

**PENNSYLVANIA LIQUOR CONTROL BOARD
MEETING MINUTES**

NOVEMBER 15, 2017

NORTHWEST OFFICE BUILDING, CONFERENCE ROOM 117, HARRISBURG, PA

Tim Holden, Chairman
Mike Negra, Board Member
Michael Newsome, 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](#)
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PUBLIC MEETING – 11:00 A.M

Board Secretary John Stark announced that Chairman Holden would not be present at the meeting and that Board Member Newsome would be presiding over the meeting in Chairman Holden’s absence.

CALL TO ORDER*Board Member Newsome*

Pledge of Allegiance to the Flag

OLD BUSINESS.....*Secretary Stark*

A. Motion to approve the previous Board Meeting Minutes of the November 1, 2017 meeting.

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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

PUBLIC COMMENT ON AGENDA ITEMS

There was no public comment on the printed agenda items.

NEW BUSINESS

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

From the Office of Chief CounselRodrigo Diaz, Chief Counsel

(1) **Transferor: D & P 356 Enterprises, Inc.** Application for
356 Frankfort Road Conversion of
Monaca, Pennsylvania 15061 Suspension to Fine
Restaurant Liquor License No. R-17043
LID 18373

Transferee: Giant Eagle, Inc.
610 Smithfield Street
Pittsburgh, Pennsylvania 15222
Restaurant Liquor License No. R-17043
LID 87295

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (2-0 vote) to Approve Conversion of Suspension to a Fine of \$2,000.00.

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

(1) **18 East Main, Inc.** Extension of License - Restaurant
t/a Just Wing It
R-11724 (LID No. 81503) Case No. 17-9058
18 East Main Street
Annville Township
Annville, Lebanon County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (2-0 vote) to Approve Extension of License.

(2) **Viva Hospitality, Inc.** Place-to-Place Transfer &
t/a Viva Request to Conduct Another
R-5422 (LID No. 70964) Case No. 17-9050 Business on the Licensed
1189 Highway 315 Boulevard Premises – Restaurant
Suite 3
Plains Township
Wilkes Barre, Luzerne County

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Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (2-0 vote) to Approve Transfer and Request to Conduct Another Business on the Licensed Premises.

- (3) **Duck Hollow Enterprises, LLC** Renewal – District 6
PGR-292 (LID No. 60213) Case No. 2016-60213
374 Duck Hollow Road
Menallen Township
Uniontown, Fayette County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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

- (4) **M & J Restaurants, LLC** Renewal – District 5
R-12286 (LID No. 66431) Case No. 2017-66431
750 East Warrington Avenue
Pittsburgh, Allegheny County

Motion Made: Board Member Negra
Seconded:

Board Decision: Hold by Board Member Negra for a Conditional Licensing Agreement Offer-in-Compromise Terms.

- (5) **Midland Roadhouse 19, Inc.** Conditional Licensing Agreement
R-2169 (LID No. 39318) Case No. 2016-39318 Renewal – District 6
805 Midland Avenue
Midland, Beaver County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (2-0 vote) to Approve Renewal with Conditional Licensing Agreement.

- (6) **Moik's Restaurant, Inc.** Conditional Licensing Agreement
t/a Moik's Restaurant Renewal – District 5
R-1686 (LID No. 10113) Case No. 2017-10113
104-106 Brownsville Road
Mount Oliver, Allegheny County

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Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (2-0 vote) to Approve Renewal with New Conditional Licensing Agreement.

(7) **NNIS Pittsburgh, LLC** Renewal – District 5
R-10398 (LID No. 69228) Case No. 2017-69228
1713-1715 East Carson Street
Pittsburgh, Allegheny County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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

(8) **Rock Ann Haven, Inc.** Conditional Licensing Agreement
t/a Rock Ann Haven Renewal & Amusement Permit –
R-12315 (LID No. 29309) Case No. 2016-29309 District 6
141 Greenwood Avenue
Butler Township **HOLD – 6/7/17 SESSION**
Butler, Butler County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (2-0 vote) to Approve Renewal and Amusement Permit with Conditional Licensing Agreement.

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

Personnel Actions

There were 13 personnel actions presented for consideration.

- (1) **Sarah Allen – Affirm Removal**
- (2) **Daniel Barnd - Removal**
- (3) **Christina Bennett – Affirm Removal**
- (4) **Dwayne Grogan – Removal**

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- (5) **Ashley Johnson – Removal**
- (6) **Carmilla King – Affirm Removal**
- (7) **Lauren Lieto – Affirm Removal**
- (8) **John Little – Affirm Removal**
- (9) **Yudelka Reyes – Removal**
- (10) **Geovanny Rivera – Affirm Removal**
- (11) **Anne Tunney - Removal**
- (12) **Quintina Williams – Removal**
- (13) **Dezmond Young – Removal**

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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

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

Procurement Action:

- (1) **Furniture for Store #4614** – New center table and wall units for Fine Wine & Good Spirits Store #4614 in Bala Cynwyd.

Procured via DGS Statewide Contract #4400013989 – VENDOR: **TC Millwork** – **\$110,038.90 estimated cost.**

- (2) **Furniture for Store #2331** – New center table and wall units for Fine Wine & Good Spirits Store #2331 in Drexel Hill.

Procured via DGS Statewide Contract #4400013989 – VENDOR: **TC Millwork** – **\$92,085.24 estimated cost.**

- (3) **Cisco Switches Hardware Refresh** – Provide six-hundred (600) Cisco Power Over Ethernet (POE) switches. The ethernet switches currently used in Point-of-Sale (POS) stores were installed in 2010/11 and are nearing end-of-life (EOL). When support ends in 2019, software or security updates and break/fix support will no longer be available from the manufacturer. This purchase is to upgrade/replace approximately one-half of the EOL switches with the second half being upgraded/replaced in FY 18/19.

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Procured via DGS Statewide Contract #4400011887 – VENDOR: **ePlus Technology Inc. – \$306,471.00 estimated cost.**

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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

Inter-Agency Charges:

- (1) **Office of Administration – Information Technology Office(OA-OIT)** – Billing of \$122,859.12 for the PLCB’s service request (#3134) to relocate our disaster recovery servers from the current Cameron Street location to the Commonwealth Technology Center’s “Co-Location” site.

- (2) **Department of Auditor General** – FY 2017-18 first quarter billing of \$868,559.94 from the Department of the Auditor General. The billing includes \$115,957.52 for the “true-up” for the estimated billing for FY 2016-17 fourth quarter services. The remaining \$752,602.42 balance of the bill is for the first quarter services (actual expenses), which is \$56,709.15 (-7.0%) less than the FY 2016-17 first quarter billing.

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

Board Member Negra asked Nick Melnick, Chief Information Officer, to provide some background on the relocation of the PLCB’s disaster recovery servers from the current site and the related expenses.

Mr. Melnick indicated that the existing site for the disaster recovery servers is located on Cameron Street in Harrisburg, and the PLCB is not being charged for that location. However, that site is being closed, and the disaster recovery servers are being moved to a new location for which there will be associated expenses.

Board Member Negra asked if these will be one-time expenses, or whether they will be recurring expenses.

Mr. Melnick indicated that the expenses will be recurring.

Board Member Negra then questioned whether there are any issues with the existing site on Cameron Street that necessitate a move to a new location.

Mr. Melnick indicated that the existing site is older and is located within a flood plain, which is not a good place for the servers to be housed. He expressed his opinion that the move is necessary.

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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

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

- 1. #0202 – River Town Shops, 90 Allegheny River Boulevard, Verona Amendment
- 2. #15XX – Shoppes at Longwood Village, 849 E. Baltimore Pike, Kennett Square New Store (relocation of #1507)

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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

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

1. Regular PA Spirits New Items Accepted

<u>BRAND NAME AND SIZE</u>	<u>REASON</u>
<u>Thistle Finch Distilling LLC</u>	
Penn Square Lavender Vodka 750 ML	8
Penn Square Rose Vodka 750 ML	8

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
- 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

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2. Regular Recommended Delist December 2017

<u>BRAND NAME AND SIZE</u>	<u>CODE</u>
<u>North Wales Wines</u>	
Barefoot Zinfandel 1.5 L	8782
The Isle of Jura Superstition Scotch 750 ML	6741

EFFECTIVE DATE: The transference to closeout will become effective December 18, 2017

Motion Made: Board Member Negra

Seconded: Board Member Newsome

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*

The Financial Report was presented by Paul Jones from the Office of Budget.

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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 54,900,142	\$ 28,900,423
Investments - short term	213,306,133	298,276,258
Accounts and claims receivable, net	1,403,145	1,026,890
Due from other funds - Note 8	2,143	3,263
Merchandise inventories, net	260,634,133	266,446,289
Operating supplies	239,459	538,173
Prepaid expenses	3,778,581	3,265,321
Total current assets	534,263,736	598,456,617
Non-current assets:		
Non-depreciable capital assets:		
Land	322,973	322,973
Depreciable capital assets:		
Building	19,816,479	19,631,994
Leasehold improvements	582,597	864,825
Machinery and equipment	47,723,304	52,098,802
Intangibles - internally generated software	29,587,200	22,507,704
Less: accumulated depreciation	63,890,236	54,645,931
Net depreciable capital assets	33,819,344	40,457,394
Total non-current capital assets	34,142,317	40,780,367
Total assets	\$ 568,406,053	\$ 639,236,984
Total deferred outflows of resources - Note 4	\$ 106,731,773	\$ 96,881,449
<u>LIABILITIES</u>		
Current liabilities:		
Trade accounts payable	\$ 265,329,827	\$ 291,541,806
Other accounts payable	24,430,131	11,725,766
Accrued expenses	21,121,869	20,090,395
Self-insurance, workers' compensation - Note 6	8,239,857	9,271,965
Due to other funds - Note 8	3,781,535	5,508,668
Due to fiduciary funds - Note 8	2,922,326	2,346,141
Due to other governments - Note 8	757,741	711,314
Total current liabilities	326,583,286	341,196,055
Non-current liabilities:		
OPEB - Note 5	858,849,000	94,378,113
Self-insurance, workers' compensation - Note 6	42,256,546	39,287,287
Net pension liability - Note 4	484,943,490	459,135,699
Compensated absences - Note 1	18,904,788	19,506,861
Total non-current liabilities	1,404,953,824	612,307,960
Total liabilities	\$ 1,731,537,110	\$ 953,504,015
Total deferred inflows of resources - Note 4	\$ 20,177,976	\$ 6,206,121
<u>NET POSITION</u>		
Net investment in capital assets	\$ 34,142,317	\$ 40,780,367
Deficit***	(1,110,719,577)	(264,372,070)
Total net position	\$ (1,076,577,260)	\$ (223,591,703)

***Effective July 1, 2017, the PLCB implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). This standard established new standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. The State Stores Fund Net Position changed by a total of \$(751,632,988) as a result of implementing GASB 75.

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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 September 30, 2017 and September 30, 2016
(Unaudited)

	<u>September 2017-18</u>	<u>September 2016-17</u>
Sales net of taxes	\$ 164,673,198	\$ 158,023,658
Cost of goods sold	<u>(112,528,733)</u>	<u>(108,912,695)</u>
Gross profit from sales	52,144,465	49,110,963
Operating (expenses):		
Retail operations	(32,005,087)	(32,563,838)
Marketing & merchandising	(1,152,081)	(1,584,566)
Supply chain	(926,124)	(1,061,427)
Wholesale operations	(174,875)	(50,000)
Information technology services	(2,316,860)	(2,795,285)
Regulatory affairs	(1,538,379)	(1,832,274)
Administration	(1,290,562)	(1,183,297)
Finance	(303,223)	(313,783)
Board & secretary	(596,565)	(561,805)
Legal	(282,386)	(272,749)
Commonwealth provided services - Note 2	<u>(1,322,155)</u>	<u>(1,249,459)</u>
Total	<u>(41,908,297)</u>	<u>(43,468,483)</u>
Operating profit	10,236,168	5,642,480
Other operating revenues (expenses):		
Enforcement fines	183,261	100,327
License fees	4,242,931	1,968,758
Miscellaneous income	184,853	(76,210)
Administrative law judge	<u>(214,836)</u>	<u>(217,291)</u>
Total	<u>4,396,209</u>	<u>1,775,584</u>
Total operating income	14,632,377	7,418,064
Non-operating revenues (expenses):		
Interest income	269,211	155,948
Other	<u>-</u>	<u>(11,687)</u>
Total	<u>269,211</u>	<u>144,261</u>
Income before operating transfers	14,901,588	7,562,325
Operating transfers out:		
PSP enforcement - Note 3	(2,329,849)	(2,159,070)
Income after enforcement/before other transfers	<u>12,571,739</u>	<u>5,403,255</u>
Other operating transfers out:		
General fund - Note 3	-	-
Drug and alcohol programs - Note 3	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	12,571,739	5,403,255
Total net position, beginning 2017-18 restated - Note 9	<u>(1,089,148,999)</u>	<u>(228,994,958)</u>
Total net position - ending	<u><u>\$(1,076,577,260)</u></u>	<u><u>\$ (223,591,703)</u></u>
Liquor tax	29,542,518	28,246,951
State Sales Tax	11,619,192	10,985,006
Local Tax	732,214	707,863
Taxes remitted to Dept.of Revenue PTD	<u>\$ 41,893,924</u>	<u>\$ 39,939,820</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 Three Months Ending September 30, 2017 and September 30, 2016
(Unaudited)**

	<u>2017-18</u>	<u>2016-17</u>
Sales net of taxes	\$ 485,327,468	\$ 470,086,796
Cost of goods sold	<u>(334,001,855)</u>	<u>(325,645,873)</u>
Gross profit from sales	151,325,613	144,440,923
Operating (expenses):		
Retail operations	(98,127,286)	(98,218,083)
Marketing & merchandising	(3,759,348)	(3,391,043)
Supply chain	(2,708,845)	(2,468,425)
Wholesale operations	(405,940)	(150,000)
Information technology services	(7,499,780)	(8,404,316)
Regulatory affairs	(5,145,213)	(5,725,471)
Administration	(3,710,673)	(3,468,976)
Finance	(941,531)	(936,286)
Board & secretary	(1,600,587)	(1,630,312)
Legal	(900,441)	(730,758)
Commonwealth provided services - Note 2	<u>(3,393,037)</u>	<u>(3,312,887)</u>
Total	<u>(128,192,681)</u>	<u>(128,436,557)</u>
Operating profit	23,132,932	16,004,366
Other operating revenues (expenses):		
Enforcement fines	406,407	331,439
License fees	10,235,818	5,435,311
Miscellaneous income	573,221	217,571
Administrative law judge	<u>(681,615)</u>	<u>(660,492)</u>
Total	<u>10,533,831</u>	<u>5,323,829</u>
Total operating income	33,666,763	21,328,195
Non-operating revenues (expenses):		
Interest income	662,598	451,168
Other	<u>1,200</u>	<u>(40,264)</u>
Total	<u>663,798</u>	<u>410,904</u>
Income before operating transfers	34,330,561	21,739,099
Operating transfers out:		
PSP enforcement - Note 3	(6,795,934)	(7,152,438)
Income after enforcement/before other transfers	<u>27,534,627</u>	<u>14,586,661</u>
Other operating transfers out:		
General fund - Note 3	-	-
Drug and alcohol programs - Note 3	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	27,534,627	14,586,661
Total net position, beginning 2017-18 restated - Note 9	<u>(1,104,111,887)</u>	<u>(238,178,364)</u>
Total net position - ending	<u><u>\$(1,076,577,260)</u></u>	<u><u>\$ (223,591,703)</u></u>
Liquor tax	87,490,803	84,440,859
State Sales Tax	34,416,976	32,884,318
Local Tax	2,171,824	2,081,309
Taxes remitted to Dept.of Revenue YTD	<u>\$ 124,079,603</u>	<u>\$ 119,406,486</u>

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Following the presentation of the Financial Report, Board Member Negra commented that he appreciates the opportunity to see these numbers, which are looking very good to this point. Board Members Negra and Newsome thanked everyone for their efforts and hard work.

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, December 6, 2017 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

Immediately prior to adjournment, Board Members Negra and Newsome wished everyone a happy Thanksgiving.

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

The foregoing actions are hereby officially approved.

Chairman

Member

Member

ATTEST:

Secretary