

PENNSYLVANIA LIQUOR CONTROL BOARD
MEETING MINUTES
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WEDNESDAY JANUARY 13, 2021
TELEPHONE CONFERENCE MEETING

Tim Holden, Chairman
Mike Negra, Board Member
Mary Isenhour, Board Member
Michael Demko, 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

CALL TO ORDER *Chairman Holden*

Pledge of Allegiance to the Flag

Chairman Holden made an opening statement thanking everyone for their continued cooperation and understanding as the PLCB is dealing with COVID-19 and the need to meet in this telephonic fashion. He reiterated the need for caution and suggested that Board meetings will likely continue to be conducted telephonically for the foreseeable future.

OLD BUSINESS.....*Secretary Stark*

A. Motion to approve previous Board Meeting Minutes of the December 16, 2020 meeting.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve previous Board Minutes.

PUBLIC COMMENT ON AGENDA ITEMS

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

Eric Epstein expressed gratitude toward the Office of Chief Counsel in relation to his submission of a Right-to-Know Law (RTKL) request and requested that his formal RTKL request be incorporated into the Board meeting minutes. Chairman Holden asked Chief Counsel Rodrigo Diaz if Mr. Epstein’s suggestion could be approved, and Chief Counsel Diaz affirmed that the information to which Mr. Epstein referred could in fact be included in the public record. The information is therefore attached hereto and incorporated by reference as “Exhibit A”.

Mr. Epstein then stated that he had three follow-up inquiries pertaining to an ongoing dialogue which he would possibly be submitting formally. He specifically expressed interest in security issues and potential consideration given to relocating sites which have been problematic. Additionally, he stated that he was

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seeking information which might demonstrate a possible correlation between sales data and security levels as well as data pertaining to robberies which have occurred in Fine Wine & Good Spirits locations in Philadelphia for the purpose of measuring grant efficacy.

Chairman Holden affirmed that stores in Philadelphia have been instructed to forward data for tracking purposes as a result of Mr. Epstein’s original inquiry. He also indicated that some stores in Philadelphia are visited by police between three and five times per day.

Chief Counsel Diaz then advised Mr. Epstein to submit his request in writing and Mr. Epstein suggested that he would do so promptly via e-mail.

NEW BUSINESS

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

- (1) **Walnut Grill Bethel, LLC** Request for Rescission of
 Restaurant Liquor License No. R-12281 Conditional Licensing Agreement
 LID 103165

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve the rescission of conditional licensing agreement.

- (2) **Charles R. Hoynowski t/a CRH Realty Club 79** Appeal from the Adjudication and
 Restaurant Liquor License No. R-19561 Order of Administrative Law
 LID 61195 Judge
 Citation No. 19-0268

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Chief Counsel Diaz explained that the above-mentioned citation is associated with violations of rules pertaining to smoking and after-hours operations which took place on January 1, 2019. Licensee stated during a hearing that such activity could not have occurred on the aforementioned date since the establishment was allegedly closed, despite testimony from the Bureau of Liquor Control Enforcement supporting the contrary. The Administrative Law Judge sustained the citation and an appeal was subsequently filed with the Office of Chief Counsel. Since Licensee again argued that the establishment was not operating on the date associated with the citation and matters of witness credibility are determined by the Administrative Law Judge, Chief Counsel Diaz indicated that his office recommended affirming the previous action.

Board Decision: Unanimously agreed (3-0 vote) to affirm Administrative Law Judge.

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- (3) **738 MOC, Inc.** Appeal from the Adjudication and
Restaurant Liquor License No. R-13765 Order of Administrative Law
LID 69670 Judge
Citation No. 18-1707

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Chief Counsel Diaz stated that the above-mentioned Board action along with the following Board action pertain to citations for the same type of activity by the same licensee. Licensee was initially cited for accepting an online wine-to-go order and delivering it to a Bureau of Liquor Control Enforcement officer in violation of statutory requirements which apply to licensees holding wine expanded permits. Such requirements involve individuals conducting sales being at least 18 years of age and RAMP-certified as well as the use of specific registers and transaction scan devices. The Administrative Law Judge, though not subject to the agency's Advisory Opinions which have held that a purchaser must be physically present on a licensed premises when transactions such as those which resulted in the instant citations occur, determined that a statutory violation had taken place since alcohol was clearly not purchased on licensed premises. Chief Counsel Diaz indicated that his office recommended affirming the previous action though he noted that Licensee will potentially seek to obtain a different opinion from the Court of Common Pleas and Commonwealth Court.

Board Decision: Unanimously agreed (3-0 vote) to affirm Administrative Law Judge.

- (4) **738 MOC, Inc.** Appeal from the Adjudication and
Restaurant Liquor License No. R-13765 Order of Administrative Law
LID 69670 Judge
Citation No. 19-0873

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to affirm Administrative Law Judge.

- (5) **Borough of Quakertown** Municipal Petition for Exemption
20-NE-21 from Liquor Code Statute
Regarding Amplified Sound

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve noise exemption from January 13, 2021 through January 13, 2022.

- (6) **Haverstick v. PLCB** Appeal to Commonwealth Court
Docket Numbers: AP 2020-2371 and AP 2020-2515

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Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Chief Counsel Diaz explained that this Board action constitutes two related decisions which pertain to a Right-to-Know request from Attorney Matthew Haverstick involving conversations about skill games. He then stated that information was provided in response to the request although certain details were withheld based on exemptions related to attorney-client privilege, predecisional deliberations, or personal identification information. Attorney Haverstick filed an appeal of both decisions with the Office of Open Records and though said office largely agreed with the agency, a determination was made that insufficient facts had been provided to support the withholding of information contained within certain emails. Chief Counsel Diaz affirmed that his office recommended providing this information per the opinion of the Office of Open Records since doing so would be more practical than filing an appeal to Commonwealth Court.

Board Decision: Unanimously agreed (3-0 vote) to not file an appeal to Commonwealth Court.

(7) **Haverstick v. PLCB** **Appeal to Commonwealth Court**
Docket Number: AP 2020-2515

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to not file an appeal to Commonwealth Court.

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

(1) **The Champ Group, Inc.** New & Request to Sell Other
t/a Comfort Suites Items on the Licensed Premises –
(LID No. 104504) Hotel
543 Champ Boulevard
East Hempfield Township
Manheim, Lancaster County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve new license and the request to sell other items on the licensed premises.

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- (2) **Dolores Holdings, LLC** “Intermunicipal” Double
t/a American Natural Transfer & Requests for Interior
R-10605 (LID No. 103155) Connections with Another
940 Sheraton Drive Business, to Sell Other Items
Marshall Township on the Licensed Premises &
Mars, Allegheny County Dual Employment – Restaurant

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve intermunicipal double transfer, and requests for interior connections with another business, to sell other items on the licensed premises and dual employment.

- (3) **Pan Pennsylvania, LLC** “Intermunicipal” Double
t/a Panera Bread Transfer & Request to Conduct
R-1276 (LID No. 98026) Case No. 19-9102 Another Business on the
295 Settlers Ridge Drive Licensed Premises - Restaurant
Robinson Township
Pittsburgh, Allegheny County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve intermunicipal double transfer and request to conduct another business on the licensed premises.

- (4) **944 Penn Street, Inc.** Conditional Licensing Agreement
R-9538 (LID No. 53061) Case No. 2017-53061 Renewal – District 3
944 Penn Street
Reading, Berks County **HOLD – 6/24/20 SESSION**

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve the renewal with conditional licensing agreement.

- (5) **JJ Eagle, Inc.** Renewal – District 2
t/a Eagles Nest
R-15104 (LID No. 90167) Case No. 2020-90167
2519 Mt. Rose Avenue
Springettsbury Township
York, York County

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Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Hold for amended conditional licensing agreement.

- (6) **La Villa Restaurant and Catering, LLC** Conditional Licensing Agreement
R-16286 (LID No. 92538) Case No. 2020-92538 Renewal – District 8
369 South Main Street
Wilkes Barre, Luzerne County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve renewal with conditional licensing agreement.

- (7) **Mosside Lounge, Inc.** Conditional Licensing Agreement
R-1199 (LID No. 25990) Case No. 2019-25990 Renewal – District 5
2127 Mosside Boulevard
Monroeville, Allegheny County **HOLD – 12/2/20 SESSION**

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve renewal with conditional licensing agreement.

- (8) **Risnicks, Inc.** Conditional Licensing Agreement
R-2570 (LID No. 71837) Case No. 2020-71837 Renewal – District 8
177 East Main Street
Plymouth, Luzerne County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve renewal with conditional licensing agreement.

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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 12 personnel actions presented for consideration.

- (1) **Kevin Anderson - Removal**
- (2) **Kim Baskerville - Demotion**
- (3) **Dorian Bose - Removal**
- (4) **Gerald Brown – Affirm Removal**
- (5) **Wendy Correa – Affirm Removal**
- (6) **Kara Dailey – Affirm Removal**
- (7) **Kari McCullough – Affirm Removal**
- (8) **Amanda Newbould – Affirm Removal**
- (9) **Scott Prandeski - Removal**
- (10) **Gina Reilly - Removal**
- (11) **Tamika Stewart - Removal**
- (12) **Ashley Wells - Removal**

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve all Personnel Actions.

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

Procurement Actions:

- (1) **Increase to the Oracle Master Agreement Contract Cap to Enable Detailed Design and Implementation of a Cloud-Based Enterprise Resource Planning (ERP) Platform** - Following completion of a five-month Blueprint project to explore the suitability, functionality, requirements, implementation and total cost of a cloud-based Oracle ERP replacement for PLCB's current on-premise ERP stack, the project team recommends moving forward with an upgrade of its highly customized, archaic and at-risk platform to a new cloud-based Oracle ERP. The new platform will allow the PLCB to adopt IT and organizational infrastructure improvements to transform from a traditional retail model

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to a wholesale, distribution and retail-focused business; standardize wholesale and retail business processes and financial reporting according to industry best practices and out-of-the-box functionality; eliminate costly and resource-intensive system customizations; benefit from cloud-based software updates; more efficiently manage inventory acquisition, allocation and sell-through; improve master data management; standardize reporting; and achieve greater wholesale and retail efficiencies. The ERP project is anticipated to kick off in early 2021 and complete in 2023.

This project is anticipated to be completed under the PLCB's existing contract purchase agreement No. 63017408 with Oracle, approved by the Board on Jan. 17, 2018, which has a spending cap of \$25 million. Through the Blueprint project, Oracle and the PLCB completed a detailed analysis to estimate the ERP implementation project will cost \$83.1 million over the next three years, inclusive of implementation, change management and related project services; software as a service (SaaS); platform as a service (PaaS); required licensing; and hardware.

Since the project costs exceed the \$6.3 million remaining unspent of the \$25 million authorized under this contract purchase agreement, pursuit of the project requires Board approval of an increase to the contract cap. Does the Board approve increasing the spending cap for Oracle contract purchase agreement No. 63017408 from \$25 million to \$102 million, which accounts for the remaining (yet unspent) \$6.3 million, as well a total project cost of \$83.1 million?

If approved, subsequent Ordering Documents (statements of work) will be written against contract purchase agreement No. 63017408 to enable various project phases, deliverables and payments over the next three years.

Board Member Negra asked the Director of Communications, Elizabeth Brassell, to explain the Enterprise Resource Planning procurement action item. Director Brassell explained that the agency has spent the last five-plus months on a blueprint project with Oracle exploring the possibility of a cloud-based ERP upgrade. The project focused on the suitability, functionality requirements, implementation and total cost of a cloud-based Oracle ERP replacement. The agency is now ready to move into the next phase: design and implementation. Director Brassell estimate that the implementation will be a three-year project, beginning February 2021 and completing in 2023.

This system will transition the agency from a traditionally retail-focused organization to an organization with a focus on wholesale, distribution and retail functions. The agency will be able to utilize industry best practices and out-of-the-box functionality. The current ERP system that the agency is using is costly and resource-intensive due to the customization that was required over the years. Moving forward, a cloud-based system will allow the agency to more efficiently manage inventory, improve master data management, standardize accounting and reporting, and achieve efficiencies on the wholesale and retail side of business.

Director Brassell stated that the cost of the implementation project is estimated at \$83.1 million. The PLCB and Oracle currently have a master agreement with a spending cap of \$25 million, of which approximately \$18-\$19 million has been spent on technical support for the legacy systems. Director Brassell stated that in order to accommodate the \$83.1 million dollar project cost over the next three years, the Board is requested to increase the current contract cap from \$25 million to \$102 million. This new cost will account for both the project of \$83.1 million, in addition to the \$6.3 million remaining unspent.

Executive Director Michael Demko thanked Director Brassell and stated that this upgrade will bring the agency into the future for the reasons Director Brassell stated above. Executive Director Demko

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also acknowledged and thanked all the agency employees who contributed to the success of this project.

Board Member Negra thanked Executive Director Demko and stated that he is looking forward to being a part of this project moving forward. Chairman Holden and Board Member Isenhour both echoed Board Member Negra’s statements and further acknowledged all team members.

- (2) **Corrugated Shipping Boxes and Inserts Renewal** – Exercise Option Year One to continue with shipping supplies needed for E-Commerce and other retail/licensee service centers fulfilling online orders.

Procured via BPA 63019628 Option Year - **VENDOR: Edwin Bell Cooperage Company dba Bell Containers** – Term: One year for period 2/1/2021 through 1/31/2022 - **\$500,000.00 estimated cost.**

- (3) **Steel Shelving for E-Comm Location** – Steel shelving for the E-Comm location in East Greenville.

Procured via DGS Contract #4400016767 – **VENDOR: Kent Fixtures Corp. - \$61,683.90 estimated cost.**

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve all Procurement actions.

Inter-Agency Charges:

None

From the Office of Retail Operations.....Michael Demko, Executive Director

- 1. **#0402 – Green Garden Shopping Center, 3113 Green Garden, Hopewell Township Amendment**
- 2. **#3001 – Widewaters Commons, 55 Sugar Run Road, Suite 105, Waynesburg Amendment**
- 3. **#5191 – 2401 Vare Avenue, Philadelphia Amendment**

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve all Retail Operations actions.

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From the Bureau of Product SelectionTom Bowman, Director of Product Selection

VENDOR – ITEM NAME

BOARD ACTION REQUESTED

Various
Various
Various

1. Regular New Items Accepted
2. Regular PA New Items Accepted
3. Regular Recommended Delist

1. Regular New Items Accepted

BRAND NAME AND SIZE

REASON

Capital Wine and Spirits

Skrewball Peanut Butter Whiskey 70 Proof 375 mL 1, 2, 12

Constellation Brands Inc

Svedka Blue Raspberry Vodka 70 Proof 1.75 L 1, 2, 3
 Svedka Cherry Limeade Vodka 70 Proof 1.75 L 1, 2, 3
 Svedka Cherry Limeade Vodka 70 Proof 750 mL 1, 2, 3
 Svedka Pure Infusions Dragonfruit Melon Zero Sugar Vodka 60 Proof 750 mL 1, 2, 3
 Svedka Pure Infusions Ginger Lime Zero Sugar Vodka 60 Proof 750 mL 1, 2, 3
 Svedka Pure Infusions Strawberry Guava Zero Sugar Vodka 60 Proof 750 mL 1, 2, 3
 Svedka Vodka Soda Black Cherry Lime Cocktail 4x355 mL 6, 7
 Svedka Vodka Soda Mango Pineapple Cocktail 4x355 mL 6, 7
 Svedka Vodka Soda Strawberry Lemonade Cocktail 4x355 mL 6, 7

Diageo Americas Inc

Captain Morgan Sliced Apple Spiced Rum 70 Proof 750 mL 1, 2, 3
 Crown Royal Peach Canadian Whiskey 70 Proof 750 mL 1, 2, 3

Heaven Hill Distilleries Inc

Black Velvet Apple Canadian Whiskey 70 Proof 750 mL 1, 2, 3
 Deep Eddy Lime Vodka 70 Proof 750 mL 1, 2, 3

Laird Wine Spirit of PA

Barrister’s Maple Pecan Gold Canadian Whiskey 70 Proof 750 mL 9, 12
 G and W Kentucky Straight Bourbon Whiskey Private Stock 5 Year Old 86 Proof 750 mL 5, 7

Majestic W S USA Inc

Bee You Riesling Monterey County 750 mL 18
 Hatozaki Japanese Whisky Small Batch 92 Proof 750 mL 5, 6
 Monaco Citrus Rush Vodka Cocktail 4x355 mL 5, 6
 Monaco Tequila Lime Crush Cocktail 4x355 mL 5, 6

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Monsieur Touton Selection LTD

Mapreco Vinho Verde Rose 750 mL 18

Remy Cointreau USA Inc

Botanist Gin 92 Proof 375 mL 2, 3

Sazerac Company Inc

Fireball Cinnamon Whiskey 66 Proof 10x50 mL 2, 3

Sheep Dog Peanut Butter Whiskey 70 Proof 750 mL 6, 7, 9

Southern Comfort 70 Proof 50 mL 2, 3

Stoli Group USA LLC

Stolichnaya Stoli Citros Vodka 75 Proof 750 mL 10

Stolichnaya Stoli Salted Karamel Vodka 75 Proof 750 mL 10

ViVino Selections Inc

Alvides Tempranillo Roble Ribera del Duero 750 mL 18

RECOMMENDED ACTION: We recommend the Board approve this action

2. Regular PA New Items Accepted

| <u>BRAND NAME AND SIZE</u> | <u>REASON</u> |
|-----------------------------------|----------------------|
|-----------------------------------|----------------------|

Christmas City Spirits

| | |
|--|----|
| Christmas City Spirits Boilo Liqueur 28 Proof 750 mL | 16 |
|--|----|

| | |
|--|----|
| Christmas City Spirits Cherry Bounce 40 Proof 750 mL | 16 |
|--|----|

Kingfly Spirits

| | |
|--|----|
| Kingfly Spirits Bliss Spiced Rum 80 Proof 750 mL | 16 |
|--|----|

| | |
|--|----|
| Kingfly Spirits Grappa 91 Proof 375 mL | 16 |
|--|----|

| | |
|--|----|
| Kingfly Spirits Limoncello Liqueur 52 Proof 375 mL | 16 |
|--|----|

| | |
|---|----|
| Kingfly Spirits White Rum 80 Proof 750 mL | 16 |
|---|----|

Noah Spirits LLC

| | |
|---|----|
| Manatawny Still Works Honey Whiskey 84 Proof 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>Capital Wine and Spirits</u> | |
| BR Cohn Pinot Noir North Coast 750 mL | 2782 |
| <u>Heaven Hill Distilleries Inc</u> | |
| Basilica Sambuca 76 Proof 750 mL | 8801 |
| Lunazul El Humoso Tequila Smoked Blanco 80 Proof 750 mL | 98044 |
| <u>Laird Wine Spirit of PA</u> | |
| Banker's Club Straight Bourbon 80 Proof 1 L | 5526 |
| Canadian Gold Canadian Whisky 80 Proof 750 mL | 5063 |
| <u>Lasorda Family Wines LLC</u> | |
| Lasorda Family Wines Chardonnay Monterey County 750 mL | 2231 |
| <u>Majestic W S USA Inc</u> | |
| Chateau Bonnet Bordeaux Blanc 750 mL | 8406 |
| Schladerer Kirschwasser Black Forest Cherry Brandy 84 Proof 750 mL | 30943 |
| <u>Millstone Spirits Group LLC</u> | |
| Kinsey Whiskey 10 Year Old 86 Proof 750 mL | 8672 |
| <u>Remy Cointreau USA Inc</u> | |
| Remy Martin 1738 Accord Royal Cognac 80 Proof 200 mL | 6288 |
| <u>Sazerac Company Inc</u> | |
| Fireball Cinnamon Whisky 66 Proof 12x50 mL | 98040 |
| Red Ice 101 Cool Cinnamon Schnapps 101 Proof 750 mL | 5853 |

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Sazerac North America Inc

1792 Straight Bourbon Small Batch 94 Proof 1.75 L 3218

Southern Glazers Wine and Spirits of PA

La Vieille Ferme Rose 1.5 L 98542

Twisted Cabernet Sauvignon 1.5 L 4004

Twisted Old Vine Zinfandel 1.5 L 8437

Twisted Pinot Grigio 1.5 L 5444

Strange Quark Distilling

Quantum Spirits Citrus Vodka 80 Proof 750 mL 98230

The Wine Group Inc

Chloe Merlot Monterey County 750 mL 2392

Cupcake Vineyards Merlot Central Coast 750 mL 3462

Cupcake Vineyards Riesling 750 mL 7854

Glen Ellen Pinot Grigio Columbard Reserve 1.5 L 5897

McManis Family Vineyards Petite Sirah 750 mL 6653

EFFECTIVE DATE: The transference to closeout will become effective February 12, 2021

Motion Made: Board Member Negra

Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve all Product Selection 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>November 30, 2020</u> | <u>November 30, 2019*</u> |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 68,237,519 | \$ 80,454,338 |
| Investments - short term | 216,631,725 | 211,497,954 |
| Accounts and claims receivable, net | 9,401,619 | 2,804,266 |
| Due from other funds - Note 9 | - | - |
| Merchandise inventories, net | 253,719,231 | 280,589,399 |
| Operating supplies | 492,192 | 314,586 |
| Prepaid expenses | <u>1,964,607</u> | <u>1,673,293</u> |
| Total current assets | <u>550,446,893</u> | <u>577,333,836</u> |
| Non-current assets: | | |
| Non-depreciable capital assets: | | |
| Land | 322,973 | 322,973 |
| Depreciable capital assets: | | |
| Building | 21,001,512 | 20,875,220 |
| Leasehold improvements | 197,771 | 341,826 |
| Machinery and equipment | 49,553,302 | 48,830,720 |
| Intangible - internally generated software | 24,897,755 | 22,947,654 |
| Intangible - right to use leases - Note 10 | <u>286,641,217</u> | <u>307,110,884</u> |
| Less: accumulated depreciation | <u>89,055,300</u> | <u>85,595,917</u> |
| Net depreciable capital assets | <u>293,236,257</u> | <u>314,510,387</u> |
| Total non-current capital assets | <u>293,559,230</u> | <u>314,833,360</u> |
| Total assets | <u>\$ 844,006,123</u> | <u>\$ 892,167,196</u> |
| Total deferred outflows of resources - Notes 5, 6 | \$ 140,216,969 | \$ 162,943,631 |
| LIABILITIES | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 357,537,231 | \$ 346,339,760 |
| Other accounts payable | 22,281,387 | 26,998,878 |
| Accrued expenses | 18,989,416 | 17,248,646 |
| OPEB - Note 6 | 18,874,000 | 8,994,000 |
| Self-insurance, workers' compensation - Note 7 | 8,095,210 | 7,693,938 |
| Due to other funds - Note 9 | 4,261,466 | 7,007,948 |
| Due to fiduciary funds - Note 9 | 2,310,828 | 2,074,653 |
| Due to other governments - Note 9 | 626,770 | 551,470 |
| Right to use liabilities - Note 10 | <u>33,470,646</u> | <u>49,279,874</u> |
| Total current liabilities | <u>466,446,954</u> | <u>466,189,167</u> |
| Non-current liabilities: | | |
| OPEB - Note 6 | 444,930,000 | 522,301,000 |
| Self-insurance, workers' compensation - Note 7 | 47,995,269 | 48,841,124 |
| Net pension liability - Note 5 | 473,019,620 | 546,291,336 |
| Compensated absences - Note 1 | 24,809,043 | 21,598,132 |
| Right to use liabilities - Note 10 | <u>231,964,676</u> | <u>237,976,184</u> |
| Total non-current liabilities | <u>1,222,718,608</u> | <u>1,377,007,776</u> |
| Total liabilities | <u>\$ 1,689,165,562</u> | <u>\$ 1,843,196,943</u> |
| Total deferred inflows of resources - Notes 5, 6 | \$ 370,483,638 | \$ 325,691,836 |
| NET POSITION | | |
| Net investment in capital assets | \$ 293,559,230 | \$ 314,833,360 |
| Deficit | <u>(1,368,985,338)</u> | <u>(1,428,611,312)</u> |
| Total net position | <u>\$ (1,075,426,108)</u> | <u>\$ (1,113,777,952)</u> |

*The fiscal year (FY) 2019-20 comparative information is adjusted to recognize the estimated impact of GASB Statement No. 87 which has been implemented for the FY 2020-21 reporting period. Under GASB 87, operating leases previously expensed based on payment schedules are reported as assets with associated liabilities for future lease payments. Additionally, certain FY 2019-20 operating expenses and miscellaneous revenues have been reclassified to Cost of Goods Sold and Sales respectively to provide comparability with the FY 2020-21 presentation.

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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 November 30, 2020 and November 30, 2019
(Unaudited)

| | <u>2020-21</u> | <u>2019-20*</u> |
|--|---------------------------|---------------------------|
| Sales net of taxes | \$ 206,038,180 | \$ 206,714,767 |
| Cost of goods sold | <u>(138,458,661)</u> | <u>(140,127,042)</u> |
| Gross profit from sales | 67,579,519 | 66,587,725 |
| Operating (expenses): | | |
| Retail operations | (30,194,424) | (32,819,766) |
| Marketing & merchandising | (1,426,839) | (782,696) |
| Supply chain | (492,137) | (488,423) |
| Wholesale operations | (127,460) | (118,505) |
| Information technology services | (2,463,494) | (2,177,755) |
| Regulatory affairs | (1,207,868) | (1,644,041) |
| Administration | (830,534) | (975,998) |
| Finance | (202,083) | (201,957) |
| Board & secretary | (216,855) | (220,189) |
| Legal | (275,659) | (290,620) |
| Commonwealth provided services - Note 2 | <u>(1,047,230)</u> | <u>(1,402,895)</u> |
| Total | <u>(38,484,583)</u> | <u>(41,122,845)</u> |
| Operating profit/(loss) | 29,094,936 | 25,464,880 |
| Other operating revenues (expenses): | | |
| Enforcement fines | 77,787 | 178,696 |
| License fees | 1,681,849 | 2,882,301 |
| Miscellaneous income | 140,688 | 280,381 |
| Administrative law judge | <u>(234,145)</u> | <u>(229,465)</u> |
| Total | <u>1,666,179</u> | <u>3,111,913</u> |
| Total operating income/(loss) | 30,761,115 | 28,576,793 |
| Miscellaneous revenues (expenses): | | |
| Interest income (expense) | (333,598) | 128,172 |
| Other | <u>-</u> | <u>-</u> |
| Total | <u>(333,598)</u> | <u>128,172</u> |
| Income/(Loss) before operating transfers | 30,427,517 | 28,704,965 |
| Operating transfers out: | | |
| PSP enforcement - Note 3 | (2,200,422) | (3,617,187) |
| Net Income/(Loss) from operations | <u>28,227,095</u> | <u>25,087,778</u> |
| Statutory Transfers: | | |
| General fund - Note 4 | (100,000,000) | (100,000,000) |
| Drug and alcohol programs - Note 4 | - | - |
| Total | <u>(100,000,000)</u> | <u>(100,000,000)</u> |
| Change in net position | (71,772,905) | (74,912,222) |
| Total net position - beginning | <u>(1,003,653,203)</u> | <u>(1,038,865,730)</u> |
| Total net position - ending | <u>\$ (1,075,426,108)</u> | <u>\$ (1,113,777,952)</u> |
| Liquor tax | 38,891,168 | 36,787,195 |
| State Sales Tax | 15,307,821 | 14,464,473 |
| Local Tax | 796,646 | 928,580 |
| Taxes remitted to Dept.of Revenue PTD | <u>\$ 54,995,635</u> | <u>\$ 52,180,248</u> |

*The fiscal year (FY) 2019-20 comparative information is adjusted to recognize the estimated impact of GASB Statement No. 87 which has been implemented for the FY 2020-21 reporting period. Under GASB 87, operating leases previously expensed based on payment schedules are reported as assets with associated liabilities for future lease payments. Additionally, certain FY 2019-20 operating expenses and miscellaneous revenues have been reclassified to Cost of Goods Sold and Sales respectively to provide comparability with the FY 2020-21 presentation.

Note: Board Minutes are not officially approved until all required signatures are affixed.

**Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For the Five Months Ending November 30, 2020 and November 30, 2019
(Unaudited)**

| | <u>2020-21</u> | <u>2019-20*</u> |
|--|---------------------------|---------------------------|
| Sales net of taxes | \$ 939,374,966 | \$ 900,239,961 |
| Cost of goods sold | <u>(634,396,578)</u> | <u>(614,516,024)</u> |
| Gross profit from sales | 304,978,388 | 285,723,937 |
| Operating (expenses): | | |
| Retail operations | (152,023,768) | (154,653,997) |
| Marketing & merchandising | (5,095,244) | (3,810,645) |
| Supply chain | (3,395,123) | (3,245,298) |
| Wholesale operations | (651,921) | (669,516) |
| Information technology services | (11,323,283) | (11,669,836) |
| Regulatory affairs | (6,984,973) | (7,937,810) |
| Administration | (3,985,211) | (4,991,721) |
| Finance | (1,221,848) | (1,387,619) |
| Board & secretary | (1,120,346) | (1,378,438) |
| Legal | (1,453,194) | (1,512,963) |
| Commonwealth provided services - Note 2 | <u>(6,513,452)</u> | <u>(6,055,975)</u> |
| Total | <u>(193,768,363)</u> | <u>(197,313,818)</u> |
| Operating profit/(loss) | 111,210,025 | 88,410,119 |
| Other operating revenues (expenses): | | |
| Enforcement fines | 550,071 | 790,359 |
| License fees | 12,980,250 | 14,774,011 |
| Miscellaneous income | 870,620 | 1,254,112 |
| Administrative law judge | <u>(1,114,105)</u> | <u>(1,204,942)</u> |
| Total | <u>13,286,836</u> | <u>15,613,540</u> |
| Total operating income/(loss) | 124,496,861 | 104,023,659 |
| Miscellaneous revenues (expenses): | | |
| Interest income (expense) | (1,610,408) | 554,384 |
| Other | <u>-</u> | <u>-</u> |
| Total | <u>(1,610,408)</u> | <u>554,384</u> |
| Income/(Loss) before operating transfers | 122,886,453 | 104,578,043 |
| Operating transfers out: | | |
| PSP enforcement - Note 3 | (12,563,104) | (13,169,299) |
| Net Income/(Loss) from operations | 110,323,349 | 91,408,744 |
| Statutory Transfers: | | |
| General fund - Note 4 | (100,000,000) | (100,000,000) |
| Drug and alcohol programs - Note 4 | <u>-</u> | <u>-</u> |
| Total | <u>(100,000,000)</u> | <u>(100,000,000)</u> |
| Change in net position | 10,323,349 | (8,591,256) |
| Total net position - beginning | <u>(1,085,749,457)</u> | <u>(1,105,186,696)</u> |
| Total net position - ending | <u>\$ (1,075,426,108)</u> | <u>\$ (1,113,777,952)</u> |
| Liquor tax | 170,347,922 | 161,025,816 |
| State Sales Tax | 67,179,005 | 63,340,550 |
| Local Tax | 3,816,183 | 4,087,092 |
| Taxes remitted to Dept. of Revenue YTD | <u>\$ 241,343,110</u> | <u>\$ 228,453,458</u> |

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OTHER ISSUES

None

CITIZEN COMMENT/BUSINESS FROM THE FLOOR

The teleconference moderator confirmed that there were no callers.

NEXT BOARD MEETING

The next meeting of the PLCB will be a formal meeting on Wednesday, January 27, 2021 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 Board Member Isenhour, the meeting was adjourned.

The foregoing actions are hereby officially approved.

Chairman

Member

Member

ATTEST:

Secretary

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EXHIBIT A

Baseline data used to determine the contract was warranted

As was explained during the December 2, 2020 public meeting, the PLCB’s stores located in Philadelphia have historically been targets of criminal activity. To further expand on that, in 1996, there had been a growing number of armed robberies of the PLCB’s stores in Philadelphia. While the PLCB had been utilizing the services of a private security guard company at that time, this did not have the anticipated deterrent effect on the robberies, largely because of performance issues and other inadequacies. Accordingly, there was a need to have a stronger armed presence in and around the PLCB’s stores in order to better protect the PLCB’s employees and customers, which is why the PLCB initially engaged the contracted services of the PPD in 1996. From that point on, the PLCB has continued to use the contracted services of the PPD and has also expanded the number of stores included within the coverage area over time.

In 2006, when evaluating whether to renew its contract with the PPD, the PLCB compiled the following historical data:

| Year | Number of Robberies in PLCB stores in Philadelphia | Number of Robberies in PLCB stores monitored by Philadelphia Police Department per contract |
|---------------------|--|---|
| 1/27/95 – 08/29/95 | 8 | |
| 01/19/96 – 12/12/96 | 21 | |
| 01/30/97 – 12/22/97 | 31 | |
| 1998 | 8 | 5 |
| 1999 | 12 | 9 |
| 2000 | 5 | 1 |
| 2001 | 11 | 10 |
| 2002 | 26 | 19 |
| 2003 | 11 | 7 |
| 2004 | 26 | 23 |
| 2005 | 5 | 2 |
| 2006 | 2 | 2 |

As you can see, this data reflects that there were an average of 26 robberies per year at stores in Philadelphia from 1996 to 1997. However, between 1998 and 2006, this average was reduced to 11.8 robberies per year. Also, between 1998 and 2006, there were a total of 106 robberies at stores in Philadelphia, as compared to a total of 78 robberies at stores covered by the PPD per the terms of the contract engagement.

The metrics used to evaluate the efficacy of the contract

Unfortunately, the PLCB has not continued to maintain similar comparative data from 2006 forward, which makes it difficult to discuss the efficacy of the contract for the entire period of time spanning from 2006 to present. However, to the best of the PLCB’s knowledge, information, and belief, there were only a total of two armed robberies that occurred at stores located in Philadelphia County between 2017 and 2020.

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Accordingly, it is the PLCB's continued belief that the services provided by the PPD have continued to have a meaningful impact in reducing and/or limiting the number of robberies at stores located in Philadelphia.

Additionally, while the estimated cost of the current contract is \$856,053.00, the associated costs under this contract have always been substantial and have gradually increased over the course of time. In 2006, the PLCB had collected the following historical cost-related data:

| Year | Cost of the Contract |
|------------------------|----------------------|
| 8/97 – 6/00 (calendar) | \$700,000 |
| FY 2002 | \$213,437.02 |
| FY 2003 | \$481,999.41 |
| FY 2004 | \$510,277.07 |
| FY 2005 | \$560,611.21 |

As you can see, the difference between the current contract cost of \$856,053.00 and the FY 2005 contract cost of \$560,611.21 is \$295,441.79. This reflects an increase of only approximately \$20,000 per year over the span of nearly 15 years, which the PLCB otherwise believes to be reasonable relative to the services being provided and their intended purpose of protecting the PLCB's employees and customers.

With that said, the PLCB appreciates your concerns and will further evaluate the effectiveness and value being derived from these services going forward.

Value of the officers during disturbances in the summer of 2020

The PLCB has not undertaken any evaluation of the value of the PPD's contractual services relative to the disturbances you are referencing from the summer of 2020, which did impact a number of the PLCB's stores. Notably, while such disturbances did involve some criminal activity, many, if not all, of them were related to other major local or national events and impacted a wide range of businesses. As such, these types of mass event disturbances cannot be easily compared to other criminal activity specifically targeting the PLCB's stores that the contract with the PPD is intended to deter. Additionally, due to the nature of these mass disturbance events, it is the PLCB's belief that there are simply too many variables involved to reasonably assess whether the PPD's contractual services did or did not provide any deterrent value relative to the same.