

PENNSYLVANIA LIQUOR CONTROL BOARD

MEETING MINUTES

LISTEN TO THE RECORDING

WEDNESDAY, MARCH 24, 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*

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

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 March 10, 2021 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

Board Member Negra recognized the retirement of Representative Jeff Pyle, Chairman of House Liquor Control Committee, and thanked him for his involvement with the PLCB.

Board Member Negra also extended his well wishes and a speedy recovery to Senator Mike Regan, Chairman of the Senate Law and Justice Committee, who was involved in a motorcycle accident.

Chairman Holden and Board Member Isenhour thanked Board Member Negra for his well-stated comments and added their best wishes to Representative Pyle and Senator Regan.

The teleconference moderator confirmed that there were no callers with comments.

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

NEW BUSINESS

From the Office of Chief CounselRodrigo Diaz, Chief Counsel

- (1) **Jenks Township** Municipal Petition for Exemption
Case No. 21-NE-02 from Liquor Code Statute
Forest County Regarding Amplified Sound

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve noise exemption from May 3, 2021 through May 3, 2026.

- (2) **Giant Food Stores** Request to Sell Wine-Infused Ice Cream

Board Member Negra asked Chief Counsel Diaz to explain the matter. Chief Counsel Diaz stated that if a retail licensee wants to engage in a business other than their core function of providing food and alcohol for on-premises consumption, they are required to seek Board approval. Giant Food Stores submitted a request to the PLCB asking for permission to sell wine-infused ice cream for off-premise consumption, to be sold in pints. Since Giant is not allowed to sell more than three liters of wine-to-go at one time, they would not sell more than six pints at one time.

The products in question are produced by a PA limited winery and a limited winery is able to manufacture wine products. If the limited winery is producing food, they must seek approval from the Department of Agriculture and TTB. Wine-infused ice cream is legal under TTB rules, as long as they are treated as wine products. This product is required to be stored on the licensed premises; therefore, the licensee will need a freezer on the licensed premises. The issue of whether a retail licensee such as Giant Food Stores may sell such a product is at the Board’s discretion.

Should the Board decide to approve this request, Chief Counsel Diaz recommends that all retail licensees be allowed to sell this product, noting that other, more informal requests on the same issue, have been made to the Bureau of Licensing by other retail licensees.

Board Member Negra asked for clarification on whether or not this product is legally able to be made. Chief Counsel Diaz confirmed that limited wineries are allowed to produce this product; however, the question is whether or not to allow retail licensees to sell this product for off-premises consumption.

Board Member Isenhour asked if the limited wineries are allowed to sell this product on their premises. Chief Counsel Diaz stated that is correct.

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

Board Member Negra made a motion to allow all WEP holders to sell wine-infused ice cream for off-premises consumption. Board Member Isenhour advised that she would not second this Motion and instead made a motion to deny this request for all WEP holders.

Motion Made: Board Member Isenhour
Seconded: Chairman Holden

Board Decision: (2-1 vote) to refuse the request to sell wine-infused ice cream for all WEPs.

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

(1) **Chabad Jewish Center for Students of the Arts** New & Requests for an Interior
t/a Chabad Young Philly Connection with Another
(LID No. 104652) Business & to Sell Other
1601-03 Lombard Street Items on the Licensed Premises –
Philadelphia, Philadelphia County Sacramental Wine

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

(2) **Resources for Seniors** Request for Hearing After
C-2753 (LID No. 97039) Case No. 20-9018 Administrative Cancellation –
3500-04 Wharton Street Person-to-Person Transfer –
Philadelphia, Philadelphia County Club

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to deny the request for hearing after administrative cancellation, such that the transfer remains cancelled and the license remains revoked.

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

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

Procurement Actions:

- (1) **Application Manager/AppWorx Maintenance Renewal** – AppWorx is the scheduling software used to run jobs and chains in the IBMS system with precision and without the risk of operator/user error running them manually. The IBMS system is PLCB’s main computer system that runs day-to-day operations.

Procured via DGS Contract #4400018548 – VENDOR: **CDW-G** – TERM: One year for period 5/13/2021 through 5/12/2022 – **\$195,123.79 estimated cost** which represents a 10% increase over last year’s cost of \$177,385.31. The software publisher, CA Technologies, sold AppWorx to Broadcom last year. The price increase is due to Broadcom’s focus on increased research & development to improve products and customer experience.

- (2) **Hearing Examiner Services Renewal** – Represent the Board in the capacity of a Hearing Examiner for administrative hearings conducted in the Commonwealth of Pennsylvania regarding matters which the Board shall adjudicate as required by law.

Procured via PO 63019831 Option Year – VENDOR: **Charles M. Gibbs** – TERM: One year for period 4/20/21 through 4/19/22 – **\$150,000.00 estimated cost.**

- (3) **Load and Performance Testing Tool Renewal** – Provide ZAPTEST Expert software used to develop functional load and performance testing scripts for use on the new E-Commerce website. The tool will be used to develop the same for the Agency’s other systems. Information Technology departments are moving in the direction of continuous integration and continuous development (CI/CD). Once the test scripts are created they can be set up to automatically run as part of this CI/CD process on any system. This helps ensure the systems can handle expected load and any issues that may be caused by enhancements can be detected as early as possible in the development lifecycle.

Procured via DGS Contract #4400018548 – VENDOR: **CDW-G** – TERM: One year for period 3/24/2021 through 3/23/2022 - **\$153,347.68 estimated cost** which represents a 2.26% increase over last year’s cost of \$149,952.00.

- (4) **Cisco Catalyst 9500 Layer 3 Switches with Three-Year Support** - These six switches will replace the old existing Cisco 6500 chassis switches located at the NWOB and CTC 1 Tech Park that are at end of support. This procurement also includes three years of Cisco Smartnet Support and the cost to support the new switches, as opposed to continuing support for the older switches, is much less resulting in 50% yearly support savings.

Procured via DGS Contract #4400020304 – VENDOR: **ePlus** – TERM: Three years for period 4/1/2021 through 3/31/2024 - **\$183,009.74 estimated cost.**

- (5) **IBM FS7200 Storage Array with Software and Three-Year Support** - The acquisition of the IBM FS7200 storage array is an integral step in relocating agency IT assets from the NWOB datacenter into the Office of Administration’s (OA), Enterprise Data Center (EDC). Compatible with current PLCB storage, the FS7200 will simplify and minimize the risk of moving the many virtual servers currently

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

supporting agency business activities. The FS7200 will allow PLCB ITS to decommission storage currently leased from OA at the EDC, resulting in an annual cost avoidance of \$36,615.17.

Procured via DGS Contract #4400018006 – VENDOR: **Pierson** – TERM: Three years for period 4/1/2021 through 3/31/2024 - **\$210,878.00 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) **#1514 – 161 East Swedesford Road, Wayne Amendment**
- (2) **#4622 – 404 Huntingdon Pike, Rockledge Amendment**
- (3) **#5152 – Erie Plaza, 3772 L Street, Philadelphia Amendment**
- (4) **#5403 – 141 North Railroad Street, Tamaqua Closing**

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

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

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

1. Regular New Items Accepted

<u>BRAND NAME AND SIZE</u>	<u>REASON</u>
<u>Monsieur Touton Selection LTD</u>	
Mapu Cabernet Sauvignon Valle Del Maule Chile 750 mL	18
Mapu Sauvignon Blanc Valle Del Maule Chile 750 mL	18
<u>Treasury Wine Estates</u>	
19 Crimes Snoop Dogg Cali Rose 750 mL	2,3,9,19

RECOMMENDED ACTION: We recommend the Board approve this action

2. Regular PA New Items Accepted

<u>BRAND NAME AND SIZE</u>	<u>REASON</u>
<u>Boardroom Spirits LLC</u>	
Northbound Straight Bourbon Whiskey 90 Proof 750 mL	16
<u>Southern Glazers Wine and Spirits of PA</u>	
Stateside Craft Vodka Soda Real Juice and Sparkling Water Variety Pack 8x355 mL Cans	16
<u>Strange Quark Distilling LLC</u>	
Quantum Spirits Cranberry Lime Rosemary Vodka Craft Cocktail 24 Proof 750 mL	16
Quantum Spirits Lemon Ginger Rhubarb Vodka Craft Cocktail 24 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
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

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

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

BRAND NAME AND SIZE

CODE

Paterno Imports LTD

Nederburg The Winemasters Pinotage 750 mL

6778

Two Oceans Sauvignon Blanc 750 mL

6979

EFFECTIVE DATE: The transference to closeout will become effective April 23, 2021

Motion Made:

Board Member Negra

Seconded:

Board Member Isenhour

Board Decision:

Unanimously agreed (3-0 vote) to approve all Product Selection actions.

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

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>February 28, 2021</u>	<u>February 29, 2020*</u>
ASSETS		
Current assets:		
Cash	\$ 53,728,789	\$ 52,240,202
Investments - short term	281,119,634	289,912,389
Accounts and claims receivable, net	7,507,994	2,647,799
Due from other funds - Note 9	-	-
Merchandise inventories, net	221,846,011	248,522,038
Operating supplies	394,979	343,964
Prepaid expenses	1,145,440	818,391
	<hr/>	<hr/>
Total current assets	565,742,847	594,484,783
Non-current assets:		
Non-depreciable capital assets:		
Land	322,973	322,973
Depreciable capital assets:		
Building	21,009,026	20,875,220
Leasehold improvements	197,771	341,826
Machinery and equipment	49,065,922	48,872,744
Intangible - internally generated software	27,595,545	23,970,566
Intangible - right to use leases - Note 10	300,742,181	314,601,980
	<hr/>	<hr/>
Less: accumulated depreciation	103,913,117	100,241,480
Net depreciable capital assets	294,697,328	308,420,856
Total non-current capital assets	295,020,301	308,743,829
	<hr/>	<hr/>
Total assets	\$ 860,763,148	\$ 903,228,612
	<hr/>	<hr/>
Total deferred outflows of resources - Notes 5, 6	\$ 153,833,669	\$ 164,452,631
LIABILITIES		
Current liabilities:		
Trade accounts payable	\$ 304,088,856	\$ 288,499,500
Other accounts payable	24,454,386	28,383,819
Accrued expenses	21,129,755	20,925,793
OPEB - Note 6	2,082,000	8,994,000
Self-insurance, workers' compensation - Note 7	9,595,210	9,193,938
Due to other funds - Note 9	7,963,575	8,212,090
Due to fiduciary funds - Note 9	3,352,830	3,071,104
Due to other governments - Note 9	915,488	802,642
Right to use liabilities - Note 10	19,256,668	49,279,874
Total current liabilities	392,838,768	417,362,760
	<hr/>	<hr/>
Non-current liabilities:		
OPEB - Note 6	482,263,000	478,705,000
Self-insurance, workers' compensation - Note 7	47,995,269	48,841,124
Net pension liability - Note 5	481,619,720	555,891,336
Compensated absences - Note 1	24,809,043	21,598,132
Right to use liabilities - Note 10	247,271,495	233,104,330
Total non-current liabilities	1,283,958,527	1,338,139,922
	<hr/>	<hr/>
Total liabilities	\$ 1,676,797,295	\$ 1,755,502,682
	<hr/>	<hr/>
Total deferred inflows of resources - Notes 5, 6	\$ 338,957,538	\$ 353,612,836
NET POSITION		
Net investment in capital assets	\$ 295,020,301	\$ 308,743,829
	<hr/>	<hr/>
Deficit	(1,296,178,317)	(1,350,178,104)
	<hr/>	<hr/>
Total net position	\$ (1,001,158,016)	\$ (1,041,434,275)

*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 Month Ending February 28, 2021 and February 29, 2020
(Unaudited)**

	<u>2020-21</u>	<u>2019-20*</u>
Sales net of taxes	\$ 169,782,109	\$ 172,117,262
Cost of goods sold	<u>(116,162,101)</u>	<u>(117,644,715)</u>
Gross profit from sales	53,620,008	54,472,547
Operating (expenses):		
Retail operations	(26,219,307)	(29,137,252)
Marketing & merchandising	(585,104)	(870,675)
Supply chain	(395,264)	(719,030)
Wholesale operations	(111,018)	(137,863)
Information technology services	(2,103,389)	(2,573,326)
Regulatory affairs	(1,005,575)	(1,588,550)
Administration	(672,293)	(980,842)
Finance	(164,872)	(179,381)
Board & secretary	(297,008)	(352,518)
Legal	(253,136)	(270,104)
Commonwealth provided services - Note 2	<u>(1,194,832)</u>	<u>(1,039,689)</u>
Total	<u>(33,001,798)</u>	<u>(37,849,230)</u>
Operating profit/(loss)	20,618,210	16,623,317
Other operating revenues (expenses):		
Enforcement fines	58,473	149,718
License fees	1,726,712	3,469,908
Miscellaneous income	158,428	304,457
Administrative law judge	<u>(193,579)</u>	<u>(212,660)</u>
Total	<u>1,750,034</u>	<u>3,711,423</u>
Total operating income/(loss)	22,368,244	20,334,740
Miscellaneous revenues (expenses):		
Interest income (expense)	(390,786)	78,123
Other	<u>-</u>	<u>-</u>
Total	<u>(390,786)</u>	<u>78,123</u>
Income/(Loss) before operating transfers	21,977,458	20,412,863
Operating transfers out:		
PSP enforcement - Note 3	(2,195,966)	(2,438,071)
Net Income/(Loss) from operations	<u>19,781,492</u>	<u>17,974,792</u>
Statutory Transfers:		
General fund - Note 4	-	-
Drug and alcohol programs - Note 4	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	19,781,492	17,974,792
Total net position - beginning	(1,020,939,508)	(1,059,409,067)
Total net position - ending	<u>\$ (1,001,158,016)</u>	<u>\$ (1,041,434,275)</u>
Liquor tax	31,440,983	30,646,837
State Sales Tax	12,392,432	12,070,215
Local Tax	759,520	773,648
Taxes remitted to Dept.of Revenue PTD	<u>\$ 44,592,935</u>	<u>\$ 43,490,700</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 Eight Months Ending February 28, 2021 and February 29, 2020
(Unaudited)**

	<u>2020-21</u>	<u>2019-20*</u>
Sales net of taxes	\$ 1,539,316,340	\$ 1,500,576,153
Cost of goods sold	<u>(1,039,215,934)</u>	<u>(1,021,088,475)</u>
Gross profit from sales	500,100,406	479,487,678
Operating (expenses):		
Retail operations	(244,984,001)	(247,788,372)
Marketing & merchandising	(8,511,750)	(8,373,564)
Supply chain	(4,899,225)	(5,324,059)
Wholesale operations	(1,037,031)	(1,109,949)
Information technology services	(17,763,536)	(18,871,691)
Regulatory affairs	(10,904,725)	(12,981,456)
Administration	(6,326,843)	(9,059,403)
Finance	(1,815,980)	(2,081,199)
Board & secretary	(2,129,053)	(2,483,051)
Legal	(2,370,249)	(2,453,161)
Commonwealth provided services - Note 2	<u>(10,159,535)</u>	<u>(10,974,091)</u>
Total	<u>(310,901,928)</u>	<u>(321,499,996)</u>
Operating profit/(loss)	189,198,478	157,987,682
Other operating revenues (expenses):		
Enforcement fines	704,205	1,207,486
License fees	17,028,229	24,553,766
Miscellaneous income	1,419,725	2,025,508
Administrative law judge	<u>(1,778,167)</u>	<u>(1,887,288)</u>
Total	<u>17,373,992</u>	<u>25,899,472</u>
Total operating income/(loss)	206,572,470	183,887,154
Miscellaneous revenues (expenses):		
Interest income (expense)	(2,714,758)	591,412
Other	<u>14,020</u>	<u>3,500</u>
Total	<u>(2,700,738)</u>	<u>594,912</u>
Income/(Loss) before operating transfers	203,871,732	184,482,066
Operating transfers out:		
PSP enforcement - Note 3	(19,280,291)	(20,729,645)
Net Income/(Loss) from operations	<u>184,591,441</u>	<u>163,752,421</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	84,591,441	63,752,421
Total net position - beginning	<u>(1,085,749,457)</u>	<u>(1,105,186,696)</u>
Total net position - ending	<u>\$ (1,001,158,016)</u>	<u>\$ (1,041,434,275)</u>
Liquor tax	276,524,460	268,672,825
State Sales Tax	109,027,528	105,720,888
Local Tax	6,191,478	6,760,924
Taxes remitted to Dept. of Revenue YTD	<u>\$ 391,743,466</u>	<u>\$ 381,154,637</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.

OTHER ISSUES

None

CITIZEN COMMENT/BUSINESS FROM THE FLOOR

The teleconference moderator confirmed that there were no callers with comments.

NEXT BOARD MEETING

The next meeting of the PLCB will be a formal meeting on Wednesday, April 14, 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