

# 802 Spirits

## 2016 ANNUAL REPORT



 VERMONT  
DEPARTMENT OF LIQUOR CONTROL

# Table of Contents

|   |           |
|---|-----------|
| Letter of Transmittal from the Board .....    | 1         |
| Commissioner's Remarks.....                   | 3         |
| About the Board .....                         | 4         |
| Board Members .....                           | 5         |
| Background and History .....                  | 7         |
| Year in Review.....                           | 10        |
| DLC Employees.....                            | 12        |
| Administrative.....                           | 13        |
| Information Technology .....                  | 14        |
| Education Division.....                       | 16        |
| Enforcement Division.....                     | 19        |
| Licensing Division.....                       | 20        |
| Purchasing .....                              | 22        |
| Retail Operations .....                       | 23        |
| Made in Vermont.....                          | 24        |
| Agency Stores – Sales.....                    | 26        |
| Marketing.....                                | 28        |
| Distribution Centers.....                     | 30        |
| Accounting.....                               | 32        |
| <b>Financial Statements</b>                   |           |
| Statement of Revenue & Expense 2015—2016..... | 33        |
| Where Does the Money Go? .....                | 34        |
| <b>Agency Store Listing.....</b>              | <b>36</b> |

# Message from the Board



Vermont Liquor Control 2015-16 Board. From Left: Melissa Mazza-Paquette, Julian Sbardella, Stephanie O'Brien, and Thomas Lauzon. Not pictured, John P. Cassarino

January 1, 2017

Honorable Phil Scott  
Governor of Vermont  
Montpelier, Vermont

Dear Governor Scott:

In compliance with the provisions of Section 109, Title 7, Vermont Statutes Annotated Revision of 1959, we have the honor to submit herewith the 82nd Annual Report of the Liquor Control Board (the Board) for the fiscal year July 1, 2015 through June 30, 2016.

During this year, we ensured the continuity of DLC's operations and its mission, strengthened our relationship with government, our Agents and the industry while continuing to increase revenue and promote public safety.

As you will note, we have greatly expanded the scope and detail of the Annual Report to better inform the administration, legislature and Vermont citizens about what we do at DLC.

We are proud of what we do and look forward to a successful 2017.

Respectfully,

Stephanie M. O'Brien, Chair  
John P. Cassarino, Member  
Thomas Lauzon, Member  
Melissa Mazza-Paquette, Member  
Julian Sbardella, Member





Patrick T. Delaney  
Liquor Control Commissioner

# Message from the Commissioner

I would like to welcome you to the 82nd annual edition of the Department of Liquor Control's (DLC) fiscal report. This report will introduce the DLC Board members as well as our executive management team.

Our report has expanded upon the traditional financial reporting format to include information about the DLC's vision and to articulate the significant changes that we currently have underway. Our organizational goals are to create operational efficiencies, enhance the tax payers return on investment through increased profitability, grow our case volume, and to improve our competitive position with the state of New Hampshire by creating a compelling and engaging experience for our customers. The 2015-16 fiscal year was one of profound change within the DLC.

I was hired by the Board in February, 2016 to initiate a review of the DLC's business model and to recommend changes to improve our operation. In March, I hired Deputy Commissioner Gary Kessler to partner with me to undertake this challenging task.

During the past 10 months we have evaluated our policies and procedures and implemented significant changes. Areas of operational improvement include purchasing, product programming, distribution, information technology, warehousing, marketing, education, and retail management. We are excited to share with you the tangible results of our effort over the past 10 months as well as our vision of the future. Our management team shares a common commitment to improving the image of our brand, promoting socially responsible consumption, and creating a positive reflection on State government through the modernization of our business model and increasing our financial contribution to the general fund.

Thanks,

A handwritten signature in black ink that reads "Patrick T. Delaney". The signature is written in a cursive, flowing style.

Patrick T. Delaney

# The Board

The DLC is governed by the Liquor Control Board (the Board) and a Commissioner. The composition of the DLC is described at 7 V.S.A. 5, § 101. The Board was created by state law in 1933. The Board consists of five members who are appointed by the governor and confirmed by two-thirds of the state Senate.

The duties of the Board are described under 7 V.S.A. 5, § 104. The Board's primary responsibility is to see that the laws relating to alcohol and tobacco are enforced and that the DLC collaborates with other law enforcement entities in the state. They act as a judicial board in hearing and adjudicating violations by its licensees and permittees. Board decisions are available on the DLC's website.

In addition, the Board supervises the opening and operation of local Agency stores involved in the sale and distribution of alcoholic beverages, supervises the financial transactions of the central office and the Agencies, makes rules and regulations regarding manufacture, sales, transport, labeling and advertising of malt or vinous alcoholic beverages, spirits and fortified wines, and adopts rules regarding intrastate transportation of such beverages.



Stephanie M. O'Brien – Chair & NABCA Chair

## Stephanie M. O'Brien

Ms. O'Brien was appointed the first female member to the State of Vermont's Liquor Control Board in 2007 by Governor James Douglas. In 2011, Governor Peter Shumlin appointed her chair, also a first for the state. Ms. O'Brien is a licensed Vermont real estate broker and a Realtor. She is the former president and CEO of O'Brien Brothers Agency, where she was employed for 20 years. Ms. O'Brien graduated from Plymouth State University in Plymouth, New Hampshire. She is currently serving as chair of the National Alcohol Beverage Control Association.

## Board Members



### John P. Cassarino

Mr. Cassarino was appointed as a member of the Board on February 1, 2007. A native of Rutland, Vermont and graduate of Mount St. Joseph Academy, Mr. Cassarino worked for General Electric and Central Vermont Public Service. In 1981, Mr. Cassarino was hired as executive director of a Rutland homeless shelter, called Open Door Mission, and was given one year to revitalize it or close the doors. Along with the help of the community, he was successful in stabilizing Open Door Mission. In 1987, a new location was secured for the shelter and Rutland County's first and only soup kitchen was established. He currently serves as vice president of the Board of Directors of the Open Door Mission. Mr. Cassarino was elected to the City Board of Aldermen and served 16 years, four of those years as board president. He served as mayor of Rutland from 1999 to 2007.



### Melissa D. Mazza-Paquette

Ms. Mazza-Paquette was appointed as a member of the Board by Governor Peter Shumlin on June 16, 2012. A graduate of both Champlain College and Husson University, Ms. Mazza-Paquette is the office manager and marketing director for Claussen's Florist, Greenhouse and Perennial Farm. Growing up in her parent's grocery store and liquor agency, Ms. Mazza-Paquette began a lifelong passion of helping others. She has been active with many charities, including C.U.F.F. Cancer, Camp Ta-Kum-Ta and Muscular Dystrophy. An Essex Junction resident, Ms. Mazza-Paquette enjoys cooking, hiking, traveling and spending time with others, including her husband, David, and daughter, MacKenzie. Her term expires January 31, 2017.



### Julian Sbardella

Mr. Sbardella was appointed as a member of the Board on July 3, 2012 to finish an existing Board member's term and then was re-appointed on February 13, 2013. A native of Fair Haven, VT, Mr. Sbardella graduated from Fair Haven high school, then as a business major from Becker college in Worcester, MA. He has been involved with the liquor industry since 1960. From 1960-70 he was a licensee. In 1978, he became a Vermont liquor broker representing several brands. From 1996-2010, he became the Vermont supervisor for United Beverages, Inc., which later became Southern Wine & Spirits. Mr. Sbardella retired in 2010. His term expires January 31, 2018.



### Thomas J. Lauzon

Mr. Lauzon was appointed as a member of the Board on July 21, 2015. Mr. Lauzon is an accountant and developer and has had a long career in Vermont, including, as the mayor of Barre, Vermont, from 2006 to present. His term expires January 31, 2020.



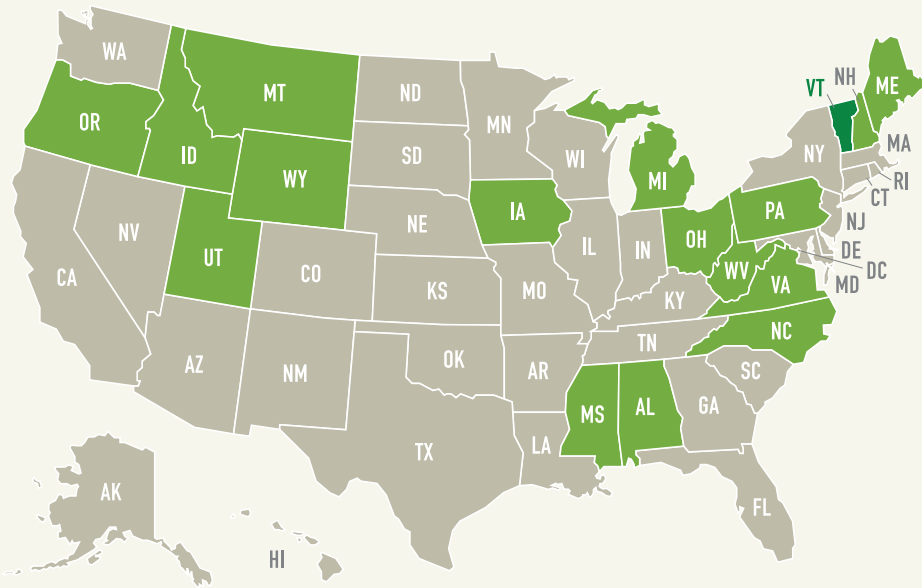


# History of the Nation's Liquor Control States

## Introduction

Following the repeal of Prohibition in 1933, Vermont became one of twenty-one jurisdictions nationwide that controlled the sale of alcoholic beverages within their own borders to permit local option on this controversial issue. Currently, seventeen states and jurisdictions have adopted forms of the "Control" model. These jurisdictions account for almost twenty-seven percent of the U.S. population.

These "Control States" or "Control Jurisdictions" established their own system of control over the wholesaling and/or retailing of alcoholic beverages. The control system has withstood the test of time because it is fundamentally sound. It is flexible enough to adapt and evolve to meet the changing demands of consumers as well as those involved in the supply chain.



## About the DLC



Many control states and jurisdictions control retail sales whereby their citizens purchase liquor at a state liquor store or a designated agency outlet. Vermont owned and operated many of its own stores until 1996, when it transitioned completely to an agency system, as mandated by the legislature.

The DLC is the regulatory agency responsible for enforcing Vermont's alcohol and tobacco statutes and regulations. This includes licensing the sale of alcohol at bars and restaurants, the sale of beer, wine and tobacco at retail stores, and enforcing compliance with laws and regulations related to service to impaired persons and alcohol and tobacco sales to minors.

The DLC licenses the sale of beer and wine to private businesses but retains control over the sale of beverage alcohol (e.g., spirits such as whiskey, vodka, gin, tequila, etc.).

The DLC is responsible for purchasing, pricing and retailing of beverage alcohol and directly controls its sale and regulates all persons involved in the alcohol supply chain at any level in the state. As the exclusive seller of liquor, the DLC applies a 65-85% markup to the cost of products to establish retail shelf prices for liquor. This markup includes the required 25% state excise tax.

Vermont's system of liquor control provides benefits to all of Vermont's citizens. We believe Vermont has found the right balance between too much availability, which leads to increased consumption, and over-regulation, which inhibits good customer service.

Vermont is proud to be a control distribution jurisdiction and the DLC continues to evolve to optimize the benefits of the control jurisdiction, while improving service to our consumers.

# The History and Future of the DLC



The DLC was created in 1933, when the 21st Amendment to the U.S. Constitution repealed the Volstead Act (Prohibition).

When Prohibition was repealed, the process of determining the method of regulation of alcohol beverages fell to the states and counties. In response, all states instituted some form of three-tier system of producers, wholesale distributors and retailers to promote moderation in consumption, prevent concentration of power and raise revenues through taxes. The DLC is tasked with issuing liquor licenses and permits, providing education, and the enforcement of state and federal laws relating to alcohol and tobacco.

The DLC is here to serve the public by preventing the misuse of alcohol and tobacco through controlled distribution, enforcement and education; and the Department strives to provide excellent customer service by operating efficient, convenient liquor Agency stores throughout. Our system of selling alcohol achieves a delicate balance between offering a great selection of products at reasonable pricing at 80 convenient locations around the state.

Studies prove that regulating sales reduces consumption, thereby limiting the physical and social damage caused by the misuse of alcohol. States with less alcohol regulation, in general, have more issues with alcohol abuse, higher prices, and less selection of products than our state. Moderation and temperance in control states generally reduce social costs associated with alcohol consumption.

The control system itself continues to provide a regulatory environment that serves both as a visible symbol of the public commitment to moderation and as a vehicle for the promotion of alcohol education and awareness programs to support that commitment.

## Yesterday...



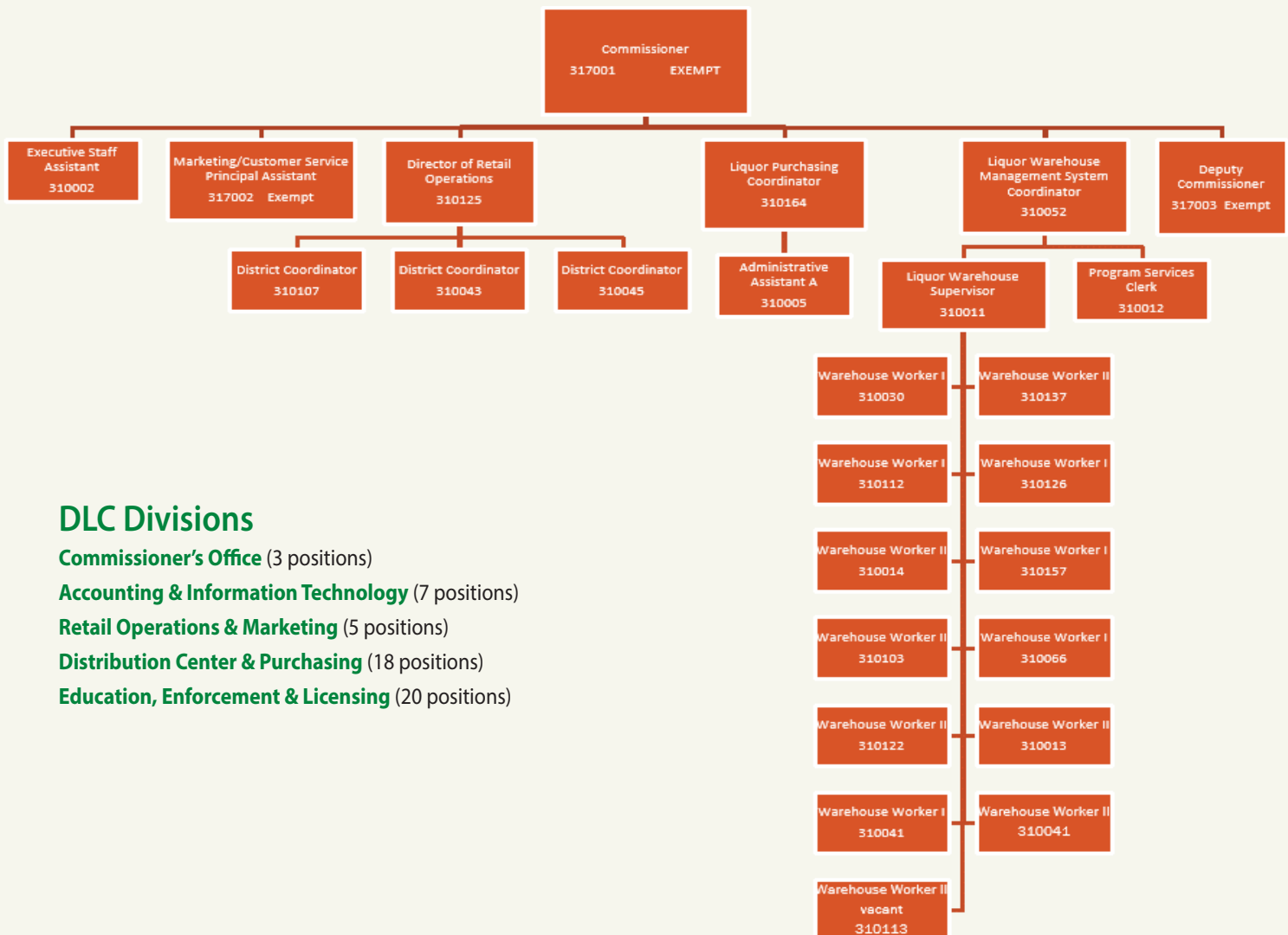
## ... and Today.



# 2016: Year in Review

## DLC Happenings

- The DLC saw the retirement of several staff members after many years of service, including: Robert Barrett, who retired after 41 years; Steve Waldo, who retired after 31 years; and Marcia Gardner, Director of Sales and Marketing, who retired after 18 years.
- The DLC eliminated 1,500 cases of delisted product clogging its distribution center space, freeing up approximately 20 locations that were configured to increase efficiency and picking of products.
- Patrick Delaney was hired as commissioner in February 2016 to replace the interim Commissioner James Giffin.
- Gary Kessler was hired as deputy commissioner in March 2016.
- Kim Walker was hired as director of retail operations on November 30, 2015 to replace the former director who retired.
- Theresa Barrows was hired as director of marketing in November 2016, replacing the former director who retired.



## DLC Divisions

- Commissioner's Office** (3 positions)
- Accounting & Information Technology** (7 positions)
- Retail Operations & Marketing** (5 positions)
- Distribution Center & Purchasing** (18 positions)
- Education, Enforcement & Licensing** (20 positions)

## Legislative Synopsis



The DLC obtains its statutory authority from Title 7 of the Vermont Statutes Annotated (V.S.A.).

The 2016 Legislature created three new permits and one new license for the DLC. The applications for these permits/licenses can be found on the DLC website under Licensing and then Forms.

- Fortified Wine Permit 7 V.S.A. § 222(6) allows a second-class licensee to sell fortified wines to the public from the licensed premises for consumption off-premise.
- Destination Resort Master License 7 V.S.A. § 242 is where a resort that contains at least 100 acres of land and offers at least 50 units of sleeping accommodations to designate licensed & commercial caterers to cater events on the resort property without being required to obtain a request to cater permit for each individual event.
- Retail Delivery Permit 7 V.S.A. § 222(7) allows a 2nd-class licensee to deliver malt or vinous beverages for consumption off of the licensed premises between the hours of 9:00 a.m. and 5:00 p.m.
- Tobacco Endorsement Permit 7 V.S.A. § 1002 is a permit attached to a tobacco license that allows licensees to sell Tobacco substitutes, which consist of, but are not limited to, e-cigarettes and vape products.

## NABCA Conference

Commissioner Delaney and Deputy Commissioner Kessler attended the National Alcohol Beverage Control Association (NABCA) annual meeting in May. During the meeting DLC Board Chair Stephanie O'Brien was sworn in as the new NABCA board chair. As a result of Ms. O'Brien chairing NABCA, Burlington, Vermont was the location selected for NABCA's 22nd Annual National Administrators Conference held October 16-19, 2016.

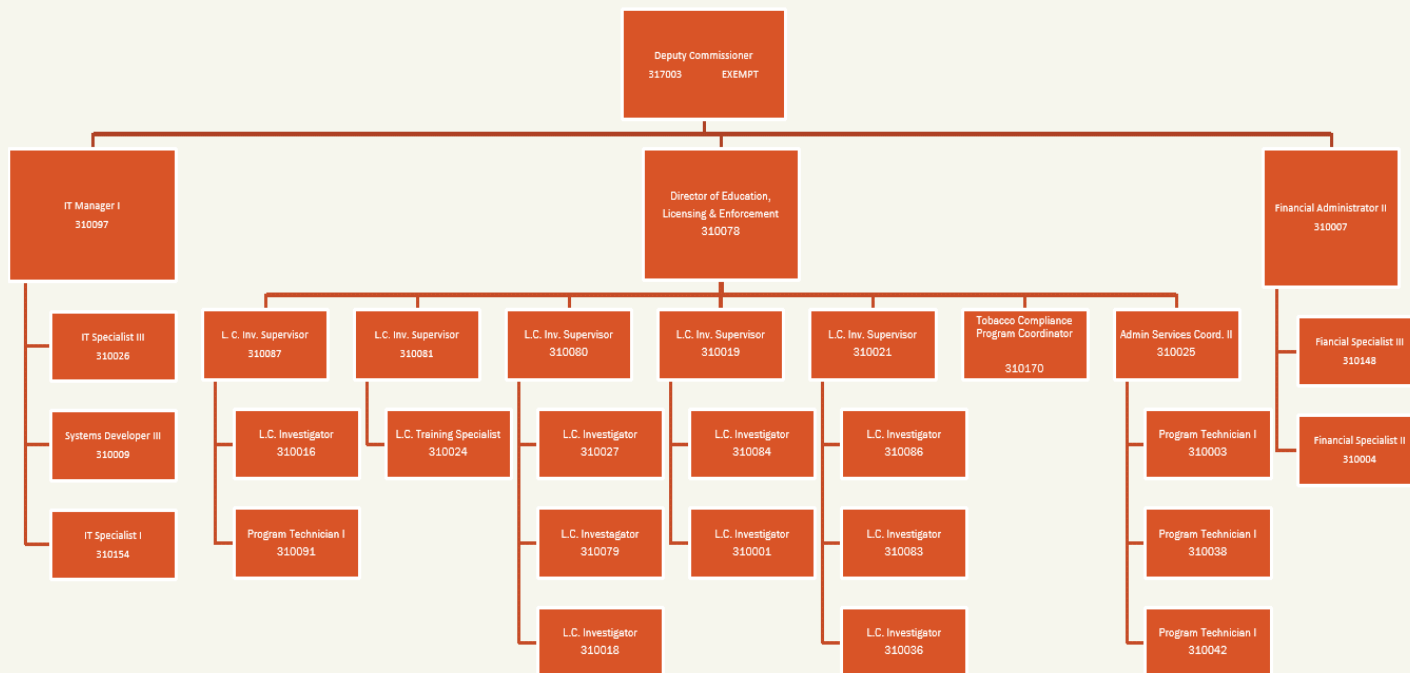
The National Administrators Conference brought over 250 attendees from jurisdictions from the control states and jurisdictions as well as other leaders and industry members.

The conference was full of diverse workshops and committee meetings. These were designed to gain insight, develop new methods and techniques, and identify promising and demonstrated practices that every jurisdiction could take advantage of as a means to accomplish their goals and better serve the general public.



Commissioner Delaney (right) and Deputy Commissioner Kessler (left) with newly sworn-in NABCA Board Chair Stephanie O'Brien.

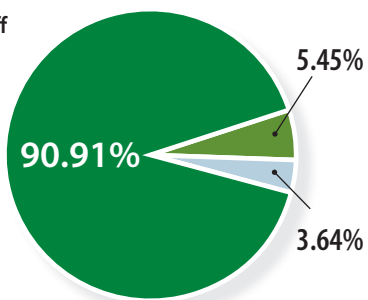
# DLC Employees



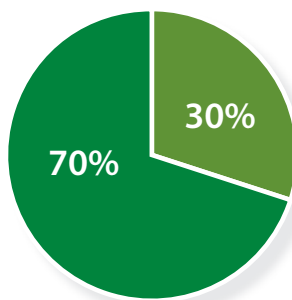
## Employee Statistics

55 Total DLC Staff

- 50 Full-time employees
- 3 Exempt employees
- 2 Limited employees



- Male
- Female



Average age



# Administrative



## Patrick Delaney, Commissioner

Mr. Delaney was born and raised in Seattle, Washington. In 1982 he graduated from Washington State University with a Hotel and Restaurant Administration degree. His post-graduate career in the hospitality industry started at the Seattle Sheraton Hotel and Towers where he managed several food and beverage operations. The opening of the Cliff Lodge at Snowbird Ski and Summer Resort in 1987 brought Mr. Delaney to the State of Utah. In the capacity of food and beverage director, he participated in opening and managing the food and beverage operations of the hotel. In 1991, Patrick initiated a career change into the wine and spirits brokerage business. Over a 25-year career Mr. Delaney matriculated from on and off-premise sales, to partnership and ultimately majority ownership of Phoenix Wine and Spirits (PWS). PWS was the largest wine brokerage in Utah for a decade. Southern Wine and Spirits purchased his company in 2013 and employed Patrick as a portfolio manager until he accepted a position as commissioner of the DLC. Mr. Delaney moved to the great state of Vermont in February, 2016 to embrace the challenge of leading the DLC to a brighter future.



## Gary Kessler, Deputy Commissioner

In March of 2016, Gary Kessler of Fayston, Vermont accepted the position of deputy commissioner. Mr. Kessler is a graduate of Hobart College and the Boston University School of Law. Mr. Kessler is also a graduate of Vermont's Public Manager Program and ANR's Leadership and Management Program. Mr. Kessler has over 29 years of experience working in state government having most recently served as the director of the Compliance and Enforcement Division at the Vermont Agency of Natural Resources. Mr. Kessler worked as an environmental prosecutor at ANR, and spent ten years as a deputy state's attorney where he managed the Appellate Unit and the Departments' legislative activities. Mr. Kessler has extensive experience in the operation of state government and was brought on to complement the liquor industry and control state experience of Commissioner Delaney.



## Theresa Barrows, Director of Marketing

Theresa was hired as director of marketing in November 2016. Ms. Barrows came to the DLC after 11 years at Green Mountain Coffee Roasters where she was marketing manager in the consumer direct division, leading the print catalog and digital media. Prior to that she spent many years in the ski and sporting goods industry at Rossignol, Nordica and Champion Jogbra in roles ranging from customer service and advertising to accessory product development and merchandising. Her broad marketing experience will guide the modernization of the DLC brand with the Agents and the consumer.



## Kim Walker, Director of Retail Operations

Kim was hired in November 2015 and comes to the DLC with over 20 years of retail management experience. Ms. Walker spent nearly 10 years at Ben & Jerry's in a number of roles, most notably in retail management, where she oversaw the openings of more than six locations across New England. She spent the past 10 years as the retail manager in a family-owned business, managing their clothing and shoe departments. Her vast retail management experience will lead the retail operation division of the DLC into the 21st century.





# Information Technology

The Information Technology division, comprised of four employees, is responsible for the maintenance and support of DLC specific systems. These include the central office system, the warehouse management system, agency registers, and interfaces to other state systems, financial institutions and cooperative industry organizations.

The primary goal of IT is to provide a secure operating environment that allows the Department to perform its major tasks efficiently and accurately.

The IT division maintains the local user hardware and software (such as laptops, warehouse scanners, printers, mobile devices and software used by the Department for enforcement licensing, inventory warehousing and central office functions) in conjunction with the statewide services provided by DII (such as networking, virtual servers and Office 365 applications such as email). All agency hardware and interfaces are maintained by DLC IT.

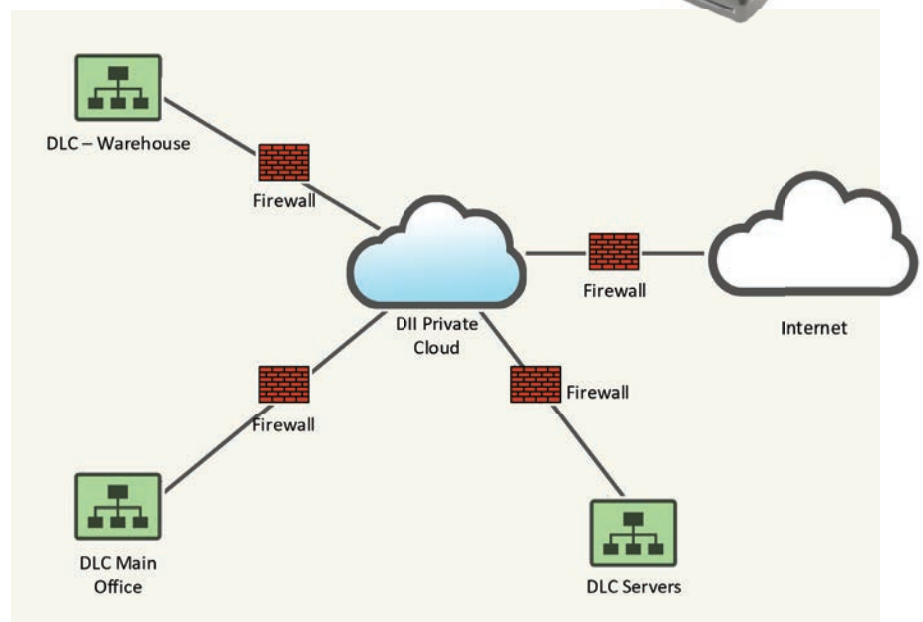
As part of the Department's modernization plan, the DLC has been upgrading local systems on a scheduled basis while moving their software application off local servers and into the state's virtual environment, thus reducing costs and providing a more secure and stable environment. The next phase of upgrades will focus on the Agencies by first replacing outdated DOS based registers with more reliable Windows based registers. Since a previous project was halted in the fall of 2015, requirements were reassessed and a new Request for Proposal (RFP) was initiated, and is progressing.

Currently the Agency registers are no longer under any maintenance warranty or support due to their age. In order to support these machines, DLC must search for parts on eBay and various electronics sites and rebuild machines as needed.

## Highlights

- All DLC servers including the DLC central office system have been virtualized, which reduces the risk of hardware failure and improves the ability of DLC to recover in the case of disaster.
- The entire Department was migrated to Office 365 on both office machines and mobile devices.
- The internal SharePoint site was migrated to the cloud and a new structure was implemented, making it more user friendly and broadening its use.
- Applications were modified as needed based on new statutes and legislative changes.
- The DLC website was updated to a newer, more user friendly look and feel.
- A roll out of EMV\* compliant credit card readers using the internet rather than dial up modems was initiated to all Retail Liquor Agencies.

\*EMV stands for Europay, Mastercard and Visa, which is a global standard for credit cards that uses computer chips embedded in the cards to authenticate and secure chip-card transactions.



# Education

The Education Division ensures that licensees, manufacturers and distributors have the proper training to meet state and federal requirements prior to receiving or renewing their license or permit.

This fiscal year, the Education Division launched its new online combination training for individuals who work for both 1st and 2nd class licensees.

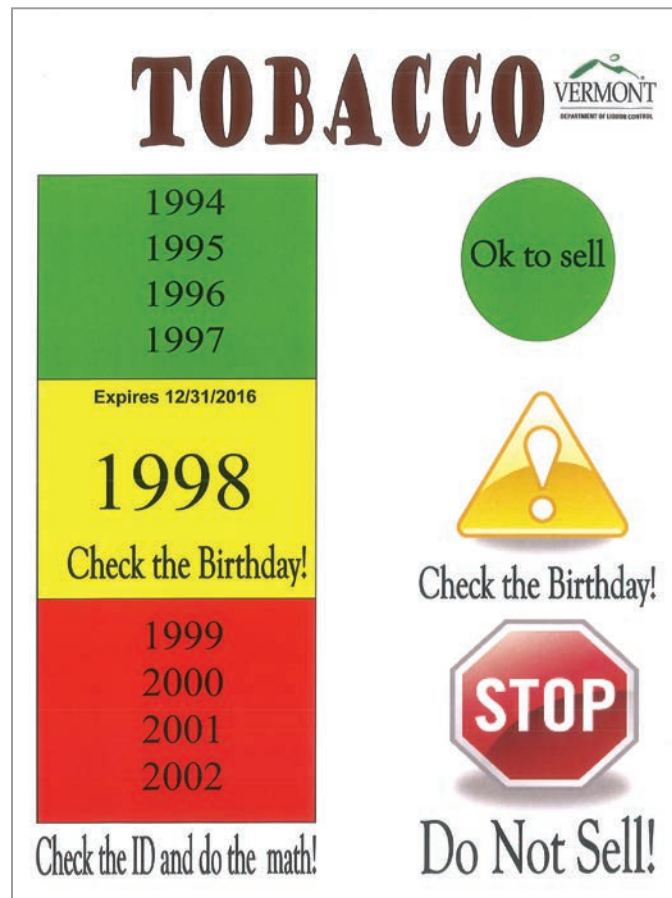
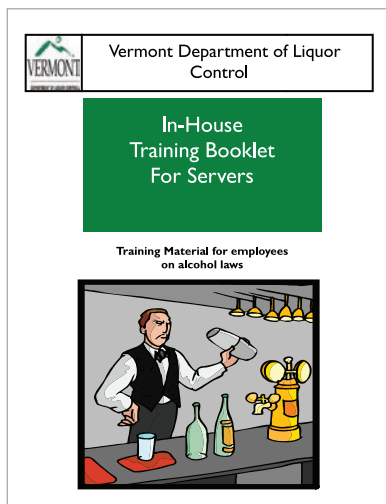
Under the DLC's rules, each licensee shall ensure that every employee who is involved in the preparation, sale, service or solicitation of alcoholic beverages or the sale of tobacco products must complete a training program offered or approved by the DLC before the employee begins working in that capacity.

It is important to remember that the person making the sale or serving the alcoholic beverage or tobacco is ultimately responsible, and is therefore, on the front line in the effort to strengthen the public safety of Vermont residents, as well as to those families visiting Vermont and traveling our roads.



Classroom training with Robert Labate.

Examples of print materials sent to establishments that serve or sell alcohol and tobacco products to the public.



## Educational Training

The Education Division bring trainings and seminars to consumers, businesses, students, bartenders, parents and other interested parties to ensure alcohol and tobacco is sold and served in a safe and legal manner. These trainings are made available to restaurants, bars, clubs, hotels and Agency stores (and their staff), stores that sell beer and wine, manufacturers and wholesale distributors.



Education team Melanie Gaiotti and Jennifer Fisher.

The two-person Education Division provides in-person and online training with regards to the statutes and regulations contained in V.S.A. Title 7. License-holders and all staff involved with selling alcohol must have current training and certification every two years.

Over 8,000 people were trained in Fiscal Year 2016 through in-person classes and online classes. The Division offers training classes several times throughout the year in various locations around the state.

**1st Class Seminar:** This class will certify an individual to serve alcohol for on-premises consumption at a bar, club, hotel, restaurant, manufacturer, catering event or bookstore/art gallery/ museum/ library.

**2nd Class Seminar:** This class will certify an individual to sell alcohol and/or tobacco in a store.

## Fiscal Year 2016 Training Seminar Numbers

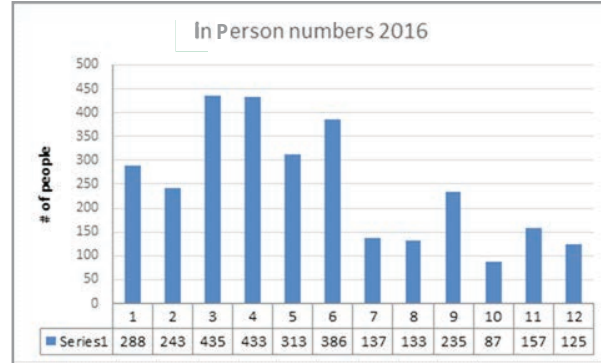
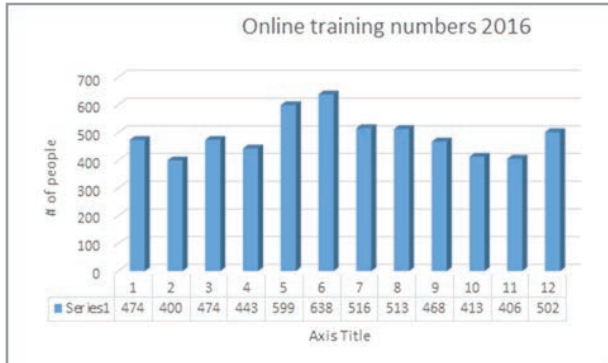
In-person Training



Online Training



Total People Trained



## Refusal Skills Training

In 2016, the Education Division received a grant from National Alcohol Beverage Central Association (NABCA) to provide four regional trainings on refusal skills for our servers and sellers. We wanted to offer a hands-on experience to supplement our currently mandated trainings. These trainings were to give us the opportunity to offer skills and training in dealing with difficult situations and best practices that businesses could use.

We were able to contract with local teacher, trainer, bar manager Robert Labate. Mr. Labate created a comprehensive 5-hour training on dealing with difficult customers in a way that supports Vermont's laws and regulations, improving customer service and decreasing public safety issues. We held four trainings around the state.

A total of 93 people attended the trainings, which were held in Montpelier, South Burlington, Rutland and Fairlee. The trainings not only covered refusal skills, IDs and carding, and best practices for problem situations in businesses, but also included the mandated material for our sellers and servers as required by law. Each participant received a certificate for attending the course, handouts of materials covered in the course, ID checking kits (a previous NABCA grant project that is now self-sustaining), as well as their certification to sell or serve.

The Education Division is looking forward to holding several more of these trainings in 2017 and incorporating the materials into our other courses.



# Enforcement

The Enforcement Division provides compliance assistance to licensees, conducts compliance testing of licensees, investigates possible violations of alcohol and tobacco laws and regulations, and works with large event organizers and local law enforcement agencies to help promote a safe environment large events.

## The work of 14 field investigators resulted in:

**86**  
Warning  
Tickets

**193**  
Administrative  
Tickets

**308**  
Civil  
Tickets

The enforcement process is governed by 7 V.S.A. 19, §§ 561 - 603.

Per 7 V.S.A. § 236, fines range from \$110 to \$2,500 depending on the case merits and the severity of the violation.

All complaints received in-person, by mail, phone, or online are investigated.

## Highlights

Investigators are all full-time sworn law enforcement officers and review violations utilizing standard police investigation techniques, making individualized determinations on how to handle a particular violation. Investigators issue administrative tickets for violations, which are similar to a traffic fine, because the licensee may pay it immediately or contest it before the Board.

There is about one liquor investigator to every three hundred licensees. Each investigator conducts regular inspections, audits and investigations of licensed premises. Investigators often work with a variety of other agencies, including the Departments of Tax, Labor, Health, Fire Safety, Secretary of State, local and state law enforcement, local town officials, colleges, schools, and neighboring states.

The Enforcement Division conducts alcohol and tobacco compliance checks using underage individuals to purchase tobacco and alcohol from licensees. Each month the Division posts its compliance checks on the DLC web-

site. The tobacco compliance checks are in partnership with the FDA to enforce the Tobacco Control Act and reduce tobacco use by minors.

In FY 2016, the Division conducted 598 alcohol compliance checks. Of these, 89 licensees sold to underage individuals and 509 licensees did not sell to underage individuals.

The Division conducted 1,066 tobacco compliance checks. Of these, 139 licensees illegally sold to underage individuals and 927 licensees refused to sell to underage individuals. Investigators are present at many licensed and permitted events throughout the state of Vermont to ensure alcohol and tobacco rules and regulations are followed.

One of the many job duties of a liquor control investigator is conducting routine inspections of licensed premises. In FY 2016, liquor investigators conducted 2,785 inspections. During inspections, liquor investigators are making observations for multiple regulatory infractions, to include, the sale of alcohol to individuals showing signs of impairment and unlawful conduct on a licensed premises. Liquor investigators conduct a variety of investigations including, but not limited to:

- Undercover investigations
- Source investigations
- Hidden ownership investigations
- Illegal gambling investigations
- Illegal importation investigations
- Alcohol involved crash investigations



# Licensing 13,187

The Licensing Division is responsible for all licensing and permitting regarding the sales and serving of alcohol and tobacco in Vermont.

This includes licensing on-premises (e.g., bars and restaurants), sales of beer, wine, liquor and tobacco and off-premises sales of beer, wine and tobacco by retail stores. Before a new license can be issued, the licensee or applicant must meet with a DLC investigator to certify they are in compliance with state statutes and regulations pertaining to Title 7. The Division conducts investigations of licensees and applicants to ensure that they can properly and safely sell alcohol and tobacco. The licensing process is governed by 7 V.S.A. 9 §§ 221 – 241.

This year, the Licensing Division **issued and renewed 13,187 licenses and permits** during the DLC's licensing year, which starts May 1 and continues through April 30th of the following calendar year.

Of these numbers, there were **582 new licenses** and **5,981 new permits** issued. Additionally, there were **5,467 renewed licenses** and **1,157 renewed permits**.

The Division assists licensees, applicants, legislatures, manufacturers, distributors and town clerks on a daily basis regarding licensing through in-person, over-the-phone and online communications.

Licensing fees vary in cost depending upon the type of license or permit sought. For a full break down on the fees, please see the DLC website.

## Highlights

- The Licensing Division created three new permits and one new license as a result of the 2016 Legislative season. These were a Destination Resort Master License, a Retail Delivery Permit, a Fortified Wine Permit and a Tobacco Endorsement Permit.
- Starting on January 1, 2016 the Licensing Division began accepting applications for Fortified Wine Permits.
- Proof of alcohol and tobacco training must be documented on forms provided by the DLC and retained by the license holder. In addition to satisfying several other requirements, only upon proof that the education requirement has been satisfied will the DLC issue a license to the applicant.
- All new applications are investigated by the Enforcement and Licensing Divisions prior to approval/disapproval of the license by the Board.
- Numerous considerations are taken into account when the DLC decides to issue or re-issue a license, including: the background and history of the applicant, the location for the requested license, whether any liquor violations have occurred in the past at the location or by the applicant, and whether education, payment of taxes and other requirements have been satisfied.
- The licensing process can take anywhere from two weeks to six weeks to complete once the Division receives the application. The Board makes the final determination on an application based upon the specific information presented. However, any Board decision regarding licensing may be appealed to the Vermont Supreme Court.
- Both first- and second-class licenses and some permits must be filed with the Town Clerk before the DLC will issue a license.

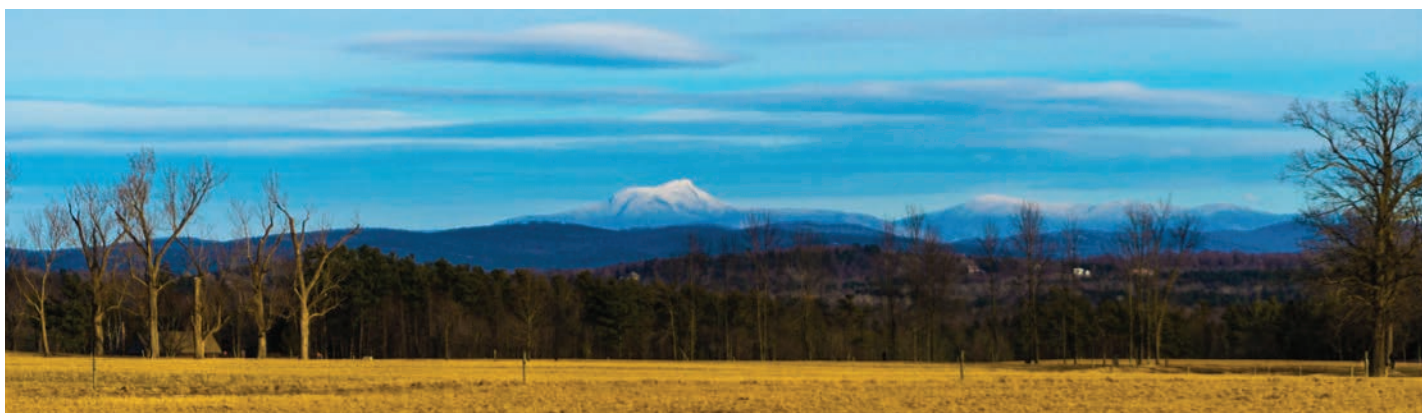


Education, Enforcement and Licensing support staff.

# Licensing Statistics

| 2015 LICENSES                      | ISSUED | RENEWED | FEE FOR TOWN/CITY | TOTAL COLLECTED |
|------------------------------------|--------|---------|-------------------|-----------------|
| 1st Class Restaurant License       | 118    | 999     | \$128,570.00      | \$257,140.00    |
| 1st Class Club License             | 0      | 102     | \$11,730.00       | \$23,460.00     |
| 1st Class Hotel License            | 6      | 120     | \$14,490.00       | \$28,980.00     |
| 1st Class Kitchen                  | 1      | 4       | \$575.00          | \$1,150.00      |
| 2nd Class License                  | 72     | 1021    | \$76,510.00       | \$153,020.00    |
| 3rd Class Restaurant               | 41     | 616     | -                 | \$658,000.00    |
| 3rd Class Restaurant - half year   | 43     | 176     | -                 | \$109,500.00    |
| 3rd Class Hotel                    | 6      | 82      | -                 | \$88,000.00     |
| 3rd Class Hotel - half year        | 1      | 18      | -                 | \$9,500.00      |
| 3rd Class Club                     | 0      | 96      | -                 | \$96,000.00     |
| 3rd Class Club - half year         | 0      | 4       | -                 | \$2,000.00      |
| 3rd Class Kitchen                  | 0      | 2       | -                 | \$2,000.00      |
| 3rd Class Kitchen - half year      | 1      | 3       | -                 | \$2,000.00      |
| Wholesale Dealer License           | 7      | 27      | -                 | \$38,760.00     |
| Wholesale Dealer Tasting Permit    | 9      | 0       | -                 | \$225.00        |
| Solicitor Permit                   | 163    | 436     | -                 | \$38,935.00     |
| 1st Class Boat License             | 0      | 10      | -                 | \$2,300.00      |
| 3rd Class Boat License             | 0      | 1       | -                 | \$1,000.00      |
| 3rd Class Boat License - half year | 2      | 2       | -                 | \$2,000.00      |
| Manufacturer: Vinous               | 5      | 43      | -                 | \$13,680.00     |
| Manufacturer Vinous Tasting        | 252    | 0       | -                 | \$6,300.00      |
| Manufacturer-Malt                  | 14     | 56      | -                 | \$19,950.00     |
| Manufacturer-MaltTasting           | 69     | 0       | -                 | \$1,725.00      |
| Manufacturer-SpirituousLiquor      | 3      | 18      | -                 | \$5,985.00      |
| Special Events Permit              | 899    | 0       | -                 | \$31,465.00     |
| Caterer's License                  | 42     | 235     | -                 | \$63,710.00     |
| Commercial Cater                   | 1      | 5       | -                 | \$1,200.00      |
| 1st Class Dining Car               | 0      | 1       | -                 | \$230           |
| 3rd Class Dining Car               | 0      | 1       | -                 | \$1095.00       |

| 2015 LICENSES                          | ISSUED | RENEWED | FEE FOR TOWN/CITY | TOTAL COLLECTED |
|--|--------|---------|-------------------|-----------------|
| Fourth Class Vinous                    | 3      | 34      | -                 | \$2,405.00      |
| Fourth Class Spirits                   | 5      | 18      | -                 | \$1,495.00      |
| Fourth Class Malt                      | 12     | 29      | -                 | \$2,665.00      |
| Festival Permit                        | 36     | 0       | -                 | \$4,140.00      |
| Tobacco licenses (98 are tobacco only) | 77     | 942     | -                 | \$9,800.00      |
| Fortified Wine Permits                 | 27     | 18      | -                 | \$4,500.00      |
| Wine Tasting Permit                    | 577    | 0       | -                 | \$14,425.00     |
| Malt Tasting Permit                    | 311    | 0       | -                 | \$7,775.00      |
| Railroad Tasting Permit                | 0      | 0       | -                 | \$-             |
| Industrial Alcohol License             | 0      | 17      | -                 | \$3,400.00      |
| Certificate of Approval - Vinous       | 27     | 286     | -                 | \$281,700.00    |
| Certificate of Approval - Malt         | 10     | 59      | -                 | \$156,975.00    |
| Direct Ship to Consumer License Vinous | 55     | 359     | -                 | \$124,200.00    |
| Direct Ship to Consumer License Malt   | 3      | 3       | -                 | \$1,800.00      |
| Direct Ship to Retailer License        | 5      | 29      | -                 | \$7,820.00      |
| Education Sampling Event Permit        | 19     | 0       | -                 | \$4,370.00      |
| Farmer's Market License - Vinous       | 7      | 29      | -                 | \$2,340.00      |
| Farmer's Market License - Malt         | 5      | 2       | -                 | \$455.00        |
| Farmers's Market License - Spirit      | 10     | 17      | -                 | \$1,755.00      |
| Bottler                                | 0      | 1       | -                 | \$1,705.00      |
| Art Gallery/Bookstore                  | 99     | 0       | -                 | \$1,980.00      |
| Art Gallery                            | 166    | 0       | -                 | \$3,320.00      |
| Bookstore                              | 11     | 0       | -                 | \$220.00        |
| Library                                | 9      | 0       | -                 | \$180.00        |
| Museum                                 | 6      | 0       | -                 | \$120.00        |
| Outside Consumption Permit - Permanent | 121    | 703     | -                 | \$16,480.00     |
| Outside Consumption Permit - One Time  | 221    | 0       | -                 | \$4,420.00      |
| Cater Request Permit                   | 2986   | 0       | -                 | \$59,720.00     |



# Purchasing

Purchasing oversees the purchase of 3,000+ different spirits. The Division reviews new products quarterly to determine which products will be carried on store shelves in Agency stores through a process called “listing.”

The Division’s listing process includes review by a committee of various data points such as bottle size, product segment, suggested retail price, competing products and total bottle sales in other control states.

“Delisting” is the process by which products with a low contribution margin (sales and profit margin) are removed from regular distribution. Many of these items will remain available to consumers through either limited distribution or the special order process.

The Division works in conjunction with vendors to manage promotional and monthly sale items and closeouts and manage relations with 135 different national wholesalers and 15 Vermont suppliers.

## Looking Forward

In January 2017, the Purchasing Division is running a sweepstakes, akin to the Moose Lottery conducted by the Vermont Department of Fish and Wildlife, for its allocation of limited-release bottles. This will provide Vermont residents a fair and transparent opportunity to enter for a chance to purchase a limited-release bottle.



## Highlights

- 996 SKU’s stocked
- 86 new products added
  - including 13 Vermont-made products
- 16,560 Special Orders from Agents
- 800+ web requests from consumers
- Over \$2 million in Special Order sales



## Top 10 Bottle Sales

1. Crown Russe Vodka . . . . . 87,359 bottles
2. Jack Daniel’s Old #7 Black . . . . . 65,217 bottles
3. Captain Morgan Spiced Rum . . . . . 60,169 bottles
4. Dr. McGillicuddy’s Fireball . . . . . 58,295 bottles
5. Five O’Clock Vodka PET . . . . . 54,370 bottles
6. Smirnoff Red Label Vodka . . . . . 51,552 bottles
7. Jameson Irish Whiskey . . . . . 50,639 bottles
8. Absolut Vodka . . . . . 47,978 bottles
9. Tito’s Handmade Vodka . . . . . 47,660 bottles
10. Jose Cuervo Especial Gold . . . . . 47,474 bottles



# Retail Operations



The Retail Operations Division is responsible for working with our 80 Agency stores to promote outstanding selection and customer service.

Agency stores account for nearly all of DLC's liquor sales revenue and are a critical facet of DLC's liquor operations. The Board determines their number and location. Vermont owned and operated many of its own stores until 1996, when it was mandated to transition completely to an Agency store system. Now, Agency stores are privately-owned retail locations that contract with the DLC to sell beverage alcohol for the State. Stores span the spectrum from liquor stores within large grocery store chains to beverage centers and convenience stores.

## Objectives & Features

- Provide training in product knowledge and customer service for Agency store personnel.
- Stock new products as they are introduced into the market; monitor levels of customer satisfaction.
- Working to rebrand and remodel all Agency stores.
- Establish appropriate inventory levels for each Agency; minimize out-of-stock products and provide customers a wide variety of products.
- Convenient locations throughout Vermont.

## Numbers

- **All Stores:** Total = 54,980 SF
- **Avg. Store Size:** 679 SF
- **Square Footage:**  
Largest: Pearl St., Burlington – 2,308  
Smallest : Windsor – 138
- **Storage SF:** Avg. Retail Floor Size: 445;  
Avg. Storage Space: 234
- **Avg. # SKU's:** 823
- **Avg. Store Sales per SF:** \$1,887.43

## Highlights

- Creation of all new sign graphics, including a final sign design with a dark green background that uses the 802 Spirits logo, following input from all Agency stores.
- Creating a list of standard expectations of Agency stores, something that had not been done previously.
- Opened two new stores in Bradford and Pownal. These upgraded stores replaced two stores which had recently closed.
- Remodeling Agency stores including Bellows Falls, Bristol and Harmonyville.
- Rewrote the Retailers Operations Manual, which had not been updated since 1991.
- Updated the incentive compensation package for Agents.
- Updated the application process to make it more specific to list minimum criteria an applicant must satisfy before being granted a DLC Agency. Failure to satisfy these requirements results in the Agency store opportunity being re-bid. This changes past DLC practices which did not set or require an applicant to meet minimum standards before being granted an Agency.
- Beginning the process to replace and standardize all Agency store signs to create a uniform look and feel.
- In the last fiscal year, the DLC completed 26 rebranding projects and opened two brand new stores. Moving forward, we will maintain an aggressive schedule of rebranding the remaining Agency stores.



Grand opening of the Agency store within Hannaford's in Bradford, VT.

# Made in Vermont

Vermont is home to a thriving spirits industry offering a wide variety of products from maple liqueurs to rums, gins and rye whiskey. Many of the products are winning national acclaim and international awards. Several distilleries have their own tasting rooms where their products may be sampled and purchased.

## Appalachian Gap Distillery

88 Mainelli Road, Suite #1,  
Middlebury, VT 05753 (802) 989-7362  
[www.appalachiangap.com](http://www.appalachiangap.com)

Items sold through the DLC: Mythic Gin, Papilio Agave & Maple Spirits, Ridgeline Whiskey, Kaffeavan Coffee Liqueur, Snowfall White Whiskey, and Mosquito Fleet Rum



## Boyden Valley Spirits

64 Vermont Route 104, Cambridge, VT  
05444 (802) 644-8151  
[www.boydenvalley.com](http://www.boydenvalley.com)

Items sold through the DLC: Vermont Ice Maple Crème, Vermont Ice Apple Crème



## Caledonia Spirits

46 Buffalo Mountain Commons Dr.,  
Hardwick, VT 05843  
(802) 472-8000

[www.caledoniaspirits.com](http://www.caledoniaspirits.com)  
Items sold through the DLC: Caledonia Spirits Elderberry Cordial, Barr Hill Vodka, Barr Hill Gin, Barr Hill Reserve Tom Cat



## Dunc's Mill

622 Keyser Hill Road, St. Johnsbury, VT  
05819 (802) 745-9486  
[www.duncsmill.com](http://www.duncsmill.com)

Items sold through the DLC: Dunc's Elderflower Rum, Dunc's Maple Rum, Dunc's Backwoods Reserve Rum



## Elm Brook Distillery

250 Elm Brook Road, East Fairfield, VT  
05448 (802) 782-5999  
[www.elmbrookfarm.com](http://www.elmbrookfarm.com)

Items sold through the DLC: Literary Dog Vodka, Rail Dog Barrel Aged Maple Spirit



## Flag Hill Farm

135 Ewing Road,  
Vernshire, VT 05079 (802) 685-7724  
[www.flaghillfarm.com](http://www.flaghillfarm.com)

Items sold through the DLC: Pomme De Vie Vermont Apple



## Green Mountain Distillers

192 Thomas Lane, Stowe, VT 05672  
(802) 253-0064

[www.greenmountaindistillers.com](http://www.greenmountaindistillers.com)

Items sold through the DLC: Green Mountain Organic Vodka - Regular, Lemon and Orange



## Mad River Distillers

137 St. Paul Street, Burlington, VT 05401  
(802) 489-5501

[www.madriverdistillers.com](http://www.madriverdistillers.com)

Items sold through the DLC: Mad River Vanilla Rum, Mad River First Run Rum, Mad River Maple Rum, Mad River Bourbon, Mad River Rye Whiskey



## Saxton's River Distillery

485 West River Road, Brattleboro, VT 05301  
(802) 246-1128

[www.saplingliqueur.com](http://www.saplingliqueur.com)

Items sold through the DLC: Sapling Vermont Maple Bourbon, Sapling Liqueur, Perc Coffee Liqueur, Sapling Vermont Maple Rye Whiskey



## Silo Distillery

3 Artisans Way, Windsor, VT 05089  
(802) 674-4220

[www.silodistillery.com](http://www.silodistillery.com)

Items sold through the DLC: Silo Reserve Gin, Silo Elderberry Vodka, Silo Lavender Vodka, Silo Moonshine, Silo Gin, Silo Vodka, Silo Whiskey, Silo Bourbon



## Smuggler's Notch Distillery

276 Main Street, Jeffersonville, VT 05464  
(802) 309-3077

[www.smugglersnotchdistillery.com](http://www.smugglersnotchdistillery.com)

Items sold through the DLC: Smugglers Notch Bourbon, Smugglers Notch Gin, Smugglers Notch Vodka, Smugglers Notch Rum, Smugglers Notch Hopped Gin, Litigation by Smugglers





#### Stonecutter Spirits

1197 Exchange Street, Middlebury, VT 05753  
(802) 388-8000

www.stonecutterspirits.com

Items sold through the DLC: Single Barrel Gin, Stonecutter Heritage Cask Whiskey



#### Vermont Distillers

7627 Vermont Route 9, West Marlboro, VT 05363 (802) 464-2003

www.vermontdistillers.com

Items sold through the DLC: Metcalfe's Maple Cream Liqueur, Metcalfe's Vermont Maple Liqueur, Metcalfe's Raspberry Liqueur, Metcalfe's Blueberry Liqueur, Catamount Vodka



#### Vermont Spirits Distilling Company

5573 Woodstock Road, Quechee, VT 05001  
(802) 281-6398

www.vermontspirits.com

Items sold through the DLC: Coppers Gin, Vermont Spirits White Vodka, Vermont Spirits Gold Vodka, Crimson Vodka, No. 14 Bourbon



#### WhistlePig Farm

1030 Palmer Road, Shoreham, VT 05770  
(802) 897-7708

www.whistlepigwhiskey.com

Items sold through the DLC: Whistlepig Whiskey, Whistlepig Old World, Whistlepig Boss Hog



### Top Selling Vermont Products

**Barr Hill Gin** is produced by Caledonia Spirits, which is located on the banks of the Lamoille River in the Northeast Kingdom. Caledonia Spirits grew from a bee apiary producing raw honey, to including a meadery, and later a distillery. White oak gathered in the Champlain Valley is used to make their barrels that they age their spirits in. Barr Hill gin is made with pure grain spirits as a way to showcase the flavors of juniper berry and raw northern honey.



**\$439,834**  
 in Retail Sales  
 FY 2016

**WhistlePig** is a grain-to-glass distillery nestled on 500 acres in Shoreham, Vt., in the Champlain Valley. Located in a 150-year-old renovated dairy barn, WhistlePig's distillery was opened in the summer of 2015. Starting with 250 acres of rye grain harvested from the property, WhistlePig Rye is distilled in a copper pot and then aged in custom charred barrels built from the farm's very own Vermont White Oak.



**\$350,992**  
 in Retail Sales  
 FY 2016

# Agency Stores

## Sales by Retail Location

| STORE # | AGENCY STORE NAME            | TOTAL BOTTLES SOLD | TOTAL RETAIL SALES | TOTAL LICENSEE SALES |
|---------|------------------------------|--------------------|--------------------|----------------------|
| A 4     | Winooski                     | 223,476            | \$4,163,774.79     | \$2,083,291.71       |
| A 75    | Barre Liquor Agency          | 147,779            | \$2,120,291.46     | \$372,615.06         |
| A 73    | Williston Road Liquor Agency | 124,528            | \$2,059,908.72     | \$620,117.47         |
| A 61    | Pearl Street Burlington      | 129,201            | \$2,053,499.79     | \$115,765.23         |
| A 71    | Manchester Agency            | 106,372            | \$2,051,951.78     | \$731,085.45         |
| A 65    | Bennington Agency            | 122,279            | \$1,855,370.61     | \$191,622.08         |
| A 72    | Rutland City Liquor Agency   | 115,679            | \$1,819,160.71     | \$479,922.49         |
| A 39    | Shelburne                    | 91,855             | \$1,697,245.65     | \$550,924.16         |
| A 63    | Stowe Agency                 | 80,545             | \$1,681,919.70     | \$813,363.34         |
| A 46    | Battery Street               | 78,856             | \$1,640,746.74     | \$1,355,807.92       |
| A 59    | Middlebury                   | 90,509             | \$1,553,000.16     | \$213,109.60         |
| A 36    | Shelburne Road               | 102,685            | \$1,477,417.65     | \$249,158.51         |
| A 67    | Montpelier Agency            | 74,427             | \$1,373,462.23     | \$377,663.16         |
| A 74    | Rutland Town Liquor Agency   | 84,649             | \$1,336,400.86     | \$238,351.70         |
| A 26    | Killington                   | 67,717             | \$1,313,793.48     | \$798,091.33         |
| A 53    | Essex Center                 | 86,698             | \$1,279,375.72     | \$103,070.66         |
| A 68    | St. Albans City Agency       | 82,757             | \$1,219,903.78     | \$202,190.69         |
| A 60    | Taft Corners                 | 74,447             | \$1,171,169.33     | \$65,095.78          |
| A 14    | Morrisville                  | 80,793             | \$1,166,251.42     | \$154,520.16         |
| A 24    | Lyndonville                  | 75,103             | \$1,034,302.67     | \$213,197.54         |
| A 17    | Waitsfield                   | 50,224             | \$1,002,496.41     | \$311,617.69         |
| A 51    | North Avenue Burlington      | 65,622             | \$ 984,073.08      | \$130,903.58         |
| A 55    | West Brattleboro             | 65,086             | \$ 949,406.64      | \$425,551.30         |
| A 21    | Waterbury                    | 61,437             | \$ 929,452.18      | \$134,802.26         |
| A 62    | Essex Junction               | 75,612             | \$ 895,593.13      | \$ 25,083.24         |
| A 18    | Colchester                   | 54,326             | \$ 860,529.19      | \$219,365.41         |
| A 15    | Wilmington                   | 41,539             | \$ 842,759.61      | \$475,334.82         |
| A 47    | Fair Haven                   | 57,478             | \$ 842,003.97      | \$116,823.54         |
| A 50    | Woodstock                    | 38,563             | \$ 814,027.88      | \$409,959.00         |
| A 31    | Milton                       | 54,202             | \$ 775,553.73      | \$65,691.40          |
| A 80    | Ludlow                       | 39,388             | \$ 763,760.77      | \$258,898.77         |
| A 70    | Newport Agency               | 47,730             | \$ 730,371.65      | \$196,639.99         |
| A 41    | West Dover                   | 46,765             | \$ 719,915.80      | \$124,193.58         |
| A 69    | St. Albans Town Agency       | 56,288             | \$ 708,688.52      | \$27,752.53          |
| A 35    | Vergennes                    | 35,911             | \$ 680,463.99      | \$157,954.30         |
| A 28    | Springfield                  | 46,811             | \$ 650,219.79      | \$119,634.96         |
| A 49    | St. Johnsbury                | 42,347             | \$ 620,521.23      | \$126,371.03         |
| A 10    | Jeffersonville               | 36,158             | \$ 607,563.62      | \$148,245.34         |
| A 25    | South Hero                   | 35,633             | \$ 594,511.37      | \$51,133.68          |
| A 32    | Brandon                      | 37,410             | \$ 591,752.05      | \$179,818.15         |
| A 20    | Northfield                   | 43,273             | \$ 548,504.67      | \$43,570.03          |

| STORE # | AGENCY STORE NAME          | TOTAL BOTTLES SOLD | TOTAL RETAIL SALES | TOTAL LICENSEE SALES |
|---------|----------------------------|--------------------|--------------------|----------------------|
| A 48    | Pownal                     | 37,223             | \$ 538,012.32      | \$93,170.65          |
| A 78    | Hinesburg Liquor Agency    | 31,252             | \$523,283.18       | \$23,633.63          |
| A 27    | Richmond                   | 29,439             | \$521,620.51       | \$61,373.42          |
| A 22    | Swanton                    | 39,346             | \$517,556.79       | \$27,462.80          |
| A6      | Randolph                   | 40,607             | \$514,331.58       | \$46,748.12          |
| A 38    | Bristol                    | 39,692             | \$505,797.98       | \$45,637.11          |
| A5      | South Londonderry          | 28,065             | \$439,360.85       | \$82,662.35          |
| A7      | Hardwick                   | 29,261             | \$430,854.54       | \$23,667.24          |
| A 42    | Derby Ctr.                 | 27,334             | \$426,202.21       | \$64,760.17          |
| A 76    | Stratton Mt. Liquor Agency | 19,929             | \$421,477.66       | \$134,765.11         |
| A 81    | Johnson                    | 26,713             | \$406,350.17       | \$36,747.84          |
| A 33    | Bradford                   | 26,688             | \$403,668.92       | \$87,282.89          |
| A 23    | Enosburg Falls             | 26,453             | \$399,193.77       | \$36,649.73          |
| A 58    | West Rutland               | 29,425             | \$386,907.90       | \$13,228.18          |
| A 44    | Fairfax                    | 25,661             | \$375,441.59       | \$263.88             |
| A 19    | Orleans                    | 24,898             | \$367,270.07       | \$64,400.88          |
| A 57    | Proctorsville              | 16,388             | \$352,304.62       | \$116,114.56         |
| A 43    | North Troy                 | 18,598             | \$340,185.82       | \$199,977.89         |
| A 16    | Bethel                     | 24,041             | \$314,002.14       | \$47,522.79          |
| A 13    | Norwich                    | 13,579             | \$305,818.61       | \$147,479.87         |
| A9      | Arlington                  | 22,442             | \$302,305.38       | \$15,341.47          |
| A 66    | Brattleboro Agency         | 20,017             | \$298,888.83       | \$98,131.75          |
| A 77    | Chester                    | 25,114             | \$296,969.46       | \$36,715.02          |
| A 37    | Windsor                    | 16,833             | \$288,120.97       | \$115,796.67         |
| A 40    | Bellows Falls              | 24,679             | \$279,622.31       | \$85,976.90          |
| A 30    | Montgomery Ctr.            | 14,372             | \$265,663.28       | \$104,257.74         |
| A2      | Poultney                   | 18,109             | \$235,082.06       | \$22,427.24          |
| A 79    | White River Jct Agency     | 16,307             | \$218,363.33       | \$16,847.15          |
| A8      | Alburg                     | 14,155             | \$212,882.15       | \$ 8,191.17          |
| A 45    | Sharon                     | 13,579             | \$181,245.31       | \$26,005.26          |
| A 56    | Wallingford                | 12,886             | \$171,255.04       | \$41,968.61          |
| A 64    | Danville                   | 7,247              | \$147,252.28       | \$35,669.18          |
| A 34    | Stamford                   | 10,850             | \$145,304.65       | \$ 5,512.18          |
| A3      | Island Pond                | 11,154             | \$143,766.76       | \$22,697.79          |
| A 52    | Harmonyville               | 9,312              | \$137,697.38       | \$19,699.61          |
| A 29    | Rochester                  | 8,992              | \$131,506.53       | \$12,377.74          |
| A 12    | Richford                   | 12,508             | \$131,075.97       | \$11,465.11          |
| A1      | East Poultney              | 4,350              | \$69,695.00        | \$ 7,855.98          |



Danville Agency Store



Windsor Agency Store



East Poultney Agency Store

# Marketing

The Marketing Division is building relationships with Agents, licensees, and consumers through updated in-store communications, advertising and social media.

## Highlights

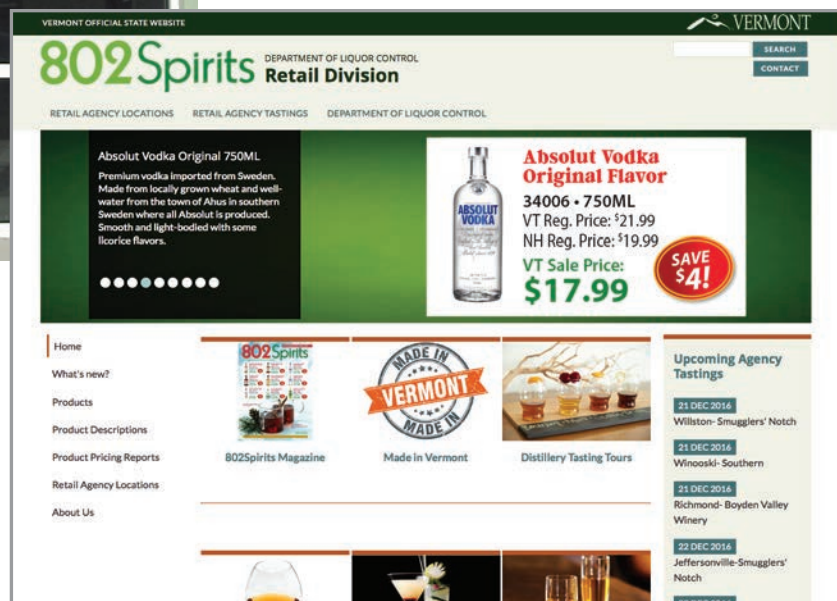
- The Marketing meeting held in Burlington on November 9-10 2016, was an opportunity to bring together industry vendors, DLC staff and Agency store owners to collaborate on strategies to improve customer service, product availability and selection, and communication among stakeholders.
- The DLC, with its brokers and Agents, advertises through a variety of media throughout Vermont and in bordering states. With the enhancement of its *802 Spirits* magazine featuring monthly specials, hot picks, recipes and a story on an Agent and a licensee. Beginning in November 2016, the magazine is now printed monthly, in Vermont, and distributed to locations throughout the State, including Agency stores, Welcome Centers, rest areas, hotels, restaurants and tourist attractions. The distribution now extends into the border states of Northwestern Massachusetts and Northeastern New York. On average, the DLC prints about 12,000 copies of each issue and delivers to 400 locations.
- *802 Spirits* magazine is now available electronically on the 802 Spirits' website and is also linked to our 802 Spirits Facebook page on a monthly basis.
- The DLC has contracted to distribute its *802 Spirits* magazine to an additional 200 locations in southern Vermont and bordering states beginning in November 2016.
- In support of modernizing the brand and creating a more cohesive look across Agencies to introduce the use of logo banners and floor signage.
- *802 Spirits* magazine now lists only sale items and compares prices to our New Hampshire neighbor which allows our customers to see how competitive Vermont is on price. Our goal is to win back customers and encourage them to buy local which supports local agents and our state general fund.



Examples of 802 Spirits marketing materials include *802 Spirits* magazine (above), website and wallpaper banners (facing page).



The 802 Spirits rebranding is seen at the retail operations level with the refresh and remodeling of Agency stores to create locations where customers want to shop.



# Distribution Center Operations

Inventory at any given time is valued around \$6.6 million and represents about 55,000 cases.

Employees deliver to our 80 Agency stores on a bi-weekly or weekly basis throughout the state.

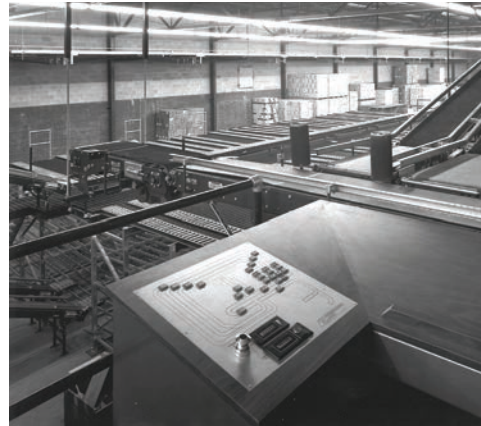
Responsible for the receiving, storage and distribution of all liquor within the state.

- **30,000-sq.-ft. Distribution Center**
- **14 Employees**
- **Receive an average of 35 deliveries per week**

**Bailment** - Most of the DLC's inventory is held in bailment, i.e. manufacturers ship product to the distribution center but retain ownership until the product is delivered to Agency stores. Once delivered, the DLC takes and retains ownership of the product until it is sold by Agency stores.

**Looking Forward** - We are creating a Request for Information (RFI) to initiate the design of a replacement distribution center and office space.

The Division began implementing its "proof of delivery" method by adding new scanners for all delivery drivers. This more efficient system will replace the current, time-consuming method.



Then:  
The Distribution Center in 1960s.

## Highlights

Implemented items identified in our warehouse evaluation done in FY 2015, including:

- Replacing 32 - 3"x1.5"x14' undersized uprights.
- Moving the mezzanine special order area to space over the distribution center entrance to increase by 200 pallet storage and bottle pick slots.
- Installation of security cameras to monitor receiving, shipping and distribution center entrances.
- Installation of a card access readers to control entrances.
- Purchase and Installation of a new cardboard compactor.
- Addition of Lift gates on delivery trucks to allow pallet delivery to stores.





## Products from the first Rare and Highly Limited Sweepstakes

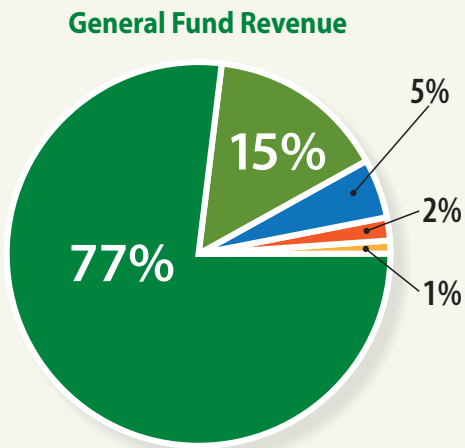


# Accounting

The Accounting Division is comprised of a three member team which is responsible for accurately and efficiently conducting all DLC financial affairs.

## Responsibilities include:

overseeing the financial reporting and accuracy of all payrolls and expense reimbursement requests; share responsibility for tracking all DLC assets (except liquor) with the IT division; managing all non-liquor related contracts; producing monthly financial statements and annual reporting; ordering all DLC supplies; and working with the auditor's office to complete the annual independent audit and ensuring compliance with state-wide record retention policies.



- Excise Tax
- Sales Tax
- Legislative Fees
- License Fees
- Violations

## Where Does The Money Go?

Alcohol sales provide a source of revenue to the state General Fund. The revenues help fund state government operations and support government programs, including for the treatment, rehabilitation and prevention of alcoholism and chemical dependency. The DLC is a complete enterprise funded Department and rather than taking from the General Fund, the DLC contributes tens of millions each year.

- 7 V.S.A. 9, § 231. Fees for licenses and permits; disposition of fees. (b)(1) "Third-class license fees: fifty-five percent (55%) shall go to the Enterprise Fund, and forty-five percent (45%) shall go to the General Fund and shall fund alcohol abuse prevention and treatment programs."
- 7 V.S.A. 19, § 590. Fines and costs. "Fines collected under this title shall be remitted to the General Fund."

**FY 2016 General Fund Contribution: \$23,578,047**

**Since 2000, the DLC has contributed over \$270,000,000 to the General Fund.**

# Revenues, Expenses and Changes

|  | June 30, 2016<br>Liquor Control Fund | June 30, 2015 | Delta<br>% |
|--|--------------------------------------|---------------|------------|
| <b>Operating Revenues</b>                        |                                      |               |            |
| Charges for sales and services                   | \$55,208,649                         | \$54,453,482  | 1%         |
| Ticket sales                                     | —                                    |               |            |
| Rental income                                    | —                                    |               |            |
| License fees                                     | 1,744,040                            | 1,685,995     | 3%         |
| Federal donated property                         | —                                    |               |            |
| Advertising revenue                              | —                                    |               |            |
| Other operating revenues                         | 3,779,115                            | 3,364,388     | 12%        |
| Total operating revenues                         | 60,731,804                           | 59,503,865    | 2%         |
| <b>Operating Expenses</b>                        |                                      |               |            |
| Cost of sales and services                       | 45,209,618                           | 44,516,915    | 2%         |
| Claims expense.                                  | —                                    |               |            |
| Salaries and wages                               | 4,251,881                            | 4,100,169     | 4%         |
| Insurance premium expense                        | 33,385                               | 26,663        | 25%        |
| Contractual services                             | 1,109,289                            | 798,136       | 39%        |
| Repairs and maintenance                          | 90,801                               | 101,415       | -10%       |
| Depreciation                                     | 204,410                              | 187,507       | 9%         |
| Rentals..  | 68,724                               | 102,467       | -33%       |
| Utilities  | 349,335                              | 478,479       | -27%       |
| Non-capital equipment purchased                  | 1,428,897                            | 60,669        | 2255%      |
| Promotions and advertising                       | 61,011                               | 84,191        | -28%       |
| Administration                                   | 90,319                               | 85,259        | 6%         |
| Supplies   | 154,958                              | 183,577       | -16%       |
| Distribution and postage                         | 34,775                               | 38,151        | -9%        |
| Travel   | 35,133                               | 45,415        | -23%       |
| Other operating expenses                         | 6,539,390                            | 6,380,195     | 2%         |
| Total operating expenses                         | 59,661,926                           | 57,189,208    | 4%         |
| Operating income (loss)                          | 1,069,878                            | 2,314,657     | -54%       |
| <b>Non-Operating Revenues (Expenses)</b>         |                                      |               |            |
| Federal grants                                   | —                                    | —             |            |
| Gain (loss) on disposal of capital assets        | 8,029                                | 11,093        | -28%       |
| Investment income (expense)                      | —                                    | —             |            |
| Total non-operating revenues (expenses)          | 8,029                                | 11,093        | -28%       |
| Income (loss) before contributions and transfers | 1,077,907                            | 2,325,750     | -54%       |
| Capital contributions from other funds           | —                                    | —             |            |
| Transfer in                                      |                                      | 107,235       | -100%      |
| Transfer out                                     | (1,208,510)                          | (1,089,266)   | 11%        |
| Changes in net position                          | (130,603)                            | 1,343,719     | -110%      |
| Net position July 1                              | 5,011,314                            | 3,667,595     | 37%        |
| Net position June 30                             | \$4,880,804                          | \$5,011,314   | -3%        |
| Net position check                               |                                      |               |            |

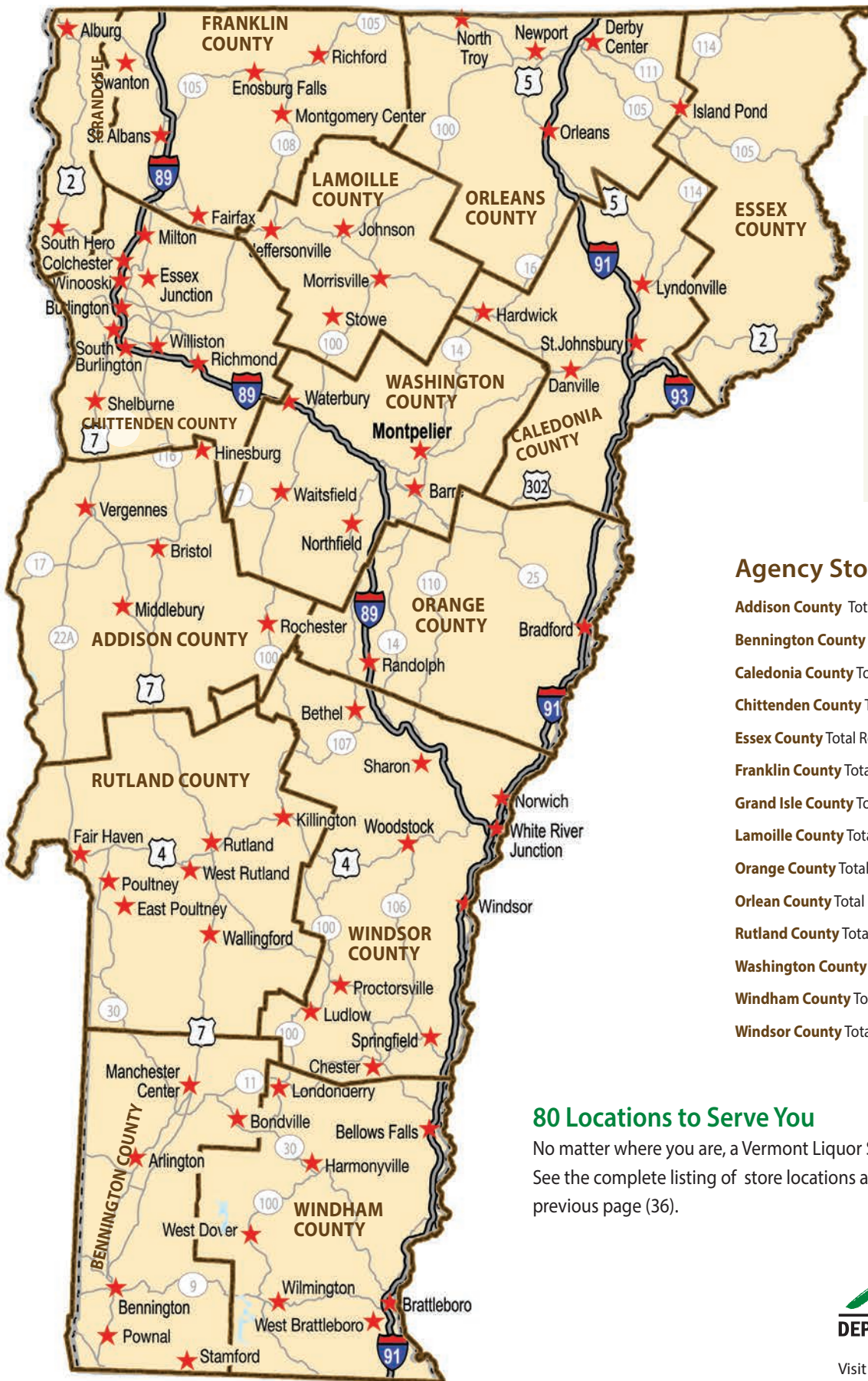
# Where Does the Money Go?

| 2015                             |                                 | To General Fund | Enterprise  | All other Funds | Grand Total |
|----------------------------------|---------------------------------|-----------------|-------------|-----------------|-------------|
| Revenue                          | Description                     | 10000           | 50300       |                 |             |
| 400200                           | 6%-7% Sales & Use tax           | 3,428,981       |             |                 | 3,428,981   |
| 400340                           | 25% LQR Excise Tax              | 18,221,133      |             |                 | 18,221,133  |
| 400345                           | On Prem Direct Sales Tx         | 70,166          |             |                 | 70,166      |
| 422005                           | DLC Merchant Sales              |                 | 22,415,323  |                 | 22,415,323  |
| 422015                           | DLC Credit Card Sales           |                 | 32,036,924  |                 | 32,036,924  |
| 460030                           | Bottle Deposits Collected       |                 | 590,400     |                 | 590,400     |
| 460035                           | Bottle Deposits Refunded        |                 | (447,872)   |                 | 447,872)    |
| 42202                            | Special Purchase Incentive      |                 | 3,221,731   |                 | 3,221,731   |
| Directly related to Liquor Sales |                                 | 21,720,280      | 57,816,505  |                 | 79,536,785  |
|                                  | MSA Tobacco Settlement fds      |                 |             | 218,444         | 218,444     |
| 405000                           | License Fees                    |                 | 1,685,995   |                 | 1,685,995   |
| 405380                           | GF Lic Fee portion              | 437,890         |             |                 | 437,890     |
| 415361                           | Late Fees                       | 200             |             |                 | 200         |
| 417755                           | Conference Funds                |                 |             | 25,000          | 25,000      |
| 424315                           | Online Classroom                |                 |             | 96,552          | 96,552      |
| 426205                           | Copies                          |                 | 97          |                 | 97          |
| 427380                           | Tobacco Violations              | 9,295           |             |                 | 9,295       |
| 427390                           | Alcohol Violations              | 40,820          |             |                 | 40,820      |
| 430000                           | FDA Contract Reimb              |                 |             | 121,132         | 121,132     |
| 462500                           | Other Income                    |                 |             | 16,289          | 16,289      |
| 480000                           | Gain (Loss) on disp of fx asset |                 |             | (5,869)         | (5,869)     |
| 480030                           | Auction Proceeds                |                 |             | 17,397          | 17,397      |
| 480500                           | Recoveries-General              |                 | 130         |                 | 130         |
| 495000                           | PY Exp Reimb                    |                 |             | 78,546          | 78,546      |
| Other Income                     |                                 | 488,205         | 1,686,222   | 567,491         | 2,523,474   |
| Gross Income:                    |                                 | 22,208,485      | 59,502,727  | 567,491         | 82,060,259  |
| 523100                           | Commissions                     |                 | 6,308,021   |                 | 6,308,021   |
| 523110                           | Handling Fees                   |                 | 31,498      |                 | 31,498      |
| 523130                           | Liquor Purchase Expense         |                 | 44,428,611  |                 | 44,428,611  |
| 523140                           | Breakage and other loss         |                 | 88,304      |                 | 88,304      |
| Cost of Goods Sold               |                                 |                 | 50,856,434  |                 | 50,856,434  |
| Revenue less Expenses            |                                 | 22,208,485      | 8,646,293   | 567,491         | 31,203,825  |
| DLC Operating Expenses           |                                 |                 |             |                 |             |
| DLC Administraton                |                                 |                 | 3,784,241   | 21,995          | 3,806,236   |
| DLC Education and Enforcement    |                                 |                 | 2,123,362   | 503,423         | 2,626,785   |
| DLC Warehouse                    |                                 |                 | 1,344,224   | 15,885          | 1,360,109   |
| Total Operating                  |                                 |                 | 7,251,827   | 541,303         | 7,793,130   |
| BAA - Transfers                  |                                 | 1,089,266       | (1,089,266) |                 |             |
| Revenue less Expenses            |                                 | 23,297,751      | 305,200     | 26,188          | 23,410,695  |

# Where Does the Money Go?

| 2016 YTD                         |                                 | To General Fund | Enterprise  | All other Funds |             | change from |
|----------------------------------|---------------------------------|-----------------|-------------|-----------------|-------------|-------------|
| Revenue                          | Description                     | 10000           | 50300       |                 | Grand Total | 2015        |
| 400200                           | 6%-7% Sales & Use tax           | 3,474,240       |             |                 | 3,474,240   | 0.01        |
| 400340                           | 25% LQR Excise Tax              | 18,324,634      |             |                 | 18,324,634  | 0.01        |
| 400345                           | On Prem Direct Sales Tx         | 145,380         |             |                 | 145,380     | 1.07        |
| 422005                           | DLC Merchant Sales              |                 | 21,299,895  |                 | 21,299,895  | (0.05)      |
| 422015                           | DLC Credit Card Sales           |                 | 33,902,329  |                 | 33,902,329  | 0.06        |
| 460030                           | Bottle Deposits Collected       |                 | 586,885     |                 | 586,885     | (0.01)      |
| 460035                           | Bottle Deposits Refunded        |                 | (444,121)   |                 | (444,121)   | (0.01)      |
| 422025                           | Special Purchase Incentive      |                 | 3,578,197   |                 | 3,578,197   | 0.11        |
| 422030                           | Penalty/Relable                 |                 | 114,206     |                 | 114,206     |             |
| Directly related to Liquor Sales |                                 | 21,944,255      | 59,037,392  |                 | 80,867,440  | 0.02        |
|                                  | MSA Tobacco Settlement fds      |                 |             | 213,841         | 213,841     | (0.02)      |
| 405000                           | License Fees                    |                 | 1,736,455   |                 | 1,736,455   | 0.03        |
| 405380                           | GF Lic Fee portion              | 430,575         |             |                 | 430,575     | (0.02)      |
| 415361                           | Late Fees                       | 110             |             |                 | 110         | (0.45)      |
| 417755                           | Conference Funds                |                 |             |                 |             | (1.00)      |
| 424315                           | Online Classroom                |                 |             | 120,095         | 120,095     | 0.24        |
| 426205                           | Copies                          |                 | 26          |                 | 26          | (0.73)      |
| 427380                           | Tobacco Violations              | 14,060          |             |                 | 14,060      | 0.51        |
| 427390                           | Alcohol Violations              | 34,630          |             |                 | 34,630      | (0.15)      |
| 430000                           | FDA Contract Reimb              |                 |             | 303,751         | 303,751     | 1.51        |
| 440000                           | Grants                          |                 |             | 15,000          | 15,000      | (08)        |
| 462500                           | Other Income                    |                 |             | 26,266          | 26,266      | (5.48)      |
| 480000                           | Gain (Loss) on disp of fx asset |                 | (17,828)    |                 | (17,828)    | (2.02)      |
| 480001                           | Sale of Pallets                 |                 |             | 1,496           | 1,496       | 10.51       |
| 480030                           | Auction Proceeds                |                 |             | 28,261          | 28,261      | (0.64)      |
| 480500                           | Recoveries-General              |                 | 462         |                 | 462         |             |
| 495000                           | PY Exp Reimb                    |                 |             | 9,116           | 9,116       |             |
| Other Income                     |                                 | 479,375         | 1,719,115   | 717,826         | 2,702,475   | 0.07        |
| Gross Income                     |                                 | 22,423,630      | 60,756,507  | 717,826         | 83,569,915  | 0.02        |
| 523100                           | Commissions                     |                 | 6,404,311   |                 | 6,404,311   | 0.02        |
| 523110                           | Handling Fees                   |                 | 105,632     |                 | 105,632     | 2.35        |
| 523130                           | Liquor Purchase Expense         |                 | 45,144,426  |                 | 45,144,426  | 0.02        |
| 523140                           | Breakage and other loss         |                 | 66,405      |                 | 66,405      | (0.25)      |
| Cost of Goods Sold               |                                 |                 | 51,720,774  |                 | 51,720,774  | 0.02        |
| Revenue less Expenses            |                                 | 22,423,630      | 9,035,732   | 717,826         | 31,849,141  | 0.02        |
| DLC Operating Expenses           |                                 |                 |             |                 |             |             |
| DLC Administraton                |                                 |                 | 3,195,994   | 19,331          | 3,215,325   | (0.16)      |
| DLC Education and Enforcement    |                                 |                 | 2,288,139   | 495,510         | 2,783,649   | 0.06        |
| DLC Warehouse                    |                                 |                 | 1,236,482   | 14,816          | 1,251,298   | (0.08)      |
| Total Operating                  |                                 |                 | 6,720,615   | 529,657         | 7,250,272   | (0.07)      |
| BAA - Transfers                  |                                 | 1,180,623       | (1,180,623) |                 |             | (0.08)      |
| Revenue less Expenses            |                                 | 23,604,253      | 1,134,494   | 188,169         | 24,598,869  | 0.05        |





**Dry Towns**  
**22** towns have voted  
 at Town Meeting Day  
 over the years to  
 forbid the sale of alcohol.

Towns forbidding liquor sales are:  
 Addison, Albany, Corinth Center,  
 Granby, Groton, Lincoln, Pomfret,  
 Marshfield, Monkton, Rupert, Tun-  
 bridge, Vershire, Walden, Waterville,  
 Wells, Wolcott and Worcester.

### Agency Store Sales By County

- Addison County** Total Retail Sales: \$2,739,262
- Bennington County** Total Retail Sales: \$4,892,945
- Caledonia County** Total Retail Sales: \$2,232,931
- Chittenden County** Total Retail Sales: \$20,103,791
- Essex County** Total Retail Sales: \$153,609
- Franklin County** Total Retail Sales: \$708,689
- Grand Isle County** Total Retail Sales: \$807,394
- Lamoille County** Total Retail Sales: \$3,862,085
- Orange County** Total Retail Sales: \$1,016,729
- Orlean County** Total Retail Sales: \$2,099,112
- Rutland County** Total Retail Sales: \$6,530,969
- Washington County** Total Retail Sales: \$5,974,207
- Windham County** Total Retail Sales: \$4,089,129
- Windsor County** Total Retail Sales: \$4,316,339

### 80 Locations to Serve You

No matter where you are, a Vermont Liquor Store is nearby.  
 See the complete listing of store locations and hours on the  
 previous page (36).



Visit us on the web at [802spirits.com](http://802spirits.com)



13 Green Mountain Drive  
Montpelier, VT 05602

800-642-3134 (toll free within VT)  
802-Spirits (802-774-7487) local  
802Spirits.com