

PENNSYLVANIA LIQUOR CONTROL BOARD

MEETING MINUTES

WEDNESDAY, JANUARY 30, 2019

NORTHWEST OFFICE BUILDING, CONFERENCE ROOM 117, HARRISBURG, PA

Tim Holden, Chairman
Mike Negra, Board Member
Charlie Mooney, Executive Director
John Stark, Board Secretary

[Office of Chief Counsel](#)
[Bureau of Licensing](#)
[Bureau of Human Resources](#)
[Bureau of Accounting & Purchasing](#)

[Office of Retail Operations](#)
[Bureau of Product Selection](#)
[Financial Report](#)
[Other Issues](#)

PUBLIC MEETING – 11:00 A.M

Board Secretary John K. Stark indicated that a quorum of the Board was present and Chairman Holden called the meeting to order.

CALL TO ORDER *Chairman Holden*

Pledge of Allegiance to the Flag – Steve Pollack – Marketing, Chairman’s Selection Division

OLD BUSINESS.....*Secretary Stark*

Motion to approve the previous Board Meeting Minutes of the January 16, 2019 meeting.

Motion Made: Board Member Negra
Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to Approve previous Board Minutes.

PUBLIC COMMENT ON AGENDA ITEMS

The Board has reserved 10 minutes for Public Comment on printed agenda items.

No comments.

NEW BUSINESS

Chairman Holden asked Chief Counsel Diaz to explain an ongoing issue which has surfaced concerning the supposed issuance of an advisory opinion with regard to on-premises consumption of alcohol. Chief Counsel explained that a draft advisory opinion was provided to several parties for review and comment. The document contained a “DRAFT” watermark and was unsigned and unnumbered. As the document was circulated, it made its way to Flaherty & O’Hara, P.C. and Sheetz, Inc. The document was released by unknown persons without the draft watermark. Both Chairman Holden and Member Negra expressed disappointment with the situation. The Chief Counsel’s office is undertaking an investigation to ascertain

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who removed the watermark and circulated the document as a supposed authentic document as the document is not a current reflection of the Board’s position on this subject.

From the Office of Chief Counsel.....Rodrigo Diaz, Chief Counsel

- (1) **ALP Holding Corporation** Request for Rescission or Modification of Conditional Licensing Agreement
 2901-05 Maple Avenue
 Altoona, Pennsylvania 16601-0000
 Restaurant License No. R-14532
 LID 60491

Motion Made: Board Member Negra

Seconded:

Licensee Louis Grillo addressed the Board indicating his license was forced into safekeeping on December 18 for a minor infraction of his conditional licensing agreement. He feels that is a harsh punishment for the minor infraction. He has been in business for the past 10 years and has been involved with the community and various organizations. This business is his livelihood and he has his retirement invested in it.

Chairman Holden stated that Mr. Grillo’s remarks would be taken into consideration. The case may be addressed by notational vote to expedite a decision.

Board Decision: Hold for additional information concerning the Licensee. Member Negra requested Licensing provide this information.

- (2) **Domusimplicis, LLC** Petition for Allowance of Appeal to Supreme Court
 134 East Gay Street
 West Chester, Pennsylvania 19380-3147
 Economic Development Restaurant No. EDR-42
 LID 72618
 Docket No. 1930 C.D. 2017 (Commonwealth Court)

Motion Made: Board Member Negra

Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to the Filing of a Petition for Allowance of Appeal to the Supreme Court.

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(3) Janus v. American Federation of State, County, & Municipal Employees, Council 31. Supreme Court Decision

Chief Counsel Diaz spoke about the effect of the U.S. Supreme Court decision that held employees were not required to pay fair-share union dues. The case does not address how notice of this decision should be given, so it is unclear how the PLCB should address the ruling with its employees.

Motion Made: Board Member Negra

To provide information to Board employees of the Janus decision and give them options of what they can do.

Seconded:

Chairman Holden indicated he has a difference of opinion with Member Negra and would not second the motion. He stated if he could, he would communicate to the employees the many benefits of being a union member. He added that Governor Wolf has expressed his desire for total neutrality (no notice).

*From the Bureau of LicensingTisha Albert, Director of Regulatory Affairs
Barbara Peifer, Director, Bureau of Licensing*

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <p>(1) Croaker’s Brewing Company, LLC
(LID No. 95830)
2017 West State Street, Suite E
Union Township
New Castle, Lawrence County</p> | <p>New & Requests for an Interior
Connection with Another
Business & Dual Employment –
Brewery</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|

Motion Made: Board Member Negra
Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to Approve New License and Requests for an Interior Connection with Another Business and Dual Employment.

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(2) Juniata Valley Winery, Inc.
t/a Juniata Valley Winery
LK-350 (LID No. 66381)
19175 Route 35 South
Milford Township
Mifflin, Juniata County</p> | <p>Limited Winery Additional
Board-Approved Location &
Request for Interior
Connections with Another
Business – Limited Winery</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|

Motion Made: Board Member Negra
Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to Approve Limited Winery Additional Board Approved Location and Request for Interior Connections with Another Business.

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- (3) **CM Burns3, LLC** Renewal – District 8
R-7699 (LID No. 72602) Case No. 2018-72602
215 South Main Street
Wilkes Barre, Luzerne County
- Motion Made:** Board Member Negra
Seconded:
- Board Decision:** Hold for a Conditional Licensing Agreement.
- (4) **CMB Restaurants, LLC** Renewal – District 8
R-10562 (LID No. 89928) Case No. 2018-89928
2300 Route 309
Ashley, Luzerne County
- Motion Made:** Board Member Negra
Seconded:
- Board Decision:** Hold for a Conditional Licensing Agreement.
- (5) **Cristian C. Foust** Renewal – District 8
t/a Campus Beer Distributor
D-13 (LID No. 38198) Case No. 2018-38198
3 North Iron Street
Bloomsburg, Columbia County
- Motion Made:** Board Member Negra
Seconded:
- Board Decision:** Hold for a Conditional Licensing Agreement.
- (6) **United Gas, Inc.** Renewal – District 6
R-7223 (LID No. 86621) Case No. 2018-86621
326 Ridge Avenue
Washington, Washington County
- Motion Made:** Board Member Negra
Seconded: Chairman Holden
- Board Decision:** Unanimously agreed (2-0 vote) to Approve Renewal with Existing Conditional Licensing Agreement.
- HOLD – 11/14/18 SESSION**

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*From the Bureau of Human Resources Jason Lutcavage, Director of Administration
Jennifer Haas, Director, Bureau of Human Resources*

Personnel Actions

There were 11 personnel actions presented for consideration.

- (1) **Timothy Gordon – Affirm Removal**
- (2) **Crystal Heiser – Affirm Removal**
- (3) **Kayla Hudson - Removal**
- (4) **Lisa Jannone – Affirm Removal**
- (5) **Amanda Johnson – Affirm Removal**
- (6) **Baatrice Johnson – Affirm Removal**
- (7) **Shatifa McCorkle – Affirm Removal**
- (8) **Antwan Oden - Removal**
- (9) **Aireonna Thomas – Affirm Removal**
- (10) **Javon Thompson – Removal**
- (11) **Salvatore Zaso – Removal**

Motion Made: Board Member Negra
Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to Approve all Personnel Actions.

*From the Bureau of Accounting & Purchasing Michael Demko, Director of Finance
Koppolu Ravindraraj, Director, Bureau of Accounting & Purchasing
Mike Freeman, Director, Bureau of Financial Management & Analysis*

Procurement Actions:

- (1) **Furniture for Store #6315** – Center table and wall units for expansion of premium Fine Wine & Good Spirits Store #6315 in McMurray.

Procured via DGS Contract #4400013989 – **VENDOR: TC Millwork – \$112,793.75 estimated cost.**

- (2) **Microsoft Azure Cloud Subscription Services** – True-up of usage of cloud services. These cloud hosted services provide advanced analytics infrastructure replacing our legacy end of life reporting components such as RDW, DevOps tools for project management, testing, and Go-Live.

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Procured via DGS Contract #4400018548 – VENDOR: **CDW-G** – TERM: Three months – **\$62,323.62 estimated cost.**

- (3) **SUSE Linux Novell Software Support Renewal** – Provide software subscription and support renewal for several SUSE packages to include: SUSE licenses for all POS stores; Administrative servers; ESX host servers to manage our VMWare environments; and for all our POS store registers and back office servers.

Procured via DGS Contract #4400018548 – VENDOR: **CDW-G** – TERM: Three years and seven months – **\$604,350.00 estimated cost.** (This represents a 2% increase from last year’s cost of \$207,765.46, true-up costs of \$396,584.54 for packages erroneously not renewed the past three years, and support for test instance servers in NWOB.)

- (4) **Furniture for Store #1529** – Center table and wall units for relocation of standard to premium Fine Wine & Good Spirits Store #1529 in Kennett Square.

Procured via DGS Contract #4400013989 – VENDOR: **TC Millwork** – **\$102,261.41 estimated cost.**

Motion Made: Board Member Negra
Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to Accept Items 2, 3, and 4 and Decline Item 1.

Inter-Agency Charges:

- (1) **Department of General Services (DGS) Property Costs (JOB 7)** – Billing of \$108,320.75 for the PLCB’s estimated FY 2018-19 Q1 share of Commonwealth property costs for the Capital complex. This billing includes costs for the Northwest Office Building (NWOB) electricity charges, which are paid directly by DGS, as well as prorated portions of the expenses for Capital Police services, City of Harrisburg Fire Protection and DGS’s maintenance costs.

The Bureau of Financial Management and Analysis has reviewed these charges and determined that they are reasonable based on billing methodology and previous experience.

Motion Made: Board Member Negra
Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to Accept All Inter-Agency Charges.

From the Office of Retail Operations..... Carl Jolly, Director of Retail Operations

None

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*From the Bureau of Product SelectionDale Horst, Director of Marketing & Merchandising
Tom Bowman, Director, Bureau of Product Selection*

1. Regular New Items Accepted

<u>BRAND NAME AND SIZE</u>	<u>REASON</u>
<u>Banfi Products Corp</u>	
Riunite Moscato D'Oro 1.50 L	2, 3
<u>DAndrea W L Imports</u>	
Culitos Cabernet Sauvignon Merlot Central Valley 750 ML	8, 15
Culitos Merlot Aconcagua Valley 750 ML	8, 15
Culitos Moscato Aconcagua Valley 750 ML	8, 15
Culitos Moscato Rose Limari Valley 750 ML	8, 15
<u>Majestic W S USA Inc</u>	
Gemma di Luna Pinot Grigio 750 ML	3, 9
Santa Julia Organica Malbec Rose 750 ML	2, 3
<u>Southern Wine Spirits PA</u>	
Ole Smoky Blackberry Moonshine 40 Proof 750 ML	3

RECOMMENDED ACTION: We recommend the Board approve this action

2. Regular PA Spirits New Items

<u>BRAND NAME AND SIZE</u>	<u>REASON</u>
<u>Midstate Distillery</u>	
Midstate Distillery Coffee Liqueur 750 ML	16
Midstate Distillery Gin 750 ML	16
Midstate Distillery Rum 750 ML	16
Midstate Distillery Vanilla Flavored Vodka 750 ML	16
Midstate Distillery Vodka 750 ML	16

RECOMMENDED ACTION: We recommend the Board approve this action

New Items – Recommended Listings

Reason Codes

1. Strong marketing support
2. High brand recognition
3. Line/Size extension of successful brand
4. Trade up opportunity
5. Growing category

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6. Growing segment
7. National rollout
8. Niche item / Limited distribution
9. High dollar profit potential
10. Trade out
11. High quality for the value
12. Innovative product/ flavor
13. High sales through other PLCB channels (Luxury, Online, SLO)
14. Underrepresented category/segment
15. Hole in selection – consumer/store requests
16. PA Spirits
17. PA Wines
18. Licensee only
19. Probationary listing

3. Regular Recommended Delist

<u>BRAND NAME AND SIZE</u>	<u>CODE</u>
<u>Brown Forman Corp</u> Jack Daniel's Rye Tennessee Straight Rye Whiskey 90 Proof 1 L	2342
<u>Southern Wine Spirits PA</u> Ole Smoky Peaches Tennessee Moonshine 100 Proof 750 ML	9528

EFFECTIVE DATE: The transference to closeout will become effective March 1, 2019

4. Regular Recommended Delist Rescind

<u>BRAND NAME AND SIZE</u>	<u>CODE</u>
RESCIND	
<u>Banfi Products Corp</u> Riunite Sangria 1.5 L	2042
<u>C J Jacquin Et Cie Inc</u> Original Bartenders I'm Coconuts Over You Prepared Cocktail 750 ML	5441
<u>Luxco Inc</u> Yago Sant'Gria 1.5 L	3920
<u>Shaw Ross International</u> Marques de Riscal White Wine Rueda 750 ML	6371
<u>Southern Wine Spirits PA</u> Misterio Malbec Mendoza 750 ML	6947

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Note: Sent to the board as recommended delist 1-16-19

RECOMMENDED ACTION: We recommend the Board approve this action

Motion Made: Board Member Negra

Seconded: Chairman Holden

Board Decision: Unanimously agreed (2-0 vote) to Approve all Bureau of Product Selection/Marketing Actions.

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FINANCIAL REPORT *Michael J. Burns, Comptroller Operations, Office of Budget*

**Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statement of Net Position
(Unaudited)**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 86,118,974	\$ 99,119,282
Investments - short term	252,159,401	226,053,412
Accounts and claims receivable, net	2,164,523	2,922,063
Due from other funds - Note 8	-	-
Merchandise inventories, net	229,926,418	243,643,877
Operating supplies	348,009	454,703
Prepaid expenses	940,084	2,228,689
Total current assets	<u>571,657,409</u>	<u>574,422,026</u>
Non-current assets:		
Non-depreciable capital assets:		
Land	322,973	322,973
Depreciable capital assets:		
Building	20,875,220	19,816,479
Leasehold improvements	612,301	612,301
Machinery and equipment	49,420,745	48,321,934
Intangibles - internally generated software	28,174,461	29,587,200
Less: accumulated depreciation	<u>70,448,295</u>	<u>66,336,367</u>
Net depreciable capital assets	<u>28,634,432</u>	<u>32,001,547</u>
Total non-current capital assets	<u>28,957,405</u>	<u>32,324,520</u>
Total assets	<u>\$ 600,614,814</u>	<u>\$ 606,746,546</u>
Total deferred outflows of resources - Note 4	\$ 88,390,800	\$ 133,758,773
<u>LIABILITIES</u>		
Current liabilities:		
Trade accounts payable	\$ 303,205,188	\$ 319,783,531
Other accounts payable	26,559,711	35,264,728
Accrued expenses	18,580,169	17,753,678
OPEB - Note 5	11,976,000	17,767,000
Self-insurance, workers' compensation - Note 6	10,637,029	9,739,857
Due to other funds - Note 8	5,114,225	4,949,318
Due to fiduciary funds - Note 8	2,212,901	2,109,620
Due to other governments - Note 8	610,267	583,536
Total current liabilities	<u>378,895,490</u>	<u>407,951,268</u>
Non-current liabilities:		
OPEB - Note 5	781,379,000	841,082,000
Self-insurance, workers' compensation - Note 6	47,949,448	42,256,546
Net pension liability - Note 4	456,637,473	492,443,490
Compensated absences - Note 1	20,809,984	18,904,788
Total non-current liabilities	<u>1,306,775,905</u>	<u>1,394,686,824</u>
Total liabilities	<u>\$ 1,685,671,395</u>	<u>\$ 1,802,638,092</u>
Total deferred inflows of resources - Note 4	\$ 98,038,959	\$ 20,537,976
<u>NET POSITION</u>		
Net investment in capital assets	\$ 28,957,405	\$ 32,324,520
Deficit	<u>(1,123,662,145)</u>	<u>(1,114,995,269)</u>
Total net position	<u>\$ (1,094,704,740)</u>	<u>\$ (1,082,670,749)</u>

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**Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For the Month Ending December 31, 2018 and December 31, 2017
(Unaudited)**

	<u>2018-19</u>	<u>2017-18</u>
Sales net of taxes	\$ 267,862,597	\$ 260,879,254
Cost of goods sold	<u>(179,336,329)</u>	<u>(173,843,892)</u>
Gross profit from sales	88,526,268	87,035,362
Operating (expenses):		
Retail operations	(35,291,788)	(35,379,320)
Marketing & merchandising	(1,883,373)	(584,055)
Supply chain	365,004	(1,186,985)
Wholesale operations	(151,334)	(166,343)
Information technology services	(2,405,241)	(2,556,565)
Regulatory affairs	(1,657,719)	(2,314,752)
Administration	(1,092,178)	(1,252,182)
Finance	(293,506)	(323,941)
Board & secretary	(294,494)	(921,054)
Legal	(289,533)	(292,043)
Commonwealth provided services - Note 2	<u>(1,085,609)</u>	<u>(1,456,504)</u>
Total	<u>(44,079,771)</u>	<u>(46,433,744)</u>
Operating profit	44,446,497	40,601,618
Other operating revenues (expenses):		
Enforcement fines	144,832	148,752
License fees	3,283,298	4,319,468
Miscellaneous income	200,532	432,254
Administrative law judge	<u>(224,093)</u>	<u>(214,118)</u>
Total	<u>3,404,569</u>	<u>4,686,356</u>
Total operating income	47,851,066	45,287,974
Miscellaneous revenues (expenses):		
Interest income	418,551	167,820
Other	<u>-</u>	<u>-</u>
Total	<u>418,551</u>	<u>167,820</u>
Income before operating transfers	48,269,617	45,455,794
Operating transfers out:		
PSP enforcement - Note 3	(2,362,745)	(3,641,053)
Net Income from operations	45,906,872	41,814,741
Statutory Transfers:		
General fund - Note 3	-	-
Drug and alcohol programs - Note 3	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	45,906,872	41,814,741
Total net position - beginning	<u>(1,140,611,612)</u>	<u>(1,124,485,490)</u>
Total net position - ending	<u>\$ (1,094,704,740)</u>	<u>\$ (1,082,670,749)</u>
Liquor tax	47,662,337	46,988,390
State Sales Tax	18,747,667	18,458,830
Local Tax	1,105,666	1,078,568
Taxes remitted to Dept.of Revenue PTD	<u>\$ 67,515,670</u>	<u>\$ 66,525,788</u>

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**Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For the Six Months Ending December 31, 2018 and December 31, 2017
(Unaudited)**

	<u>2018-19</u>	<u>2017-18</u>
Sales net of taxes	\$ 1,133,896,125	\$ 1,095,396,423
Cost of goods sold	<u>(769,822,517)</u>	<u>(746,578,184)</u>
Gross profit from sales	364,073,608	348,818,239
Operating (expenses):		
Retail operations	(199,197,494)	(200,326,608)
Marketing & merchandising	(8,930,546)	(7,678,333)
Supply chain	(3,572,230)	(5,804,411)
Wholesale operations	(921,975)	(855,210)
Information technology services	(15,514,425)	(16,294,043)
Regulatory affairs	(10,677,343)	(10,623,874)
Administration	(7,021,407)	(7,477,397)
Finance	(1,760,346)	(1,941,461)
Board & secretary	(2,299,255)	(3,816,836)
Legal	(1,810,492)	(1,754,902)
Commonwealth provided services - Note 2	<u>(6,568,599)</u>	<u>(7,044,657)</u>
Total	<u>(258,274,112)</u>	<u>(263,617,732)</u>
Operating profit	105,799,496	85,200,507
Other operating revenues (expenses):		
Enforcement fines	923,255	807,935
License fees	18,733,108	22,810,537
Miscellaneous income	1,757,029	1,426,049
Administrative law judge	<u>(1,406,632)</u>	<u>(1,349,771)</u>
Total	<u>20,006,760</u>	<u>23,694,750</u>
Total operating income	125,806,256	108,895,257
Miscellaneous revenues (expenses):		
Interest income	2,685,929	1,300,226
Other	<u>-</u>	<u>14,290</u>
Total	<u>2,685,929</u>	<u>1,314,516</u>
Income before operating transfers	128,492,185	110,209,773
Operating transfers out:		
PSP enforcement - Note 3	(15,890,026)	(14,925,635)
Net Income from operations	<u>112,602,159</u>	<u>95,284,138</u>
Statutory Transfers:		
General fund - Note 3	(100,000,000)	(100,000,000)
Drug and alcohol programs - Note 3	-	-
Total	<u>(100,000,000)</u>	<u>(100,000,000)</u>
Change in net position	12,602,159	(4,715,862)
Total net position - beginning	<u>(1,107,306,899)</u>	<u>(1,077,954,887)</u>
Total net position - ending	<u>\$ (1,094,704,740)</u>	<u>\$ (1,082,670,749)</u>
Liquor tax	202,941,070	197,186,293
State Sales Tax	79,807,386	77,508,693
Local Tax	5,022,466	4,851,834
Taxes remitted to Dept.of Revenue YTD	<u>\$ 287,770,922</u>	<u>\$ 279,546,820</u>

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OTHER ISSUES

None

CITIZEN COMMENT/BUSINESS FROM THE FLOOR

None

NEXT BOARD MEETING

The next meeting of the PLCB will be a formal meeting on Wednesday, February 13, 2019 beginning at 11:00 A.M. Prior to the public meeting, there will be an Executive Session to discuss matters of personnel and to engage in non-deliberative informational discussions, some of which are regarding actions and matters which have been approved at previous public meetings.

ADJOURNMENT

On a motion by Board Member Negra, seconded by Chairman Holden, the meeting was adjourned.

The foregoing actions are hereby officially approved.

Chairman

Member

ATTEST:

Secretary