

PENNSYLVANIA LIQUOR CONTROL BOARD
MEETING MINUTES

WEDNESDAY, OCTOBER 7, 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](#)
[Other Issues](#)

PUBLIC MEETING – 11:00 A.M

CALL TO ORDER *Chairman Holden*

Pledge of Allegiance to the Flag

Chairman Holden made an opening statement thanking everyone for their continued cooperation and understanding as the PLCB is dealing with COVID-19 and the need to meet in this telephonic fashion. Chairman Holden stated that we still face a very serious health crisis. As of today, approximately 165,243 Pennsylvanians have been infected and, sadly, approximately 8,244 have passed away.

OLD BUSINESS.....*Secretary Stark*

A. Motion to approve previous Board Meeting Minutes of the September 23, 2020 meeting.

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

Chairman Holden stated that he wished to read the following statement into the record on behalf of the Board:

“I’d like to begin by acknowledging the frustration whiskey and bourbon connoisseurs have expressed regarding the way we resumed online sales of limited-availability, high-demand products in recent weeks.

COVID-19 business impacts have necessitated changes to the way we distribute these products to stores and sell them online, but I assure you our intent is to provide fair access to limited-release products, and we do not exercise any individual favoritism in distributing products to stores or planning or executing product releases on finewineandgoodspirits.com.

Both in store and online, we institute bottle limits for certain products, and we spot check and manually review e-commerce orders to identify and cancel duplicate and fraudulent orders. However, admittedly some web-savvy users take advantage of our e-comm site with

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bots and scripts that quickly exhaust available inventory. We know it's frustrating, and we're taking steps to improve the way we sell these items online.

The pandemic also has delayed the introduction of our new e-commerce site, but we've resumed work on enhancing our website, not only with a new design and improved functionality, but also with new security features that will make it more difficult for bots and scripts to succeed. We're not sure yet when the new site will launch, but I assure you that trying to address this abuse is part of our plan.

Let me also acknowledge we did make a mistake last Tuesday in releasing some very rare products for online sale, rather than reserving them for an upcoming limited-release lottery. For that we take responsibility and pledge to do better. In fact, to ensure the Eagle Rare 'Double Eagle Very Rare' and Michter's 20-year-old bottles are fairly distributed to Pennsylvania residents, we cancelled those orders last week and will reserve the bottles for an upcoming lottery.

And that next limited-release lottery will be sooner rather than later as we plan on one before the end of the calendar year to fairly distribute—only to Pennsylvania residents—both traditional lottery products and other products that haven't been part of past lotteries. We will be announcing and offering that expanded lottery in coming weeks.

We are also planning to resume our regular 'Whiskey Wednesday' monthly releases of highly allocated products in 2021, after our new site launches.

In the meantime, and long before we resumed online sales of more niche whiskey products a few weeks ago, we increased store allocations statewide of products like Blanton's, Eagle Rare, and Michter's 10-year-old, to ensure Fine Wine & Good Spirits customers have access to these products and to protect our future allocations. We distribute these products to stores that successfully sell the products—understanding demand will always exceed supply—and that often means Bourbon Gallery stores and stores in and around population centers receive more exclusive products than other stores.

Finally, ensuring exclusive products continue to be supplied to Pennsylvania was one of the key reasons we began the unannounced 'whiskey drops' a few weeks ago—we need to sell rather than save these products, while at the same time managing COVID-19 business impacts like distribution challenges and resource limitations.

We know Pennsylvanians want a fair shot at these products, and we're striving to improve the integrity of our processes and systems."

Chairman Holden invited Board Member Negra to share his comments, and after indicating that he has been involved in the development of the new e-commerce site for at least the past two or three years, Board Member Negra called attention to the pandemic's interference with the original plan to have a new system functional by May 2020. Because of the novel information technology challenges explained by Chairman Holden and the previous reallocation of resources to manage the impact of the pandemic on the existing website and to create a curbside delivery system, Board Member Negra suggested that the new site may not go live before the end of the year. Board Member Negra then discussed his belief that many of the concerns associated with the current site are being addressed as development of the new site continues.

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Board Member Negra emphasized the PLCB’s commitment to customer service and asked Director of Policy & Communications Elizabeth Brassell to confirm the public’s ability to communicate directly with agency staff through a resource account (ra-lbcommunications@pa.gov) managed by her office. After encouraging anyone with questions pertaining to the items discussed by Chairman Holden and Board Member Negra or specific products, Director Brassell stated that her team monitors this account daily and ensures that issues are addressed appropriately.

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

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

NEW BUSINESS

From the Office of Chief CounselRodrigo Diaz, Chief Counsel

(1) **Borough of Lewisburg** Municipal Petition for
Case No. 20-NE-16 Exemption from Liquor Code
Statute Regarding Amplified
Sound

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve noise exemption from
October 7, 2020 through October 7, 2021.

(2) **Lower Macungie Township** Municipal Petition for
Case No. 20-NE-17 Exemption from Liquor Code
Statute Regarding Amplified
Sound

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve noise exemption from
October 7, 2020 through October 7, 2021.

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(3) Resolution of Kane Warehousing, Inc. Litigation Board of Claims Complaint

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Chief Counsel Rodrigo Diaz stated that a dispute involving approximately \$600,000.00 arose in 2018 between the PLCB and Kane Warehousing, Inc., regarding a move of the PLCB's product within Kane's complex. Chief Counsel Diaz explained that the resolution being proposed involves a sum of \$300,000.00, which, though substantially less than the amount of the original dispute, is considered reasonable based on the amount of time which has elapsed since the dispute was filed with the Board of Claims.

Board Decision: Unanimously agreed (3-0 vote) to settle the ongoing litigation with Kane Warehousing, Inc.

(4) Big Head's Bensalem, Inc. Proposed Conditional
LID 55382 Licensing Agreement
Docket No. MD 2130-2020 (Bucks County)

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

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

(1) Doan Gang Distillery, LLC New & Requests for Interior
t/a Doan Gang Distillery Connections with Another
(LID No. 103231) Business & Dual Employment –
116 East Broad Street Limited Distillery
Quakertown, Bucks 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.

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- (2) **Thistle Finch Distilling, LLC** Limited Distillery Additional
t/a Thistle Finch Distillery Board-Approved Location &
AL-5 (LID No. 67167) Requests for Interior Connections
417 West Grant Street with Another Business & Dual
Lancaster, Lancaster County Employment – Limited Distillery

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

- (3) **KKB Enterprises, LLC** Conditional Licensing
D-3812 (LID No. 67473) Case No. 2019-67473 Agreement
4706 Route 8, Storeroom #1 Renewal – District 5
Hampton Township
Allison Park, Allegheny County **HOLD – 9/23/20 SESSION**

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

- (4) **Sluggers Sports Enterprises, LLC** New Tavern Gaming License
t/a Sluggers Sports Bar & Grill
R-2949 (LID No. 61287)
14 East 10th Street
Erie, Erie County

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

Board Decision: Unanimously agreed (3-0 vote) to approve the new tavern gaming license.

Chairman Holden indicated that the approval of this new tavern gaming license would bring the count of such licenses to 70.

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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 6 personnel actions presented for consideration.

- (1) **Nicholas Benzeleski – Removal**
- (2) **Amato Berardi – Removal**
- (3) **Linda Goblinger – Removal**
- (4) **Tanyiah Jackson – Removal**
- (5) **Andrea Nichols – Removal**
- (6) **Keena Pettiford – 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:

None

Inter-Agency Charges:

None

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

- 1. **#1201 – 54 East Fourth Street, Emporium
Amendment**
- 2. **#3803 – 901 East Main Street, Suite 12, Palmyra
Amendment**
- 3. **#6511 – 4627 Route 51, Suite 520, Rostraver Township
Amendment**

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Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

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

Glacial Till Riesling 750 mL 18

The Wine Group Inc

Magic Hour Blackberry Red Blend 750 mL 18

Magic Hour Peach Moscato 750 mL 18

Magic Hour Strawberry Rose 750 mL 18

Magic Hour Tropical Moscato 750 mL 18

RECOMMENDED ACTION: We recommend the Board approve this action

2. Regular PA New Items Accepted

BRAND NAME AND SIZE

REASON

Lancaster Distilleries LLC

Lancaster Distilleries Barrel Rested Gin 750 mL 16

Lancaster Distilleries Gin 750 mL 16

Lancaster Distilleries Oaked Rum 750 mL 16

Lancaster Distilleries Rose Geranium Gin 750 mL 16

Lancaster Distilleries Silver Rum 750 mL 16

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Lancaster Distilleries Spiced Rum 750 mL	16
Lancaster Distilleries Vodka 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>Duckhorn Wine Company</u> Decoy Zinfandel Sonoma County 750 mL	2518
<u>Midstate Distillery Inc</u> Midstate Distillery Pennsylvtucky Moonshine 80 Proof 750 mL	1650
<u>Vintage Imports Inc</u> Ca' Momi Merlot Napa Valley 750 mL	6009

EFFECTIVE DATE: The transference to closeout will become effective November 6, 2020

Motion Made: Board Member Negra
Seconded: Board Member Isenhour

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

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FINANCIAL REPORT *Michael J. Burns, Comptroller Operations, Office of Budget*

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

	<u>July 31, 2020</u>	<u>July 31, 2019*</u>
ASSETS		
Current assets:		
Cash	\$ 39,101,227	\$ 46,639,969
Investments - short term	219,490,280	242,331,819
Accounts and claims receivable, net	7,190,718	3,602,107
Due from other funds - Note 9	2,124	-
Merchandise inventories, net	224,293,038	248,119,997
Operating supplies	585,112	286,436
Prepaid expenses	<u>1,638,862</u>	<u>1,258,268</u>
Total current assets	<u>492,301,361</u>	<u>542,238,596</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	49,252,503	48,574,875
Intangible - internally generated software	22,987,312	23,052,887
Intangible - right to use leases	<u>264,235,829</u>	<u>285,896,336</u>
Less: accumulated depreciation	<u>69,792,655</u>	<u>67,854,952</u>
Net depreciable capital assets	<u>287,755,980</u>	<u>310,886,191</u>
Total non-current capital assets	<u>288,078,953</u>	<u>311,209,164</u>
Total assets	<u>\$ 780,380,314</u>	<u>\$ 853,447,760</u>
Total deferred outflows of resources - Notes 5, 6	\$ 122,061,369	\$ 160,931,631
LIABILITIES		
Current liabilities:		
Trade accounts payable	\$ 263,514,004	\$ 279,729,526
Other accounts payable	24,979,465	28,515,971
Accrued expenses	19,528,366	18,143,705
OPEB - Note 6	18,874,000	8,994,000
Self-insurance, workers' compensation - Note 7	6,095,210	5,693,938
Due to other funds - Note 9	7,266,649	5,335,405
Due to fiduciary funds - Note 9	2,907,285	2,561,065
Due to other governments - Note 9	790,864	684,574
Right to use liabilities	<u>52,019,163</u>	<u>49,285,850</u>
Total current liabilities	<u>395,975,006</u>	<u>398,944,034</u>
Non-current liabilities:		
OPEB - Note 6	417,542,000	580,429,000
Self-insurance, workers' compensation - Note 7	47,995,269	48,841,124
Net pension liability - Note 5	461,552,820	533,491,336
Compensated absences - Note 1	24,809,043	21,598,132
Right to use liabilities	<u>208,010,391</u>	<u>232,733,614</u>
Total non-current liabilities	<u>1,159,909,523</u>	<u>1,417,093,206</u>
Total liabilities	<u>\$ 1,555,884,529</u>	<u>\$ 1,816,037,240</u>
Total deferred inflows of resources - Notes 5, 6	\$ 412,518,437	\$ 288,463,836
NET POSITION		
Net investment in capital assets	\$ 288,078,953	\$ 311,209,164
Deficit	<u>(1,354,040,236)</u>	<u>(1,401,330,849)</u>
Total net position	<u>\$ (1,065,961,283)</u>	<u>\$ (1,090,121,685)</u>

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

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**Commonwealth of Pennsylvania
Pennsylvania Liquor Control Board
State Stores Fund
Comparative Statements of Revenues, Expenses, and Changes in Net Position
For the Month Ending July 31, 2020 and July 31, 2019
(Unaudited)**

	<u>2020-21</u>	<u>2019-20*</u>
Sales net of taxes	\$ 181,154,919	\$ 170,217,267
Cost of goods sold	<u>(122,601,998)</u>	<u>(115,524,220)</u>
Gross profit from sales	58,552,921	54,693,047
Operating (expenses):		
Retail operations	(30,877,896)	(30,547,359)
Marketing & merchandising	(517,772)	(1,244,771)
Supply chain	(449,208)	(538,475)
Wholesale operations	(141,590)	(114,804)
Information technology services	(2,727,909)	(2,865,390)
Regulatory affairs	(1,534,800)	(1,640,950)
Administration	(844,402)	(979,047)
Finance	(434,998)	(410,953)
Board & secretary	(249,044)	(316,256)
Legal	(298,984)	(383,705)
Commonwealth provided services - Note 2	<u>(1,068,449)</u>	<u>(1,006,676)</u>
Total	<u>(39,145,052)</u>	<u>(40,048,386)</u>
Operating profit/(loss)	19,407,869	14,644,661
Other operating revenues (expenses):		
Enforcement fines	64,304	171,531
License fees	3,040,293	2,670,784
Miscellaneous income	266,083	168,802
Administrative law judge	<u>(211,503)</u>	<u>(252,629)</u>
Total	<u>3,159,177</u>	<u>2,758,488</u>
Total operating income/(loss)	22,567,046	17,403,149
Miscellaneous revenues (expenses):		
Interest income (expense)	(312,100)	87,430
Other	<u>-</u>	<u>-</u>
Total	<u>(312,100)</u>	<u>87,430</u>
Income/(Loss) before operating transfers	22,254,946	17,490,579
Operating transfers out:		
PSP enforcement - Note 3	(2,466,772)	(2,425,568)
Net Income/(Loss) from operations	<u>19,788,174</u>	<u>15,065,011</u>
Statutory Transfers:		
General fund - Note 4	-	-
Drug and alcohol programs - Note 4	-	-
Total	<u>-</u>	<u>-</u>
Change in net position	19,788,174	15,065,011
Total net position - beginning	<u>(1,085,749,457)</u>	<u>(1,105,186,696)</u>
Total net position - ending	<u>\$ (1,065,961,283)</u>	<u>\$ (1,090,121,685)</u>
Liquor tax	32,451,851	30,463,821
State Sales Tax	12,789,276	11,996,446
Local Tax	688,715	763,378
Taxes remitted to Dept.of Revenue PTD	<u>\$ 45,929,842</u>	<u>\$ 43,223,645</u>

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

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OTHER ISSUES

None

CITIZEN COMMENT/BUSINESS FROM THE FLOOR

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

NEXT BOARD MEETING

The next meeting of the PLCB will be a formal meeting on Wednesday, October 28, 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