

To: House Economic Development, Housing and Military Affairs members
From: Patrick Delaney
Date: 1/10/20
Re: Thank you for your contribution to our very successful year

Dear, Committee members.

I wanted to take a moment to share with you the many organizational and operational accomplishments at DLL over the past year. As we start a new year, I would like to acknowledge the DLL staff for their impressive body of work that has propelled the combined Dept. to new levels of success. Please find a list of significant tangible outcomes that were accomplished by the team during this past calendar year and a very brief narrative.

2019 major DLL accomplishments recap

a. POS system build out and install.

This project was a game changer for the DLC. It modernized all our business systems in one fell swoop. These areas include, but are not limited to, ordering and receiving inventory, automated replenishment ordering, modern cash registers and office and warehouse integration.

b. Interior/exterior signage project completion

i. Expanded use of OBDS roadside signage

This project was another significant accomplishment. Branding is a foundational feature of effective retailers. The absence of strong branding makes marketing and imaging virtual impossible for a 76-store organization. Wading through the zoning and permitting process in 70 communities throughout Vermont is no easy task. We completed this project on schedule and on budget. The 802 Spirits brand has been born.

c. Automated inventory replenishment features.

This feature of the new POS system is a key component of effective inventory management. As both a distributor and a retailer the goal is to align supply and demand. We now can actively manage our in-store inventories and supplier shipments to better achieve that goal. This feature is key to not only satisfying customer demand but also to minimizing the expense of carrying un-needed inventory.

d. Eliminated staff turnover in the warehouse.

Staff turnover in the warehouse was chronic a couple of years ago. We had close to 100% turnover of our pickers in 2016. That situation was counter-productive in many ways. Through improvements in compensation, working environment and attempting to be more inclusive with the rest of our staff this problem has been improved tremendously. Additional staffing changes included hiring a supervisor for the logistics team and modifying some of Barry's responsibilities to implement improvements to our delivery scheduling and receiving protocols.

e. Retained control over our vehicle expenditures through a BGS waiver

This situation was essentially an Administration directive to transition from an owned to a leased vehicle fleet for the DLC. This policy was very mis-guided in our case and we had to put together a business argument to illustrate the inefficiencies of that proposal. We had to take our argument to the Secretary of Administration to receive a waiver and save the state about \$50,000 per year in wasted expenditures.

f. Appointing DC Kessler to run the Lottery

This appointment was a key move in stabilizing the DOL team and providing a leader that brought something to the party in terms of vision, team building skills, and representing the Division effectively at the Administrative and Legislative levels. Under DC Kessler's guidance we have initiated numerous in-roads to creating meaningful collaboration and interaction between our two divisions.

g. New agent delivery schedules

This project was undertaken to review and modify our store sales performance and to improve inventory replenishment order alignment. This retail sales trend review highlighted several retailers that required service level improvements and several that were possibly being over serviced with our old delivery schedule.

h. Re-wrote DLC regulations

The Office of compliance and Enforcement instantiated a comprehensive review of the Division of Liquor Control's General Regulations. The objective of the review was to modernize the language, eliminate out-dated regulations, and to organize the body of work to make it more user friendly and less confusing to navigate. The re-write process is scheduled to begin ICAR review in January.

i. First DLL combined annual report

The combined Department of Liquor and Lottery created their first combined annual report for the Legislature. This annual presentation is a critical marketing tool for the DLL in the legislature. It is an important tool to educate decision makers about the financial performance and operation of the DLL and its importance to State government.

j. Hired a new DLL Education Coordinator

The DLL identified and hiring a new Education Coordinator for the combined Dept. This important hire correlated with some significant grant funding to re-vamp and improve all our on-line education materials as well as in-person and in-house training materials. The education function is a key component in encouraging responsible consumption of both tobacco and alcohol products. We welcomed Erik Volk to the team.

k. Started the overhaul of Education programs and materials.

We initiated the review and modernization review of all our existing on and offline educational presentations, content, and continuity. We applied for and received grant funding from a national control state organization, completed requests for proposal to receive authorization to search for a consultant, hired two consultants, developed scripts, selected filming locations and shot our video content. We will continue efforts to edit, bundle and present the new material soon.

l. Consolidated the following Administrative functions @DLL

Human Resources function

We were pleased to welcome Cheryl Mowel in 2019 to the DLL in the combined function of Executive Staff Assistant/ Human Resources mgr. Cheryl is now responsible for all HR functions within DLL

Financial management functions and budgets

We were pleased to welcome Brian Evans in 2019 to assume the role as Financial Director of the DLL. Brian's focus will be on consolidating financial reporting functions and systems and providing support to the DLL in providing the taxpayers and the legislature with consistent, high level financial reporting

m. Set a sales record for DLC in FY 2019

Fiscal year 2019 generated record levels of case sales and gross revenue by the Division of Liquor control. Case sales finished the fiscal year at 434,064 cases which was an annual increase of 7,150 cases or 1.7%. The department generated record gross liquor sales revenue of \$67,591,000 which was an increase of \$1,748,300 or 2.6%. The DLC

n. Set a sales record for DOL in FY 2019

Fiscal year 2019 generated record operating revenues of \$139,277,000. This figure represents a sales increase from the previous year of \$6,850,000 or 5.2%. This record was possible due to several record breaking jackpots in the national draw game arena. This was the first year that the Lottery exceeded 132 million in gross sales.

o. Implemented a new break open ticket protocol for non-profits.

In the 2018 legislative session the DLC's break open ticket monitoring responsibilities increased, upon legislative request, to include a quarterly reporting requirement for non-profits that generate revenue through the sale of break open tickets. This requirement was intended to increase the likelihood that non-profits were not victims of fraudulent behaviors by their designated ticket retailer.

p. Donated \$20,000 to Spectrum Youth Services indicating the vitality of our Sweepstakes.

This past year the DLC donated \$20,000 in rare and allocated product sweepstake ticket proceeds for the non-profit Spectrum Youth and Family Services.

q. DLL Increased their transfer of funds to the general fund by 10% in FY 2019 (ending 7/19)

This past fiscal year the DLC generated a \$27,342,000 contribution to the general fund for the support of governmental services throughout the State. This was an increase over last year of \$2,482,100 or 10%.

r. Received national recognition for our annual report by Stateways magazine.

This year the VDLC was recognized by the Control State's only national publication, Stateways magazine as best in class for community outreach. This award was to recognize the DLC multi-faceted approach to improving communications with the legislature, our agents, the Administration, the Board and our supplier partners. You will be able to find our new annual report on the 802 Spirits website 1/10/20

s. Received national recognition for our data- based C&E model by Stateways magazine.

Stateways magazine also recognized the Office of Compliance and Enforcement for best in class for compliance and enforcement and the use of a data- based community policing model that uses data analysis to highlight locations that have a history of non-compliance.

t. Introduced a DLC gift card program

The DLC developed and rolled out a retail gift program this holiday season. The card may be purchased by anyone, for any amount, and provides another customer service to provide convenience to our customers.