

PENNSYLVANIA LIQUOR CONTROL BOARD

MEETING MINUTES

WEDNESDAY NOVEMBER 18, 2020
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](#)
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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. Chairman Holden stated that we still face a very serious health crisis and though he was unable to provide updated statistics with regard to the number of Pennsylvanians affected by the virus, he reiterated the need for caution.

OLD BUSINESS..... *Secretary Stark*

- A. Motion to approve previous Board Meeting Minutes of the October 28, 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.

Lynn Wolfe stated that she wished to know the status of a license transfer pertaining to the purchase of a beer distributor and questioned if the transfer she was concerned about would be addressed during the meeting. Chairman Holden asked Ms. Wolfe if she had reviewed the agenda for the meeting and Ms. Wolfe indicated that she had not been able to determine whether or not the transfer appeared on the agenda. Chairman Holden indicated that Office of Regulatory Affairs Director Tisha Albert would be able to offer information that would be helpful to Ms. Wolfe if she were willing to provide a phone number. Director Albert recorded Ms. Wolfe's phone number and stated that she would contact her after the meeting.

NEW BUSINESS

From the Office of Chief CounselRodrigo Diaz, Chief Counsel

- (1) **Sandy Township** Municipal Petition for the
20-NE-19 Exemption of Noise Ordinance

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve noise exemption from November 18, 2020 to November 18, 2023.

- (2) **Pido’s Pub, Inc.** Appeal of the Administrative Law
LID 19679 Judge
License No. R-18767
Citation No. 20-0424C

Board Member Negra invited Chief Counsel Rodrigo Diaz to discuss this matter. Chief Counsel Diaz explained that the Licensee had been charged with a gambling violation, a failure to notify the Board of a change of manager, and providing alcohol to a minor. The Licensee had signed a waiver that surrendered their right to a hearing as well as an appeal, which allowed the Administrative Law Judge to make a decision based on stipulated facts. Chief Counsel Diaz indicated that though the appeal was before the Board, the fact that the Administrative Law Judge had sustained the citation and the completion of the waiver precluded the Board from making a decision which would affect the outcome of the case. Chief Counsel Diaz also stated that the Licensee was primarily seeking to change a penalty and even if an appeal were applicable to the matter, the Board would nonetheless lack the authority to change the penalty.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

- (3) **Limerick Dining Corp.** Proposed Conditional Licensing
LID 61120 Agreement
License No. R-20039

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

(4) Regulatory Change – Proof of Recycling

Final Form Regulation

Chief Counsel Diaz stated this matter is a final form regulation which had been before the Board previously. He reminded the Board that the Liquor Code requires retail licensees to destroy empty alcohol containers unless a licensee participates in a recycling program, and that licensees participating in voluntary recycling programs are required to provide written proof of participation.

A question had arisen with regard to the manner in which proof of participation in voluntary programs could be provided by licensees located in municipalities where recycling is not mandatory. Regulatory changes had been proposed to allow more licensees to participate in recycling programs and these proposed changes were approved by the Board. Chief Counsel Diaz explained that the Board and the Independent Regulatory Review Commission (IRRC) had received the same two comments with regard to the proposed regulation. The first comment was submitted by a trade organization which expressed dissatisfaction with respect to the requirement to destroy empty containers, which Chief Counsel Diaz stated the Board has limited authority in this regard. The second comment was submitted from a legislator's office stating that licensees could simply assert participation in recycling programs. The comment resulted in additional commentary but was ultimately determined to be impracticable.

Chief Counsel Diaz affirmed that technical changes requested by IRRC had been made and that responses to the aforementioned commentary had been provided. Chief Counsel Diaz stated that should the Board approve the final form regulation, it would go to IRRC for a public meeting and ultimately to the Office of Attorney General for a final review before being published.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve the final form regulation.

**(5) Regulatory Change – Chapter 11, Sections 1-5 Update
(Elimination of \$50 minimum purchase requirement)**

Proposed Regulation

Chief Counsel Diaz explained that as a proposed regulation, this agenda item would not have been reviewed by the Board previously. In addition to updating certain Chapter 11 language, the proposed regulatory change would eliminate the \$50.00 minimum purchase requirement currently affecting the ability of licensees to receive a 10 percent discount when making purchases at the PLCB's Fine Wine & Good Spirits stores, thus entitling licensees to the discount regardless as to dollar amounts of purchases.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve the proposed regulation.

(6) Advisory Notice No. 27 (3rd Revision)

Amendment to Advisory Notice

Chief Counsel Diaz explained that the Board originally adopted Advisory Notice No. 27 during the earliest phase of the COVID-19 public health crisis. This Board action deferred certain fees which licensees would otherwise have been required to remit. A decision was made during the previous Board meeting to waive retail fees primarily associated with the Administrative Code for retail licensees by way of a 2-1 vote. The proposed revision would extend the waiver to manufacturers whose on-premises business had been affected by the public health crisis, in addition to providing clarification as to which fees may be waived and a licensee’s eligibility for refunds.

Motion Made: Board Member Isenhour
Seconded: Chairman Holden

Chairman Holden acknowledged the hardships that manufacturers are currently facing and affirmed his opinion that the Board has the ability to assist them when seconding Board Member Isenhour’s motion.

Board Member Negra made the following statement:

In my opinion, it’s here we go again. To me this is another affront to the Administrative Code and the Liquor Code. I feel that this Board’s majority is deciding what legislative action to follow and what legislative action to ignore. All at the bequest of the Governor.

Do manufacturers of wine, malt beverages, and spirits licensed in PA deserve the same benefit this Board gave at the last meeting to other licensees? Maybe, but it’s not up to us to decide.

These actions beg the question of, “What parts of the Liquor Code are exempt from being ignored? What other sections of the Administrative Code are there for changing by the Board, not by the body that created them? How about the Fiscal Code? Or is that ignore-proof?”

As I stated during the last Board meeting, this is not about offering our beleaguered partners some sort of lifeline, small as this might be. It’s about following the legislative process set by decades of deliberation and consideration by those put into place by the citizens of the Commonwealth to do so.

These codes used to mean something. They were the guidelines for us to operate. What meaning does “I’m sorry, but the Liquor Code is very specific in saying you cannot do x” have anymore?

If we can ignore them, why can’t licensees, or even non-licensees? I’m interested to know how the ALJ, Court of Common Pleas, and the Commonwealth Court will view the Code from now on.

I vote no.

Board Decision: Agreed (2-1 vote) to approve the amendment to Advisory Notice No. 27.

(1) **Crooked Eye Brewery, LLC** New & Requests for Interior
t/a Jamey’s House of Music Connections with Another
(LID No. 102711) Business & Dual Employment –
32 South Lansdowne Avenue Brewery Storage
Lansdowne, Delaware County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve new license and requests for interior connections with another business and dual employment.

(2) **El Paso Mexican Grill Blairsville, LLC** Appointment of Manager –
t/a El Paso Mexican Grill Blairsville Restaurant
R-14340 (LID No. 97717) Case No. 20-9025
204 Resort Plaza Drive, Suite 300
Burrell Township
Blairsville, Indiana County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Hold for conditional licensing agreement.

(3) **Maa Ambuja Services, LLC** Double Transfer & Request for
t/a Friendly Food Mart V Interior Connections with
D-41730 (LID No. 103825) Another Business - Distributor
2304 Macarthur Road
Whitehall Township
Whitehall, Lehigh County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve double transfer and request for interior connections with another business.

(4) **Gerald Miller**
t/a Homer's Hideaway
R-803 (LID No. 69726) Case No. 20-9007
41 South Main Street
Homer City, Indiana County

Request for Hearing – *Nunc Pro Tunc* – Renewal, Validation & Extension of Safekeeping – Restaurant

Board Member Negra requested that Chief Counsel Diaz provide background information regarding this case. Chief Counsel Diaz explained that the case involved a *Nunc Pro Tunc* request to renew a license and extend a safekeeping period. A financial institution, as a creditor, had responded to inquiries made on behalf of the Board in an attempt to prevent the license from expiring.

Chief Counsel Diaz stated that a determination was made that the financial institution effectively lacked standing despite being designated as a power of attorney with a different state agency. Chief Counsel Diaz further explained that the financial institution could potentially take an appeal in the future, though obtaining rights to the license would initially be necessary. The Board's options with regard to this case are limited, especially in light of the fact that the licensee in question had not been responsive with regard to attempts to address the situation.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to affirm administrative revocation.

(5) **Valley Wellness Center, LLC**
R-9292 (LID No. 101002)
4415 Innovation Way
Hanover Township
Allentown, Northampton County

Double Transfer & Request for Interior Connections with Another Business - Restaurant

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve double transfer and request for interior connections with another business.

(6) **X Golf Edgmont, LLC**
t/a X Golf Garnet Valley
R-6908 (LID No. 100159) Case No. 20-9022
176-178 Painters Crossing
Chadds Ford Township
Chadds Ford Twp., Delaware County

“Intermunicipal” Double Transfer & Request to Conduct Another Business on the Licensed Premises - Restaurant

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.

- (7) **Bridges Social LLC** Conditional Licensing Agreement
R-2573 (LID No. 89920) Case No. 2020-89920
321 North 2nd Street
Harrisburg, Dauphin County
Renewal – District 2

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

- (8) **Kung Fu Necktie, LLC** Conditional Licensing Agreement
t/a Kung Fu Necktie
R-14347 (LID No. 59089) Case No. 2018-59089
1248-50 North Front Street
Philadelphia, Philadelphia County
Renewal – District 10

Director Albert explained that the operational history of the licensee in question had resulted in a nonrenewal matter being presented to the Board at its meeting of July 31, 2019, during which the licensee's renewal was refused. An appeal was taken in the Philadelphia Court of Common Pleas and the case was remanded to the Board for the purpose of taking expert testimony. The licensee had indicated a willingness to enter into a conditional licensing agreement to settle the matter, therefore, Director Albert stated that the Board could presently choose between approving the renewal with a conditional licensing agreement or moving forward with an administrative hearing.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to send matter to evidentiary hearing.

- (9) **Magee Beverage, LLC** Conditional Licensing Agreement
D-3647 (LID No. 65675) Case No. 2019-65675
1211 West Main Street
Grove City, Mercer County
Renewal – District 7

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

(10) Pan-Eb, Inc.
t/a Silver Dollar Grille
R-5717 (LID No. 27367) Case No. 2020-27367
46 North 9th Street
Lebanon, Lebanon County

Conditional Licensing
Agreement
Renewal – District 2

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve renewal 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 9 personnel actions presented for consideration.

- (1) Kelli-Anne Braun - Removal**
- (2) Josiah Brown – Removal**
- (3) Patricia Dennis – Removal**
- (4) Tracy Jackson – Removal**
- (5) Deborah Ray – Affirm Removal**
- (6) Samuel Rosen – Affirm Removal**
- (7) Marsha Vance – Affirm Removal**
- (8) Linda Weit – Affirm Removal**
- (9) Michael Williams – Affirm 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, Director of Finance
Koppolu Ravindraraj, Director, Bureau of Accounting & Purchasing
Mike Freeman, Director, Bureau of Financial Management & Analysis*

Procurement Actions:

- (1) SUSE Software Subscription and Support Renewal** – This is for software subscription and support renewal for several SUSE packages. This allows PLCB to obtain any patches or updates to the software and the ability to open tickets with support. These items are required to continue use of the software.

Procured via DGS Contract #4400018548 – VENDOR: **CDW-G** – TERM: One year for period 2/1/2021 through 1/31/2022 – **\$260,677.01 estimated cost.** (This represents a 40.70% decrease from last year’s cost of \$439,617.38 due to OITS selecting a different renewal option for support that provides the same benefits with limited support calls while still meeting PLCB’s needs.)

- (2) Corrugated Cardboard Shipping Boxes and Inserts** – Funding increase needed to stock the distribution centers with boxes and inserts for the holiday season.

Procured via Increase to BPA #63019628 – VENDOR: **Bell Containers** - TERM: Through BPA expiration date of 1/31/2021 - **\$500,000.00 estimated cost.**

- (3) 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 - **\$177,385.31 estimated cost** which represents a 68% increase over last year’s cost of \$105,450.00. Last year’s support was purchased from the publisher, CA Technologies who sold AppWorx to Broadcom. Broadcom will not negotiate their support agreement, the only option to obtain support is from CDW-G through Broadcom’s reseller FedResults.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

Inter-Agency Charges:

- (1) Office of Administration – HR Shared Services (Job 73)** – Billing of \$437,175.00 for the second quarter (Q2) of FY 2020-21 for OA’s HR-Enterprise Services (labor relations, employee benefits, training, etc.) for October through December. This billing includes an adjustment of \$35,925 for the first quarter’s estimated billing of \$365,325.
- (2) Department of Auditor General** – FY 2020-21 first quarter net billing of \$566,040.97 from the Department of the Auditor General. The billing includes a credit adjustment of \$106,199.49 for an over-charge on the estimated FY 2019-20 Q4 billing. The charge for FY 2020-21 Q1 services is \$672,240.46 for actual audit hours for July, August and September.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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. #2506 – Corry Plaza, 350 West Columbus Avenue, Corry Amendment

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

From the Bureau of Product Selection/Marketing..... Tom 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

Arado Malbec Cafayate Valley 750 mL	18
Arado Malbec Reserva Uco Valley 750 mL	18

Diageo North America

Captain Morgan White Rum 80 Proof 1 L	18
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Evaki Inc

Bixby Creek Bridge Cabernet Sauvignon Napa Valley 750 mL	18
Bixby Creek Bridge Chardonnay Napa Valley 750 mL	18
Bixby Creek Bridge Red Blend Napa Valley 750 mL	18
Bixby Creek Bridge Sauvignon Blanc 750 mL	18
Hitch Chardonnay Edna Valley 750 mL	18
Hitch Pinot Noir Edna Valley 750 mL	18
Trail Box Cabernet Sauvignon 3 L	18
Trail Box Chardonnay 3 L	18
Trail Box Pinot Grigio 3 L	18
Trail Box Red Blend 3 L	18

Southern Glazers Wine and Spirits of PA

Kalyana Cabernet Sauvignon Central Coast 750 mL	18
Kalyana Chardonnay Central Coast 750 mL	18
Kalyana Pinot Noir Central Coast 750 mL	18

The Wine Merchant LTD

Pillar and Post Cabernet Sauvignon Napa Valley 750 mL	18
Pillar and Post Chardonnay Sonoma Coast 750 mL	18

Vintage Imports

Golden Gate Cellars Pinot Noir 750 mL	18
Golden Gate Cellars Pinot Noir Sonoma Coast 750 mL	18

ViVino Selections Inc

Chateau des Aladeres Corbieres 750 mL	18
Mas de Sainte Croix Passion D'Une Terre Cotes du Rhone 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>
<u>Appalachian Spirits LLC</u>	
Appalachian Craft Spirits Island Style Rum 750 mL	16
Appalachian Craft Spirits Straight Bourbon 5 Year Old 750 mL	16
Appalachian Craft Spirits Vodka 750 mL	16
<u>Midstate Distillery</u>	
Midstate Distillery Pennsylvlucky Brandy 80 Proof 750 mL	16
Midstate Distillery Pennsylvlucky Moonshine 100 Proof 750 mL	16
Midstate Distillery Pennsylvlucky Straight Bourbon 84 Proof 750 mL	16
Midstate Distillery Pennsylvlucky Straight Rye Whiskey 84 Proof 750 mL	16
<u>MLH Distillery</u>	
MLH Distillery Forefathers American Single Malt Whiskey 750 mL	16
MLH Distillery Forefathers Cracked Coconut Rum 750 mL	16
MLH Distillery Forefathers Heritage Bourbon 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

<u>BRAND NAME AND SIZE</u>	<u>CODE</u>
<u>Capital Wine and Spirits</u> Waipapa Bay Rosé Canterbury 750 mL	849
<u>Constellation Wines US</u> Svedka Cherry Vodka 80 Proof 1 L	98032
<u>Lang Beverage Company</u> 220 Shine Vodka 80 Proof 750 mL Lang's Gin 80 Proof 750 mL	16039 98091
<u>Majestic W S USA Inc</u> Lignum Red Blend 750 mL Plungerhead Petite Sirah 750 mL	98311 7850
<u>Palm Bay Imports Inc</u> Confetti Red Blend 750 mL	98308
<u>ViVino Selections Inc</u> Bacio Semi Sweet Red Wine 750 mL	98275
<u>Wine Guy LLC</u> Bellissima Organic Prosecco Brut 750 mL Bellissima Organic Zero Sugar Sparkling 750 mL	1751 1754

EFFECTIVE DATE: The transference to closeout will become effective December 18, 2020

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

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>September 30, 2020</u>	<u>September 30, 2019*</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 27,179,249	\$ 48,633,601
Investments - short term	298,030,285	275,752,716
Accounts and claims receivable, net	7,414,454	2,153,349
Due from other funds - Note 9	-	-
Merchandise inventories, net	228,141,345	257,486,240
Operating supplies	608,601	212,498
Prepaid expenses	<u>1,753,768</u>	<u>1,786,714</u>
Total current assets	<u>563,127,702</u>	<u>586,025,118</u>
Non-current assets:		
Non-depreciable capital assets:		
Land	322,973	322,973
Depreciable capital assets:		
Building	20,875,220	20,875,220
Leasehold improvements	197,771	341,826
Machinery and equipment	49,517,646	48,889,262
Intangible - internally generated software	22,962,435	23,268,890
Intangible - right to use leases - Note 10	<u>278,527,913</u>	<u>299,038,070</u>
Less: accumulated depreciation	<u>78,877,472</u>	<u>77,361,422</u>
Net depreciable capital assets	<u>293,203,513</u>	<u>315,051,846</u>
Total non-current capital assets	<u>293,526,486</u>	<u>315,374,819</u>
Total assets	<u>\$ 856,654,188</u>	<u>\$ 901,399,937</u>
Total deferred outflows of resources - Notes 5, 6	\$ 131,139,169	\$ 161,937,631
<u>LIABILITIES</u>		
Current liabilities:		
Trade accounts payable	\$ 303,477,197	\$ 292,283,429
Other accounts payable	19,545,103	24,783,889
Accrued expenses	23,863,605	22,097,316
OPEB - Note 6	18,874,000	8,994,000
Self-insurance, workers' compensation - Note 7	7,095,210	6,693,938
Due to other funds - Note 9	6,419,155	6,475,283
Due to fiduciary funds - Note 9	3,650,386	3,274,925
Due to other governments - Note 9	986,389	868,806
Right to use liabilities - Note 10	<u>42,793,794</u>	<u>49,279,874</u>
Total current liabilities	<u>426,704,839</u>	<u>414,751,460</u>
Non-current liabilities:		
OPEB - Note 6	431,236,000	551,365,000
Self-insurance, workers' compensation - Note 7	47,995,269	48,841,124
Net pension liability - Note 5	467,286,220	539,891,336
Compensated absences - Note 1	24,809,043	21,598,132
Right to use liabilities - Note 10	<u>223,079,003</u>	<u>237,929,288</u>
Total non-current liabilities	<u>1,194,405,535</u>	<u>1,399,624,880</u>
Total liabilities	<u>\$ 1,621,110,374</u>	<u>\$ 1,814,376,340</u>
Total deferred inflows of resources - Notes 5, 6	\$ 391,501,038	\$ 307,077,836
<u>NET POSITION</u>		
Net investment in capital assets	\$ 293,526,486	\$ 315,374,819
Deficit	<u>(1,318,344,541)</u>	<u>(1,373,491,427)</u>
Total net position	<u>\$ (1,024,818,055)</u>	<u>\$ (1,058,116,608)</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.

**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, 2020 and September 30, 2019
(Unaudited)**

	<u>2020-21</u>	<u>2019-20*</u>
Sales net of taxes	\$ 178,634,452	\$ 162,377,706
Cost of goods sold	<u>(119,762,801)</u>	<u>(110,432,198)</u>
Gross profit from sales	58,871,651	51,945,508
Operating (expenses):		
Retail operations	(30,140,519)	(29,634,803)
Marketing & merchandising	(1,651,452)	(1,608,540)
Supply chain	(805,965)	(714,611)
Wholesale operations	(128,891)	(134,298)
Information technology services	(2,378,706)	(2,336,170)
Regulatory affairs	(1,212,800)	(1,483,658)
Administration	(785,969)	(1,028,668)
Finance	(199,942)	(246,552)
Board & secretary	(208,243)	(319,593)
Legal	(254,682)	(289,820)
Commonwealth provided services - Note 2	<u>(1,188,336)</u>	<u>(1,385,546)</u>
Total	<u>(38,955,505)</u>	<u>(39,182,259)</u>
Operating profit/(loss)	19,916,146	12,763,249
Other operating revenues (expenses):		
Enforcement fines	120,710	158,824
License fees	2,435,425	3,041,010
Miscellaneous income	146,379	378,883
Administrative law judge	<u>(226,825)</u>	<u>(238,524)</u>
Total	<u>2,475,689</u>	<u>3,340,193</u>
Total operating income/(loss)	22,391,835	16,103,442
Miscellaneous revenues (expenses):		
Interest income (expense)	(324,548)	113,744
Other	<u>-</u>	<u>-</u>
Total	<u>(324,548)</u>	<u>113,744</u>
Income/(Loss) before operating transfers	22,067,287	16,217,186
Operating transfers out:		
PSP enforcement - Note 3	<u>(2,226,778)</u>	<u>(2,298,326)</u>
Net Income/(Loss) from operations	19,840,509	13,918,860
Statutory Transfers:		
General fund - Note 4	-	-
Drug and alcohol programs - Note 4	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	19,840,509	13,918,860
Total net position - beginning	<u>(1,044,658,564)</u>	<u>(1,072,035,468)</u>
Total net position - ending	<u>\$ (1,024,818,055)</u>	<u>\$ (1,058,116,608)</u>
Liquor tax	32,054,081	29,221,906
State Sales Tax	12,631,695	11,478,329
Local Tax	769,173	749,133
Taxes remitted to Dept.of Revenue PTD	<u>\$ 45,454,949</u>	<u>\$ 41,449,368</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.

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, 2020 and September 30, 2019
(Unaudited)

	<u>2020-21</u>	<u>2019-20*</u>
Sales net of taxes	\$ 537,269,485	\$ 513,052,381
Cost of goods sold	<u>(362,790,805)</u>	<u>(349,495,406)</u>
Gross profit from sales	174,478,680	163,556,975
Operating (expenses):		
Retail operations	(90,825,928)	(91,438,695)
Marketing & merchandising	(2,672,039)	(3,754,932)
Supply chain	(2,165,972)	(1,866,064)
Wholesale operations	(393,157)	(380,166)
Information technology services	(6,186,185)	(7,587,172)
Regulatory affairs	(4,282,606)	(4,825,978)
Administration	(2,326,849)	(2,945,057)
Finance	(813,601)	(897,505)
Board & secretary	(711,310)	(857,343)
Legal	(906,325)	(898,296)
Commonwealth provided services - Note 2	<u>(3,430,762)</u>	<u>(3,574,177)</u>
Total	<u>(114,714,734)</u>	<u>(119,025,385)</u>
Operating profit/(loss)	59,763,946	44,531,590
Other operating revenues (expenses):		
Enforcement fines	274,086	457,830
License fees	8,821,634	8,995,653
Miscellaneous income	504,483	718,601
Administrative law judge	<u>(650,642)</u>	<u>(725,946)</u>
Total	<u>8,949,561</u>	<u>9,446,138</u>
Total operating income/(loss)	68,713,507	53,977,728
Miscellaneous revenues (expenses):		
Interest income (expense)	(951,320)	325,971
Other	<u>-</u>	<u>-</u>
Total	<u>(951,320)</u>	<u>325,971</u>
Income/(Loss) before operating transfers	67,762,187	54,303,699
Operating transfers out:		
PSP enforcement - Note 3	(6,830,785)	(7,233,611)
Net Income/(Loss) from operations	<u>60,931,402</u>	<u>47,070,088</u>
Statutory Transfers:		
General fund - Note 4	-	-
Drug and alcohol programs - Note 4	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	60,931,402	47,070,088
Total net position - beginning	<u>(1,085,749,457)</u>	<u>(1,105,186,696)</u>
Total net position - ending	<u>\$ (1,024,818,055)</u>	<u>\$ (1,058,116,608)</u>
Liquor tax	96,429,639	91,838,093
State Sales Tax	38,072,298	36,131,784
Local Tax	2,197,906	2,302,482
Taxes remitted to Dept.of Revenue YTD	<u>\$ 136,699,843</u>	<u>\$ 130,272,359</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.

OTHER ISSUES

*Pennsylvania Wine Marketing and Research Board &
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 expanded the Pennsylvania Wine Marketing and Research Board, authorizing the PLCB to approve up to \$1 million annually in grants for development and marketing of the Pennsylvania wine industry, and another \$1 million in grants for the Pennsylvania beer industry. The Pennsylvania Wine Marketing & Research Board and the Pennsylvania Malt and Brewed Beverages Industry Promotion Board, through the Department of Agriculture, have recommended a number of grant projects, many with a focus on COVID-19 recovery efforts relative to each industry, for PLCB funding. The projects are intended to enhance the Pennsylvania wine and beer industries through promotion, marketing and research initiatives, as well as increase production of Pennsylvania-made beers and wines.

Director of Policy & Communications Elizabeth Brassell made the following statement:

Before you this morning for consideration are 18 grant recommendations totaling \$2,016,699.35. They include 12 beer grant projects totaling \$1,122,520.35. Those projects were recommended for approval to the PLCB by the Pennsylvania Malt and Brewed Beverages Industry Promotion Board. There are also six wine projects before you totaling \$894,179.00 and they were recommended for approval by the Pennsylvania Wine Marketing and Research Board.

To clarify the point of the beer grants being over \$1 million, the Fiscal Code allows for unallocated beer grant funds from prior rounds of grant funding to be applied in future years. In prior years of grant funding less than \$1 million was approved by this Board so those funds have rolled over and the Beer Board proposes using up some of those rolled over funds in this round.

As John indicated, these grants will fund various research, promotion, and educational projects and include things like statewide and local marketing efforts, research into new farming and pest control methods, development of new production processes, and professional development and educational opportunities.

The following 12 beer projects totaling \$1,122,520.35 were recommended for approval to the PLCB by the Pennsylvania Malt and Brewed Beverages Industry Promotion Board:

GRANT PROJECT	GRANTEE	GRANT AMOUNT
<p><i>Poured in PA: The Series 2021:</i> Grant funds will be used to continue producing Poured in PA: The Series, introduced in June 2020, with 16 to 20 more episodes in 2021. The series is a tool breweries and others connected to the industry use to show how Pennsylvania breweries produce some of the best beer in the world, even during very challenging times.</p>	GK Visual, LLC	\$160,000
<p><i>Beer Tourism Recovery Grant to Promote Craft Breweries of Greater Philadelphia:</i> Marketing efforts to support the economic recovery of Pennsylvania breweries by driving more people to visit breweries, increasing the number of breweries people visit and boosting sales at breweries in the Philadelphia region, while also continuing to brand greater Philadelphia and Pennsylvania as a premier destination for craft beer and brewery experiences.</p>	Visit Philadelphia	\$150,000
<p><i>Pennsylvania Brews:</i> Production, distribution, and marketing for 13 episodes of an online show highlighting attractions along Pennsylvania's 13 beer trails. Video content will educate and excite beer enthusiasts in Pennsylvania, New York, New Jersey, and Ohio about the quality and quantity of options being brewed in Pennsylvania.</p>	PA Media Group	\$150,000
<p><i>Stabilize the Local Craft Beer Supply Chain through Grain and Hops Storage Expansion:</i> Construction of a grain storage bin and assembly of hops cooler/freezer storage as a centralized storage location for malting barley and processed hops in western Pennsylvania, in order to address and manage fluctuations in the craft beer supply chain, sustain small farms harvest to harvest, and support production of Pennsylvania malting barley and hops without impacting the premiums paid to Pennsylvania farmers and hop growers.</p>	CNC Malt	\$138,900
<p><i>Malting Equipment: Increasing Quality, Consistency, and Availability of PA-grown Malt, While Reducing Costs to PA Breweries:</i> Manufacturing project to design, fabricate, and commission a new five-ton germination/kiln drum malting system to improve the quality, consistency, and availability of local Pennsylvania-grown malt to benefit Pennsylvania craft breweries, Pennsylvania family farmers, Pennsylvania craft beer consumers, and the</p>	Double Eagle Malt, LLC	\$100,000

<p>local malt supply chain. This project will aim to reduce the cost of craft malt, passing those savings on to breweries, while maintaining a high premium value for farmers.</p>		
<p><i>Optimizing Hopping Protocols in Beer for Predictable Chemistry and Quality:</i> Research project to compare the extraction of key hop phytochemicals in a panel of laboratory-brewed beers with differing final ABV and hop addition regimens using chromatographic approaches, and to determine the impact of final ABV and hop addition regimens on sensory properties of beer using sensory mapping with beer consumers.</p>	<p>Penn State University</p>	<p>\$96,906</p>
<p><i>Fresh Fest 2021: Growing the Black Craft Beer Community in the U.S.:</i> Grant will support Fresh Fest 2021, a black beer festival in Pittsburgh attracting 3,000 participants and showcasing the country's most talented black-owned breweries and collaboration with black artists, influencers, entrepreneurs, and politicians, all to support diversity and inclusion in craft beer ownership, consumption and representation. Event planners hope for an in-person event in August 2021, but may host a virtual event if appropriate. Project will also measure impact of the event on participants' lives, businesses, and craft beer spending.</p>	<p>Drinking Partners, LLC</p>	<p>\$75,000</p>
<p><i>Lake Erie Ale Trail Marketing Expansion:</i> Grant to expand Lake Erie Ale Trail marketing efforts and staffing, increasing beer tourism at 13 locally owned breweries through greater awareness of the abundance and diversity of locally manufactured craft beer.</p>	<p>Lake Erie Ale Trail (LEAT)</p>	<p>\$73,000</p>
<p><i>Professional Development and Education Programs for Professional Brewers:</i> District Pittsburgh MBAA to increase attendance in meetings, webinars, and digital tastings through high quality speakers and relevant educational content. Project will also develop a quality control testing program for local breweries to measure microbiological contaminants.</p>	<p>District Pittsburgh of the Master Brewers Association of the Americas (MBAA)</p>	<p>\$71,138.35</p>
<p><i>Optimizing Processing of Gluten Free Grains for Improved Wort Fermentability:</i> Project to investigate the impact of processing conditions, including milling size and liquor: grist ratios on gelatinization temperatures and fermentability of gluten-free grains in order to optimize physical processing parameters to improve starch gelatinization and nutrient extraction for the benefit of brewers seeking to develop gluten-free beers.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$65,381</p>

<p><i>Summer Brewery Academy:</i> The Summer Brewing Academy will be introduced in summer 2021 as a continuing education opportunity focusing on existing small batch brewers looking to grow and impact the production of beer in Pennsylvania. The two-course series will provide hands-on education into the science of brewing beer and a series of guest lecturers from District Pittsburgh of the Master Brewers Association of the Americas discussing the local craft brewing industry and craft brewery operations.</p>	<p>Point Park University</p>	<p>\$28,695</p>
<p><i>Cumberland Valley Beer Trail Digital Passport:</i> Enhance the beer trail experience by implementing a digital passport that will facilitate passport management through a smartphone, tablet, or computer and provide real-time updates on dozens of participating locations and the special offers, coupons, and events they provide.</p>	<p>Cumberland Area Economic Development Corporation (CAEDC)</p>	<p>\$13,500</p>

Act 39 of 2016 also expanded the Pennsylvania Wine Marketing and Research Board and authorized the PLCB to approve up to \$1 million annually for wine research and promotion. Since the first wine grants were approved in 2017, the PLCB has awarded nearly \$5 million in grants to support the Pennsylvania wine industry.

The six wine projects totaling \$894,179, summarized below, were recommended for approval by the Pennsylvania Wine Marketing and Research Board:

GRANT PROJECT	GRANTEE	GRANT AMOUNT
<p><i>Pennsylvania Wines Statewide Recovery Marketing:</i> An integrated and proactive marketing campaign to engage the public and help Pennsylvania wineries compete for visitation and sales as the industry faces challenging and uncertain time due to the COVID-19 pandemic. To lead the recovery of the Pennsylvania wine industry and help wineries get back to business, the PWA will use the recently introduced "Pennsylvania Wines Pair Well" campaign and related initiatives to safely attract new visitors to wineries and raise the regional and national visibility of PA's diverse and high-quality wines, as well as provide useful marketing and public engagement tools for wineries and industry stakeholders.</p>	<p>Pennsylvania Winery Association (PWA)</p>	<p>\$550,000</p>

<p><i>Understanding the Impacts of COVID-19 on Consumer Ethnocentrism and At-Home Consumption of PA Wines:</i> Mixed-methods approach combining an online survey and an at-home tasting experiment to gain insights into consumer perception of Pennsylvania wines during and after the pandemic and to understand what flavor profiles best align with at-home consumption. This research will inform how best to market local wines for at-home consumption to residents in the mid-Atlantic region.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$109,042</p>
<p><i>Improving PA Wine Quality Through Enhanced Diagnostic Capabilities for Wine and Grape Quality Parameters:</i> Since maintaining quality is essential to the recovery of the Pennsylvania wine industry from COVID-19, this project will build capacity for improvement of diagnostic abilities to enhance wine and grape quality through industry surveys, investment in new diagnostic lab equipment, measurements of quality parameters, hands-on extension education on grape and wine analysis, and discussion of issues and challenges through extension visits and industry communications.</p>	<p>Penn State Department of Food Science</p>	<p>\$99,188</p>
<p><i>Life History Traits of Spotted Lanternfly Feeding on Different Grapevine Cultivars:</i> As management of invasive species spotted lanternfly (SLF) increases crop production costs at a time when growers and wineries have lower income due to COVID-19, this project will measure biological parameters of SLF to determine its survival, development, and reproductive success when feeding on different grapevine cultivars in order to inform future management plans.</p>	<p>Penn State College of Agricultural Sciences</p>	<p>\$67,559</p>
<p><i>Development of a Website and Digital Media to Educate and Support Grape and Wine Industry Stakeholders in PA:</i> Development of a new website to compile relevant information regarding viticulture, enology, marketing, and economics and creation of new educational media resources including extension videos and an interactive cultivar module, both to offer accessible, online resources to grape and wine stakeholders in Pennsylvania.</p>	<p>Penn State University</p>	<p>\$47,040</p>

<p><i>Adapting to the COVID-19 Pandemic Impacts - Research to Support Tasting Room Owners in PA:</i> Internet surveys of wine consumers in the mid-Atlantic region who have visited Pennsylvania winery tasting rooms in the last three years to measure changes in attitudes and behaviors over time and seasonally. Research will inform suggestions for wineries regarding operational and marketing strategies promoting safe tasting room experiences.</p>	<p>Penn State University</p>	<p>\$21,350</p>
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Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve grants for development and marketing of the Pennsylvania wine and beer industries.

CITIZEN COMMENT/BUSINESS FROM THE FLOOR

Chuck Moran, Executive Director of the Pennsylvania Licensed Beverage & Tavern Association, stated that he wished to thank the Board for agreeing to eliminate the \$50.00 minimum purchase requirement discussed earlier in the meeting. He indicated that the Board’s decision, which was based on a recommendation by a member of his organization, will benefit small licensed restaurants and taverns.

NEXT BOARD MEETING

The next meeting of the PLCB will be a formal meeting on Wednesday, December 2, 2020 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