 2018



Jane Rushford
Board Chair



Ollie Garrett
Board Member

Not Present

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.

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For questions about agendas or meeting materials you may email dustin.dickson@lcb.wa.gov or call 360.664.1717