

PENNSYLVANIA LIQUOR CONTROL BOARD
MEETING MINUTES

WEDNESDAY, DECEMBER 19, 2018
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](#)
[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 – Stacey Dill – Wholesale Operations

OLD BUSINESS..... *Secretary Stark*

A. Motion to approve the previous Board Meeting Minutes of the December 5, 2018 meeting.

Motion Made: Board Member Negra
Seconded: Board Member Newsome

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.

There was no public comment on the printed agenda items.

NEW BUSINESS

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

(1) **The Keg, Inc.**
324 South Main Street
Lewistown, Pennsylvania 17044-02325
Restaurant License No. R-9364
LID 50043

Request to Rescind Conditional
Licensing Agreement

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

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve the Request to Rescind the Conditional Licensing Agreement.

(2) **BOROUGH OF SUMMIT HILL**
Case No. 18-NE-13

Municipal Petition for Exemption from the Liquor Code Statute Regarding Amplified Sound

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve the Petition for Exemption for the period December 19, 2018 to December 19, 2023.

(3) **Andrew Barancho v. PLCB**
Unemployment Compensation Board of Review,
Appeal No. B-18-09-A-2461

Appeal to Commonwealth Court

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Chief Counsel Diaz explained this involves a former employee who was terminated and the Unemployment Compensation Service Center denied benefits. A Unemployment Compensation Referee reversed that decision and granted benefits after giving his own weight to testimony, finding our witnesses' statements vague. The Board appealed and the Unemployment Compensation Board of Review agreed with the Referee. It is recommended an appeal not be filed since the likelihood of reversing the decision is minimal.

Board Decision: Unanimously agreed (3-0 vote) to Not File an Appeal.

(4) **PLCB Employee Code of Conduct Changes**

Gift or Thing of Value

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Chief Counsel Diaz explained this change will clarify that it is not a violation of the PLCB Code of Conduct for employees to use benefits offered by licensees that are available to the community, such as loyalty cards.

Board Decision: Unanimously agreed (3-0 vote) to Approve Changes to the Code of Conduct.

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

- (1) **16MA35, LLC** Extension of License - Restaurant
R-36213 (LID No. 89549) Case No. 18-9095
Seven Penn Center
1635 Market Street, Lower Level
Philadelphia, Philadelphia County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve Extension.

- (2) **Coatesville Sports Bar, LLC** New – Economic Development
t/a Aroogas Restaurant
(LID No. 91912) Case No. 18-9077
143 East Lincoln Highway
Coatesville, Chester County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve New Economic Development Restaurant license.

- (3) **Mermaid Spirits, LLC** Additional Board-Approved
t/a Mermaid Spirits Location & Request for Interior
AL-36856 (LID No. 88180) Connections with Another
2052 County Line Road Business – Limited Distillery
Upper Moreland Township
Huntingdon Valley, Montgomery County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve the Additional Board-Approved Location and Request for Interior Connections with Another Business.

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- (4) **Pazza Co.** Person-to-Person Transfer –
t/a Krazy Karen’s Café & Galleria Restaurant
R-3498 (LID No. 92636) Case No. 18-9076
1000-02 North Canal Street
Pittsburgh, Allegheny County

Motion Made: Board Member Negra
Seconded:

Board Decision: Hold for a Conditional Licensing Agreement.

- (5) **Wax Entertainment Group, Inc.** New & Request for Interior
t/a Reel Cinemas Connections with Another
(LID No. 93388) Business - Brewery
1500 Christopher Place, Suite B-101
Manheim Township
Lancaster, Lancaster County

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve New Brewery License and Request for Interior Connections with Another Business.

- (6) **Yana, LLC** Person-to-Person Transfer &
t/a Peckville Beer & Tobacco Request to Conduct Another
R-8643 (LID No. 94999) Business on the Licensed
1129 Main Street Premises - Restaurant
Peckville, Lackawanna County

Motion Made: Board Member Negra
Seconded:

Board Decision: Hold.

- (7) **Bartlett, Traynor & London, LLC** Renewal – District 2
t/a Harrisburg Midtown Arts Center
R-4643 (LID No. 61720) Case No. 2018-61720
1110 North 3rd Street
Harrisburg, Dauphin County

Motion Made: Board Member Negra
Seconded:

Board Decision: Hold for an Amended 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 10 personnel actions presented for consideration.

- (1) **Kyerra Coleman – Affirm Removal**
- (2) **Hakeem Griggs - Removal**
- (3) **Frank James – Affirm Removal**
- (4) **Michele Jones – Affirm Removal**
- (5) **Amir Manson – Affirm Removal**
- (6) **Daniel Pierce - Affirm Removal**
- (7) **Shanice Robinson Ashley- Affirm Removal**
- (8) **Alex Shearer– Affirm Removal**
- (9) **Bridgett Thomas – Affirm Removal**
- (10) **Leah Zolik – Affirm Removal**

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 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) **Three (3) Senior Business Subject Matter Experts Staff Augmentation** – Continue to provide Adobe subject matter experts (three different levels; \$91,362.18, \$121,848.72, and \$325,492.64) to assist the PLCB with the development of the new E-Commerce site using Adobe Assets and Sites Cloud-based software. Also continue working on the development and integration of the Tierney/Genuine Marketing related deliverables; and the Microsoft Dynamics Cloud-based software into the new site. Similar functionality to the existing E-Commerce site will be developed in the new site as well. This includes but is not limited to; a more streamlined checkout process, improved search functionality, shop by store, automation of inventory for the E-Commerce fulfillment center in

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conjunction with our Store Inventory Management system, adding address verification, integration of our Retail Promotions, a new mobile application and other work prioritized by Marketing.

Procured via DGS Contract #4400014660 – VENDOR: **OST, Inc.** – TERM: Seven (7) months for the period 1/02/2019 through 8/02/2019 – **\$538,703.54 estimated cost.**

- (2) **Security Guard Services** – Provide an additional uniformed armed security guard at the Northwest Office Building, Harrisburg, PA.

Procured via Request for Quote #20171010 against DGS ITQ Statewide Contract #4400017336 – VENDOR: **St. Moritz Security Services, Inc.** – TERM: Three (3) years, seven (7) months for the period 1/02/2019 through 8/02/2022 to align with DGS Contract Validity Period – **\$174,937.50 estimated cost.**

- (3) **Furniture for Store #0929** – Wall units for relocation of standard to premium Fine Wine & Good Spirits Store #0929 in Chalfont.

Procured via DGS Contract #4400013989 – VENDOR: **TC Millwork** – **\$65,042.73 estimated cost.**

- (4) **Temperature Control System Maintenance and Repair** – Provide unit inspections, preventative maintenance and repairs to the Powers Pneumatic & Carrier Digital Control (DDC) System located within the Northwest Office Building.

Procured via DGS Contract #4400018256 – VENDOR: **Carrier Corporation** – TERM: Two (2) years – **\$57,000.00 estimated cost** which represents a 5.5% increase from the previous contract cost of \$54,000.00.

- (5) **Product Image Procurement for Fine Wine and Good Spirits Website** – This is for the supply of high resolution product images for display at Fine Wine and Good Spirits website and for use in marketing materials, including traditional print media, social media and email marketing.

Procured via Request for Proposal – VENDOR: **Skupics, LLC**- TERM: Three years – **Year 1: \$144,450.00 (Provision of 22,000 Images for the existing Product Catalog); Year 2: \$26,750.00 (Provision of 4,000 Images for New Items); Year 3: \$26,750.00 (Provision of 4,000 Images for New Items) – Total \$197,950.00 estimated cost.**

Motion Made: Board Member Negra
Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve all Procurement Actions.

Inter-Agency Charges:

- (1) **Office of Comptroller Operations** – FY 2018-19 first quarter billing of 929,802.52 from the Office of Comptroller Operation. This billing reflects \$1,017,974.49 for first quarter charges and a “true-up” credit of \$88,171.97 for FY 2017-18’s fourth quarter estimated 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.

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Motion Made: Board Member Negra
Seconded: Board Member Newsome
Board Decision: Unanimously agreed (3-0 vote) to Approve all Inter-Agency Charges.

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

1. **#0303 – 163 3rd Street, Leechburg
Amendment**
2. **#1404 – Hamilton Square Shopping Center, 230 W. Hamilton Avenue, State College
Amendment**
3. **#2208 – Uptown Shopping Center, 2943 North 7th Street, Harrisburg
Amendment**

Motion Made: Board Member Negra
Seconded: Board Member Newsome
Board Decision: Unanimously agreed (3-0 vote) to Approve all Retail Operations Actions.

*From the Bureau of Product Selection Dale 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>Bacardi USA Inc</u>	
Bacardi Lime Rum 750 ML	7, 12
D’Usse Cognac VSOP 200 ML	3
Grey Goose La Vanille Vodka 750 ML	7, 12
<u>Brown Forman Corporation</u>	
Coopers’ Craft Kentucky Straight Bourbon Whiskey 750 ML	7
Korbel Brut Rose California Champagne 4 - 187 ML	3
Korbel Sweet Cuvee California Champagne 4 - 187 ML	3
Old Forester Kentucky Straight Rye Whisky 750 ML	3, 5
<u>Capital Wine and Spirits Inc</u>	
Daily’s Mighty Spice Thick and Spicy Bloody Mary Mix Non Alcohol 1 L	2, 3
Kinky Aloha Liqueur 750 ML	7
Pacific Rim J Riesling Columbia Valley 750 ML	2, 3
Schramsberg Mirabelle Brut California Sparkling Wine 750 ML	2, 4

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Schramsberg Mirabelle Brut Rose North Coast Sparkling Wine 750 ML	2, 4
Tenshen Red Blend Central Coast 750 ML	5
Vino Moscato 750 ML	2, 11
Vino Rosso Cabernet Sangiovese 750 ML	2, 11
Zing Zang Bloody Mary Mix Non Alcohol 6 - 237 ML	2, 3
<u>CBL Wine Company LLC</u>	
Hand Work Garnacha 1 L	9, 12, 14
<u>Constellation Brands Inc</u>	
Black Box Rose 500 ML	2, 3, 5
<u>DAndrea Wine and Liquor Imports Inc</u>	
Ohishi Whisky Aged in Brandy Casks 83 Proof	6, 12
<u>Deutsch Family Wine and Spirits</u>	
Yellow Tail Rose 1.5 L	3
<u>Luxco Inc</u>	
Salvador's Ruby Red Grapefruit Paloma Ready to Drink Tequila Cocktail 1.75 L	5, 11
Salvador's Spicy Lime Margarita Ready to Drink Tequila Cocktail 1.75 L	5, 11
<u>Majestic Wine and Spirits</u>	
Josh Cellars Chardonnay North Coast Reserve 750 ML	3
Kavalan Distillery Select Whisky 86 Proof 750 ML	5, 9
Nikka Coffey Malt Whisky 90 Proof 750 ML	9
Ryder Estate Cabernet Sauvignon Central Coast 750 ML	3
Skyfall Vineyards Red Blend 750 ML	3
Viberti La Gemella Barbera D'Alba DOC 750 ML	10, 19
Voga Sparkling Rose of Pinot Grigio 750 ML	2, 3, 10, 19
<u>Mast Jagermeister US</u>	
Jagermeister Minimeisters Herb Liqueur 10 - 20 ML	1, 3
<u>North Wales Wines</u>	
Barefoot Cellars Chardonnay 500 ML	2, 3, 5, 7, 19
Barefoot Cellars Pinot Grigio 500 ML	2, 3, 5, 7, 19
Barefoot Cellars Rose 500 ML	2, 3, 5, 7, 19
Bear Flag Zinfandel California 750 ML	1, 2
Chateau Soverain Sauvignon Blanc California 750 ML	2, 3
La Marca Prosecco 1.5 L	2, 3, 9, 13
Peter Vella Sweet Red 5 L	2, 3, 5
Prophecy Pinot Noir 2 - 250 ML	2, 3, 5, 7, 19
Prophecy Rose 2 - 250 ML	2, 3, 5, 7, 19
Prophecy Sauvignon Blanc 2 - 250 ML	2, 3, 5, 7, 19
Talbott Kali Hart Pinot Noir California 750 ML	2, 3

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Pennsylvania Ciders and Meads

Threadbare Bouquet De Rose Carbonated Apple Wine 750 ML	5
Threadbare Dry Hopped Carbonated Apple Wine 750 ML	5
Threadbare Farmhouse Carbonated Apple Wine 750 ML	5

Pernod Ricard USA

Malibu Lime Rum 750 ML	3, 12
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Proximo Spirits Inc

Jose Cuervo Authentic Berry Punch Margarita Ready to Drink Cocktail 1.75 L	3, 12
Jose Cuervo Authentic Red Sangria Margarita Ready to Drink Cocktail 1.75 L	3, 12

Shaw Ross International Importers LLC

The Palm by Whispering Angel Rose 750 ML	2, 4, 5, 6, 9, 19
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Southern Wine and Spirits

Appleton Estate Rare Blend Rum 12 Year Old 750 ML	4, 10
Luc Belaire Luxe Rose 750 ML	2, 3, 7, 9
Patron Citronge Extra Fine Pineapple Liqueur 750 ML	12
Stella Rosa Rose 750 ML	2, 3, 5
Stella Rosa Tropical Mango 750 ML	2, 3, 5

Surville Enterprises Corp

Barton and Guestier Rose Reserve 750 ML	2, 3, 19
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Sutter Home Winery Inc

Menage a Trois Dry Rose Sparkling Wine 750 ML	2, 3, 5
Menage a Trois Luscious Pinot Noir 750 ML	1, 3
Sutter Home Rose 1.5 L	1, 3

The Wine Group Inc

Cupcake Vineyards Moscato 750 ML	2, 3, 9
Franzia Chardonnay 500 ML	2, 3, 5
Franzia Crisp White 500 ML	2, 3, 5
Franzia Pinot Grigio 500 ML	2, 3, 5
Franzia Sunset Blush 500 ML	2, 3, 5

The Wine Merchant Ltd

Line 39 Cabernet Sauvignon 750 ML	1, 2, 11
Line 39 Pinot Noir 750 ML	1, 2, 11
Line 39 Sauvignon Blanc 750 ML	1, 2, 11

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Treasury Wine Estates Americas Company

19 Crimes The Punishment Pinot Noir 750 ML 2, 3, 9, 13

Verity Wine Partners

Red Newt Cellars Blue Newt Semi-Sweet White Wine 750 ML 2, 11

Summer Water Rose Central Coast 750 ML 5, 9

RECOMMENDED ACTION: We recommend the Board approve this action

2. Regular PA Spirits New Item

BRAND NAME AND SIZE

REASON

Hazards Distillery Inc

Hazard’s Distillery Butterscotch Moonshine 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
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

Jim Beam Brands Co

Calico Jack Pineapple Coconut Rum 750 ML 3673

Millstone Spirits Group LLC

Cradle of Liberty White Whiskey 750 ML 2157

EFFECTIVE DATE: The transference to closeout will become effective January 18, 2019

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Motion Made:

Board Member Negra

Seconded:

Board Member Newsome

Board Decision:

Unanimously agreed (3-0 vote) to Approve all Bureau of Product Selection/Marketing Actions.

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FINANCIAL REPORT *Andrew Cameron, Comptroller Operations, Office of Budget*
Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statement of Net Position
(Unaudited)

<u>ASSETS</u>	<u>November 30, 2018</u>	<u>November 30, 2017</u>
Current assets:		
Cash	\$ 51,470,737	\$ 47,275,733
Investments - short term	198,325,481	187,739,208
Accounts and claims receivable, net	1,231,586	2,968,324
Due from other funds - Note 8	-	-
Merchandise inventories, net	291,924,353	292,525,048
Operating supplies	520,701	354,470
Prepaid expenses	<u>1,250,924</u>	<u>2,745,319</u>
Total current assets	<u>544,723,782</u>	<u>533,608,102</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	49,086,882	48,140,549
Intangibles - internally generated software	<u>26,919,832</u>	<u>29,587,200</u>
Less: accumulated depreciation	<u>69,896,081</u>	<u>65,498,497</u>
Net depreciable capital assets	<u>27,598,154</u>	<u>32,658,032</u>
Total non-current capital assets	<u>27,921,127</u>	<u>32,981,005</u>
Total assets	<u>\$ 572,644,909</u>	<u>\$ 566,589,107</u>
Total deferred outflows of resources - Note 4	\$ 88,430,800	\$ 133,468,773
 <u>LIABILITIES</u>		
Current liabilities:		
Trade accounts payable	\$ 322,807,875	\$ 315,195,784
Other accounts payable	29,369,850	34,346,845
Accrued expenses	16,356,684	26,048,075
OPEB - Note 5	11,976,000	17,767,000
Self-insurance, workers' compensation - Note 6	10,137,029	9,239,857
Due to other funds - Note 8	4,818,548	4,685,970
Due to fiduciary funds - Note 8	1,870,684	3,663,927
Due to other governments - Note 8	505,787	991,112
Total current liabilities	<u>397,842,457</u>	<u>411,938,570</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	453,977,473	489,943,490
Compensated absences - Note 1	20,809,984	18,904,788
Total non-current liabilities	<u>1,304,115,905</u>	<u>1,392,186,824</u>
Total liabilities	<u>\$ 1,701,958,362</u>	<u>\$ 1,804,125,394</u>
Total deferred inflows of resources - Note 4	\$ 99,728,959	\$ 20,417,976
 <u>NET POSITION</u>		
Net investment in capital assets	\$ 27,921,127	\$ 32,981,005
Deficit	<u>(1,168,532,739)</u>	<u>(1,157,466,495)</u>
Total net position	<u>\$ (1,140,611,612)</u>	<u>\$ (1,124,485,490)</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 November 30, 2018 and November 30, 2017
(Unaudited)**

	<u>2018-19</u>	<u>2017-18</u>
Sales net of taxes	\$ 198,475,091	\$ 186,299,363
Cost of goods sold	<u>(134,450,793)</u>	<u>(126,252,393)</u>
Gross profit from sales	64,024,298	60,046,970
Operating (expenses):		
Retail operations	(33,464,510)	(33,482,571)
Marketing & merchandising	(1,853,210)	(1,668,626)
Supply chain	(376,271)	(976,915)
Wholesale operations	(175,110)	(159,666)
Information technology services	(2,462,029)	(2,939,163)
Regulatory affairs	(1,660,147)	(1,599,869)
Administration	(1,132,114)	(1,255,823)
Finance	(299,966)	(338,677)
Board & secretary	(321,104)	(843,751)
Legal	(285,474)	(284,404)
Commonwealth provided services - Note 2	<u>(1,234,531)</u>	<u>(1,064,285)</u>
Total	<u>(43,264,466)</u>	<u>(44,613,750)</u>
Operating profit	20,759,832	15,433,220
Other operating revenues (expenses):		
Enforcement fines	159,072	159,822
License fees	2,950,519	3,896,417
Miscellaneous income	352,301	57,428
Administrative law judge	<u>(232,266)</u>	<u>(225,634)</u>
Total	<u>3,229,626</u>	<u>3,888,033</u>
Total operating income	23,989,458	19,321,253
Miscellaneous revenues (expenses):		
Interest income	517,627	244,177
Other	<u>-</u>	<u>13,090</u>
Total	<u>517,627</u>	<u>257,267</u>
Income before operating transfers	24,507,085	19,578,520
Operating transfers out:		
PSP enforcement - Note 3	(3,747,833)	(2,267,691)
Net Income from operations	<u>20,759,252</u>	<u>17,310,829</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	(79,240,748)	(82,689,171)
Total net position - beginning	<u>(1,061,370,864)</u>	<u>(1,041,796,319)</u>
Total net position - ending	<u>\$ (1,140,611,612)</u>	<u>\$ (1,124,485,490)</u>
Liquor tax	35,793,831	33,248,320
State Sales Tax	14,069,589	13,047,196
Local Tax	884,822	857,225
Taxes remitted to Dept.of Revenue PTD	<u>\$ 50,748,242</u>	<u>\$ 47,152,741</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 Five Months Ending November 30, 2018 and November 30, 2017
(Unaudited)**

	<u>2018-19</u>	<u>2017-18</u>
Sales net of taxes	\$ 866,033,528	\$ 834,517,168
Cost of goods sold	<u>(590,486,188)</u>	<u>(572,734,292)</u>
Gross profit from sales	275,547,340	261,782,876
Operating (expenses):		
Retail operations	(163,905,705)	(164,947,289)
Marketing & merchandising	(7,047,174)	(7,094,277)
Supply chain	(3,937,234)	(4,617,425)
Wholesale operations	(770,641)	(688,867)
Information technology services	(13,109,185)	(13,737,478)
Regulatory affairs	(9,019,623)	(8,309,122)
Administration	(5,929,228)	(6,225,214)
Finance	(1,466,841)	(1,617,520)
Board & secretary	(2,004,761)	(2,895,782)
Legal	(1,520,959)	(1,462,859)
Commonwealth provided services - Note 2	<u>(5,482,990)</u>	<u>(5,588,153)</u>
Total	<u>(214,194,341)</u>	<u>(217,183,986)</u>
Operating profit	61,352,999	44,598,890
Other operating revenues (expenses):		
Enforcement fines	778,423	659,183
License fees	15,449,811	18,491,069
Miscellaneous income	1,556,497	993,795
Administrative law judge	<u>(1,182,540)</u>	<u>(1,135,653)</u>
Total	<u>16,602,191</u>	<u>19,008,394</u>
Total operating income	77,955,190	63,607,284
Miscellaneous revenues (expenses):		
Interest income	2,267,378	1,132,406
Other	<u>-</u>	<u>14,290</u>
Total	<u>2,267,378</u>	<u>1,146,696</u>
Income before operating transfers	80,222,568	64,753,980
Operating transfers out:		
PSP enforcement - Note 3	(13,527,281)	(11,284,583)
Net Income from operations	66,695,287	53,469,397
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	(33,304,713)	(46,530,603)
Total net position - beginning	<u>(1,107,306,899)</u>	<u>(1,077,954,887)</u>
Total net position - ending	<u>\$ (1,140,611,612)</u>	<u>\$ (1,124,485,490)</u>
Liquor tax	155,278,732	150,197,903
State Sales Tax	61,059,719	59,049,863
Local Tax	3,916,800	3,773,266
Taxes remitted to Dept.of Revenue YTD	<u>\$ 220,255,251</u>	<u>\$ 213,021,032</u>

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OTHER ISSUES

***Pennsylvania Malt and Brewed Beverages Industry Promotion Board.....Elizabeth Brassell,
Director of Policy and Communications***

Act 39 of 2016 created the Pennsylvania Malt and Brewed Beverages Industry Promotion Board and authorized the PLCB to approve up to \$1 million annually for development and marketing of the Pennsylvania beer industry. The Pennsylvania Malt and Brewed Beverages Industry Promotion Board has recommended 12 grants totaling up to \$801,470 for PLCB approval. The grant projects are intended to increase the production of Pennsylvania-made malt and brewed beverages and enhance the Pennsylvania beer industry through promotion, marketing, and research-based programs and projects.

Grant Project	Grantee	Grant Amount
<p><i>1. Beer Tourism Grant for the Craft Beer Trail of Greater Philadelphia:</i> Grant will allow Visit Philadelphia to market and promote greater Philadelphia’s craft beer and breweries in order to boost Philadelphia and Pennsylvania’s image as one of the country’s best places for craft beer; drive visitation to the five-county Philadelphia area and its roughly 100 breweries; and encourage more people to visit breweries during their time in the area, increase the number of breweries people visit and boost sales at breweries in the region.</p>	<p>Visit Philadelphia</p>	<p>\$125,000</p>
<p><i>2. Pennsylvania Craft Brew Festival:</i> Modelling the successful Pennsylvania Wine Fest held each year at Seven Springs Mountain Resort, the first Pennsylvania Craft Brew Festival is expected to attract 5,000 to 7,500 people and 30 producers to take advantage of tastings and brewer education workshops. Economic impact of the 2019 event is estimated at \$1.2 million for the Laurel Highlands Tourism Region.</p>	<p>Somerset County Chamber of Commerce</p>	<p>\$105,000</p>
<p><i>3. Improving the Agricultural Value Chain for the Craft Fermented Beverage Industry:</i> Explore brewer demand for agricultural inputs for beer production and inform growers about increasing market opportunities, demand for ingredients and costs for producing crops for the beer industry. The project will facilitate agricultural literacy among brewers, who need to better understand crops’ seasonality and production costs, and farmers, who need better understanding of how to work with and supply local brewers.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$98,702</p>

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<p>4. <i>Establishing and Maintaining a Research and Educational Hop Yard in Southwest Pennsylvania:</i> Establish a hop yard in Washington County that will be an educational hub focused on sustainable production of hops, disease management, and growing conditions that will increase hop yield and growing success. The project will integrate local high school students and university students in design of the hop yard and development of marketing and business plans for hops as a local commodity and crop.</p>	<p>California University of Pennsylvania</p>	<p>\$72,500</p>
<p>5. <i>Educational Outreach for the Brewing Industry:</i> Development of education, training and technical assistance to build a skilled workforce for the brewed beverage industry. Educational short courses, professional training and laboratory work aims to develop a strong foundation of educational and apprenticeship-type experiences to benefit current employees in brewing, as well as train a future workforce.</p>	<p>Shippensburg University</p>	<p>\$71,701</p>
<p>6. <i>Pennsylvania's Brewer's Yeast Library:</i> Improve the knowledge, processes and opportunities for small breweries in northwest Pennsylvania through development of a Brewer's Yeast Library, which will offer training and short courses and use of Edinboro University facilities for propagation of yeast. Brewers will gain the knowledge and skills to grow and care for their own yeast, which could save brewers money and avoid contamination and flavor issues.</p>	<p>Edinboro University</p>	<p>\$71,060</p>
<p>7. <i>The Story of Beer in Pennsylvania:</i> Creation of a stand-alone, permanent exhibit in Pittsburgh informing consumers about Pennsylvania breweries and beers. Compelling stories about the legacy and vibrancy of beer in Pennsylvania will be presented in interactive, interesting and entertaining ways, compelling consumers to learn more about Pennsylvania's brewing heritage and explore Pennsylvania breweries and beers.</p>	<p>National Beer Museum Development Group</p>	<p>\$59,700</p>
<p>8. <i>Critical Success Factors for Advancing Beer Tourism in Pennsylvania:</i> Identify, through surveys and interviews of owners of craft breweries in Pennsylvania, current barriers and success factors of craft brewery businesses; discuss with local tourism bureaus selection and promotion of beer tourism activities; and present research outcomes through outreach materials and a handbook.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$47,276 OR \$57,334*</p>

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<p>9. <i>Cumberland Valley Beer Trail Marketing and Visitation Increase:</i> Enhance promotion of the existing Cumberland Valley Beer Trail through new photography and videography and expanded marketing campaigns to new outlets and target markets. Marketing efforts aim to increase the sale of malt and brewed beverages produced in Cumberland County and the surrounding region, as well as increase sales and visitation to other area attractions, lodging, dining and shops through beer tourism.</p>	<p>Cumberland Area Economic Development Corporation</p>	<p>\$50,000</p>
<p>10. <i>Measuring Amylase Activity in Non-Barley Malts for Gluten-Free Beer:</i> Explore the use of gluten-free alternatives to barley in brewing to identify optimal mashing conditions and complementary combinations of gluten-free grains to achieve fermentable sugars comparable to those derived in barley and wheat worts. Effort will benefit Pennsylvania brewers who are brewing or wish to develop gluten-free beers.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$46,766</p>
<p>11. <i>Educating Hops Growers to Enhance and Promote the Pennsylvania Microbrewing Industry:</i> Development of research-based recommendations for current and prospective hops growers on practices to start or improve their hop yard to produce high-quality product for the microbrewing industry. Grant will sustain an existing research hop yard, provide for hop growing schools in eastern and western Pennsylvania to promote and educate growers on best practices and create an online hops database.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$35,175</p>
<p>12. <i>Malting Barley Extension and Outreach:</i> Raise awareness among farmers, mills and distillers about quality standards for malting barley, which may lead to increased local production, improved grain quality, and availability of grain meeting quality standards. Roundtable discussions and listening sessions with brewed beverage industry members will inform development of educational materials and field days for growers, buyers and brewers.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$33,532</p>

* The applicant for this grant has indicated that if the \$98,702 grant to Penn State for *Improving the Agricultural Value Chain for the Craft Fermented Beverage Industry* (#3, above) is fully funded, then the grant for *Critical Success Factors for Advancing Beer Tourism in Pennsylvania* will require \$47,276 rather than \$57,334. Since both grants are to Penn State, the grant applicant indicated the researchers can achieve efficiencies and cost savings by working together on aspects of the two projects. If the grant for *Improving the Agricultural Value Chain for the Craft Fermented Beverage Industry* is not fully funded, Penn State will require the full \$57,334 to fund the *Critical Success Factors for Advancing Beer Tourism in Pennsylvania* project.

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Motion Made: Board Member Negra

Motion was made to approve \$791,412 in total grants; approving option #2 for grant #8 in the amount of \$47,276.

Seconded: Board Member Newsome

Board Decision: Unanimously agreed (3-0 vote) to Approve the 12 Grants totaling \$791,412.00.

CITIZEN COMMENT/BUSINESS FROM THE FLOOR

None.

NEXT BOARD MEETING

The next meeting of the PLCB will be a formal meeting on Wednesday, January 16, 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 Board Member Newsome, the meeting was adjourned.

The foregoing actions are hereby officially approved.

Chairman

Member

Member

ATTEST:

Secretary