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**Washington State
Liquor Control Board**

Project Plan 2011-2013

Engrossed Substitute Senate Bill 6444

The board shall prepare a plan to transition selected state liquor stores to contract stores. The plan must identify stores for transition that the board determines will result in the greatest efficiency and cost-effectiveness for the state. The plan must provide for the conversion of at least twenty state liquor stores to contract liquor stores and for that conversion to occur between July 1, 2011, and July 1, 2013. The plan must also include an analysis of the revenue generating capacity and costs for the stores before and after the conversion as well as an analysis of access to liquor by intoxicated and underage persons.

**Prepared By
Business Enterprise
Washington State Liquor Board
November 12, 2010**

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ESSB 6444

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 6444

Chapter 37, Laws of 2010

(partial veto)

61st Legislature

2010 1st Special Session

SUPPLEMENTAL OPERATING BUDGET

EFFECTIVE DATE: 05/04/10

Passed by the Senate April 12, 2010

22 FOR THE LIQUOR CONTROL BOARD

23 Liquor Control Board Construction and Maintenance

24 Account--State Appropriation \$8,817,000

25 Liquor Revolving Account--State Appropriation ((\$200,506,000))

26 \$156,580,000

27 TOTAL APPROPRIATION ((\$209,323,000))

28 \$165,397,000

29 The appropriations in this section are subject to the following

30 conditions and limitations:

31 (1) \$1,306,000 of the liquor revolving account--state appropriation
32 is provided solely for the liquor control board to open five new state
33 stores.

34 (2) \$40,000 of the liquor revolving account--state appropriation is
35 provided solely for the liquor control board to open ten new contract
36 stores.

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1 (3) \$3,059,000 of the liquor revolving account--state appropriation
2 is provided solely for the liquor control board to increase state and
3 local revenues from new retail strategies including opening nine state
4 stores on Sunday, opening state liquor stores on seven holidays,
5 opening six mall locations during the holiday season, and increasing
6 lottery sales.

7 (4) \$173,000 of the liquor revolving account--state appropriation
8 is provided solely for the Engrossed House Bill No. 2040 (beer and wine
9 regulation commission). If the bill is not enacted by June 30, 2009,
10 the amount provided in this subsection shall lapse.

11 (5) \$130,000 of the liquor revolving account appropriation is
12 provided to implement chapter 141, Laws of 2010 (SSB 6329).

13 (6) Within the amounts appropriated in this section, the liquor
14 control board shall monitor the tasting endorsement authorized by

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15 chapter 141, Laws of 2010 (SSB 6329) and report to the appropriate
16 committees of the legislature by June 30, 2011, on the enforcement of
17 the endorsement. The report must include the number of compliance
18 checks conducted by the liquor board during tasting activities, whether
19 the checks were conducted with the knowledge of the licensee, the
20 number of compliance checks passed, the number and type of notices of
21 violation issued, the penalties imposed for the violations, the number
22 of complaints received about tasting activities, and other information
23 related to the enforcement of the endorsement. If the bill is not
24 enacted by June 30, 2010, the requirements of this subsection shall be
25 null and void.

26 (7) The board shall prepare a plan to transition selected state
27 liquor stores to contract stores. The plan must identify stores for
28 transition that the board determines will result in the greatest
29 efficiency and cost-effectiveness for the state. The plan must provide
30 for the conversion of at least twenty state liquor stores to contract
31 liquor stores and for that conversion to occur between July 1, 2011,
32 and July 1, 2013. The plan must also include an analysis of the
33 revenue generating capacity and costs for the stores before and after
34 the conversion as well as an analysis of access to liquor by
35 intoxicated and underage persons. The board shall submit the plan to
36 the appropriate policy and fiscal committees of the legislature by
37 November 1, 2010.

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1 Background and Summary of ESSB 6444

The Liquor Control Board presents this plan to convert at least twenty state liquor stores to contract stores, providing analysis and metrics for the plan at the request of the legislature.

1.1 Intended Audience

Audience	How This Document Will Be Used
Legislative Representatives	To understand the requirements which define the overall scope of the project.
External Stakeholders	To understand the requirements which define the overall scope of the project.
Internal Stakeholders	To verify that all processes and outputs from the project satisfy agency and divisional needs and requirements.
OFM	To review processes and verify that all state auditing and accounting practices are a part of the plan.
Legislative Budget Analyst	To verify all data is available and that processes are in place to maintain budget integrity.
Project Sponsor	To understand and approve the requirements which define the overall scope of the project.

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2 The Plan

Upon further review of the methodology, two were identified (previously three were presented). The two methods selected are, in our estimation, the most cost effective and realistic for implementation. They are ranked in priority to have the least impact to sales and revenue. Additional methodologies were studied and ultimately rejected as they were determined cost prohibitive. The method of conversion is largely dependent on the landlords’ willingness and the contractor’s ability to assume the lease.

2.1 Statement Greatest Efficiency and Cost Effectiveness

Greatest efficiency and cost effectiveness are defined as returning more profit after conversion.

2.2 Summary Business Process Methods

Methods of conversion are listed below and prioritized respectively:

	Description
Method 1	Lease is assumed, store remains in same location. CLS manager assumes state store as-is including products and assets. WSLCB computer equipment is removed per internal IT policies.
Method 2	The lease is not assumable, store relocates. Permanent WSLCB employees prepare product and assets to decommission state store. WSLCB computer equipment is removed per internal IT policies. Contractor secures a suitable location approved by WSLCB.

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2.3 Business Process Method Costs

Method	Total Estimated Cost (Additional + Absorbed)	Requires Legislative Action?	Of Note
Method 1*	\$1,329,256	Yes	Dependant on Legislative mandate, the WSLCB would be released from their lease liability and other contractual agreements. A lease assumption requires the landlord's acceptance of CLS manager and assumes current location is occupied by the incoming CLS manager.
Method 2	\$1,426,425	Yes	Dependant on Legislative mandate, the WSLCB would be released from their lease liability and other contractual agreements. Requires transport liquor of products to new location and surplus of remaining store assets.

*** Method 1 Variables**

- Does not require transferring of liquor.
- Requires limited use of carpenters to prepare assets for sale.
- Shorter conversion timeline.

No risks to revenue were identified in Method 1.

Method 2 provides for relocation of the store estimating 5 days lost retail sales and the probability of securing a less than desirable location which also has an effect on sales potential and revenue generation.

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2.4 Revenue Generation and Other Factors

After the State store conversions are complete, there are estimated annual cost savings ranging from \$60,000 to \$144,000.

Additional revenue is projected from these same 20 stores as much as \$1.7 million per year.

The Retail division will shift their support from a supervisory role to that of marketing advisor. Administrative support functions will not be dramatically affected by the conversion; Information Technology will simply shift from supporting State Store POS systems to the Contract Liquor Store computer equipment; Financial will have more commissions to pay & fewer store bills; Human Resources will still have over 1,400 employees to support. There will be no change in the effort required in the distribution of liquor throughout the State.

2.5 Conversion

The two methods identified above were chosen based on feasibility, considering contractual limitations, Agency resource(s) and costs. The information that follows is a summary of alternatives that were explored as well as background documentation of the actual process itself.

2.5.1 Methods Studied and Rejected:

	Description	Reason not selected
Method 3	CLS manager assumes state store as-is including product, fixtures, and assets. The WSLCB maintains the lease and sublets the store to the incoming CLS manager.	WSLCB is not authorized to sublet lease space.
Method 4	Third party contracted to perform preparation of product, assets and fixtures for transport/transfer. Items are palletized and ready for sale in place or return to the DC or other designated destination or packed for removal by GA	Cost prohibitive.

2.5.2 Supporting Recommendations

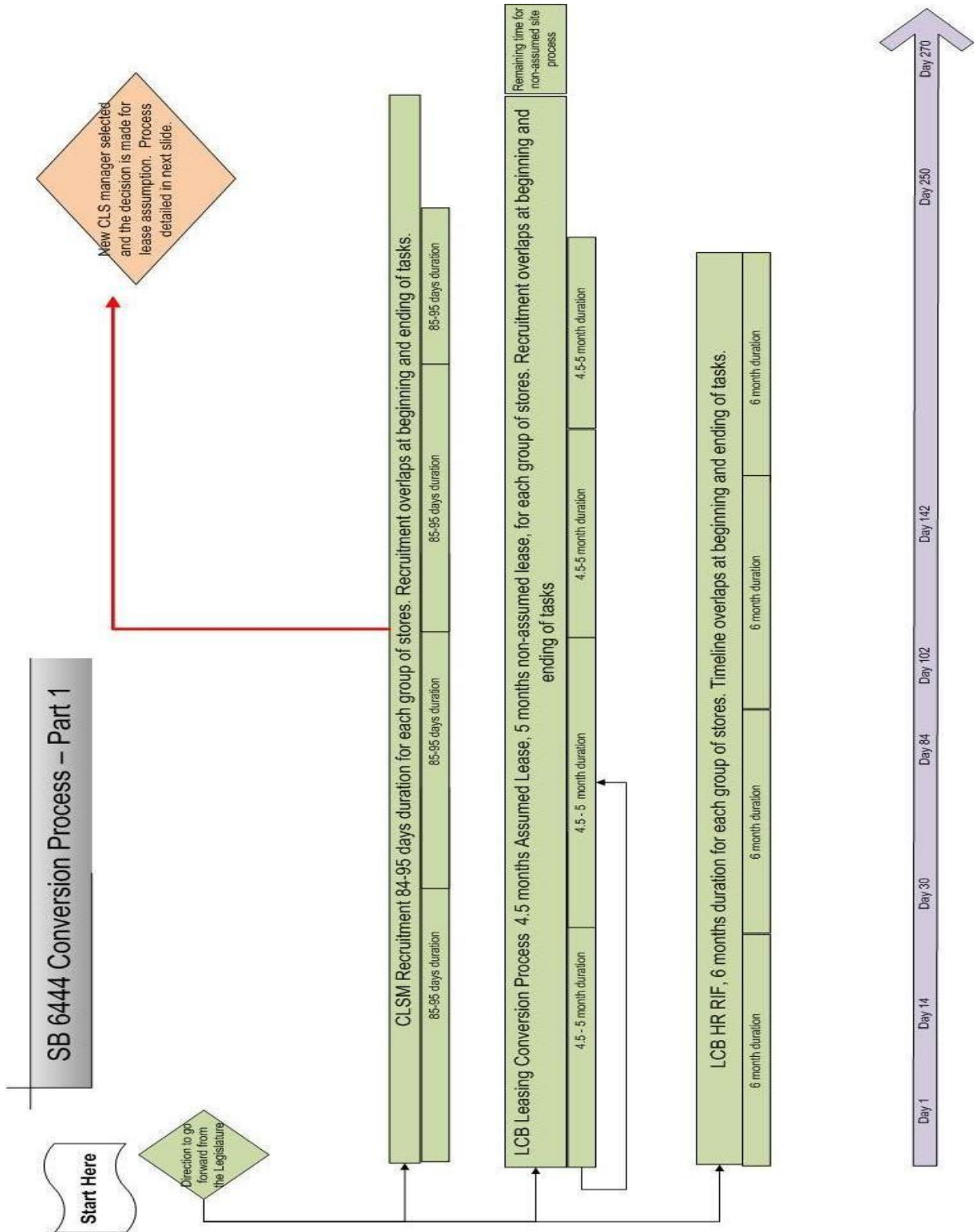
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- Craft statutory language that would release the WSLCB from the identified store's lease liability.
- Legislature to allow the WSLCB to determine most effective conversion schedule.
- Manage the conversion plan according to established project management methodology.
- Allow for substitution of the stores selected for conversion in the event of unforeseen circumstances.

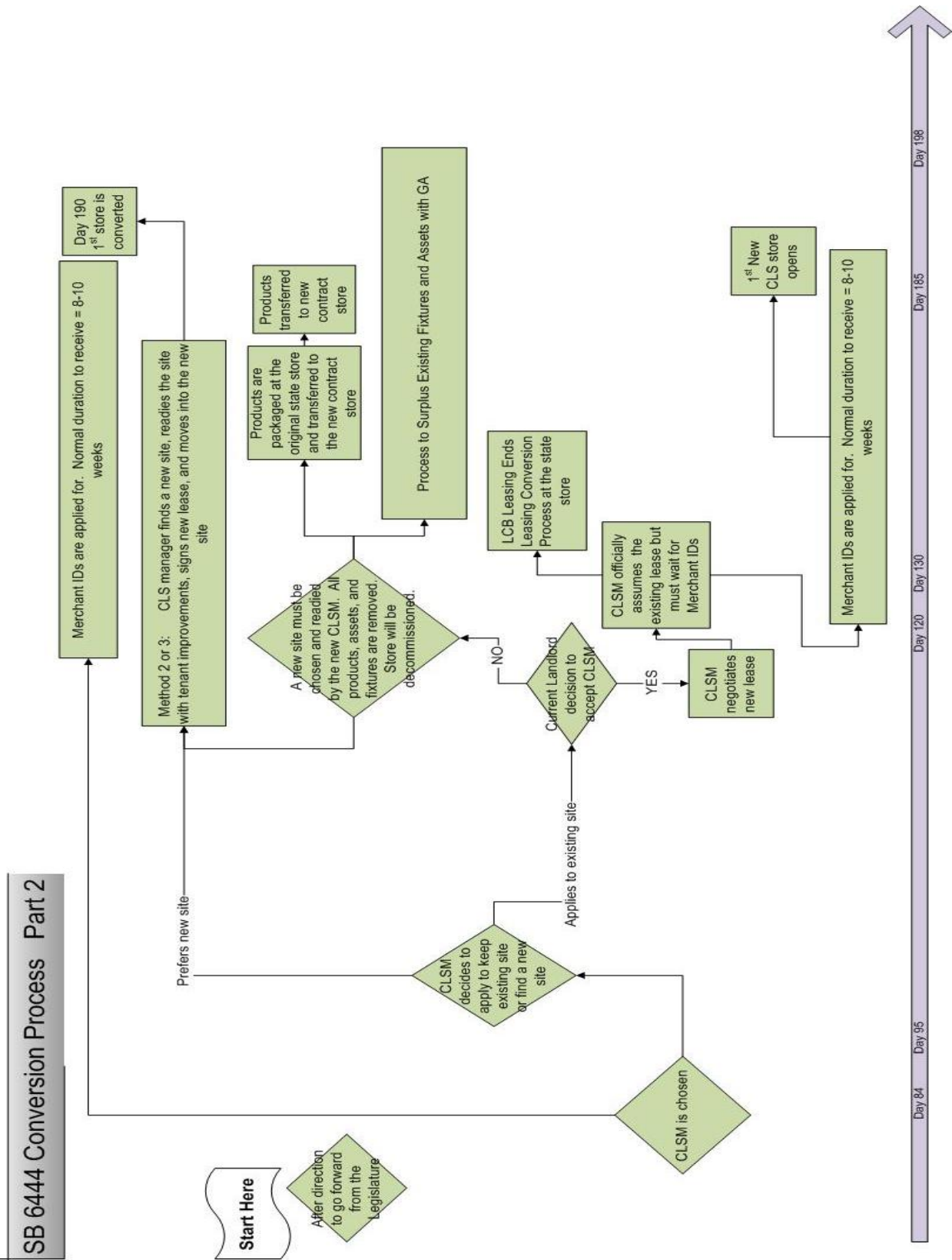
2.5.3 Conversion Process:

Process and timelines found on pages 11 and 12.

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3.0 Critical Success Factors

The following assumptions are critical to a timely and successful project implementation.

3.0.1 Method 1

- Store leases at the current location are assumable by the incoming Manager.
- The CLS manager can assume the financial responsibility for the store assets and fixtures. Merchant ID's, internal telecom and desktop requests ordered in a timely manner and received by expected dates.

3.0.2 Method 2

- GA surpluses designated assets in a timely manner.
- The Product Surplus Plan begins and ends within the prescribed timeline to assure minimal loss of revenue.
- The location, tenant improvements and lease are successfully negotiated by the CLS Manager.
- All WSLCB security and non-CLS contractual telecom and computer equipment is removed before store assumption.
- Merchant ID's, internal telecom and desktop requests ordered in a timely manner and received by expected dates.

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3.1 Assumptions for CLS Manager Qualifications

There is a risk to implementation success and expected revenue from the converted store if any of these assumptions are not realized during the selection process or operation of the new CLS.

Contract manager candidate will:

- Have sufficient experience to provide great customer service and manage multiple challenges that retail liquor stores present.
- Have the same opportunity to lease retail locations as those that have been available to the state.
- Have sufficient credit and financial resources to sustain themselves in the changing business environment.
- Secure locations that optimize sales.
- Have the skills to negotiate tenant lease agreements.
- Train store teams for optimum success in compliance and sales.

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4.0 Implementation Risks and Issues

The following are known risks that could delay project implementation impact costs, and revenue and are not meant to be an exhaustive list.

4.0.1 Risks-Implementation

Project Risk	Likelihood	Impact
Delay in receipt of Merchant ID's beyond 10 weeks, effects store's opening date.	Moderate	High
Inventory security during transition.	Moderate	High
Labor Partner relationships may be stressed resulting in increased Demands to Bargain, grievances, arbitrations, mediations.	High	High
Employee morale decreases causing a rise in conduct cases, ("abuse") of leaves, Fraudulent actions due to anticipation of layoffs /bumping; concerns for decreased customer service levels, agitation, etc.	High	High
Retention of experienced employees and the ability to attract qualified applicants for vacant positions	High	High
No legal costs due to lawsuits were assumed.	High	High

4.0.2 Issues-Implementation

Project Issues	Impact
<i>Conditions that prevent the project from completing.</i>	
Data used in the course of research, analysis and subsequent recommendations rapidly becomes outdated given the natural course of retail business.	High

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5.0 Sign Off

The undersigned have read and reviewed the contents of the attached Requirements and Use Case documents and agree they meet the business needs. We approve of what has been stated and authorize the project team to proceed.

Chris Liu	Sponsor	Date
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Pat Kohler	Executive Stakeholder	Date
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Rick Garza	Executive Stakeholder	Date
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Pat D. McLaughlin	Executive Stakeholder	Date
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Randy Simmons	Executive Stakeholder	Date
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Christine Cook	Project Manager	Date
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6.0 Addendums

The following Addendums detail the plan and include the following:

- The Glossary of Terms and Acronyms
- Cost Estimates
- Store Selection Criteria
- Managing the Layoff Process
- CLS Manager Recruitment
- Equipment Surplus
- Product Surplus
- Lease Management Conversion
- Information Technology Costs
- Support Services and Auditing Costs
- Miscellaneous Costs
- Analysis of Access to Liquor by Intoxicated & Under-age persons

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6.0.1 Addendum 1

Glossary of Terms and Acronyms

To provide clarity, terms and acronyms used in this document are defined as follows:

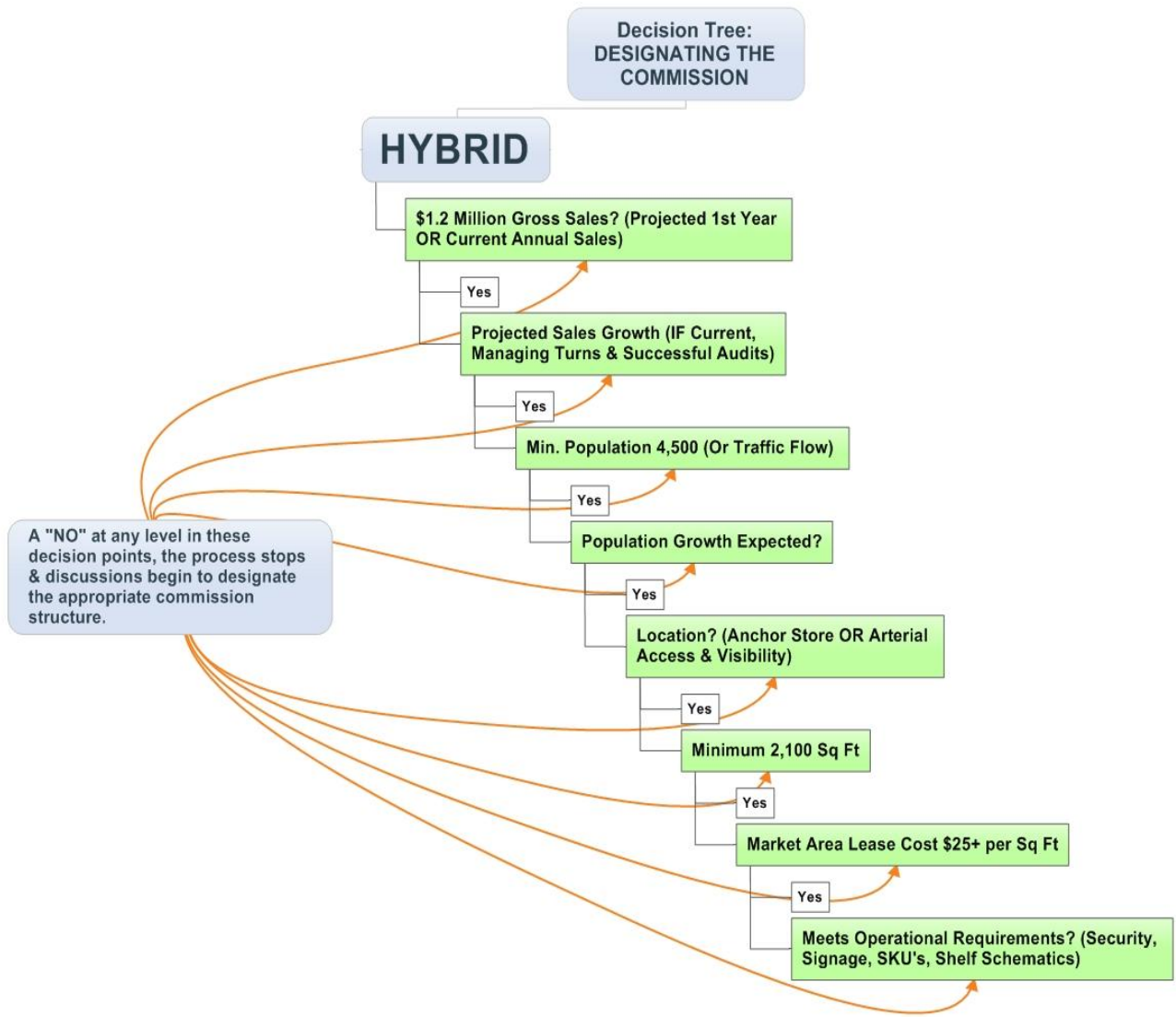
Term / Abbreviation	Definition
Absorbed Costs	Expenses absorbed as already a part of normal operations (may require shifting agency priorities as resources are redirected).
Additional Costs	Expenses above & beyond the Agency’s normal operating budget that will require additional funding.
Assets	Items that provide future benefit.Examples: hand carts, refrigerators, safes, printers, office furniture.
Break Even	"Recovery of Cost" are when additional profits realized equal one-time costs.
Carriers	Trucking companies who transport liquor.
CLS	Contract Liquor Store, liquor store run by independent business owners who receive a commission on liquor sales.
DC	Distribution Center, manages the logistics of delivery, of liquor, to State, Contract, Military & Tribal stores.
Fixtures	Store fixtures which consist of shelving, display tables and other items.
GA	General Administration (Agency).
Greatest Efficiency & Cost Effectiveness-	Returning more profit after conversion.
Hybrid Commission*	Commission structure designed for the "sub-urban" market. Flat rate 9.65 % of monthly net sales. Stores are designated this commission meeting the following criteria: \$1.2+ (million) Gross Sales, Minimum Population 4,500, Projected Sales Growth, Growing Population, Location (Anchor Store, etc) Min. 2,100 Square Feet, Market Area Lease \$25+ per Square Foot
IT	Information Technology (Services) Division, responsible for administering Agency computerized equipment.
Layoff	Layoff is an employer-initiated action taken in accordance with WAC 357-46-010 that results in: Separation from service with an employer;

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Term / Abbreviation	Definition						
	Employment in a class with a lower salary range maximum; Reduction in the work year; or reduction in the number of work hours.						
Lease Contracts	Legally binding document between the landlord or lessor & the lessee that define the financial terms of & services received for the lease of a building.						
LOI	Letter of Intent. A legally accepted document announcing intent to occupy premises & prior to entering into a lease contract						
Net Profit	Gross Sales minus taxes, discounts, and expenses.						
Miscellaneous Operational Costs	Other costs associated with project implementation, examples: Project Manager, Loss Prevention Staff, Financial Staff						
Products	Items sold in a State Liquor Store such as spirits, beer and wine (liquor).						
State Stores	State Liquor Stores. Stores operated by State employees.						
TI	Tenant Improvements are retail space design specifications negotiated as part of the lease contract for how a store will look and function. The cost incurred by the landlord for these modifications is reimbursed by WSLCB & amortized over the life of the lease.						
Tiered Commission	<p>Commission structure designed for "rural" markets. Consists of a monthly base commission ranging from \$480 to \$630 tied to prior year sales. Plus a percentage of monthly net sales, declining as they increase.</p> <p>Monthly Net Sales:</p> <table border="0" data-bbox="451 1045 911 1159"> <tr> <td>\$1.00 to \$10,500</td> <td>22.07%</td> </tr> <tr> <td>\$10,501 to \$21,000</td> <td>8.21%</td> </tr> <tr> <td>\$21,001 +</td> <td>6.45%</td> </tr> </table>	\$1.00 to \$10,500	22.07%	\$10,501 to \$21,000	8.21%	\$21,001 +	6.45%
\$1.00 to \$10,500	22.07%						
\$10,501 to \$21,000	8.21%						
\$21,001 +	6.45%						
Vendor Management	The process of managing the contractual responsibilities of vendors engaged by the WSLCB.						
Wage Rate	Rate of pay identified as salary & benefits.						
WSLCB	Washington State Liquor Control Board (Agency).						

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* Hybrid Commission Decision Tree



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6.0.2 Addendum 2

Cost Estimates

The additional profit to the State after the conversions are completed and costs are recovered is estimated to be \$1,756,318 per year. This additional profit is subject to change based on the actual stores selected at the time of implementation.

The return on investment or cost recovery for each store will be approximately eight months on average after conversion. Cost recovery is based on one time additional costs only, excluding absorbed costs.

Assumptions

- 15% Differential applied to total costs to provide contingency.
- Financial estimates are directly tied to the stores identified in the Selection Process.
- Equipment not retained for future WSLCB use will be surplus through General Administration.
- Anticipate 10 of the State stores will relocate, & conversely, 10 are assumed to remain in place.
- CLS manager selection will follow established WSLCB process.

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Activities (Additional Costs)

- Store Personnel: Packing up product.
- Store Leasing: Lease terminations.
- Store Development: Remove fixtures.
- Human Resources: Implementing layoff process & Non-Perm employee drug testing.
- Information Technology: CLS Equipment & Software purchases.
- Loss Prevention: Removing security systems.
- Miscellaneous Operational Cost: Budget Administration.
- Project Management: Oversight of project planning & implementation.
- Retail: CLS Manager selection process.

Estimated costs for the entire project were collected from each program. Costs include a 15% contingency shown below.

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Additional Costs Summary

Division	Activity	Biennium Total	Addendum Reference
Human Resources	Recruitment	\$ 5,292	4
Human Resources	Layoff Process	44,828	4
Human Resources	Increased Caseload	79,799	4
Human Resources	Drug Testing	330	4
Store Leasing	Time & Motion Study	11,853	8
Store Leasing	Landlord Communication	171	8
Store Leasing	Per Diem	3,549	8
Information Technology	CLS Software yearly license costs (anti-virus, etc)	15,400	9
Information Technology	Total New Hardware cost for CLS	30,000	9
Information Technology	Per diem for installations	1,365	9
Information Technology	Wiring for telecom and computer installation	7,200	9
Information Technology	Phone lines for CLS	1,700	9
Information Technology	Reach one Acct install	400	9
Information Technology	Network- store closure activities	23,000	9
Information Technology	purchase Desk phones	945	9
Information Technology	monthly phone charges	2,340	9
Retail	Shipping Materials	10,684	7
Retail	Ship Boxes	1,715	7
Retail	Pack Surplus Liquor	35,900	7
Retail	Ship Surplus Liquor	48,870	7
Retail	Advertising for 20 stores	35,640	5
Retail	SUTA	191,664	5
Retail	Project Manager	47,016	5
Retail	Fiscal Tech & Loss prevention per diem	11,228	5
Store Development	Planning & Implementaion	11,209	6
Store Development	Additional Carpenter Cost	46,499	6
Store Development	Per Diem	21,840	6
Store Development	Vehicle Expense	12,630	6
Store Development	Forklift/Dumpster Rental	7,510	6
Attorney General	Legal Consult	143,488	11

Sub-total \$ 854,063

Contingency \$ 128,110

Total \$ 982,173

Largest Contributors to the total cost.

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Activities (Absorbed Costs)

- Financial: CLS Manager interviews & audit store records.
- Retail: CLS Manager interviews & recruitment.
- Director's Office: Archiving store records.
- Enforcement: CLS Manager background checks.
- Information Technology: Replace or convert computer equipment.
- Support Services: Amending & terminating contracts.

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Absorbed Costs Summary

Division	Activity	Biennium Total	Addendum Reference
Director's Office	Archive Records	\$ 48,485	11
Enforcement	CLS Background Check	59	11
Financial	Per Diem-Auditors	10,920	10
Financial	Audit SLS closings	24,128	10
Financial	Audit CLS openings	24,128	10
Financial	Audit Supervision	25,350	10
Financial	CLS Interview-Auditor	9,048	10
Retail	Per Diem-DM's	1,911	5
Retail	CLS Recruitment-DM	69,577	5
Retail	District Guidance-DM	73,068	5
Retail	Operations Guidance-Ops Mgr	3,596	5
Support Services	Vendor Mgmt	3,070	10
Support Services	Vendor Mgmt	1,535	10
Support Services	Vendor Mgmt	2,190	10
Support Services	Vendor Mgmt	2,667	10
Support Services	Vendor Mgmt	2,247	10
Information Technologies	Install CLS systems	4,172	9
Information Technologies	Business Applications	4,172	9
Information Technologies	Service Desk Set up	7,301	9
Information Technologies	Ongoing IT Support	35,045	9
Information Technologies	Desktop Install	40,677	9
Information Technologies	Telecom	5,199	9
Information Technologies	Network Tech	3,129	9
Information Technologies	Service Desk Tear Down	2,086	9
Information Technologies	Desktop Disconnect	20,860	9
Information Technologies	Network Disconnect	4,172	9
Information Technologies	Telecom Disconnect	5,199	9
Information Technologies	Admin Support	1,916	9
Information Technologies	Applications Disconnect	4,172	9
Information Technologies	Business App Disconnect	4,172	9

Sub-total \$ 444,251

Contingency \$ 66,638

Total \$ 510,889

Largest Contributors to the total cost.

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Estimated Project Costs

TOTAL

● Additional Costs	\$ 982,174
● Absorbed Costs	<u>510,889</u>
GRAND TOTAL	<u>\$1,429,063</u>

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6.0.3 Addendum 3

Store Selection Criteria

Defining the criteria for identifying stores to convert determined the “greatest efficiency and cost effectiveness” as it effects the capacity to generate additional revenue after conversion. Four criteria emerged when applied to stores that were in year six (or more) of their ten year lease life. Of note, in the first 5 years of a lease that time is spent either re-capturing or building a new market and stores that fell into this category were not part of the initial consideration.

The group of stores mature in their lease life were then ranked under each criterion and the four lists were compared for common stores. The stores who appeared on three of the four lists were then ranked by Net Profit and analyzed for their ability to produce additional profit if converted.

TI (Tenant Improvements) are noted only as they apply to the State’s liability that cannot be forgiven by Legislative action.

Assumptions

- One time conversion costs were not factored in the selection process. Referenced on pg. 23.
- No loss of revenue.
- Contract store will be comparable to State store in:
 - Square Footage
 - Location
 - Market value lease cost
 - Sales level
 - Product selection
- Legislative action will release the WSLCB from current lease liability.
- CLS Manager’s ability to sell non-liquor items and their effect on profit margin were not factored in.

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- The Business proposition may not be a financially viable for qualified candidates.
 - Current commission may not be enough to cover CLS manager's expenses.
 - Recruitment delays.
- Ideal or current location may not be available or feasible.
 - Lease costs may be prohibitive resulting in site relocation.
 - Location affects sales volumes & subsequently revenue.
 - Product assortment can be directly affected by size & location of store.
- Lease cost per square foot could be significantly higher for an individual.
 - The need to re-evaluate commission designation (Hybrid vs. Tiered).

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Store Selection Criteria

Ranked by Net Profit

	Meets ALL 4 criteria
	Meets 3 of 4

Outlet	Net Profit	Gross Sales	Additional Profit - Tiered	Additional Profit - Hybrid	TI Cost in (\$)
Store A	X	X	X	X	
Store B	X	X	X	X	
Store C	X	X		X	
Store D	X	X	X	X	
Store E	X	X	X	X	
Store F	X	X	X	X	
Store G	X	X	X	X	
Store H	X		X	X	\$ 6,000
Store I	X	X	X	X	
Store J	X	X	X	X	
Store K	X		X	X	
Store L	X	X	X	X	
Store M	X	X	X	X	
Store N	X	X	X	X	
Store O	X	X	X	X	\$ 15,327
Store P	X	X		X	
Store Q	X	X		X	
Store R	X	X		X	
Store S	X	X		X	
Store T	X	X		X	

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Detail

Ranked by Net Profit

Outlet	Net Profit	Gross Sales	SqFt	Annual Lease Cost	Cost per SqFt	Commission Structure (Best Return to State)	Annual Est. Commission	Additional Profit
Store A	\$ (49,782)	\$ 1,489,206	5,035	\$ 111,374	\$ 22.12	Tiered	\$ 121,174	\$ 143,904
Store B	\$ 93,919	\$ 2,271,260	6,207	\$ 118,864	\$ 19.15	Tiered	\$ 174,213	\$ 106,899
Store C	\$ 108,690	\$ 1,653,283	2,888	\$ 41,160	\$ 14.25	Tiered	\$ 133,954	\$ 63,588
Store D	\$ 122,540	\$ 2,225,948	4,579	\$ 87,311	\$ 19.07	Tiered	\$ 170,002	\$ 100,144
Store E	\$ 125,963	\$ 2,753,048	4,852	\$ 135,613	\$ 27.95	Hybrid	\$ 255,278	\$ 75,833
Store F	\$ 144,062	\$ 2,296,617	4,150	\$ 64,740	\$ 15.60	Tiered	\$ 169,066	\$ 86,592
Store G	\$ 149,120	\$ 2,606,285	5,000	\$ 118,397	\$ 23.68	Tiered	\$ 190,280	\$ 126,985
Store H	\$ 149,687	\$ 2,911,882	5,198	\$ 150,690	\$ 28.99	Hybrid	\$ 269,975	\$ 114,087
Store I	\$ 159,770	\$ 2,689,431	4,500	\$ 105,750	\$ 23.50	Tiered	\$ 198,875	\$ 89,193
Store J	\$ 169,066	\$ 2,682,658	4,197	\$ 67,152	\$ 16.00	Tiered	\$ 194,900	\$ 79,297
Store K	\$ 171,407	\$ 3,003,972	4,070	\$ 123,241	\$ 30.28	Hybrid	\$ 283,859	\$ 73,827
Store L	\$ 172,662	\$ 2,691,324	4,699	\$ 105,000	\$ 22.35	Tiered	\$ 192,435	\$ 95,048
Store M	\$ 176,705	\$ 2,374,223	4,442	\$ 73,293	\$ 16.50	Tiered	\$ 175,065	\$ 81,470
Store N	\$ 196,206	\$ 2,629,415	5,831	\$ 135,811	\$ 23.29	Tiered	\$ 192,375	\$ 112,317
Store O	\$ 197,061	\$ 2,851,795	3,400	\$ 114,528	\$ 33.68	Hybrid	\$ 264,702	\$ 60,613
Store P	\$ 198,665	\$ 2,225,875	4,103	\$ 47,184	\$ 11.50	Tiered	\$ 164,907	\$ 63,149
Store Q	\$ 199,399	\$ 2,301,141	4,800	\$ 57,600	\$ 12.00	Tiered	\$ 172,581	\$ 62,908
Store R	\$ 203,420	\$ 2,192,800	4,032	\$ 78,064	\$ 19.36	Tiered	\$ 167,503	\$ 73,137
Store S	\$ 207,789	\$ 2,603,653	4,008	\$ 64,128	\$ 16.00	Tiered	\$ 187,746	\$ 76,118
Store T	\$ 220,406	\$ 2,172,654	4,215	\$ 56,902	\$ 13.50	Tiered	\$ 169,222	\$ 71,208
	\$ 3,116,755	\$ 48,626,472		\$ 1,856,803			\$ 3,848,113	\$ 1,756,318

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Lease Expiration

Outlet	Lease Expiration
Store A	7/31/13
Store B	12/31/10
Store C	2/29/12
Store D	3/31/11
Store E	1/31/15
Store F	1/31/12
Store G	2/28/14
Store H	6/30/14
Store I	1/31/13
Store J	6/30/11
Store K	11/30/11
Store L	5/31/15
Store M	7/31/11
Store N	4/30/15
Store O	10/31/14
Store P	7/31/11
Store Q	10/31/11
Store R	5/31/11
Store S	11/30/11
Store T	12/31/11

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6.0.4 Addendum 4

Managing the Layoff Process

The WSLCB will manage the layoff of employees affecting approximately 78 employees. Although 78 employees will be directly impacted, the bumping rights of permanent staff will have a ripple effect throughout the Agency and the total number of employees affected will increase exponentially. Store employees are represented by two separate unions and the basis for layoffs will follow the appropriate Collective Bargaining Agreement.

The following are excerpts taken directly from the Collective Bargaining Agreements:

UFCW - Basis for Layoff

Layoffs may occur for any of the following reasons:

- A. Lack of funds;
- B. Lack of work;
- C. Good faith reorganization;
- D. Fewer positions available than the number of employees entitled to such positions either by statute or other provision.

WPEA – Basis for Layoff

Layoffs may occur for any of the following reasons:

- A. Lack of funds
- B. Lack of work
- C. Good faith reorganization
- D. Ineligibility to continue in a position that was reallocated
- E. Termination of a project
- F. Fewer positions available than the number of employees entitled to such positions either by statute or other provision.

Process occurs concurrently with normal Human Resources activities.

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Immediate Action

Inform Labor Partners – WPEA (Washington Public Employees Association) & UFCW (United Food and Commercial Workers) formally of pending actions.

Steps Taken for Layoff Process (six-month process)

- Determine bargaining unit (WPEA, UFCW) and review contracts/WAC/policy and procedures.
- Per WPEA Contract Article 27 ‘Layoff and Recall’ - Notify Union of pending layoffs at least thirty calendar days prior to the effective date of the reduction in force.
- Hire additional staff to assist in implementing the closure or conversion of 20 stores (approx. 35 days to fill).
- Run & review seniority report.
- Determine status of each employee impacted.
- Verify all service credit has been applied.
- Written notification to non permanent and/or probationary employees that they will be separated.
- Determine seniority of each employee.
- Determine employee options –Determine geographical areas (Stores within 40 mile radius of the home store; then statewide). Verify bumping rights and the affects to the one being bumped.
- Notification to Employees with Permanent Status.
- Salary Determination.
- Transition Review Period Determination.
- Layoff Processing.

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Concurrent Throughout the Process

It is anticipated the quantity of issues Human Resources currently deals with will increase. Listed below are the assumptions of issues that may impact Human Resources:

- Unemployment claims – Unemployment insurance is a critical support for workers who lose jobs through no fault of their own. Must ensure each person attends a Department of Personnel workshop to learn more about the benefits for displaced workers.
- Retirements will increase (impact to Human Resource Information System/Payroll/Benefits) – typically when employees have the option to Retire vs. being laid off, they tend to retire. Currently the WSLCB staff over 40 is 67% of our workforce.
- Grievances.
- Tort claims.
- Equal Employment Opportunity Commission/Human Rights Commission.
- Lawsuits.
- Demand to bargain.
- Employee conduct cases (theft, leave abuse, impairment) – could last up to 4 months.
- Labor and Industries (employee injuries) may increase.
- Job Abandonment/Leave abuse will increase.
- Training/job placement will be required. Current options exist only through Department of Personnel/Employment Security Department and affected employees.
- Medical verification process.
- Employee requests/Performance evaluations/Employment history.

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- Layoff list coordination (Internal, General Government Transition Pool, Statewide).
- “Due process” - a requirement that must be provided to a government employee prior to removing or impacting the employment property right (e.g. imposing severe discipline). The purpose of this hearing is to provide an employee an opportunity to present his side of the story before the employer makes a decision on discipline (known as a Loudermill hearing).
- Mediations and Arbitrations.
- Impact to the following agencies and organizations, no assumptions of the cost were made on their behalf:
 - Labor Relations Office
 - Employee Assistance Program
 - Employment Security Department
 - Attorney General’s Office
 - Washington Public Employees Association (WPEA)
 - United Food & Commercial Workers (UFCW)
 - Department of Personnel
 - Department of Retirement Systems
 - Health Care Authority
 - Colleges & Universities

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Human Resources - Layoff Cost & Activity Summary

Recruitment & hiring for additional staff to implement the Layoff Process = 6 non permanent FTE's. 2 HRC3, 1 HRC2, 1 OA3 (HR); 1 FT2 (BE); 1 Carpenter (Purch).				
Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Prepare documentation & obtain approval for hiring freeze exemption to DOP/OFM ¹	HRC4	4.5	\$ 43.72	\$ 197
Develop Recruitment Strategy ³	HRC4	3.0	43.72	131
	Dir of HR	1.0	64.72	65
Create job announcement and questionnaire ¹	HRC2	12.0	35.88	431
Screen and select candidates ¹	HRC2	12.0	35.88	431
	HRC3	12.0	39.61	475
	HRC4	4.0	43.72	175
	Dir of HR	8.0	64.72	518
Develop/review interview questions ⁶	HRC2	3.0	35.88	108
	HRC3	3.0	39.61	119
	HRC4	2.0	43.72	87
	Dir of HR	1.0	64.72	65
Schedule candidates, panel, room ¹	HRC2	6.0	35.88	215
	HRC3	6.0	39.61	238
Create interview materials ¹	OA3	10.5	22.60	237
Facilitate interview process ¹	HRC2	6.0	35.88	215
	HRC3	6.0	39.61	238
Ensure pre-employment paperwork complete ¹	HRC2	1.0	35.88	36
	HRC3	1.0	39.61	40
Conduct reference checks ¹	HRC2	12.0	35.88	431
	HRC3	12.0	39.61	475
Facilitate the drug and alcohol testing ¹	HRC2	1.0	35.88	36
	HRC3	1.0	39.61	40
	Dir of HR	1.0	64.72	65
Contact the non-selected candidates ¹	HRC2	3.0	35.88	108
	HRC3	3.0	39.61	119
Totals:				5,292
Drug testing \$55.00 X 6				330
TOTAL				\$ 5,622

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IMPLEMENTATION:LAYOFF PROCESS FOR 20 STORES (78 FTE's)				
Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Identify personnel options in each Store (position, seniority, etc.) ¹	HRC4	1.0	\$ 43.72	\$ 43
	Labor Rel. Mgr	0.5	49.59	25
	Dir of HR	0.1	64.72	3
Confirm employee status ¹	HRC4	2.0	43.72	85
Pull and Review each personnel file ¹	OA3	0.4	22.60	8
	HRC4	3.9	43.72	171
Run Seniority Report ⁴	HRC2	0.1	35.88	2
	Dir of HR	0.1	64.72	3
Review, correct, or modify Seniority Report ¹	HRC4	1.0	43.72	43
	Labor Rel. Mgr	0.3	49.59	15
	Dir of HR	0.1	64.72	3
Verify all service credit has been applied (Vets/Military) ¹	HRC4	1.0	43.72	43
Verify all suspension dates are present if applicable ¹	HRC4	1.0	43.72	43
Final Review/Authorization ¹	Labor Rel. Mgr	0.4	49.59	20
	Dir of HR	0.2	64.72	13
Filing, Copying, Routing, Mail, etc. ¹	OA3	0.8	22.60	18
Totals:				536
X 20				\$ 10,724

NEXT STEPS				
Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Confirm employee address and contact information ¹	HRC2	1.0	\$ 35.88	\$ 35
Review, consider and verify layoff unit options–geographic (immediate area, within 40 miles, statewide) ¹	HRC4	3.9	43.72	171
	Labor Rel. Mgr	0.2	49.59	10
	Dir of HR	0.1	64.72	3
Verify seniority within position/veteran’s status ¹	HRC2	2.0	35.88	70
Identify other qualified employee’s seniority ¹	HRC4	3.9	43.72	171
Determine and verify any Funded Vacant position’s ¹	HRC4	1.0	43.72	43
	Labor Rel. Mgr	0.2	49.59	10
Verify positions held/Outside agencies/Return rights ¹	HRC2	3.9	35.88	140
	Labor Rel. Mgr	0.2	49.59	10
Verify Bumping rights and the affects to the one ¹	HRC4	3.9	43.72	171
	Labor Rel. Mgr	0.6	49.59	30
	Dir of HR	0.1	64.72	3
Prepare Letters and process paperwork on accepting/rejecting layoff option ¹	HRC2	2.0	35.88	70
Ready for PAR processing ¹	HRC2	0.4	35.88	14
Reversion Options ¹	HRC4	2.0	43.72	85
Filing, Copying, Routing, Mail, etc. ¹	OA3	0.8	22.60	18
Totals:				1,052
X 20				\$ 21,046

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OTHER OPTIONS				
Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Review Skills & Abilities ¹	HRC3	2.0	\$ 39.61	\$ 77
	Labor Rel. Mgr	0.4	49.59	20
Consider Voluntary demotion in lieu of layoff ¹	HRC4	2.0	43.72	85
	Dir of HR	0.1	64.72	3
Voluntarily reduced work schedules ¹	HRC4	1.0	43.72	43
Voluntary leave without pay ¹	HRC4	1.0	43.72	43
Other options if developed, or allowed by WA State law/leg ¹	HRC4	1.5	43.72	66
	Dir of HR	0.1	64.72	3
Internal, GGTP, Statewide layoff list coordination ¹	HRC4	3.9	43.72	171
Final Review & Authorization ¹	Labor Rel. Mgr	1.0	49.59	50
	Dir of HR	1.0	64.72	65
Filing, copying, routing, mail etc. ¹	OA3	1.4	22.60	32
			Totals:	656
			X 20	\$ 13,122

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OTHER ACTIVITIES - Assume cases and the like will increase - Concurrent throughout the process - (based on 78 FTE's, unless noted otherwise)				
Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Unemployment Claims will increase (HRC) ¹	HRC2	2.0	\$ 35.88	\$ 70
Retirements will increase (impact to HRIS/Payroll/Benefits) ²	HRC2	0.2	35.88	7
Grievances ²	HRC4	3.0	43.72	131
	Labor Rel. Mgr	3.0	49.59	149
Tort Claims ²	HRC3	2.0	39.61	79
	Labor Rel. Mgr	0.4	49.59	20
EEOC/Human Rights Commission ²	HRC4	0.4	43.72	17
Lawsuit ²	HRC4	2.5	43.72	109
	Labor Rel. Mgr	0.5	49.59	25
Demand to bargain ¹	Labor Rel. Mgr	7.8	49.59	387
	Dir of HR	4.6	64.72	300
Employee Conduct cases (I.E., theft, leave abuse) ²	HRC4	18.0	43.72	787
Job Abandonment/Leave abuse will increase ¹	HRC4	3.9	43.72	171
L&I (Employee Injuries) will increase ²	HRC2	1.0	35.88	35
Training/job placement will be required ¹	HRC3	3.9	39.61	154
Ongoing communication between divisions and affected employees ¹	HRC4	0.5	43.72	22
	Labor Rel. Mgr	0.5	49.59	25
	Dir of HR	0.5	64.72	32
Medical Verification Process ¹	HRC2	0.8	35.88	27
Employee requests/Performance evaluations, Employment history ¹	HRC2	0.3	35.88	12
	HRC3	0.3	39.61	13
	HRC4	0.3	43.72	14
Loudermill meetings (due process) ¹	HRC4	3.9	43.72	171
	Labor Rel. Mgr	3.9	49.59	193
Mediations ⁵	HRC4	6.0	43.72	262
	Labor Rel. Mgr	0.3	49.59	12
Arbitrations (includes prep time) ²	HRC4	8.0	43.72	350
	Labor Rel. Mgr	8.0	49.59	397
Filing, Copying, Routing, mail, etc. ¹	OA3	0.7	22.60	16
			Totals:	3,987
			X 20	\$ 79,734

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Per Store TOTAL	6,231
X 20	\$124,626
Hiring Additional Staff	5,622

GRAND TOTAL \$130,248

Sources:

- ¹ Any hours listed have been verified through time & motion study
- ² Historical Data
- ³ Meet with hiring mgr 1x1 to strategize language in job announcement, screening criteria, marketing, panel members, etc.
- ⁴ extract data from HRMS/BI
- ⁵ Agency average 1 mediation per year. During a Layoff situation we anticipate getting more.
- ⁶ HRC2 and HRC3 develops questions for 8 positions. HRC4 reviews. Director reviews for 4 positions

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6.0.5 Addendum 5

Contract Liquor Store Manager Recruitment Plan

This plan outlines the process for recruitment of multiple CLS managers. Current WSLCB procedure is a living document that has been refined over the last five years. It is a structured, detail-oriented process that has been validated through real-life scenarios.

Assumptions

- 100 applicants per store recruitment.
- 8 candidates will be interviewed.
- 7 of the 20 stores will require interview room rental and travel costs for additional DM (on interview panel).
- The estimated total costs for 1 store assume that it is one of the 7 stores requiring an interview room rental and additional DM travel.

Activities

Once the target area is identified and as each store is scheduled for conversion, the following process will occur: (COMPLETE BREAKDOWN OF COSTS PROVIDED ON NEXT PAGE)

- **0-20 DAYS:** Notification of intent to interview applicants is sent from Retail Director to local officials, CMAC and Tribal Nations (as applicable per tribal zip code list). Per WSLCB Policy #680, Siting Liquor Stores, these entities have 20 days to notify us of any concerns/questions.
- **21-35 DAYS:** Advertisement is placed in the Business Opportunity section of 1 local daily paper and 1 local weekly paper, as well as on WSLCB website for 14 days. Interested parties have until end of that 14 day period to request an application packet. Packets are mailed within 1-2 business days of request.
- **35-49 DAYS:** Applicants have 14 days from close of advertising to complete application and submit to Retail Services.
- **49-53 DAYS:** Applications are packaged and mailed to appropriate District Manager (DM) within 1-2 business days of submission deadline.

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- **53-61 DAYS:** DM reviews and screens all application materials and coordinates interviews within 7 days. Additional DM and 1 Auditor must be present at interviews.
- **61-68 DAYS:** Interviews conducted within 7 days.
- **69-76 DAYS:** DM provides recommendation to Operations Manager/Retail Director. Retail Director then obtains final approval from BE and Administrative Director within 7 days.
- **77-84 DAYS:** Notification to chosen candidate, verbal acceptance by candidate and signed contract returned to WSLCB within 7 days.
- **84-172 DAYS:** Candidate applies for and receives Merchant ID. WSLCB telecom and Desktop services are ordered. Chosen candidate prepares store, including tenant improvements.
- **173-185/190 DAYS:** As part of the implementation plan, these days complete the arrival time for the Merchant IDs.

Retail Additional Costs

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Quarterly Unemployment Payment	Unemployment on half of 78 affected employees	39	\$ 1,229	\$ 47,916
			Totals:	47,916
			(Annual Amount) X 4 Qt	\$ 191,664

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
1 Week Advertising ¹	Advertise in 1 daily, 1 weekly newspaper	1	\$ 1,782	\$ 1,782
			Totals:	1,782
			X 20	\$ 35,640

Sources:

¹ Historically this is the amount of time required

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Retail Absorbed Costs

Item	Position	Calculations		
		QUANTITY	COST	TOTAL
Per Diem	DM	1	\$ 95.55	\$ 96
CLS Recruitment ¹	DM	65.75	52.91	3,479
District Guidance	DM	69.05	52.91	3,653
Operations Guidance	Ops Man	3.1	58.00	180
			Totals:	7,408
			X 20	\$ 148,152

Sources:

¹ Historically this is the amount of time required

Assumptions:

100 applicants per recruitment

8 candidates will be interviewed

7 of the 20 stores will require interview room rental and travel costs for additional DM (on interview panel)

The estimated total costs for 1 store assume that it is one of the 7 stores requiring an interview room rental and additional DM travel

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6.0.6 Addendum 6

Equipment Surplus Plan

The WSLCB will identify and sell all fixtures and shelves not retained for future use by the agency. The process begins approximately 140 days after direction and would be implemented according to the project schedule.

Store Development's plan of implementation over 24 months would require an additional non- permanent carpenter. If the conversion schedule was compressed to 12 months, a total of two non-permanent carpenters would be needed.

Activities

- Perform work with a blend of temporary and permanent carpenters for maximum efficiency.
- Store fixtures are assessed to determine which are to be kept by the WSLCB.
- Store Development and G.A. price items for sale.
- Notification to G.A. of exact items identified for sale.
- Support Services notifies possible customers.
- G.A. manages sale and transaction of any assets.
- Store Development disperses fixtures to surrounding stores.
- Store Development dismantles and prepares items sold for transport.
- Notify G.A. of date available for pickup of sold items. (1 week notification)

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- Salvage any usable building materials from leased space.
- Conduct demolition of existing space.
- G.A. responsible for pickup and surplus of any remaining unsold items as part of their service.
(No cost to WSLCB)

Background and Options Explored

Using only temporary carpenters that have no knowledge of WSLCB process will increase the labor costs.

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Equipment Surplus Plan Costs

Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Planning & Implementation ¹	Store Development Manager	15	\$ 38.65	\$ 560
To perform standard process for State Store Closure. ¹	Carpenter	79	29.43	2,325
			Totals:	2,885
			X 20	\$ 57,708

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Per Diem Cost ⁴	Store Development Manager & carpenter visits to stores	4	\$ 273.00	\$ 1,092
Store Development trucks, maintenance & fuel ²	\$.50 per mile. 4 days average travel to each store = 1,263 miles per store (using up to 3 trucks).	1,263	0.50	632
Dumpster Fee ³	Dumpster fee per store = \$323	1	323.00	323
			Totals:	2,047
			X 20	\$ 40,930

Per Store TOTAL	4,932
X 20	98,638
Annual Forklift Rental	1,800
GRAND TOTAL	\$ 100,438

Cost Estimate for Transporting and Storage of Shelving Units

This method was not adopted

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Semi Truck Transport ⁵	Load and Deliver 2 full trucks per store	2	\$ 765.00	\$ 1,530
Storage costs	3500 sq ft warehouse @ \$.55 per square foot	12	1925.00	23,100
			X 20	\$ 53,700

Sources:

- ¹ Based on average of hours used to close stores over last 2 years.
- ² State motor pool consultant pricing
- ³ Historic rental fees
- ⁴ Based upon OFM guidelines, LCB standard per diem for furthest locations
- ⁵ GA transport charges

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6.0.7 Addendum 7

Product Surplus Plan

If the CLS manager assumes the current location then no action needs to be taken. In the event of relocation product will be transferred to the new location. It is estimated that 5 days of retail sales will be lost due to timeline requirements. Two methods were explored (see illustration pages 48 and 49); Method B is the preferred choice and basis for costing.

Using a staggered schedule, the state store will close for five days before the new contract store opens.

Assumptions

- All new stores require an initial stock of products.
- One set of product transfer costs is saved by transferring the existing products already in the field to the contract store.
- Proper expiration date rotation of existing merchandise maintained by re-using original stock from the state store.

Activities

- Employees will pack the existing products into boxes for transfer to contract liquor store.
- Carriers currently contracted with WSLCB will transport product.
- Established store transfer system will be utilized for accounting purposes.

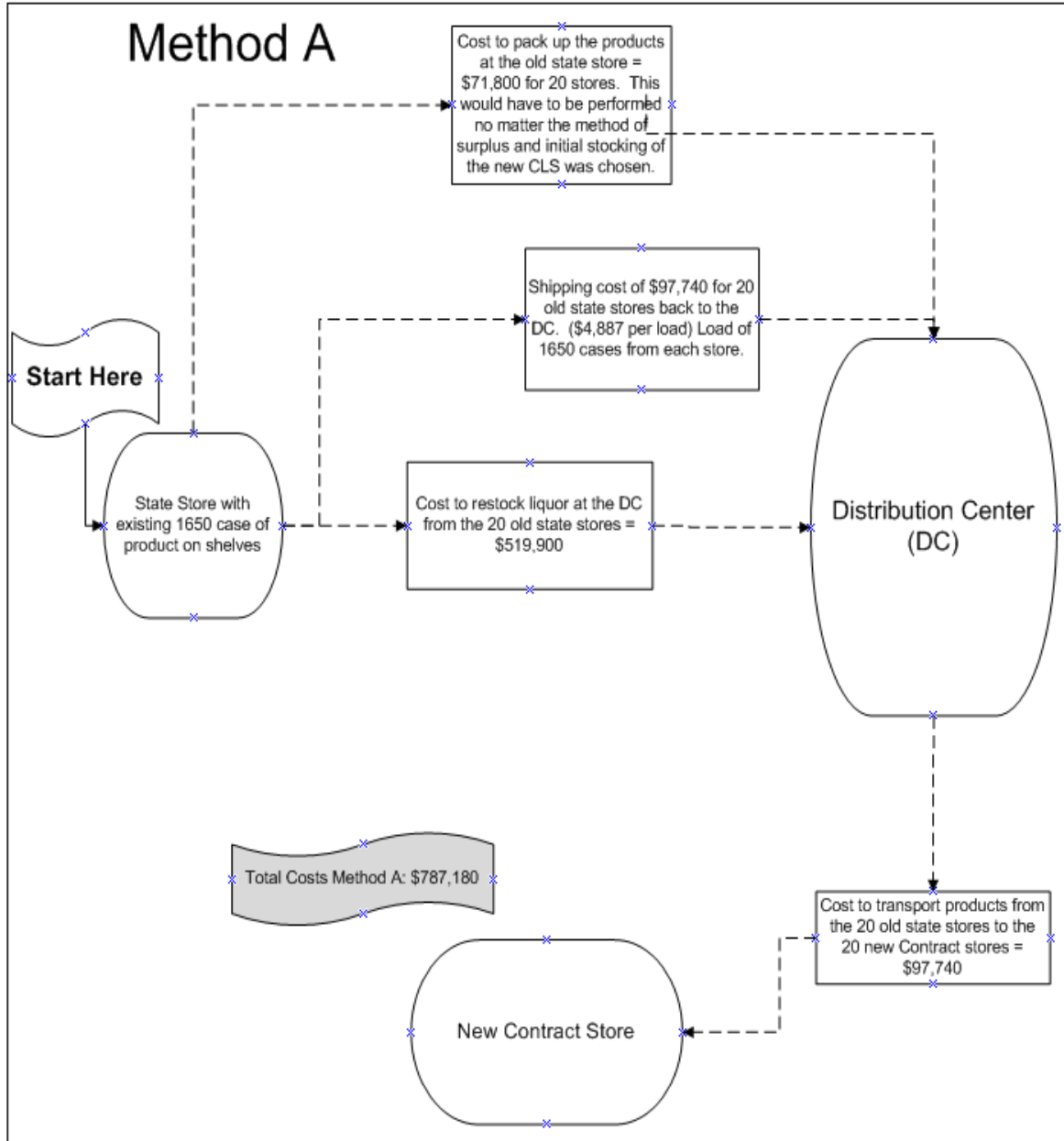
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Background and Options Explored

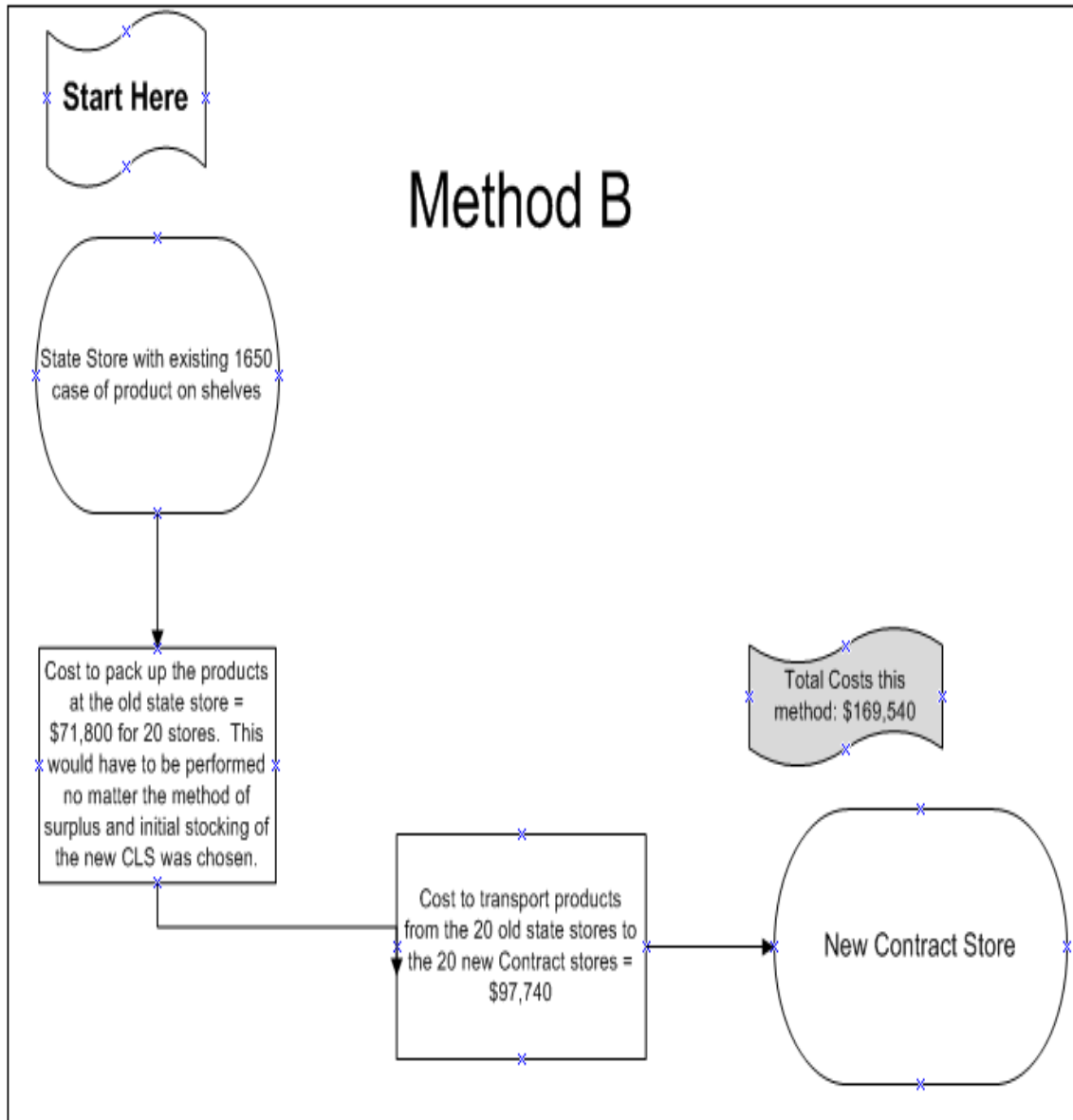
Method A which recommends re-stocking the products at the DC is impractical:

- It is cost prohibitive.
- There is limited room at the DC to stage returned products while carrying on normal receiving and shipping of liquor.

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Product Surplus Costs

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Transport of product ¹	Based on 1,650 cases @ 37.5 lbs	619	\$ 7.08	\$ 4,383
Fuel Surcharge ²	11.5% of Total load cost	1	504.00	504
			Totals:	4,887
			X 10	\$ 48,870

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Packing supplies ³	Based on average product merchandised on display in state stores.	413	\$ 2.59	\$ 1,068
Packing supply shipping costs ³	Based on average product merchandised on display in state stores.	1	171.50	172
			Totals:	1,240
			X 10	\$ 12,399

Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Packing store product ⁴	Store Mgr	137.5	\$ 26.11	\$ 3,590
			Totals:	3,590
			X 10	\$ 35,900

Per Store TOTAL	9,717
X 10	\$ 97,170

Grand Total \$ 97,170

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Cost Estimate for Returning Product to Distribution Center

This method was not adopted

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Transport of product ¹	Based on 1,650 cases @ 37.5 lbs	619	\$ 7.08	\$ 4,383
Fuel Surcharge ²	11.5% of Total load cost	1	504.00	504
			Totals:	\$ 4,887
			X 20	\$ 97,740

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Restocking case in original packaging ⁵	Average cost per case	800	\$ 13.00	\$ 10,400
Restocking partial cases ⁵	Average cost per case	500	18.00	9,000
Restocking partial cases (Administrative) ⁵	Average cost per case	600	1.25	750
Restocking discontinued Items ⁵	Average cost per case	100	5.35	535
			Totals:	20,685
			X 20	\$ 413,700

Per Store TOTAL	25,572
X 20	\$ 511,440

Grand Total \$ 511,440

Sources:

- ¹ Average rate for all 10 carrier zones
- ² Rate as of 10/15/2010
- ³ Corrpac Vendor contracted price
- ⁴ Any hours listed have been verified through time & motion study
- ⁵ Historical Data

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Impact to Sales

Relocation will cause a 5 day closure for product transfer and merchandising. This will result in a loss of 5 days of retail sales per store. Average daily retail sales per state store are \$11,629. For ten stores there would be an estimated retail sales loss of \$ 581,450.

Estimated Retail Sales Loss

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Average daily sales ¹	Est. Retail sales loss	5	\$ 11,629	\$ 58,145
			Totals:	58,145
			X 10	\$ 581,450

Sources:

¹ Fiscal Year 2010 state store average

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6.0.8 Addendum 8

Lease Management Conversion Plan

Manage the leases for conversion from state stores, identifying which leases can be assumed by CLS managers.

Activities

- Lease termination provisions determined.
- Conversion of stores staggered.
- Informal process: Contact landlords to inquire about possibility of CLS manager assuming lease.
- Formal process: Notify landlords by certified mail of lease termination date.
- Notification sent to local jurisdictions, tribal entities and/or CMAC
- Method for conversion set and all planning tasks finalized.
- Final inspections occur 30-60 days prior to final lease termination.
- End leases per conversion schedule. This may include payment of tenant improvements.

Background and Other Options Explored

- WSLCB is restricted from subletting lease space.
- Due to learning curve/experience needed for lease management activity, hiring temporary employees is not feasible.

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Leasing Activities

Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Store inspections, meeting with landlords ¹	Real Estate Man	12.5	\$ 38.65	\$ 483
Communication with Landlord ¹	Leasing Asst	4.0	27.37	109
			Totals:	593
			X 20	\$ 11,852

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Phone calls with landlords ²	Discuss lease assumptions, answer questions, negotiate lease terminations	60	\$ 0.50	\$ 3
Send lease termination letter ³	Certified mail	1	5.54	6
Meetings with landlords to discuss conversion details ⁴	Estimate 1 W. Wash. & 2 E. Wash.	1	68.25	68
Inspections of all stores to be converted ⁴	15 W. Wash & 5 E. Wash.	1	109.2	109
			Totals:	186
			X 20	\$ 3,720

Per Store TOTAL	779
X 20	\$ 15,572

Sources:

- ¹ Time and motion study
- ² LCB Telecom Coordination provided cost per minute
- ³ CMS stated rate per USPS
- ⁴ Based upon OFM guidelines, LCB standard per diem for furthest locations

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6.0.9 Addendum 9

Information Technology Costs

IT's prime responsibility is to ensure that the appropriate computerized equipment is in place for the CLS manager to record and report sales. The list below summarizes those activities and their associated costs.

Additional Costs

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Network-store closure activities ²	T-1 line removal coordination	1	\$ 1,150	\$ 1,150
Wiring for telecom and computer installation ¹	\$360.00 per store	1	360	360
Phone lines for CLS ¹	\$85.00 per store	1	52	85
Reach one Acct install ¹	\$20.00 per store	1	20	20
CLS Software yearly license costs (anti-virus, etc) Various vendors (yearly charge)	Yearly cost is \$550.00 per store	1	550	550
Total new hardware cost for CLS ¹	\$1,500.00 (includes CLS computer and peripherals)	1	1,500	1,500
Per diem for installations, Based upon Agency per diem rates. Furthest travel (Spokane)	Average per diem per store	1	59	59
			Totals:	3,724
			X 20	\$ 74,475

Additional Cost for New FTEs

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Purchase desk phones ²	5 phones	5	\$ 264.60	\$ 1,323
Monthly phone charges ²	5 phone lines	12	546	6,552
			Totals:	\$ 7,875

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Absorbed Costs

Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Service Desk Tech: 7 hours set up per store ¹	Service Desk Tech	7	\$ 52.15	\$ 365
Desktop Technician installation ¹	ITS3	39	52.15	2,034
Network: CLS Installation for Telecom ¹	ITS3	5	51.99	260
Network: CLS Installation Admin tasks ¹	ITS4	3	52.15	156
Host Applications, Includes setting up the CLS store into multiple systems, adding store codes imaging and multiple system report verification of successful install	ITS4	4	52.15	209
Business Applications, Includes setting up the CLS store into multiple systems, adding store codes imaging and multiple system report verification of successful install	ITS4	4	52.15	209
Service Desk tech: 12 hours per month on-going support ¹	Service Desk Tech	33.6	52.15	1,752
Service Desk - Communication and support. ¹	Service Desk Tech	2	52.15	104
Desktop: Prep of equipment, includes travel time, teardown, pack up, and transport	ITS3	20	52.15	1,043
Router removal and return to DIS, Includes paid hours to travel to store and then to DIS.	ITS3	4	52.15	209
Telecom, Includes all admin tasks and vendor management	ITS3	5	51.99	260
Delete all network access, user-ids, etc.	Admin tech	3	31.94	96
Host Applications, Includes arching data/records into multiple systems, code removal from systems, and imaging of records. Report reconciliation for multiple systems.	ITS4	4	52.15	209
Business Applications, Includes arching data/records into multiple systems, code removal from systems, and imaging of records. Report reconciliation for multiple systems.	ITS4	4	52.15	209
			Totals:	7,114
			X 20	\$ 142,272

Total Additional Cost	74,475
Total Absorbed Cost	142,272
Total Additional Cost for New FTEs	7,875
Grand Total	\$ 224,622

Sources:

¹ Historical Data

² DIS information given to Support Services

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6.0.10 Addendum 10

Support Services and Auditor Costs

Support Services Cost Summary

Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Freight carrier contract issues, amending & terminating contracts ¹	Contract Spec	4	\$ 38.38	\$ 154
Updating CMS, Fed Ex & White pages ¹	Management Analyst	2	38.38	77
New CLS activities ¹	Contracts Asst	4	27.37	109
Surplus & Inventory Activities ¹	Procurement Spec	4	33.33	133
Contract issues ¹	Contract Man	2	56.17	112
			Totals:	585
			X 20	\$ 11,709

Sources:

¹ Any hours listed have been verified through time & motion study

Auditor Cost Summary

Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Interview 8 candidates per store, along with the DMs. ¹	Auditor	12.00	\$ 37.70	\$ 452
Audit stores closing ¹	Auditor	32.00	37.70	1,206
Audit stores opening ¹	Auditor	32.00	37.70	1,206
Supervise audits ¹	Auditor Reg Sup	32.00	39.61	1,268
			Totals:	4,133
			X 20	\$ 82,654

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Per diems for hiring candidates ²	Auditor	2	\$ 273.00	\$ 546
			X 20	\$ 10,920

Per Store TOTAL	4,679
X 20	\$ 93,574

GRAND TOTAL \$ 93,574

Sources:

¹ Salary plus benefits

² LCB standard per diem

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6.0.11 Addendum 11

Miscellaneous Costs

Item	Position	Calculations		
		HOURS	WAGE	TOTAL
Attorney General-Legal consulting ¹	Lawyer	23	\$ 200.00	\$ 4,600
Attorney General-Legal consulting ¹	Lawyer	504	275.56	138,883
Loss Prevention tasks to remove cameras and security equipment ²	Loss Prevention Officer	180	42.67	7,680
Budget Administration ²	Fiscal Tech II	45	48.52	2,183
Project Management ²	Project Manager	1,275	36.88	47,016
Archive Store Records ²	Forms & Records Analyst	1,560	31.08	48,485
			Totals:	\$ 248,847

Item	Info stated	Calculations		
		QUANTITY	COST	TOTAL
Per Diems for store visits ³	Loss Prevention Officer	5	273.00	\$ 1,365
Background Checks ¹	Enforcement	20	2.95	59
			Totals:	\$ 1,424

GRAND TOTAL \$ 250,271

Sources:

¹ Historical pattern of charges

² Time and motion study

³ LCB standard per diem

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6.0.12 Addendum 12

Analysis of Access to Liquor by Intoxicated and Under Age Persons

Youth Access to Liquor

The WSLCB and local authorities regularly conduct compliance checks of area businesses licensed to sell alcohol. These businesses include spirits, beer and wine restaurants, grocery stores, state and contract liquor stores, neighbourhood markets, taverns, wine bars and sports/entertainment facilities. Compliance checks are a proven regulatory strategy to prevent the sale of alcohol to minors in a commercial setting.

Liquor enforcement officers conduct compliance checks assisted by investigative aides. These aides are 18 to 20 years old. They must present their true identification if asked by a clerk. However, they may attempt to be evasive if asked their age but not asked for identification.

Liquor enforcement officers can issue Administrative Violation Notices to businesses that fail compliance checks. Fines or temporary license suspensions are issued depending on the severity of the infraction or the frequency with which a business has been cited. Clerks who sell can also receive a criminal citation. Liquor enforcement officers review the past two years of compliance checks when determining fines or license suspensions.

The current liquor compliance rates are maintained based on 50 commission officers and providing enforcement actions or education to these licensees.

Parameters of Liquor Compliance Check Deployment

Every calendar year, all State Liquor Stores (SLS) and Contract Liquor Stores (CLS) receive two unannounced liquor compliance checks conducted by Washington State Liquor Enforcement Officers.

Key Statistical Findings

- In 2009, the liquor compliance rate was 95.8% for SLS and 91.4% for CLS. In the first seven months of 2010, the liquor compliance rate is 94.7% for SLS and 94.4% for CLS. State and Contract Liquor Stores continue to show high compliance rate in the prevention of illegal sales to minors.
- All other licensees show a compliance rate of 73% in 2009 and 75.8% in the first six-months of 2010.

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Liquor Compliance Checks

2009	ALL			Licensees*			State Stores			CLS		
	Checks	Sales	Rate	Checks	Sales	Rate	Checks	Sales	Rate	Checks	Sales	Rate
Jan	211	51	75.8%	161	46	71.4%	23	2	91.3%	27	3	88.9%
Feb	183	43	76.5%	143	40	72.0%	21	2	90.5%	19	1	94.7%
Mar	106	13	87.7%	47	11	76.6%	28	0	100.0%	31	2	93.5%
Apr	221	33	85.1%	170	32	81.2%	23	0	100.0%	28	1	96.4%
May	351	93	73.5%	277	86	69.0%	43	2	95.3%	31	5	83.9%
Jun	235	61	74.0%	213	61	71.4%	3	0	100.0%	19	0	100.0%
Jul	123	19	84.6%	105	18	82.9%	12	0	100.0%	6	0	100.0%
Aug	199	28	85.9%	130	20	84.6%	44	3	93.2%	34	5	85.3%
Sept	163	31	81.0%	111	30	73.0%	20	0	100.0%	32	0	100.0%
Oct	190	43	77.4%	130	39	70.0%	32	0	100.0%	28	5	82.1%
Nov	165	40	75.8%	93	34	63.4%	41	3	92.7%	31	3	90.3%
Dec	129	34	73.6%	81	31	61.7%	19	1	94.7%	29	2	93.1%
TOTAL	2,276	489	78.5%	1,661	448	73.0%	309	13	95.8%	315	27	91.4%
2010	Checks	Sales	Rate	Checks	Sales	Rate	Checks	Sales	Rate	Checks	Sales	Rate
Jan	126	16	87.3%	69	13	81.2%	24	2	91.7%	33	1	97.0%
Feb	290	56	80.7%	238	54	77.3%	19	0	100.0%	33	2	93.9%
Mar	277	59	78.7%	218	54	75.2%	36	4	88.9%	23	1	95.7%
Apr	250	48	80.8%	160	46	71.3%	53	0	100.0%	37	2	94.6%
May	117	30	74.4%	93	28	69.9%	9	0	100.0%	15	2	86.7%
Jun	279	65	76.7%	255	61	76.1%	13	3	76.9%	11	1	90.9%
Jul	235	38	83.8%	175	36	79.4%	33	1	97.0%	27	1	96.3%
TOTAL	1,574	312	80.2%	1,208	292	75.8%	187	10	94.7%	179	10	94.4%

*Licensees excluding State & Contract stores.

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Sales to Intoxicated Persons

Statistically the sale to intoxicated persons is not a major issue with off-premises licensees. The over-service to intoxicated persons tends to be a much larger issue in regulating on-premises establishments, such as restaurant, bars or taverns.

Under the ESSB 6444 proposal, it is anticipated that no change will occur in the issuance of administrative violation notices for sale to intoxicated persons; nor an increase to the number of sales to intoxicated persons in off-premises.

Liquor Over Service Violations

2009	On-Premise	Off-Premise*	State	CLS	Total
1st Qtr	104	6	0	0	110
2nd Qtr	125	7	0	0	132
3rd Qtr	78	8	0	0	86
4th Qtr	79	6	0	0	85
Annual	386	27	0	0	413

**Excluding State & Contract stores.*

There are no expected additional costs related to Enforcement and Compliance.

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ESSB 6444 Presentation



SB 6444

Scope: Identify stores for transition that the board determines will result in the greatest efficiency & cost-effectiveness for the

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Conversion Will Increase Revenue

“ After all conversions are completed & one time costs are recovered, the estimated additional profit is;

\$1,756,318

Actual stores and associated profit are subject to change.

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Selection Criteria

- “ Identified the stores that are in years 6 plus of their 10 year lease.
- “ Based performance & revenue returned on the following:
 - . Net Profit
 - . Gross Sales
 - . Additional Profit: Tiered Commission
 - . Additional Profit: Hybrid Commission

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Key Conversion Activities

- “ Manage the Layoff Process
- “ Contract Manager Recruitment
- “ Surplus
 - . Equipment
 - . Product

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Conversion Timeline



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Estimated Order

Additional Costs	\$ 982,174
Absorbed Costs	<u>\$ 510,889</u>
TOTAL	\$1,493,063

Avg. Project Cost per Store: \$74,653

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Additional Notes

- “ One time costs exceed additional profit in the first fiscal year.
- “ Costs are recovered within 5 to 10 months of store conversion.
- “ To perform these activities, Agency resources will be redirected.
- “ 78 employees impacted (Layoff).

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Risks

- “ May not be a financially viable business proposition for qualified candidates due to costs associated with running the business.
- “ Ideal or current location may not be available or feasible, which could impact revenue.
- “ Some Agency level activities will be deferred in order to implement this plan.
- “ Impact to affected employees (Layoff)

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