

GOVERNOR'S MONTHLY REPORT

November 2015

(Revised 7/13/17)



STATE OF ARIZONA DEPARTMENT OF LIQUOR LICENSES AND CONTROL

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The information reported in this document is used to keep the Governor and staff apprised of accomplishments, key issues, and upcoming events as they relate to the Department of Liquor Licenses and Control, and its three divisions (Licensing, Administration, and Investigations) on a monthly basis.

GRANTS & FUNDING
LIQUOR ENFORCEMENT & EDUCATION OUTREACH GRANT
CUB (COVERT UNDERAGE BUYER) PROGRAM

In an effort to curb the sale of liquor to underage persons, the Covert Underage Buyer (CUB) program was instituted in May of 2003. This program provides the resources necessary for the department to investigate reported complaints of liquor licensed businesses suspected of one or more underage liquor law violations. When there is reasonable suspicion to believe that a liquor-licensed establishment is selling liquor to underage customers, the department will send in a CUB to attempt to purchase liquor. CUBs are between the ages of sixteen (16) and nineteen (19) who are carefully trained by DLLC investigators to understand and follow state laws, including DLLC's CUB investigations guidelines and personal and public safety measures. Currently there are two (2) officers and a total of seven (7) trained CUBs performing CUB operations for the department. DLLC provides CUB program training to all Arizona law enforcement agencies, allowing the program to operate statewide.

In November 2015, DLLC conducted investigations of six (6) liquor-licensed establishments in Phoenix, Arlington, Glendale, and Litchfield Park. Two (2) CUBs were used. Three (3), or fifty (50.0%) percent, of these establishments sold alcohol to a CUB resulting in seven (7) administrative violations and six (6) criminal violations. All six (6) locations were investigated in response to complaints received by DLLC.

Since the inception of the program, three thousand eight hundred fifty-six (3,856) establishments have been investigated and one thousand two hundred nineteen (1,219) or thirty-two (31.6%) percent have sold to CUB buyers resulting in two thousand nine hundred thirty (2,930) administrative violations and two thousand three hundred forty-five (2,345) criminal violations.

CUB Program Statistics

Calendar Year	Locations Investigated	# Sold to CUB	% of Locations that Sold to CUB	Administrative Violations	Criminal Violations
2003	122	33	29	70	71
2004	217	55	25	122	136
2005	337	108	32	342	283
2006	475	148	31	409	317
2007	450	108	24	200	201
2008	572	172	30	416	349
2009	392	115	29	234	229
2010	169	96	57	207	129
2011	234	62	26	143	69
2012	215	82	38	225	193
2013	310	98	32	220	143
2014	181	76	42	179	122
2015	182	66	36	163	103

An Underage Drinking Hotline is in operation for concerned citizens to call when underage drinking, service, or sales are suspected. With each complaint DLLC launches an investigation. The Underage Drinking Hotline number is 1-877-NOT-LEGL or 1-877-668-5345.

OUTREACH

Community & Agency Outreach

Community and agency outreach meetings and presentations create opportunities to increase DLLC's efficiency and relevancy, encourage agency collaborative efforts, and promote safe and legal alcohol distribution, sales, and consumption.

Community and agency outreach during the month:

- East Valley Chiefs meeting – director participated
- West Valley Chiefs meeting – director participated
- Meeting with US Marshall – director attended
- Meeting with Arizona Department of Administration (ADOA) director – director and communications director attended
- Meeting with state Equal Employment Opportunity Commission (EEOC) director – director attended
- Meeting with Beer and Wine Distributors of Arizona (BWDA) – director and deputy director attended
- Meeting with Scottsdale Police Department – director attended
- Meeting with Hensley – director attended
- Local Governing Body Training in Tucson – director attended
- Meeting with Andrew Walther Brewery – director attended
- Arizona Licensed Beverage Association (ALBA) Board meeting – director attended
- Meeting and tour at Young's Market – deputy director attended
- Meeting and tour at Hensley – deputy director attended
- Tribal Liaison Roundtable – deputy director attended
- AZPOST Board Meeting – deputy director attended
- Valley Law Enforcement Training Coordinator's Meeting – deputy director attended
- Meeting with Indian Country Intelligence Network (ICIN) representative – deputy director attended
- Local Governing Body Liquor Law Training in Flagstaff – assistant director of licensing attended
- Local Governing Body Liquor Law Q and A in Scottsdale – assistant director of licensing attended
- 2015 Arizona Summit on Civic Engagement – communications director attended
- Arizona PIO Association – communications director attended

Law Enforcement Special Detail:

- CUB – Investigator Palubeskie and Investigator Turner conducted one
- Vehicle assignment – Investigator Trevizo
- Beverage House Surveillance – Investigator Carruthers
- Live Wire concert – Investigator Swift
- Tempe Town Lake Monster Mash – Investigator Palubeskie, Investigator Swift, Investigator Miller
- Trade Practice, Title 4 Training Management, Stats, Letters to Producers answering requests, and In-House Training – Investigator Miller
- Completed 18 Site Inspections, Title 4 Training Management and Complaint Hotline – Ms. Strickland
- Special Event Training at Tempe Downtown Community for 4 Officers – Investigator Palubeskie
- Title 4 Training at American Legion Regional Conference for 50 Civilians – Investigator Zacarias
- Local Governing Body Training in Flagstaff for 9 Civilians, 4 Officers, and 1 Tribal Representative – Investigator Miller
- Local Governing Body Training in Scottsdale for 48 Civilians, 8 Officers, and 1 Tribal Representative – Investigator Miller
- Local Governing Body Training in Tucson for 18 Civilians and 7 Officers – Investigator Miller
- Title 4 Training in Sedona for 4 Officers
- All Officers received computer software training for transitioning into DLLC's new system

SUCCESS STATISTICS INVESTIGATIONS

It is the responsibility of the Investigations Division to ensure that all licensees adhere to A.R.S. Title 4 (Arizona liquor law) and all Arizona Administrative Code Rules established by the DLLC.

Investigators completed one hundred fifty-two (152) routine liquor inspections (RLIs) at licensed establishments and events throughout Arizona resulting in thirty-two (32) criminal charges forty-one (41) administrative violations. The following success statistics were completed by a nonsupervisory staff of eleven (11) full time sworn officers who uphold a statewide officer-to-liquor license ratio of 1:1,105.

Total investigative actions taken this month were nine hundred ninety-two (992), which is a decrease of ten (10.2%) percent when compared to the one thousand one hundred five (1,105) investigative actions taken in November 2014.

Achievements:	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Routine Liquor Inspections Completed	152	1,121	243	2,710
Criminal Citations Issued	20	146	78	660
Criminal Counts Charged	32	246	137	1,300
Administrative Counts Charged	41	397	47	1,140
Hidden Ownerships Completed	1	13	0	16
Site Inspections Completed	31	148	19	272
Non-Actioned (Criminal) Complaints	18	159	23	423
Actioned (Administrative) Complaints	6	45	5	96
Compliance Case Reports Submitted	14	158	18	423
On-view Violation Case Reports	6	100	11	256
Law Enforcement Liaison Completed	74	306	56	786
Tax Deficiency Charges	15	80	31	374
MVD Affidavit/Suspension	3	10	18	140
Underage Investigations Statistics:				
Citations Issued to Underage Persons	13	107	59	505
Total Underage Violations	28	228	121	1087
Total Achievements: (including police report reviews and completed protests not listed above)	992	5,691	1,105	13,373

Compared to November 2014, the number of citations DLLC investigators issued to underage persons decreased seventy-eight (78.0%) percent and the total number of underage violations decreased seventy-seven (76.9%) percent.

SUCCESS STATISTICS
Investigations (continued)

Current Month	Younger than Age 15	Age					
		15	16	17	18	19	20
Age of minor cited	0	0	2	1	3	3	4

Of the citations issued to underage persons, thirty-one (30.8%) percent were within one year and twenty-three (23.1%) percent were within two years of the legal drinking age.

Statute/ Definition	Number of Counts Charged This Month	Number of Counts Charged in FY 2016	1 Year Ago This Month	Number of Counts Charged in FY 2015
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID	3	26	7	77
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	4	18	128
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	1	8	8	30
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	3	16	0	12
A.R.S. § 4-241(P) Person purchasing alcohol for underage	0	0	3	6
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	10	70	63	499
A.R.S. § 4-244(20) Consuming spirituous liquor in public place, thoroughfare or gathering	1	6	3	24
A.R.S. § 4-244(41) Underage with alcohol in system	5	37	22	291
A.R.S. § 13-2907.01 False reporting to law enforcement agencies	0	0	0	5
A.R.S. § 13-3613 Contributing to delinquency and dependency of a child	0	0	0	4
A.R.S. § 28-3478.1 Unlawful use of driver license	3	16	10	75
A.R.S. § 28-3478.3 Using another person's driver license	3	10	0	24

The number of underage violations issued in November 2015 decreased seventy-nine (78.6%) percent compared with November 2014.

SUCCESS STATISTICS LIQUOR LICENSE AUDITS

Currently there are one hundred sixty-nine (169) active Series 11 (hotel/motel) licenses and three thousand five hundred nine (3,509) active Series 12 (restaurant) licenses statewide. Compared to November 2014, the number of hotel/motel with restaurant licenses increased by four (4) or two (2.4%) percent, and the number of restaurant licenses increased by ninety-eight (98) or three (2.9%) percent.

DLLC employs two (2) full time auditors. With a total of three thousand six hundred seventy-eight (3,678) restaurant-type licenses combined, the statewide auditor-to-liquor license ratio is: 1:1,839.

Audit Status	Current Month	This Month Last Year
Audits closed	5	7
Audits initiated	5	5
Audits in progress	16	14
Open cases w/projected ratio of >37%	12	7
Open cases w/projected ratio between 30 to 37%	3	7
Open cases w/projected ratio of <30%	1	0
Locations granted 1 year to continue operation	0	0
Locations being monitored	103	60

During November 2015, five (5) audits were completed in Maricopa and Pima Counties, which resulted in actionable violations in all five (5) cases. On November 30, 2015, there were sixteen (16) audits in progress and one hundred three (103) locations being monitored.

Audit Action	Current Month	Total FY 2016	This Month Last Year	Total FY 2015	Total 2003 To Present
Audits completed	5	38	7	91	848
Audits passed	4	28	5	56	467
Audits failed	1	8	1	25	297
Inconclusive	0	2	1	10	78
Other charges only	0	0	0	0	6

In November 2015, audit fines assessed from violations totaled five thousand (\$5,000) dollars. Compared to November 2014, total audit fines assessed from violations increased by six hundred twenty-five (\$625) dollars.

SUCCESS STATISTICS
Liquor License Audits (continued)

Audit Revenue 2-year Comparison

Audit Action	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Fines Assessed	\$5,000	\$13,825	\$4,375	\$71,350

Audit statistics since FY 2007 are noted below:

Year	Audits Completed	Revenues Collected	Average Fine per Audit
FY 2007	27 audits	\$13,000	\$481
FY 2008	61 audits	\$36,500	\$598
FY 2009	103 audits	\$81,275	\$789
FY 2010	87 audits	\$81,750	\$940
FY 2011	82 audits	\$84,400	\$1,029
FY 2012	90 audits	\$64,355	\$715
FY 2013	84 audits	\$47,625	\$567
FY 2014	92 audits	\$49,625	\$539
FY 2015	91 audits	\$47,725	\$524
FY 2016	38 audits	\$37,700	\$992

Online Sampling Requests:

DLLC developed and instituted online sampling requests. After the requesting licensee enters the date, time and location, the system then verifies whether: (1) there are other sampling events at the same location on the same date, (2) the requestor has not exceeded twelve (12) allowed sampling events per location per year, and (3) the location meets the requirements of a sampling location. If the system determines the sampling request meets all of the requirements, the sampling event is booked, an email along with a "Notice of Sampling" credential is instantly emailed to the distributor, and a notification email is sent to the retail location.

During the month of November 2015, there were eight hundred fifty-three (853) sampling requests entered into and approved by the on-line system. Of these sampling requests thirteen (13) were cancelled. In FY 2016, the online system has saved over five hundred sixty-four (564.20) staff hours.

SUCCESS STATISTICS COMPLIANCE

The Compliance Unit governs the dispute-resolution process and imposes disciplinary actions against licensees for violations of State liquor laws. The Compliance Unit is responsible for determining an appropriate course of disciplinary action which may consist of verbal or written warnings, consent agreements, or referral for a full administrative hearing.

Achievements	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Revocations	0	0	0	0
Suspensions	0	0	0	2
Surrenders	1	7	2	10
Divestitures	1	3	0	7
Administrative Complaints	1	3	0	2
Decisions & Orders	0	0	0	1
Cases Received	63	532	74	843
Cases Completed	9	198	19	198
Cases in Progress	54	334	55	645
Warning Letter Issued	0	11	1	22
Cases Sent to OAH	0	0	1	7

Economic Impact:

Fines collected during the month totaled forty-three thousand one hundred fifty (\$43,150) dollars from thirty-five (35) adjudicated compliance actions. Compared to last month, October 2015, this represents a thirty-three (33.2%) percent increase in collected revenues and a nine (9.4%) percent increase in the number of compliance actions processed. Compared to November 2014, this represents a ninety-nine (98.8%) percent increase in collected revenues and no change in the number of compliance actions processed.

A penalty payment plan gives licensees the option to pay fines in installments rather than in one lump sum. DLLC and the licensee agree to the terms of the payment plan during the negotiation process. Although the payment plan may reduce DLLC's monthly collection of fine revenues in the short term, the long term outcome is intended to keep establishments in business by easing the financial burden of fines.

Fiscal Year	Compliance Actions	Revenues Collected	Average Fine Per Action
2005-2006	500	\$689,475	\$1,379
2006-2007	429	\$627,975	\$1,464
2007-2008	334	\$582,350	\$1,744
2008-2009	584	\$886,440	\$1,518
2009-2010	415	\$705,725	\$1,701
2010-2011	425	\$598,509	\$1,408
2011-2012	479	\$428,445	\$894
2012-2013	440	\$673,710	\$1,531
2013-2014	500	\$473,910	\$948
2014-2015	561	\$516,365	\$920
2015-2016	243	\$253,425	\$1,043

SUCCESS STATISTICS
Compliance (continued)

Adjudicated Underage Violations:

Statute	Adjudicated This Month	TOTAL FY 2016	1 Year Ago This Month	TOTAL FY 2015
A.R.S. § 4-241(A) Failure to request ID from underage; accepting unauthorized forms of ID; failure to follow the identification procedure prescribed by statutes	9	28	7	92
A.R.S. § 4-241(L) Underage who uses false ID to buy alcohol	0	0	0	0
A.R.S. § 4-241(M) Underage who solicits another person for alcohol	0	0	0	0
A.R.S. § 4-241(N) Underage who uses of false ID to gain entry to a liquor business	0	0	0	0
A.R.S. § 4-241(P) Person purchasing alcohol for underage	0	0	0	0
A.R.S. § 4-244(1) Unlicensed Resale	2	5	1	20
A.R.S. § 4-244(9) Furnishing alcohol to an underage; underage in possession/consumption	7	26	7	89
A.R.S. § 4-244(16) Knowingly allow furnishing liquor to underage	0	0	0	0
A.R.S. § 4-244(22) Underage on premises without parent (on-sale); consume without permission of premises owner	1	4	0	6
A.R.S. § 4-244(41) Underage with alcohol in system	0	0	0	0
A.R.S. § 13-2907(01) False reporting to law enforcement agencies	0	0	0	0
A.R.S. § 28-3478(1) Unlawful use of driver license	0	0	0	0
A.R.S. § 28-3478(3) Using another person's driver license	0	0	0	0

During FY 2016, fines from adjudicated underage violations total sixty-five thousand (\$65,000) dollars.

Compliance Statistics Resulting From Underage Violations:

Fiscal Year	Fines Collected	Licenses Suspended	Licenses Revoked
2011	\$214,500	2	0
2012	\$82,265	1	0
2013	\$125,500	4	1
2014	\$80,625	1	2
2015	\$82,375	0	0
2016	\$65,000	0	0

SUCCESS STATISTICS STATE LIQUOR BOARD

The State Liquor Board operates independently from the Director of the Department of Liquor Licenses and Control and is responsible for hearing liquor license applications that have been protested by the public, the governing body of a city, town or county, or the Department Director. Additionally, the Board may hear appeals and overturn or amend decisions of the Director.

Achievements:	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
Hearings Scheduled	5	12	9	57
Licenses Granted	0	1	1	20
Licenses Denied	0	2	1	11
Continuances Granted	1	2	2	11
Continuances Denied	0	0	0	1
Licenses Withdrawn	3	3	3	13
Appeals Heard	0	0	0	0
Rehearings Requested	0	1	1	1
Hearings Cancelled by Director	1	2	1	3

There were five (5) hearings scheduled before the State Liquor Board in November. Two (2) Series 12 Restaurant licenses and one (1) Series 6 Bar license were withdrawn. One (1) Series 7 Beer and Wine Bar license was continued to the January 7, 2016 meeting. One hearing was cancelled by request from the Director.

Cyndy Valdez was elected Chair and Bill Du Pont was elected Vice Chair of the Board. Michael Troyan was appointed to the Board, representing the retailer tier and Maricopa County.

STATE LIQUOR BOARD MEMBERS AND TERMS

Cyndy Valdez (R)	Chair Pima County Wholesaler	Term Expires January 16, 2017
Bill Du Pont (D)	Vice Chair Pima County Neighborhood Association	Term Expires January 18, 2016
Vikki Scarafiotti (D)	Maricopa County No Financial Interest	Term Expires January 16, 2017
Michael Troyan (I)	Maricopa County Retailer	Term Expires January 15, 2018
Jim Carruthers (R)	Yuma County No Financial Interest	Term Expired January 19, 2015
Vacant	No Financial Interest	Term Expires January 15, 2018
Vacant	No Financial Interest	Term Expires January 18, 2016

SUCCESS STATISTICS LICENSING DIVISION

The Licensing Division is responsible for processing new license applications, permits, renewals, and maintaining up-to-date and accurate information on active licenses. Compared to this month last year, November 2014, the number of new liquor licenses issued in Arizona decreased three (2.8%) percent and the number of active licenses increased one (1.0%) percent. Also, compared with November 2014, monthly licensing revenues have decreased twenty-one (21.3%) percent from five hundred twenty-four thousand six hundred ninety-one (\$524,691) dollars during this time last year to four hundred twelve thousand seven hundred eighty-one (\$412,781) dollars during the current month.

In November 2015, four (4) exempt locations were approved which brings the total active exempt locations in Arizona to ninety-five (95). An exempt location is an establishment that has: (1) met the criteria established in A.R.S. § 4-244.05 and A.A.C. R19-1-324; (2) made application for the exemption; (3) been inspected by a DLLC investigator; and (4) been issued a one-year exemption which allows patrons to bring and consume beer and wine on the premises.

Licensing	Current Month	Total FY 2016	1 Year Ago This Month	Total FY 2015
New Licenses Issued	105	592	108	1,559
Renewed Licenses	962	4,475	1,520	11,952
Lottery Licenses Issued	1	2	1	16
Collected Lottery Revenues	\$35,750	\$1,132,575	\$35,375	\$1,208,300
Number of Active Liquor Licenses	12,158*	12,158*	12,039*	12,052*
Exempt Locations Issued	4	46	7	84
Number of Exempt Locations	95**	95**	94**	86**
Collected Licensing Revenues (including lottery revenues)	\$412,781	\$3,571,435	\$524,691	\$7,884,153

*This number fluctuates daily depending on renewals, new applications, suspensions and revocations.

**This number fluctuates daily depending on renewals and new applications.

Collected Revenue by Fee Type in November 2015

Fair Market Value	35,750
Applications	10,625
License Fees	115,500
Out-of-State	91,525
Agent Change	4,100
Fines	42,775
Special Event	4,200
Club	1,650
Penalties	3,900
Copy Fees	5,300
Non-Use Surcharge	25,000
Audit Surcharge	480
Enforcement K Surcharge	33,845
Enforcement L Surcharge	33,770
Miscellaneous	5

TOTAL REVENUES COLLECTED **\$408,425**
(fingerprints) **4,356**

TOTAL REPORT **\$412,781**

**LEAN TRANSFORMATION
STATEWIDE LICENSING INITIATIVE**

In FY 2015, DLLC issued one thousand five hundred forty-one (1,541) new licenses. Beginning in FY 2016, all DLLC license applications will be included in the continuous improvement process. Customer service representatives (CSRs) have received training and resource materials to ensure that consistent licensing policies and procedures are used when processing applications. A standardized process will help reduce CSR errors, improve processing time, and improve customer satisfaction rates.

On a biweekly basis, the Licensing Manager will track process improvement with the LAG Metric, LEAD Metric, Touch Time, and Stop Sign.

DLLC Process Improvement

Biweekly Measurement	Timeframe	Results
LAG Metric (Goal: 80 days) (Average number of days to issue a liquor license from the date an application is received)	November 1-30, 2015	92 days
LEAD Metric (Goal: 5 days) (Average number of days from the date an application is received to the date the application is accepted and entered into LCS)	November 1-30, 2015	1 day
Touch Time (Average number of minutes a CSR "touches" an application during the process)	November 1-30, 2015	51 minutes
Stop Sign (Target: 2) (Average number of applications with missing or incorrect information per CSR)	November 1-30, 2015	1 Stop Sign

WHAT'S NEXT AT DLLC? Upcoming Events and Milestones

Retirement

Michael Feliberty, Senior Systems Administrator, will retire after 28 years with the agency.

Upcoming Training Presented by DLLC Investigations

Date: December 1, 2015
Courses: Liquor Licensing, Law, and Special Event Training for Law Enforcement and Local Government Agencies
Location: Yuma Public Library

Date: December 4, 2015
Courses: Wholesaler Liquor Law Training and Update for Wholesale Employees
Location: Young's Market Arizona

Date: December 7, 2015
Courses: New Liquor Law and Rule Review for Casino Management
Location: Wild Horse Pass Casino Resort

Date: December 10, 2015
Courses: Liquor Licensing, Law, and Special Event Training for Law Enforcement and Local Government Agencies
Location: Show Low Council Chambers

Date: February 11, 2016
Courses: Liquor Law and Licensing Workshop
Location: Lake Havasu City Police Department Council Chambers

Date: February 24, 2016
Courses: Winery and Vineyard Law
Location: Holiday Inn Hotel & Suites Phoenix Airport

END OF DLLC NOVEMBER 2015 REPORT TO THE GOVERNOR