

Agency Strategic Plan

Department of Alcoholic Beverage Control (999)

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Mission and Vision**Mission Statement**

The mission of the Department of Alcoholic Beverage Control is to control the distribution of alcoholic beverages; operate efficient, conveniently located retail outlets; enforce the laws of the Commonwealth pertaining to alcoholic beverages and youth access to tobacco products; and provide excellent customer service, a reliable source of revenue, and effective public safety.

Vision Statement

The vision of the Virginia Department of Alcoholic Beverage Control is to enhance the quality of life for Virginia's citizens by balancing control, service, and revenue, in the distribution, sale, and consumption of alcoholic beverages.

Executive Progress Report**Service Performance and Productivity**

- *Summary of current service performance*

The Department of Alcoholic Beverage Control has a very diverse mission with an even more diverse customer base. Value creation services, or those that provide direct services to customers include: the control and distribution of alcoholic beverages, processing license applications, conducting enforcement and adjudication activities, accurately accounting for over a half a billion dollars in revenues and a host of integrated internal support processes.

ABC adopted the Malcolm Baldrige National Quality Award criteria as its management model several years ago. In 2004 and 2005, ABC applied for review by the Virginia Senate Productivity and Quality Award and both years received the Certificate of Performance Excellence, the first of three levels of recognition. Today, ABC continues to utilize the Baldrige criteria to shape the management of the organization. For example, ABC's planning program now uses extensive customer and market data gathered through multiple channels to support the strategic planning process. Focusing attention on improvements that matter most to stakeholders puts ABC in a position to use its limited resources efficiently.

Since adopting this management philosophy, performance continues to improve in all areas. Compliance with youth access to alcohol and tobacco continues to show improvement, increasing from 77% in 2002 to 91% in 2007. In ABC stores, compliance rates are even higher, exceeding 99% in 2007. The timeframe for processing applications for licensees improved 20% between 2005 and 2007 and the processing of hearings cases showed similar improvements. Despite being in a regulatory environment, customer surveys indicate licensee satisfaction exceeds 92% with a similar amount believing ABC agents provide clear guidance about how to maintain compliance with state law and agency regulations.

Store customer satisfaction is also very high, exceeding 92%. Between 2004 and 2007, ABC opened 38 new store locations, which means over 90% of Virginians are within 10 miles of an ABC store. At the same time, ABC modernized 27 locations and expanded the number of products available for sale leading to high marks from customers in the areas of product availability, convenience of locations, hours of operation and store layout and design. The increase in service quality generated significant increases in revenues and profitability. Between 2000 and 2007, sales increased 74% and revenues returned to the Commonwealth increased 68%. At the same time, ABC places a very high priority on fiscal accountability. Through strong internal controls and effective process management, ABC has received only three written audit points from the Auditor of Public Accounts in the last four years, none of which pertained to financial compliance.

- *Summary of current productivity*

As an Enterprise Agency, ABC operates much like a private business using performance metrics to monitor activity throughout much of the organization. In the warehouse and store environment, ABC monitors such elements as cases shipped per labor hour, cost per case shipped, units sold per labor hour, sales per square foot, return on sales, and other expense to sales ratios. In addition to trend analysis, ABC also compares its performance to similar state operations and private sector liquor store operations. In 2007, ABC's 327 stores handled over 22 million customer transactions. Sales per square foot increased to \$544 per square foot (even with the growth in the number of stores), and average return on sales has grown from 29% to 32% between 2002 and 2007. ABC's sales per square foot exceeds that of private liquor stores and is on par with most major retail chains.

Productivity increases in ABC's enforcement operation are much more difficult to measure and often misleading. One

possibility is to review agent activity (e.g. licenses issued) per man-hour. While in recent years, per man-hour activity appears to have improved, it is largely due to excessive staff turnover of sworn personnel. A 20% reduction in ABC's enforcement budget, large numbers of retirements, increased per-agent workloads and severe salary competitive issues with other local and federal law enforcement agencies caused this turnover. As a result, the number of sworn positions has fallen to its lowest level in many years despite a growing population and customer base.

Initiatives, Rankings and Customer Trends

- *Summary of Major Initiatives and Related Progress*

ABC continues to use the Baldrige criteria to lead, plan and manage its operation. As part of this effort, ABC also uses Kaplan and Norton's Balanced Scorecard to monitor performance in the areas of public safety, customer service, revenue generation and accountability, human resource management, and process improvement. For public safety, ABC's strategic priorities have included the aggressive promotion of zero tolerance for underage access and consumption of alcohol and tobacco as well as the promotion of responsible consumption by adults.

- *Effective Public Safety*

Throughout the last few years, reductions in funding in the Bureau of Law Enforcement caused significant turnover and vacancies. Despite the limitations in staff, special agents are involved in conducting criminal investigations to further ensure public safety measures are met and routinely work with local, state, and federal agencies regarding complex alcohol, drug and tobacco task forces.

ABC special agents still conducted over 10,000 underage compliance checks of businesses, conducted training for thousands of licensees and servers of alcohol, and continued its long-standing work with the Youth Alcohol and Drug Abuse Prevention Project (YADAPP), and the College Alcohol Leadership Council. These last two efforts are partnerships between various state agencies, educational institutions and ABC that have continued to shape alcohol abuse prevention efforts for the last 20 years. Virginia has been recognized as a national leader in alcohol prevention and education, winning the National Liquor Law Enforcement Associations award for most innovative program for the comprehensive, environmental approach to prevention. ABC's Education Section distributes over 200,000 pieces of literature annually to licensees, schools, and the general public.

Prevention and education services provided by ABC include specialized training, free educational materials, and direct monetary grants. Training examples include training to local law enforcement agencies on the alcohol laws, annual conferences designed to coordinate college prevention efforts, and direct programming such as Seller/Server Training for ABC licensees. Hundreds of thousands of posters, brochures and other printed materials are available to key communities including K-12 schools, colleges, business and community groups free of charge. All print materials can be ordered via ABC's Web site and many are available for download via an extensive electronic library.

Annually ABC offers grants to support collaboration among local businesses, community organizations and state agencies to promote zero tolerance for underage alcohol prevention. Funding for these grants is made possible through a federal grant from the Office of Juvenile Justice Delinquency Prevention. Increasing the rate of compliance of ABC stores with ABC's ID checking policy and underage sales laws has also been a priority because of the high number and frequent turnover of part-time store clerks. To address this issue, ABC utilizes an in-house training program called Retail 101 to provide clerks with training on how and when to check ID's. ABC's policy is to request identification when customers appear to be under the age of 30.

- *Excellent Customer Service*

In the area of customer service, the two most important priorities for this biennium have been the expansion of the store network and the automation of the central warehouse. Throughout most of the 1980's and 90's, the number of ABC stores remained constant as the population of Virginia grew. During the last six years, ABC expanded its network using a sophisticated planning model that uses a combination of geographic, demographic and financial analysis to identify specific locations that can increase service and maximize profitability. Presently, the population served by each ABC store is equivalent to levels in the mid-80's and will continue to improve through the end of FY 2010. At the same time, ABC created a design team to develop a more professional look for existing stores. During the last three years, 38 stores have been opened and 27 modernized or relocated and numerous others have received additional lighting to improve the shopping environment.

One of the most critical issues for ABC has been the capacity and throughput constraint of the central warehouse in Richmond. The growth in the number of items available for sale, the increase in sales volume, the increase in number of stores, and the instability of the warehouse workforce created significant issues that impact customer service and revenues. In 2004, ABC utilized a distribution consultant to analyze its throughput and capacity limitations and develop an RFP for racking and automating the 300,000 square foot central distribution center. The new warehouse has been in full operation since August 2005, shipping approximately 15,000 cases per day with seasonal peaks of 22,000 cases. The new system significantly expands storage capacity for existing and new items and will use automation to improve

labor productivity and reduce injuries that result in lost time from work, medical expenses and increasing insurance premiums.

- Revenue Growth

Growing revenues and maintaining accountability and the public's trust continue to be a priority for ABC. The growth in stores and new items continues to produce record levels of sales and revenue contributions to the state and localities. In fiscal year 2007, ABC's sales reached \$607 million and total revenue contributions for the state and localities will exceed \$290 million for the first time in ABC's 73-year history. At the same time, ABC gives equal weight to maintaining the public's trust and protection of agency assets through strong internal controls and compliance with generally accepted accounting principles.

- Employee Management & Development

A critical part of the balanced scorecard is the management and development of the workforce. In this area, developing better ways to recognize and reward high performing employees, improving diversity, improving the health and safety of ABC's employees, and expanding learning opportunities. As required by the Baldrige criteria, ABC uses multiple modes of listening to develop a comprehensive picture of employee needs and satisfaction levels. ABC uses a biennial survey based on a survey of organizational health developed by the state of Texas. ABC supplements this information with employee focus groups that provide further detail on issues of importance to employees. The leadership team then reviews employee concerns and issues and develops an action plan for issues that can reasonably be addressed. For example, in response to an issue relating to communication, ABC started an e-mail bulletin that each employee receives and recently expanded the agency intranet to be an active communication and resource tool for employees.

- *Summary of Virginia's Ranking*

In preparing the application for the Senate Productivity Award, ABC conducted extensive benchmarking of other state and national operations. As an integrated liquor control operation, Virginia enjoys the benefits of housing under one roof: the control over the distilled spirit wholesale and retail distribution chain, licensing, education and law enforcement, which leads to significant synergisms.

In the area of public safety, one of ABC's primary measures is the underage sales compliance rate or the rate that businesses sell to an underage decoy. ABC's compliance methodology relies on statistical random sampling to identify businesses for audit and requires minors to present identification if asked. ABC stores are held to the same standards as private businesses with all stores checked annually. ABC's retail operations continue to set the benchmark for others to follow. Currently, state stores are 99% compliant while private sector stores are at 91%. Compliance rates for the underage purchase of tobacco have remained at 90% for the last two years, on par with the national average and federal requirements.

Per capita consumption of distilled spirits is approximately 1.5 gallons per year, 25% lower than the national average. Virginia ranks 43rd in lowest per capita consumption of distilled spirits. Consumption of wine and beer are on par with national averages as is the percentage of traffic deaths that are alcohol-related.

In the area of customer service, the density of store locations, the depth and breadth of products available for sale, and standard financial ratio metrics are the best opportunity for comparison. For store density, ABC evaluates the number of outlets relative to population and area. Currently, Virginia has one ABC store per 23,707 people and six stores per 1,000 square miles. Both are less than half of states with privately operated stores, which is directly correlated to Virginia's lower consumption rates. Random surveys of Virginia citizens by Virginia Commonwealth University indicate citizens overwhelmingly support Virginia's current liquor distribution model and do not wish to see liquor available in grocery, drug and convenience stores. In the area of product availability, direct comparisons are difficult because of the large variations between state-run operations. Based on data from the National Alcoholic Beverage Control Association (NABCA) Virginia's distilled spirit product line, is 15% larger than operations in North Carolina and 75% larger than operations in Pennsylvania. Accurate comparisons to the private sector are not available.

Improvements in services occurring in recent years prompted a corresponding increase in sales. Between 2000 and 2007, dollar sales for Virginia ABC have increased 73.8%. This sales increase is due in part to three price increases mandated by the General Assembly in 2003 and 2004 in addition to increases in per capita dollar purchases that have grown 14% over the same time period indicating customers are purchasing more expensive merchandise. In FY 2005 legislation permitted ABC stores in northern Virginia and Tidewater to open on Sundays and this has contributed to a 2% increase in gross sales. Between 2006 and 2007 there was an increase of 18% in business in these stores open on Sunday. As of September 2007 an additional 37 stores in these regions will begin Sunday sales contributing to both customer service and increased revenue.

ABC also uses standard financial ratio comparisons to analyze performance. In this case, all key ratios such as expense to sales, return on sales, return on inventory, etc. show positive growth and outpace comparative operations. Overall, Virginia's per capita distilled spirit revenues rank ninth in the country despite its low per capita consumption

rate.

- *Summary of Customer Trends and Coverage*

Of the approximately 5.3 million legal age Virginians, approximately 50% consume alcoholic beverages and are direct customers of ABC stores. On an annual basis, Virginia ABC conducts over 22 million customer transactions but it is not possible to know the frequency that individual customers visit and make purchases.

Population and economic growth and changing demographics are the primary driver of changes to ABC's customer base. In the next 10 years, the census bureau forecasts Virginia to grow by approximately 800,000 people. The growth in the number of people as well as the location of such growth has a direct impact on ABC's ability to provide services such as the number and location of ABC stores. Historically, this growth has been focused between Northern Virginia and Tidewater, leading to a significant expansion of the store network in these areas. Consumption patterns also play an important role in ABC services. The number of distilled spirit products available in the marketplace has grown tremendously in recent years, which is contributing to slight increases in store size to ensure enough space is available to carry products to meet customer demand. At the same time per capita dollar and volume purchases have increased slightly in recent years and is expected to continue during the planning horizon.

As the sole regulatory authority over the manufacture, transportation, distribution, sale and consumption of alcoholic beverages in Virginia, primary customers also include the 15,500 businesses licensed to sell alcoholic beverages in the Commonwealth. Among these are 3,900 restaurants required by statute to purchase distilled spirits from ABC stores. Population growth, as well as economic factors, influences the growth in the number of licensed establishments. The location of this growth has a significant influence on the number of ABC special agents needed in specific localities. While ABC conservatively forecasts that the number of licensees will grow about 1,000 during the next ten years, the health of the economy can influence workload through license turnover, increased crime, etc.

ABC promotes zero tolerance for the underage consumption of alcoholic beverages and thus focuses on the approximately 2.1 million Virginian's under the age of 21. According to the Journal of the American Medical Association (JAMA), those under 21 consume 20% of all alcoholic beverages sold in the United States. While significant strides have been made in licensee compliance with underage sales laws, most underage drinkers report older siblings and friends as the primary source of alcoholic beverages (primarily beer).

ABC is also concerned with adults who consume in an irresponsible manner because of public health and safety issues such as traffic accidents and fatalities, and the high correlation between sexual assaults, domestic violence, and other crimes in which the over consumption of alcoholic beverages is often an issue. While approximately 80% of the drinking population does so in a responsible manner, the remaining 20% consumes 83% of the alcoholic beverages sold in the United States (JAMA). In Virginia during 2006, there were over 29,000 convictions with an average Blood Alcohol Content of .1409 (.08 is the legal limit).

A new and growing initiative for prevention and education services is the senior population. Older adults face distinct and often underestimated risk factors for substance misuse. These age related factors range from life-changing events, such as retirement or bereavement, to mixing alcohol with prescription and over the counter medications. ABC has taken the leadership in forming an Alcohol and Aging Awareness Group with representation from state and private organizations representing health, mental health, and senior advocacy. This group has formed two subcommittees focusing on consumer education and service provider education and developed a brochure for distribution. Initiatives in the next biennium will address consumer education and service provider education for this important customer group.

ABC's other customers include other state, local and federal government agencies, other law enforcement agencies, public and private K-12 schools and colleges, and numerous prevention groups. In addition, ABC has a significant number of indirect customers including distilled spirits vendors, trade association representatives, landlords, and members of the media. The exact number of these stakeholders is not available at this time and can vary by group.

Future Direction, Expectations, and Priorities

- *Summary of Future Direction and Expectations*

ABC's future direction will continue to be centered on its mission and strategic goals of Public Safety, Customer Service, Revenue Growth & Sound Business Practices, and Employee Management and Development. In the area of public safety, continued emphasis is on reducing youth access to alcoholic beverages and tobacco products (particularly through older friends and relatives) and maintaining the high rate of compliance by ABC stores.

In the area of customer service, ABC will continue to focus on improving customer satisfaction by opening new stores, improving the number of stores meeting service and design standards, and ensuring that products in demand are available for sale. In the area of new stores, the rate of increase will slow significantly in 2009 and 2010 as ABC seeks only to maintain service levels with population growth. ABC's priority will shift from opening new stores to improving the shopping environment in existing stores through the development of a set of consistent design standards. ABC's

enforcement and adjudication functions also have a role in improving customer service. ABC will continue to focus on improving license application processing time, violations and hearings processing time and expanding licensee interactions with agents through increased inspections. Additional special agent staff will be utilized to improve the audits and inspections of the wholesaler and mixed beverage licensees,

Agency initiatives based on Virginia's Agency Risk Management Internal Control Standards (ARMICS) provides guidelines for establishing and assessing agency internal controls to more effectively manage risk and maintain accountability. Identification and mapping of business processing, assessing risks and developing corrective actions as necessary are significant initiatives requiring ongoing staff commitment across the agency. Requirements exist for improving computer security from both administration mandates and external sources such as the Payment Card Industry requirements. Reaching compliance with these requirements has significant cost implications; and non-compliance has severe penalties for violations and infractions. There is a strong linkage between these initiatives and the requirements of the Senate Productivity and Quality Award, which has helped ABC with its documentation efforts.

The Department has also addressed plans for emergency situations, and planning for operations under such conditions that can mitigate the impact of the emergency on our people, our facilities and our mission. The Continuity of Operations Plan (COOP) was developed in April 2007, and will be reviewed, updated and tested annually. The COOP and ARMICS initiatives will merge to develop formal Risk Assessment and Business Impact Analysis documents in the next year.

To support this initiative, a comprehensive data warehouse is currently under construction that will allow process owners to develop better performance metrics for these processes. Other areas of importance that need to be addressed are the breadth of use of performance metrics throughout the agency and the management and development of the agency's workforce.

Other priorities for the future include utilizing technology to expand business opportunities into e-commerce, upgrading telecommunications services, improving supply chain management and internal systems efficiency and reliability, and standardizing business analysis and reporting tools. Finally, ABC understands the value of utilizing small, women and minority-owned firms and using a process action team has identified specific strategies necessary to improve participation.

- *Summary of Potential Impediments to Achievement*

One of the most important issues facing ABC is the ability to attract and maintain a qualified work force. Employee turnover continues to be high in stores, warehouse, enforcement, technology and other key positions and expected to worsen as the number of employees eligible for retirement increases. Turnover is compounded by a shrinking labor market and the fact that private sector wages continually outpace the state's ability to pay.

Reduced staff in the Enforcement Bureau, Wholesaler Compliance Unit prevents the best practice of auditing a wholesale licensee every 3 years. ABC is also lacking special agents with accounting, CPA or forensic accounting skills for inspections and audits of ABC mixed beverage licensees on an annual basis. In both cases, there is a significant risk of not collecting tax revenues due the Commonwealth. Salary compression, inversion, and a lack of competitiveness with other employers is causing significant turnover in critical areas such as law enforcement, store operations and others. Failure to address these issues will lead to a reduction in service delivery and increased costs of operation.

Like any state agency, funding is a continuing issue. As a non-general fund Enterprise Agency, ABC does not receive any general funds. In ABC's case, the Appropriations Act does not allocate actual funds but grants authority to spend revenues generated through operations. Many of ABC's initiatives require additional authority to spend in order to improve services and generate additional profits for the Commonwealth. The opening of new stores is one example of this type of investment. Increasing ABC's appropriation in recent years has allowed ABC to significantly improve services to the citizens and generate incremental gains in profits.

Service Area List

Service Number	Title
999 304 03	Enforcement and Regulation of Alcoholic Beverage Control Laws
999 801 01	Administrative Services
999 801 02	Alcoholic Beverage Control Retail Store Operations
999 801 03	Alcoholic Beverage Purchasing, Warehousing and Distribution

Agency Background Information **Statutory Authority**

The primary mandates for agency operations are found in state statutes. Title 4.1 of the Code of Virginia is known as the Alcoholic Beverage Control Act and includes:

- Chapter 1: Definitions & General Provisions
- Chapter 2: Administration of Licenses
- Chapter 3: Prohibited Practices
- Chapter 4: Wine Franchise Act
- Chapter 5: Beer Franchise Act

The vast majority of the Department’s mandates are covered in §4.1-103, General Powers of Board. Some of these powers include:

- Buy, import and sell alcoholic beverages other than beer and wine not produced by farm wineries, and to have alcoholic beverages other than beer and wine not produced by farm wineries in its possession for sale.
- Control the possession, sale, transportation and delivery of alcoholic beverages;
- Determine, the locations and localities where government stores shall be established or operated.
- Maintain warehouses for alcoholic beverages and control the storage and delivery of alcoholic beverages to and from such warehouses.
- Lease, occupy and improve any land or building required for the purposes of this title.
- Determine the nature, form and capacity of all containers used for holding alcoholic beverages to be kept or sold under this title, and prescribe the form and content of all labels and seals to be placed thereon.
- The Board may hold and conduct hearings and authorize any Board member or agent of the Board to hold and conduct hearings, issue subpoenas, administer oaths and take testimony there under, and make summary decisions, subject to final decision by the Board, on application of any party aggrieved.
- Promulgate regulations in accordance with the Administrative Process Act, in the following areas: procedural rules for conducting hearings before the Board, advertising, relationship between retailers and wholesalers, manufacturers, wholesale and retail operations and requirements for product approval,
- Grant, suspend, and revoke licenses for the manufacture, bottling, distribution, importation, and sale of alcoholic beverages. Assess and collect civil penalties and civil charges for violations of this title and Board regulations.

The ABC also has implicit mandates relating to other functions of government. These include:

- Complying with central state agency requirements such as those promulgated by the Department’s of General Services, Human Resource Management, Accounts, Planning & Budget, Virginia Information Technology Agency, Treasury and others.
- Complying with federal requirements such as Americans with Disabilities Act, Bureau of Tax and Trade, and others related to federal labor law.

Customers

Customer Group	Customers served annually	Potential customers annually
ABC Employees as internal customers	2,739	2,739
ABC Licensees	15,500	15,500
ABC Store Customers (annually transactions)	22,800,000	22,800,000
City & County Law Enforcement Agencies	113	113
Colleges & Universities	72	72
Federal Law Enforcement Agencies	9	9
Liquor Vendors	149	149
Local City & County Governments	113	113
Prevention Groups (Community Service Boards)	40	40
Schools K-12 public and private	1,780	1,780
Senior Virginians -Over 65 years	888,000	888,000
State Government Agencies	20	20
Trade Associations	15	15
Vendors & Suppliers other than liquor	5,000	5,000
Virginia's under 21 population	2,079,000	2,079,000

Anticipated Changes To Agency Customer Base

ABC's customer/stakeholder base is quite diverse with often competing requirements between control, service, and revenue. Active communication is the key element to maintaining a harmonic balance between constituent groups. ABC has established strong contacts with its constituencies and actively pursues input through multiple channels such as surveys, open-meetings, newsletters, etc. With the continual balancing of what may seem to be conflicting goals, ABC considers the interests of the multiple stakeholders in the strategic planning process and the development of strategic issues and action plans that are focused on the agency's broad goals rather than functional areas.

Of the approximately 5.3 million legal age Virginians, approximately 50% consume alcoholic beverages and are direct customers of ABC stores. On an annual basis, Virginia ABC conducts over 22 million customer transactions including those made to mixed beverage licensees, which accounts for 20% of ABC's total sales volume. In the past year the agency began a focus on internal customers beginning with the management teams of the ABC stores. A survey was conducted assessing 12 areas of services that support the store network and identifying areas for improvement. ABC store employees are a significant internal customer group and the support and services provided to them directly impacts the customer service provided to our ABC store customers.

ABC's other customers include other state, local and federal government agencies, other law enforcement agencies, public and private schools covering students from kindergarten through 12th grade, colleges, and numerous prevention groups. In addition, ABC has a significant number of indirect customers including distilled spirits vendors, trade association representatives, landlords, and members of the media. The exact number of these stakeholders is not available at this time but can vary by group.

ABC considers its suppliers part of its customer base. The largest and most important supplier group are the 149 vendors who supply the products sold through ABC retail outlets. ABC has created a virtual partnership with these suppliers through the use of bailment warehousing. Under this arrangement, vendors own and independently maintain stocks of inventory in ABC's warehouse for those products sold in ABC stores. The key element in this relationship is the ability of the vendor to maintain adequate supplies of inventory based on forecasts of expected depletions from inventory. This partnership also extends to the store. Vendors actively promote their products via price discounts, promotions and in-store displays.

Part of ABC's mission is to promote zero tolerance for the underage consumption of alcoholic beverages, which creates an additional customer base of approximately 2.1 million Virginian's under the age of 21. According to the Journal of the American Medical Association, those under 21 consume 20% of all alcoholic beverages sold in the United States. While significant strides have been made in licensee compliance with underage sales laws, most underage drinkers report older siblings and friends as the primary source of alcoholic beverages (primarily beer).

ABC is also concerned with adults who consume in an irresponsible manner because of public health and safety issues such as traffic accidents and fatalities, and the high correlation between sexual assaults, domestic violence, and other crimes in which the over consumption of alcoholic beverages is often an issue. A new and growing initiative for prevention and education services is the senior population. Older adults face distinct and often underestimated risk factors for substance misuse. These age related factors range from life-changing events, such as retirement or bereavement, to mixing alcohol with prescription and over the counter medications. While approximately 80% of the drinking population does so in a responsible manner, the remaining 20% consumes 83% of the alcoholic beverages sold in the United States (JAMA). In Virginia during 2006, there were over 29,000 convictions with an average Blood Alcohol Content of .1409 (.08 is the legal limit).

ABC's primary customers also include the 15,500 businesses licensed to sell alcoholic beverages in the Commonwealth. Among these are 3,900 restaurants required by statute to purchase distilled spirits from state stores.

In the next 10 years, the census bureau forecasts Virginia to grow by approximately 800,000 people. The growth in the number of people as well as the location of such growth has a direct impact on ABC's ability to provide services such as the number and location of ABC stores. Demographic and economic growth is the primary driver of changes to ABC's customer base. Population growth, economic factors, and legislation changes influences the growth in the number of licensed establishments. The location of this growth has a significant influence on the number of ABC special agents needed in specific localities. While ABC conservatively forecasts that the number of licensees will grow between 1,000-2,000 during the next ten years, the health of the economy can influence workload through license turnover, increased crime, etc.

Partners

Partner	Description
[None entered]	

Products and Services

- *Description of the Agency's Products and/or Services:*
Current Products and Services

The public safety mission of ABC results directly from being the primary agency to regulate the manufacture, distribution, sale, transportation and consumption of alcoholic beverages. Services include the annual issuance of 15,500 licenses to sell wine and beer to retail establishments and restaurants for the wine, beer and spirits. In addition, over 14,000 licenses are issued annually for one-time special events to sell wine, beer and spirits. Extensive criminal background investigations are conducted annually on 2,500 new business license applications, in addition to a thorough corporate investigation to insure suitability to be issued an ABC license.

ABC monitors compliance of these licensees with Virginia ABC laws and regulations and issues violations for non-compliance. If violations occur or licensee applications are contested, ABC conducts administrative hearings to adjudicate these issues. ABC conducts aggressive compliance monitoring efforts related to the underage sale of alcohol by licensees and state stores in addition to underage sales of tobacco products by retail businesses.

A wide range of other compliance activities also includes illegal manufacturing and distribution (stills and nip joints), financial investigations and numerous other violations of state laws and regulation. ABC agents work collaboratively with local, state and federal law enforcement groups in these investigations. Agents also serve on state and federal task forces investigating anti- drug and other criminal activity.

Prevention and education services provided by ABC include specialized training, free educational materials, and direct monetary grants. Training examples include training to local law enforcement agencies on the alcohol laws, annual conferences designed to coordinate college prevention efforts, and direct programming such as Seller/Server Training for ABC licensees. Hundreds of thousands of posters, brochures and other printed materials are available to key communities including K-12 schools, colleges, business and community groups free of charge. All print materials can be ordered via ABC's Web site and many are available for download via an extensive electronic library.

Annually ABC offers grants to support collaboration among local businesses, community organizations and state agencies to promote zero tolerance for underage alcohol prevention. Funding for these grants is made possible through a federal grant from the Office of Juvenile Justice Delinquency Prevention. All of these prevention programs are designed to increase awareness of ABC laws and regulations and promote responsible selling, serving and consumption of alcoholic beverages

ABC's public safety mission is also apparent in the stores environment. Direct services include the aggressive prevention of sales to underage and intoxicated persons. Indirect services include the overall management of per capita consumption through environmental factors such as limiting the number of outlets, hours of availability, and promotional activities.

Quality customer service for ABC involves many of ABC's service areas. In the retail stores, ABC has focused attention on providing convenient locations to Virginia's growing population. Using a sophisticated planning model that includes GIS mapping technology, ABC has opened 38 stores in the last three years and is planning on continuing with growth in the next biennium (but at a slower rate). In addition to location, a quality-shopping environment has lead to modernization of 27 stores in the past three years. ABC offers a wide product selection throughout the store network with each store having a customized product mix based on its demographics and sales patterns. ABC also offers a special order catalog for new and high-end products not currently available in individual stores.

In addition to public safety and customer service, ABC has evolved into a significant source of revenue resulting from store sales, license fees, penalties, and collection of taxes from wine and beer wholesalers. In fiscal year 2007, ABC's sales exceeded \$607 million and total revenue contributions for the state and localities exceeded \$290 million for the first time in ABC's 73-year history. At the same time, ABC gives equal weight to maintaining the public's trust through strong internal controls and compliance with generally accepted accounting principles and state administrative procedures.

- *Factors Impacting Agency Products and/or Services:*

- *Increasing Population*

The continued growth in revenue and profits is directly correlated to store expansion and remodeling with the ability to carry products in demand by consumers. As population and demographics change, store locations will need to adjust accordingly. For example, in Northern Virginia the population is projected to significantly increase which translates to the need for the placement of additional retail stores. New stores are expected to continue to be the cornerstone for sales growth. Continued funding for new store openings and store modernization is necessary to continue the demonstrated sales revenue increase. Increasing population also impacts regulatory requirements through growth in the number of licensed establishments as well as increasing numbers of legal, underage and irresponsible consumers.

- *Changing Marketplace*

The overall retail environment influences the public's expectation of ABC's shopping environment. Survey and comment cards indicate that customer's desire improved lighting and appearance of ABC stores to make them more like a private

retail establishment. In addition, the growth in distilled spirit products in the market place means ABC has to adjust the breadth and depth of its product line to meet customer demand and maintain sales growth.

• **Expense Inflation**

Like any business, changes in expenses can influence ABC’s ability to generate profits. Some expenses such as capital investments in infrastructure and the opening of new stores can contribute to positive revenue growth and over the past 3 years sales have grown by 7%. Other expenses such as General Assembly mandated pay raises and changes in health care costs, mandatory rent escalations, VITA charges and fuel increases are a significant source of expense inflation that serve to reduce profitability. Over the past 3 years expenses have grown at 10% annually and similar trends are expected in the future.

• **Budget Reductions**

A 20% reduction in ABC’s enforcement budget at a time of growth in customer base has contributed to a decline in services. In the Wholesaler Compliance Unit the number of licensees has increased four-fold in the past three years with staff static. Reduced agent staff impacts mixed beverage licensee audits and statutory and regulatory monitoring. While public safety compliance has been maintained in the short-run, the growth in licenses and population make it unlikely that this will be maintained given the high rate of employee turnover.

• **Anticipated Changes in Products or Services:**

ABC expects to continue to expand the number of stores during the biennium to achieve and maintain a one store per 23,000-person ratio. By the end of FY 2010, the number of ABC stores should reach 340 to maintain service levels throughout the next biennium. ABC also expects continued growth in the variety of products offered in the marketplace and individual ABC stores that may necessitate slightly larger store sizes in the future.

ABC is already using e-commerce to provide Web-based application and payment processing for the banquet licensing process. ABC expects to explore the feasibility of additional opportunities such as other license applications, and licensee ordering. The primary driver of these opportunities will be the financial viability of the proposal taking into consideration process efficiencies and the increased cost of credit card processing.

While ABC is not planning any significant changes in services related to the Enforcement and Regulation of Alcoholic Beverages, based on budgetary constraints significant work force issues will hamper licensing services and the effectiveness of public safety operations. Reduced staff in Wholesaler Compliance Unit prevents the best practice of auditing a wholesale licensee every 3 years. ABC is also lacking special agents with accounting, CPA or forensic accounting skills for inspections and audits of ABC mixed beverage licensees on an annual basis. In both cases, there is a significant risk of not collecting tax revenues due the Commonwealth.

Finance

• **Financial Overview:**

The Department of Alcoholic Beverage Control operates as a Non-General/Enterprise Fund Agency which means the cost of providing goods and services are recovered solely through the sale of alcoholic beverages, license fees and other revenues. The state budget gives ABC the authority to spend in four services areas: Enforcement and Regulation of Alcoholic Beverage Control Laws, Administration and Support, Alcoholic Beverage Retail Stores, and Alcoholic Beverage Purchasing, Warehousing and Distribution. The Appropriations Act mandates a series of profit transfers to other state agencies as well as general funds, counties, cities and towns on a per capita basis.

• **Financial Breakdown:**

	FY 2009		FY 2010	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$0	\$440,406,412	\$0	\$440,406,412
Change To Base	\$0	\$7,933,265	\$0	\$7,300,053
Agency Total	\$0	\$448,339,677	\$0	\$447,706,465

This financial summary is computed from information entered in the service area plans.

Human Resources

• **Overview**

ABC currently employs a diverse workforce, with approximately 989 classified employees, 1,748 wage employees, and 2 contractors. These 2,739 agency employees work throughout the Commonwealth operating 327 retail stores, and eight regional offices. Approximately 365 employees are located in Richmond at the central office and warehouse

facility.

The demographics of ABC’s workforce are generally consistent with the overall state workforce. Nearly 59% of all employees are over the age of 40, 46% are female and 37% are minorities. The average age of an ABC employee is 42 years old, with an average length of service at 11 years. ABC has a high number of retirement-eligible employees: 220 employees (22% of FTE positions) within the next six years and an additional 46 employees (4.5% FTE positions) eligible within 10 years.

Wholesale/Retail is the agency’s largest division, accounting for nearly 2,118 classified and wage positions, or 77% of the workforce. The division is comprised of the stores (currently at record 327) and the warehouse. The warehouse employs nearly 80 employees, both classified and wage, and continuously recruits for Order Selectors. The warehouse is responsible for “picking” or filling orders by the stores for cases of alcohol, and then loading the trucks for delivery. Turnover rate for the warehouse is high due to the manual requirements of the work environment. The Wholesale/Retail Division has an annual turnover rate of 45% for wage employees and 12.6% for classified employees, both above industry and state averages.

The Enforcement division is the second largest division at ABC, consisting of 309 sworn and civilian employees (160 classified and 149 wage). The Bureau is comprised of Field Operations (agents and support staff), Security, Tax Management, Licensed Records Management, Education and Compliance. As the name implies, the division is responsible for ensuring the laws and regulations pertaining to alcoholic beverages and tobacco are upheld. Employees issue licenses for individuals and establishments, conduct comprehensive investigations and sting operations (many of which lead to arrests), participate in hearings for violations of state alcohol laws, and collect fees. Approximately 130 classified employees are sworn agents with full police authority, and almost all of the wage employees are Student Undercover Agents (civilian) used for the Underage Buyer Program. Turnover rate for this division for classified is 10% down from 16% in FY 2004.

The remainders of the ABC’s positions are contained in the Richmond Central Office that performs functions such as Information Technology, Financial Management, Property Management, Public Relations, Human Resources, Policy, Analysis & Support Services and Internal Audit. Turnover and vacancy rates for these areas are highly variable, ranging from 0-50%.

● *Human Resource Levels*

Effective Date	5/31/2005
Total Authorized Position level	1012
Vacant Positions	-33
Current Employment Level	979.0
Non-Classified (Filled)	4
Full-Time Classified (Filled)	974
Part-Time Classified (Filled)	1
Faculty (Filled)	0
Wage	1748
Contract Employees	2
Total Human Resource Level	2,729.0

breakout of Current Employment Level

= Current Employment Level + Wage and Contract Employees

● *Factors Impacting HR*

The high number of retirement-eligible employees: 220 employees within the next six years and an additional 46 employees eligible within 10 years is of significant concern for ABC’s senior managers. Retention efforts and training initiatives have become even more critical, as the age of the agency’s workforce significantly impacts the number of retirements, and the external market obtains a greater competitive advantage.

Based on the projected growth of the agency, 20 new stores are expected within the next two years. The growth in the number of stores along with corresponding increases in sales volume creates some minor staffing adjustments at the central office to ensure that necessary infrastructure requirements are addressed.

With a current increase in the number of licensees and future projected increases (3%-5% per year), the agency needs additional agents to ensure laws and regulations are being followed through proper enforcement and education. ABC

agents receive specialized training and possess full police authority, thus prompting local law enforcement agencies to request assistance from our agents on an increasing basis. The budgetary reductions over the past two years have also placed our Enforcement division in jeopardy of a decrease in compliance and more agents are leaving for jobs with higher salaries and fewer responsibilities in other state, local and federal law enforcement positions.

The turnover at ABC is considerably higher than the industry norms. Average turnover for the retail industry is 34%, however ABC retail wage positions have a turnover rate of 45%. Turnover for state and local government averages at 7% and ABC average is 12%. Each year, the agency experiences recruiting challenges for several specific positions. Typically, wage employees for the Stores division are difficult to find and retain. In the recent past, hard-to-fill classified positions have included IT Programmer/Analyst (Information Technology Specialist II), Maintenance Repair Worker (Trade Tech. III), Master Mechanic (Trade Tech IV), Graphic Designer (Media Specialist III), Special Agent (Law Enforcement Officer II), and Order Selectors (Stores and Warehouse Specialist II).

One of the most critical drivers of turnover relates to employee compensation. Recent studies have demonstrated that state employees are compensated, on average, 10% - 20% below the private sector in comparable industries. In addition, significant salary compression and inversion situations as well as other internal inequities exist. Both issues have had a significant negative impact on ABC employees, and over 50% of all turnover, due to voluntary resignations, is a result of a new job with a higher salary. For ABC, competitors for employment include most retail establishments (store employees), local and federal law enforcement agencies (sworn agents), IT and Fortune 500 companies (IT staff), and other state agencies (Central Office employees).

To help improve morale and increase employee retention, the agency's Reward and Recognition Program was enhanced in 2005 to allow for monetary awards up to \$500 and leave awards (for classified employees only) up to three days per fiscal year. Funds for the program were increased to support utilization. Employees have generally complimented the program, saying that when they receive an award for extraordinary performance, they feel appreciated. As a result, morale has increased.

In addition to the Reward and Recognition Program, the agency's Training and Development section (part of the Human Resources Division) has enhanced existing management programs such as High Performance Management, Leadership Development, and Inclusive Management, and has developed a week-long comprehensive management development program, Leadership Excellence Advancement Program (or LEAP), designed to better-equip our supervisory staff to lead a team of employees successfully. These training initiatives were developed as a result of on-going workforce planning, recognizing that many of our management-level employees may retire within the next few years and therefore continuing education is vital to the success of our newer managers. Also, providing effective training programs to our employees demonstrates that the agency values them, and leads to greater retention.

In FY'07, 427 employees attended in-house training programs, 346 employees attended external conferences and seminars, and 13 employees participated in the tuition assistance program. These numbers are 8% - 28% lower than the previous fiscal year due to budget reductions.

During the spring of 2007, the agency developed a formal succession plan to ensure continuity of operations in the event that a key employee/employees are suddenly unable to work. The plan identifies current employees who possess the competencies required to perform in a key role for a short or long period of time. The plan also identifies training needs of these individuals to better prepare them for career advancement. In maintaining compliance with the DHRM Hiring Policy (Number 2.10), the succession plan does not guarantee an employee will receive a promotion or transfer into a higher-level position, however it does identify employees who are suitable to perform in an "acting" capacity until such time that the position can be filled (if vacated) through a competitive process. Training initiatives to support the succession plan are set to commence in January 2008, providing funds are available (funding had been included in the FY'08 budget, however due to statewide budget crisis, funding for non-mandatory training may be limited).

Employee health and safety is also an area of high importance, and the agency developed a mandatory statewide safety program in 2005 and offered this in 2006 and 2007. In the past three years the number of work-related accidents has decreased by 15% and the dollars paid to employees for medical expenses by our workers compensation insurer has decreased by 69.2%. This would signify the severity of injuries has decreased from previous years in addition to the number of injuries. On-going training ensures that all employees receive the training, and the program is updated every year to reflect new topics of interest. In October 2005, the agency received the DHRM Safety Star Award in recognition of its efforts to improve safety in the workplace.

- *Anticipated HR Changes*

With the continued growth of stores the agency will have to include new classified positions for store managers. Wage employees will need to increase, and 30% of retirement-eligible employees will retire within five years, jumping to 50% in ten years. Key positions identified for succession planning include Regional Managers (most are expected to retire), Director and Assistant Director positions.

The 2004 General Assembly provided legislative for Sunday sales resulting in 50 ABC stores opening for business on Sundays, beginning July 4, 2004. Sundays sales in the past 2 years has contributed to increased sales revenue and an additional 40 stores open with Sunday hours in September 2007. If the General Assembly passes further legislation expanding the number of ABC stores operating on Sundays, this may result in increased recruitment and retention efforts, as additional P-14 staff will be needed to fill gaps where current employees are unable to work, refuse to work or leave the agency.

Due to expanded operational requirements, population growth, an increase in the number of ABC retail stores and an increase in the number of licensees, The Enforcement Bureau in the next biennium will need to add 11 new agent positions, eight classified Licensing Technicians (currently a new wage position) and a financial analyst position to maintain the delivery of services in this budgetary service area.

A more detailed breakdown of the agency's human resources, issues, and plans can be found in the agency's Department of Alcoholic Beverage Control Workforce Plan 2004.

Information Technology

- *Current Operational IT Investments:*

ABC's information technology environment must enable the Agency's mission of control, service and revenue production. The Information Technology Services Division (ITSD) is responsible for developing specialized internal support systems, procuring applications and programs that support agency mission requirements, maintaining hardware and software, and providing help desk services to all ABC facilities throughout the state. ABC's major systems are considered "out of scope" to VITA due to their specialized use (e.g. cash register systems).

ABC's major application systems that support the business functions of the agency and performance measures areas follows.

§ Point-Of-Sale System (POS) - POS is the cash register system for 330 ABC retail stores. POS is involved with the collection of sales and revenue data and tracking inventory of products sold. This system interfaces with MOVE and MIPS and supports three of the four service areas fo the Department.

§ MOVE (Warehouse Management) - MOVE is the application that manages all inventory in the ABC warehouse and is utilized to select product to fill orders that are shipped to 330 ABC retail stores. MOVE is the application most directly involved with the service area of Alcoholic Beverage Purchasing, Warehousing and Distribution and the performance measures in this service area including inventroy turns and warehouse productivity.

§ MIPS (Management of Inventory and Product Sales) - MIPS is an application that maintains a perpetual inventory in all stores and is utilized to develop weekly orders to each ABC retail store based on history of prior sales and forecasting future sales. MIPS interfaces with MOVE and the POS applications and supplies information for the performance measure related to percentage of stock outs in ABC retail stores.

§ WEB CORE (Computerized Organization of Resources for Enforcement) This is a License Management application that provides web based services to ABC customers. Some ABC license applications can now be processed through this application in addition to extensive information and applications for citizens wishing to apply for an ABC license. Performance measures in the Enforcement and Regulation service area are supported by WEB CORE.

§ CMS/IBR (Case Management System/Incident Based Reporting) - This appolication supports functions in the Enforcement and Regualtion service area. Records of special agent activity including compliance checks, ABC license violations and under age buyer violations are all maintained by this system. Key measures of underage complaince for retail alcohol sales are maintained and produced by this system.

§ HRMS and MyABC (Human Resource Management Systems) These two systems support multiple services for employees and track multiple functions of the Human Resource Division such as hiring, payroll, performance, training, and employee seperation. The performance meausre of agency turnover rate is obtained from the HRMS system.

§ PERFORMANCE (Financial Management System for accrual accounting) - Performance process and maintains all financial accounting and fiscal functions of the agency. All service areas and business functions of the Department are impacted by the services provided by this system.

Most of ABC's unique applications are Java based, internally developed and tightly integrated into environment through multiple interfaces. Applications change often because of statutory or regulatory changes, new business requirements, data interchange requirements, supplier and external requests, and security updates. Because of ABC's integrated

development environment, rapid change is the expected reality.

The technology environment will:

- § Support over 340 stores with near real-time automated information and without major upgrades to support staff,
- § Support extended store hours and seven day per week sales,
- § Operate upgraded warehouse facilities, including conveyor systems and hands-free scanning systems,
- § Support an increase in warehouse throughput,
- § Provide secure Web-based access by vendors to agency inventory information for replenishment actions,
- § Support Web-based e-commerce services for licensees and customers for ordering products
- § Provide secure high-speed web-based access to agency information for field enforcement agents,
- § Provide agency Web-based historical, financial, and statistical information using data warehouse technology,
- § Support upgraded automated systems that maintain or upgrade the current level of services to stores and customers for the foreseeable future,
- § Provide Web-based information to employees, vendors, licensees, and customers in support of agency operations and administrative actions.

Challenges

ABC has several challenges that must be met to address the business needs of the agency and maintain efficient, effective and secure automated systems. All of ABC IT applications support the Commonwealth's IT goal of best-managed state in the nation. Information security is a primary challenge because of significant requirements from internal and external sources and the growing threat to the security of citizen personal data. The Governor's Executive Order 43 requires protection of personal information. ABC's merchant status requires compliance with Payment Card Industry (PCI) data security standards (PCIDSS) with significant financial liability for loss of information. Updated Commonwealth of Virginia Information Technology Resource Management standards and policies raise the bar on processes and equipment used to protect the systems at ABC. Specific IT issues facing the agency include:

- § Upgrade ABC statewide network infrastructure to meet VITA/Partnership directed network upgrades and higher security standards for PCI data security
- § Upgrade/replace the aging store POS system to maintain operational support, meet PCI security requirements and improve operation performance to enhance customer satisfaction.
- § Upgrade aging warehouse and store scanning gun systems to meet PCI security standards
- § Upgrade aging store signature capture devices to maintain operational support
- § Implement a new enforcement wholesaler financial audit application
- § Implement a new wine/malt beverage tax collection system
- § Implement additional phases in enforcement's case management system
- § Develop a Hearings Division case management system
- § Expand e-commerce effort for Web enabled license renewals
- § Upgrade and enhance MyABC application (Human Resources)
- § Acquire a document management system
- § Upgrade the CORE licensing system to Java
- § Upgrade the fixed asset system (SEIS) to handle additional items
- § Upgrade Power Builder application to Java
- § Upgrade Performance Accounting system
- § Upgrade application security
- § Upgrade the Forecasting and Product Inventory (MIPS) application to meet new requirements.
- § Upgrade the transportation system (product delivery)
- § Upgrade and automate store functions to improve operations

ABC continues to grow and open new stores, however support staff has not increased. The above upgrades and applications improvements are needed to reduce operating costs and to keep support staff levels the same. Some of the above upgrades are needed to meet new security levels, mandates from VITA and upgrades required from vendors.

- *Factors Impacting the Current IT:*

§ ABC continually assesses customer requirements to identify new demands for information and new business processes. While ABC's methodology is constantly evolving, assessments have indicated various customer groups expect more convenient access to store locations, access to information concerning product availability and pricing, improved availability of information on the web, reduced time for processing applications for licenses and other services.

§ Internal requirements for improving business process efficiency and effectiveness also continue to grow as more process owners gain knowledge of process improvement methodologies. These internal and external demands require maintenance and upgrades in existing systems as well as the development of additional electronic delivery methods for

vendors and other supporting customer groups.

§ The ever-changing technology utilized for supply chain management is also a key factor on ABC’s long-term horizon. ABC has implemented automation and bar code scanning for product distribution and inventory management, however other emerging technologies such as RFID may play a role in the future.

§ The cost of IT goods and services is also a significant concern to ABC. As an Enterprise Fund agency, ABC is charged with operating as a business and generating significant returns for the Commonwealth. Increases in ABC’s cost of technology, driven by VITA high transformation costs such as mandated network infrastructure upgrades, will have a direct impact on ABC’s ability to meet its revenue requirements and service delivery obligations.

§ ABC must meet new higher information security standards set by COV/VITA and must also meet the Payment Card Industry (PCI) security standards for control of sensitive information (credit card data). This includes upgrades to networks, firewalls, equipment (scanning guns), and applications. ABC must be in compliance with PCI standards by June 2008.

§ The current vendor providing POS hardware and software maintenance support has already given notice that the current contract will not be extended in its present form. This will require ABC to obtain POS maintenance and support from multiple vendors, which will increase its risks, costs and ability to provide continuous support. The current POS contract expires April 1, 2009.

An upgrade to the scanning gun system is required for ABC’s warehouse and stores which currently number over 330. This up grade of equipment is required because the vendor no longer supports the old equipment and necessary to meet PCI (Payment Card Industry) security requirements.

- *Proposed IT Solutions:*
POS Replacement

The Point of Sale (POS) system replacement improves ABCs position of maintaining high efficiency, security of store operations, tracking of inventories and monies, and customer satisfaction. This supports the “best-managed state” objective indirectly in that it improves services to store customers, responsiveness of ABC support staff, and revenue flow to the Commonwealth of Virginia. Additionally, replacement of the POS system enables security improvements in the ABC/COV network to be fully complementary to the POS security environment mandated by Payment Card Industry Data Security Standard compliance.

Security Upgrade

Implementation of transformation recommendations and PCIDSS requirements is mandatory in order to protect sensitive data of the citizens of the Commonwealth of Virginia and the credit card holder data ABC uses in conducting its business. Without this implementation, ABC is vulnerable to sustained prosecution by internet data criminal activity with risk of compromise and data loss. Such a catastrophic event subjects ABC and the Commonwealth of Virginia to extensive fines, penalties, and reduced revenues. The erosion of customer trust in the ability of ABC and the Commonwealth of Virginia to handle credit card holder and citizen sensitive data would be automatic and impact ABCs ability to increase customer satisfaction and protection of the ABC revenue stream.

- *Current IT Services:*

Estimated Ongoing Operations and Maintenance Costs for Existing IT Investments

	Cost - Year 1		Cost - Year 2	
	General Fund	Non-general Fund	General Fund	Non-general Fund
Projected Service Fees	\$0	\$8,030,543	\$0	\$8,151,001
Changes (+/-) to VITA Infrastructure	\$0	\$0	\$0	\$0
Estimated VITA Infrastructure	\$0	\$8,030,543	\$0	\$8,151,001
Specialized Infrastructure	\$0	\$4,297,183	\$0	\$4,426,098
Agency IT Staff	\$0	\$0	\$0	\$0

Non-agency IT Staff	\$0	\$0	\$0	\$0
Other Application Costs	\$0	\$5,826,327	\$0	\$6,001,117
Agency IT Current Services	\$0	\$18,154,053	\$0	\$18,578,216

Comments:

[Nothing entered]

- *Proposed IT Investments*

Estimated Costs for Projects and New IT Investments

	Cost - Year 1		Cost - Year 2	
	General Fund	Non-general Fund	General Fund	Non-general Fund
Major IT Projects	\$0	\$2,000,000	\$0	\$10,000,000
Non-major IT Projects	\$0	\$0	\$0	\$0
Agency-level IT Projects	\$0	\$0	\$0	\$0
Major Stand Alone IT Procurements	\$0	\$0	\$0	\$0
Non-major Stand Alone IT Procurements	\$0	\$400,000	\$0	\$0
Total Proposed IT Investments	\$0	\$2,400,000	\$0	\$10,000,000

- *Projected Total IT Budget*

	Cost - Year 1		Cost - Year 2	
	General Fund	Non-general Fund	General Fund	Non-general Fund
Current IT Services	\$0	\$18,154,053	\$0	\$18,578,216
Proposed IT Investments	\$0	\$2,400,000	\$0	\$10,000,000
Total	\$0	\$20,554,053	\$0	\$28,578,216

[Appendix A](#) - Agency's information technology investment detail maintained in VITA's ProSight system.

Capital

- *Current State of Capital Investments:*
[Nothing entered]
- *Factors Impacting Capital Investments:*
[Nothing entered]
- *Capital Investments Alignment:*
[Nothing entered]

Agency Goals

Goal 1

Effective Public Safety - Improve public safety through increased compliance and responsible consumption

Goal Summary and Alignment

The public safety mission of ABC results directly from being the primary agency to regulate the manufacture, distribution, sale, transportation and consumption of alcoholic beverages. This goal is the cornerstone of services to ABC licensees, compliance with alcohol and tobacco laws particularly for underage persons, and the responsible consumption by adults

who choose to purchase ABC products. Prevention and education programs and services are provided for all ages through the educational and prevention materials and programs developed by the agency. The public safety goal closely aligns with the Council's objectives of protecting the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds. The prevention efforts in the public safety service area also align with inspiring and supporting Virginians toward healthy lives and strong and resilient families. All of ABC's strategic goals align with the objectives of engaging and informing citizens to ensure we serve their interests.

Goal Alignment to Statewide Goals

- Engage and inform citizens to ensure we serve their interests.
- Protect the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.

Goal 2

Excellent Customer Service - Enhance services provided to agency customers and stakeholders

Goal Summary and Alignment

Quality customer service for ABC involves many of ABC's service areas. In the retail stores, ABC has focused attention on providing convenient locations to Virginia's growing population. Enhanced store design contributes to the current trends in the retail marketplace. ABC offers a wide product selection throughout the store network with each store having a customized product mix based on its demographics and sales patterns. In addition, ABC offers a special order catalog for new and high-end products not currently available in individual stores. This goal also addresses quality customer service beyond retail stores to licensees customers, vendors, suppliers, citizens, law enforcement and municipalities in addition to internal employees as customer of each other.

Goal Alignment to Statewide Goals

- Engage and inform citizens to ensure we serve their interests.
- Protect the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.

Goal 3

Reliable Source of Revenue Growth - Generate increasing revenues while promoting sound business practices

Goal Summary and Alignment

ABC has evolved into a significant source of revenue resulting from store sales, license fees, penalties, and collection of taxes from wine and beer wholesalers. In fiscal year 2007, ABC's sales exceeded \$607 million and total revenue contributions for the state and localities exceeded \$290 million for the first time in ABC's 73-year history. At the same time, ABC gives equal weight to maintaining the public's trust through strong internal controls and compliance with generally accepted accounting principles and state administrative procedures. The revenue goal aligns with the objective of being a national leader in the preservation and enhancement of our economy. And all of ABC's strategic goals align with the objectives of engaging and informing citizens to ensure we serve their interests

Goal Alignment to Statewide Goals

- Be a national leader in the preservation and enhancement of our economy.
- Protect the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.

Goal 4

Employee Management and Development - Build and maintain a work environment and an employee support climate conducive to performance excellence, full participation and organizational growth.

Goal Summary and Alignment

A critical part of the ABC mission is the management and development of the workforce. In this area, ABC's priorities have included stemming the tide of departures in sworn-enforcement personnel, developing better ways to recognize and reward high performing employees, improving diversity, improving the health and safety of ABC's employees, and expanding learning opportunities. ABC uses multiple modes of listening to develop a comprehensive picture of employee needs and satisfaction levels. ABC uses a biennial survey of organizational health developed and supplements this information with employee focus groups that provide further detail on issues of importance to employees. A quality

workforce contributes to the success of the agency particularly in the first three goals of public safety, quality customer service and reliable source of revenue.

Goal Alignment to Statewide Goals

- Engage and inform citizens to ensure we serve their interests.
- Be recognized as the best-managed state in the nation.
- Protect, conserve and wisely develop our natural, historical and cultural resources.

Goal 5

Commonwealth Preparedness ~ We will strengthen the culture of preparedness across state agencies, their employees and customers.

Goal Summary and Alignment

This goal ensures compliance with federal and state regulations, policies and procedures for Commonwealth preparedness, as well as guidelines promulgated by the Assistant to the Governor for Commonwealth Preparedness, in collaboration with the Governor's Cabinet, Commonwealth Preparedness Working Group, the Department of Planning and Budget and the Council on Virginia's Future. The goal supports achievement of the Commonwealth's statewide goal of protecting the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.

Service Area Strategic Plan

Department of Alcoholic Beverage Control (999)

3/11/2014 10:32 am

Biennium: 2008-10 ▼

Service Area 1 of 4

Enforcement and Regulation of Alcoholic Beverage Control Laws (999 304 03)

Description

This service area for ABC is defined by the services and functions of the Bureau of Law Enforcement including Education, License Record Management, and Tax Management, in addition the Hearings and Appeals Division. For public safety, ABC's strategic priorities have included the aggressive promotion of zero tolerance for underage access and consumption of alcohol and tobacco, the promotion of responsible selling and serving by ABC licensees, and responsible consumption by adults.

Services Include:

- Annually conducts over 10,000 compliances checks of businesses and licensees concerning underage sales of alcohol and tobacco.
- Issues annual licensees to over 15,500 businesses and retail establishments to sell alcoholic beverages in the Commonwealth. Issues annually over 16,000 one-day banquet and special event licenses.
- Conducts background investigations to annually issue 2,500 new retail, wholesale, and special permit licensees.
- Investigates illegal and criminal activity in licensed establishments and works with local, state and federal law enforcement agencies on these issues.
- Investigates the illegal manufacturing and sales of alcohol (stills and nip joints)
- Participates with state and federal law enforcement investigations and task forces related to anti drug, alcohol, and tobacco issues.
- Promotes fair and equitable business practices through the enforcement of regulations.
- Issues violations for non-compliance with ABC code and regulations, conducts administrative hearings for these violations, and collects civil penalties and fees.
- Tax Management section audits and collects the wholesale wine and malt beverage taxes for all wine and beer amounting to over \$72 million per year.
- Review and approval of all wine and beer products.
- ABC Education section conducts training for over 2,000 of ABC licensees and servers of alcohol on responsible selling and serving.
- ABC Education creates and distributes over 200,000 pieces of prevention literature annually to licensees, schools, and the general public.
- Distributes grants to enhance community prevention coalitions in alcohol prevention and community education initiatives.
- Participates with the Youth Alcohol and Drug Abuse Prevention Project (YADAPP), and the College Alcohol Leadership Council. These efforts are partnerships between various state agencies, educational institutions and ABC that have continued to shape alcohol prevention efforts for the last 22 years.

Background Information

Mission Alignment and Authority

- *Describe how this service supports the agency mission*

This service area directly aligns with the ABC mission of controlling the distribution of alcoholic beverages and enforcement of the laws of the Commonwealth pertaining to alcoholic beverages and youth access to tobacco.

- *Describe the Statutory Authority of this Service*

The primary mandates for agency operations are rooted in state statutes. Title 4.1 of the Code of Virginia is known as the Alcoholic Beverage Control Act and includes:

- Chapter 1: Definitions & General Provisions
- Chapter 2: Administration of Licenses
- Chapter 3: Prohibited Practices
- Chapter 4: Wine Franchise Act
- Chapter 5: Beer Franchise Act

The vast majority of the Department's mandates are covered in §4.1-103, General Powers of Board. Some of these powers include:

- Control the possession, sale, transportation and delivery of alcoholic beverages;
- The Board may hold and conduct hearings and authorize any Board member or agent of the Board to hold and conduct hearings, issue subpoenas, administer oaths and take testimony there under, and make summary decisions,

subject to final decision by the Board, on application of any party aggrieved.

- Promulgate regulations in accordance with the Administrative Process Act, in the following areas: procedural rules for conducting hearings before the Board, advertising, relationship between retailers and wholesalers, manufacturers, wholesale and retail operations and requirements for product approval,
- Grant, suspend, and revoke licenses for the manufacture, bottling, distribution, importation, and sale of alcoholic beverages. Assess and collect civil penalties and civil charges for violations of this title and Board regulations.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
ABC Store Customers (annually transactions)	Adult alcohol consumers	22,800,000	22,800,000
ABC Licensees	Businesses licensed to sell alcoholic beverages	15,500	15,500
City & County Law Enforcement Agencies	City & County Law Enforcement Agencies	113	113
Colleges & Universities	Colleges and Universities	72	72
Virginia's under 21 population	Customers for prevention messages	2,079,000	2,079,000
Federal Law Enforcement Agencies	Federal Law Enforcement Agencies	9	9
Prevention Groups (Community Service Boards)	Prevention Groups (Community Service Boards)	40	40
Schools K-12 public and private	School facilities across the state from kindergarten to high school	1,780	1,780
Senior Virginians -Over 65 years	Senior population	888,000	888,000

Anticipated Changes To Agency Customer Base

Population growth, legislation changes and economic factors, influences the growth in the number of licensed establishments. The location of this growth has a significant influence on the number of ABC special agents needed in specific localities. ABC conservatively forecasts that the number of licensees will grow by 1,000 – 2,000 during the next ten years, however, the health of the economy can influence workload through license turnover, increased crime, etc.

Enabling legislation has expanded the categories for wholesalers, importers and shippers from 299 to 1,570 in the past four years. Regulatory functions for these licensees include licensing investigations, trade practices enforcement, inspection reviews and financial audits for accurate tax transmission.

Of the approximately 5.3 million legal age Virginians, approximately 50% consume alcoholic beverages and are direct customers of ABC stores. On an annual basis, Virginia ABC conducts over 22 million customer transactions but it is not possible to know the frequency that individual customers visit and make purchases.

Population and economic growth and changing demographics are the primary driver of changes to ABC's customer base. In the next 10 years, the census bureau forecasts Virginia to grow by approximately 800,000 people. The growth in the number of people as well as the location of such growth has a direct impact on ABC's ability to provide services such as the number and location of ABC stores.

Part of ABC's mission is to promote zero tolerance for the underage consumption of alcoholic beverages, which creates a customer base of approximately 2.1 million Virginian's under the age of 21. According to the Journal of the American Medical Association (JAMA), those under 21 consume 20% of all alcoholic beverages sold in the United States. While significant strides have been made in licensee compliance with underage sales laws, most underage drinkers report older siblings and friends as the primary source of alcoholic beverages (primarily beer). ABC works with numerous prevention groups, K-12 schools, colleges and general public to address this underage issue.

ABC is also concerned with adults who consume in an irresponsible manner because of public health and safety issues such as traffic accidents and fatalities, and the high correlation between sexual assaults, domestic violence, and other crimes in which the over consumption of alcoholic beverages is often an issue. A new and growing initiative for prevention and education services is the senior population. Older adults face distinct and often underestimated risk factors for alcohol misuse. These age related factors range from life-changing events, such as retirement or bereavement, to mixing alcohol with prescription and over the counter medications. While approximately 80% of the drinking population does so in a responsible manner, the remaining 20% consumes 83% of the alcoholic beverages sold in the United States (JAMA). In Virginia during 2003, there were over 27,000 convictions with an average Blood Alcohol Content of .1367. (.08 is the legal limit)

Partners

Partner	Description
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[None entered]	
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Products and Services

- *Factors Impacting the Products and/or Services:*

Productivity increases in ABC's enforcement operation are difficult to measure and often misleading. One option is to review agent activity (e.g. licenses issued, investigations conducted) per man-hour. A 20% reduction in ABC's enforcement budget, large numbers of retirements, increased per-agent workloads and severe salary competitive issues with other local and federal law enforcement agencies all impact the deliver of public safety, regulatory monitoring, and compliance of ABC statutes. Currently the number of sworn positions has fallen to its lowest level in many years despite a growing population and customer base.

- *Anticipated Changes to the Products and/or Services*

While ABC is not planning any significant changes in services related to the Enforcement and Regulation of Alcoholic Beverages, significant work force issues still hamper the delivery of basic licensing services and the effectiveness of public safety operations.

The Enforcement Division is the second largest division at ABC, consisting of over 350 sworn and civilian employees (160 classified and 149 wage). Approximately 130 classified employees are sworn agents with full police authority, and almost all of the wage employees are Student Undercover Agents (civilian) used for the Underage Buyer Program.

There are three specific areas with staffing issues that have a major impact on the deliver of services related to enforcement and public safety. The Compliance Unit is compromised of Special Agents responsible for regulation and enforcement that pertain specifically to the industry at the wholesale, manufacturer, importer and direct shipper level. Due to legislation and expanding categories of direct shippers and Internet shippers, licensees have increased from 299 to 1,570 in the past four years with further growth expected. Agent staffing of this unit has remained static with this increase in licensees resulting in statutory and regulatory functions delayed or reduce particularly related to licensee investigations and number of audits for this licensee group.

ABC has exclusive authority and a statutory mandate to audit businesses holding mixed beverage licensees annually. In the past a financial investigation unit functioned to centralize the annual audit to reduce errors and collaborate with The Department of Taxation to identify and investigate licensees with reporting inconsistencies and tax violations. Due to staffing and budgetary cuts this financial investigative unit does not exist and fewer audits of licensees results in lower sales and use taxes collected by the Commonwealth.

Finally the licensee application process in the past year has been the subject of a process improvement team resulting in the redesign and clarification of the application form and recommendation for improved internal processes. One of these recommendations tested as a pilot in several enforcement regional offices involves utilizing a civilian licensee technician to organize and conduct the preliminary licensee applicant investigation. Licensee technicians designed as the first point of contact for our customers, clarify information needed and reduce the amount of time to process the application. Utilizing these civilian positions shifts functions from sworn agents in a cost beneficial improvement impacting agent's workload and improved customer satisfaction.

The Enforcement Bureau is undertaking a statewide accreditation program that will benefit the agency by setting standards and the framework for best practice and standard processes throughout the Bureau. The accreditation process contributes to a high standard of organizational excellence of the Baldrige criteria and will need additional staffing to the reach these goals. The agency needs an additional agent for the Office of Policy and Planning in the Bureau to ensure laws and regulations are being followed through job functions of internal investigations, audits and compliance reviews and policy development.

ABC agents receive specialized training to handle the complex elements of their job and possess full police authority. Local law enforcement agencies on an increasing basis request assistance from our agents for both investigation assistance and prevention and education issues. The budgetary reductions over the past two years have also placed our Enforcement Division in jeopardy of a decrease in compliance with statutes and regulations and more and more agents leaving for jobs with higher salaries and fewer responsibilities in other state, local and federal law enforcement agencies.

The Enforcement Bureau in the next biennium will need to add 11 new agent positions, eight classified Licensing Technicians (currently a new wage position), and a financial analyst position to maintain the delivery of services in this budgetary service area.

- *Listing of Products and/or Services*

Area Total	\$0	\$12,730,294	\$0	\$12,730,294
Base Budget	\$0	\$12,228,704	\$0	\$12,228,704
Change To Base	\$0	\$501,590	\$0	\$501,590

Service Area Total	\$0	\$12,730,294	\$0	\$12,730,294
Base Budget	\$0	\$12,228,704	\$0	\$12,228,704
Change To Base	\$0	\$501,590	\$0	\$501,590

Service Area Total	\$0	\$12,730,294	\$0	\$12,730,294
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Human Resources

- *Human Resources Overview*
[Nothing entered]

- *Human Resource Levels*

Effective Date		
Total Authorized Position level	0	
Vacant Positions	0	
Current Employment Level	0.0	
Non-Classified (Filled)		} breakout of Current Employment Level
Full-Time Classified (Filled)		
Part-Time Classified (Filled)		
Faculty (Filled)		
Wage		
Contract Employees		
Total Human Resource Level	0.0	= Current Employment Level + Wage and Contract Employees

- *Factors Impacting HR*
[Nothing entered]

- *Anticipated HR Changes*

The Enforcement Bureau in the next biennium will need to add 11 new agent positions, eight classified Licensing Technicians (currently a wage position), and a financial analyst position to maintain the delivery of services in this budgetary service area. Issues are explained in the section on Anticipated Changes to the Products and/or Service Area

Service Area Objectives

- Increase Compliance with Underage Alcohol and Tobacco Laws

Objective Description

We will increase the compliance rate with underage alcohol and tobacco laws. ABC issues licenses to sell wine and beer to retail establishments and restaurants for wine, beer and spirits. In addition, licenses are issued for one-time special events to sell wine, beer and spirits. ABC monitors compliance of licensees with Virginia ABC laws and

regulations and issues violations for non-compliance. Effective July 1, 1997, legislation added tobacco enforcement responsibilities to the agency mission including enforcing the state law that prohibits the purchase or possession of tobacco products by minors or the sale of tobacco products to minors. This objective focuses on ABC's efforts to promote zero tolerance for the underage consumption of alcoholic and prohibiting the sale of tobacco products to minors. This Objective Supports the Following Agency Goals: Goal 1 Effective Public Safety ~ Improve public safety through increased compliance and responsible consumption

Alignment to Agency Goals

- Agency Goal: Effective Public Safety - Improve public safety through increased compliance and responsible consumption

Comment: This Objective Supports the Following Agency Goals: Goal 1 Effective Public Safety ~ Improve public safety through increased compliance and responsible consumption

Objective Strategies

- § Annually conduct 4,800 alcohol and tobacco underage buyer compliance checks.

Link to State Strategy

- nothing linked

Objective Measures

- We will increase the Underage Buyer compliance rate for retail alcohol licensees

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This an annual measure of compliance.

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 91% compliance rate

Measure Target Value: Date:

Measure Target Description: FY 2010 - 93% compliance rate

Data Source and Calculation: Number of Underage Buyer sales divided by the number of total Underage Buyer checks. Source: Data Warehouse

- Underage Buyer compliance rate for retail tobacco sales

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of compliance

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 Compliance rate is 87%

Measure Target Value: Date:

Measure Target Description: FY 2010 - Compliance rate of 92%.

Data Source and Calculation: Number of Underage Buyer sales divided by the number of total Underage Buyer checks. Source: Data Warehouse

- Increase statutory and regulatory compliance with wholesaler, manufacturer, importer and direct ship licensee categories.

Objective Description

The Compliance Unit is comprised of Special Agents responsible for regulation and enforcement that pertain specifically to the industry at the wholesale, manufacturer, importer and direct shipper level. Due to legislation and expanding categories of direct shippers and Internet shippers, licensees have increased from 299 to 1,570 in the past four years with further growth expected. Agent staffing of this unit has remained static with this increase in licensees resulting in statutory and regulatory functions delayed or reduce particularly related to licensee investigations and number of audits for this licensee group.

Alignment to Agency Goals

- Agency Goal: Effective Public Safety - Improve public safety through increased compliance and responsible consumption

Objective Strategies

- Expand the Compliance Unit by hiring 5 Senior Special Agents

Link to State Strategy

- nothing linked

Objective Measures

- Increase the number of criminal & administrative investigations for state importers, wholesalers, farm wineries and wineries.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2007 - 356 investigations

Measure Target Value: Date:

Measure Target Description: FY 2010 - 534 investigations

Data Source and Calculation: Number of investigations per year divided by the total number for percentage increase. – Source data is CORE database

- Increase compliance of reporting of sales and use taxes to ABC and Taxation by ABC licensees.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2007 - 202 inspections

Measure Target Value: Date:

Measure Target Description: FY 2010 303 inspections

Data Source and Calculation: ABC has exclusive authority and a statutory mandate to audit businesses holding mixed beverage licenses annually. In the past a financial investigation unit functioned to centralize the annual audit to reduce errors and collaborate with the Department of Taxation to identify and investigate licensees with reporting inconsistencies and tax violations. Due to staffing and budgetary cuts this financial investigative unit does not exist and fewer audits of licensees results in lower sales and use taxes collected by the Commonwealth. In 2006 three investigations conducted by the Bureau identified \$4.8 million in unreported income resulting in \$221,000 loss in state sales and use tax and \$208,000 in local taxes.

- Increase statutory and regulatory compliance with mixed beverage licensees reporting of sales and use taxes to ABC and Taxation.

Objective Description

ABC has exclusive authority and a statutory mandate to audit businesses holding mixed beverage licenses annually.

In the past a financial investigation unit functioned to centralize the annual audit to reduce errors and collaborate with the Department of Taxation to identify and investigate licensees with reporting inconsistencies and tax violations. Due to staffing and budgetary cuts this financial investigative unit does not exist and fewer audits of licensees results in lower sales and use taxes collected by the Commonwealth. In 2006 three investigations conducted by the Bureau identified \$4.8 million in unreported income resulting in \$221,000 loss in state sales and use tax and \$208,000 in local taxes.

Alignment to Agency Goals

- Agency Goal: Effective Public Safety - Improve public safety through increased compliance and responsible consumption

Objective Strategies

- Re-establish the Financial Investigations Unit by hiring 5 special agent accountants and 1 financial analyst.

Link to State Strategy

- nothing linked

Objective Measures

- Increase the number of annual audits of ABC mixed beverage licensees.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2007 –20 financial audits investigations conducted

Measure Target Value: Date:

Measure Target Description: FY 2010 – 95% of mixed beverage audits conducted

Data Source and Calculation: Number of investigations per year divided by the total number for percentage change. Source data is Bureau's Case Management System.

- Increase the number of investigations of ABC mixed beverage licensees.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2007 – 200 cases annually

Measure Target Value: Date:

Measure Target Description: FY 2010 - 100 investigations

Data Source and Calculation: Number of inspections per year divided by the total number for percentage increase. Source: CORE database

- Reduce Administrative Processing Time for ABC licensee customers

Objective Description

ABC issues licenses to retail establishments and restaurants for the sale of wine, beer and spirits. In addition, licenses are issued for one-time special events to sell wine, beer and spirits. The license process has multiple steps to complete that are required by statutes and regulations for the citizen requesting the licensee, the Special Agents conducting the investigation, and the Licensee Record Management managing the process. Process improvement efforts in the past year identified staffing of licensee technicians as a significant way to improve processing time. ABC monitors compliance of these licensees with Virginia ABC laws and regulations and issues violations for non-compliance. If violations occur or licensee applications are contested, ABC conducts administrative hearings to adjudicate these issues. The purpose of this objective is streamlining administrative licensing and adjudication processes while balancing the interests of public safety with customer service.

Alignment to Agency Goals

- Agency Goal: Effective Public Safety - Improve public safety through increased compliance and responsible consumption

Comment: The public safety mission of ABC results directly from being the primary agency to regulate the manufacture, distribution, sale, transportation and consumption of alcoholic beverages. This authority comes from Title 4.1 of the Code of Virginia known as the Alcoholic Beverage Control Act.)

Objective Strategies

- Expand the part time licensee technician positions to full time in eight regions.
- Increase the use of settlement options and use of video teleconference hearings.
- Begin cross training staff to expedite decisions through team editing and distribution of decisions electronically.
- Create more contiguous hearing dockets with less travel time for ABC staff.
- Add on special agent to the Office of Policy & Planning to improve standard processes for agency customer service and develop a framework for best practices in law enforcement.
- Develop standards and criteria for violation reporting and processing time prior to submission to Hearings.

Link to State Strategy

- nothing linked

Objective Measures

- Days to process a new retail licensee application

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of processing times in days.

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 64 days to process application

Measure Target Value: Date:

Measure Target Description: FY 2010 - Reduce to 54 days processing time

Data Source and Calculation: Number of days from receipt of license application to approval. Source: Data Warehouse

- Number of days from the date of ABC violation to the completion of the hearings process

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of processing times in days.

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 process took 206 days

Measure Target Value: Date:

Measure Target Description: FY 2010 target is 190 days

Data Source and Calculation: Average time in days totaled for 4 stages from violation to the completion of the hearings process. Source: Data Warehouse

Service Area Strategic Plan

Department of Alcoholic Beverage Control (999)

3/11/2014 10:32 am

Biennium: 2008-10 ▼

Service Area 2 of 4

Administrative Services (999 801 01)

Description

This service area is defined by the services and functions provided by the following Divisions:

- Public Affairs responds to media and citizen comment, communication of information internally and externally and the design, writing, graphics and production of prevention and education materials.
- Human Resource services include hiring, employee evaluation, workers compensation and safety, and internal employee training.
- Information Technology Services provides development, maintenance and stable operations of computer systems and timely help desk support for end users.
- Property Management Services includes preventive facility maintenance to protect ABC assets and management of the store leasing process for ABC store locations. Opening of new stores, relocation of stores, and renovation of stores is also a major service responsibility.
- Policy, Analysis and Support Services includes the purchasing of goods and services for internal operations and the delivery of supplies to stores and central office. Additional services include development of store location strategy, agency business plan and customer/stakeholder satisfaction surveys.
- Financial Management Services is responsible for all fiscal functions including payroll, budgeting, cash receipts, cash disbursements and financial reporting.
- Internal Audit has agency-wide responsibility for identifying risk, assisting management in developing proper internal controls, conducting agency administrative reviews and investigating all state hotline complaints.

Background Information

Mission Alignment and Authority

- *Describe how this service supports the agency mission*

This service area supports the public safety, customer service and revenue focus of the mission through the management of internal support processes.

- *Describe the Statutory Authority of this Service*

The primary mandates for agency operations are rooted in state statutes. Title 4.1 of the Code of Virginia is known as the Alcoholic Beverage Control Act and includes:

- Chapter 1: Definitions & General Provisions
- Chapter 2: Administration of Licenses
- Chapter 3: Prohibited Practices
- Chapter 4: Wine Franchise Act
- Chapter 5: Beer Franchise Act

The vast majority of the Department's mandates are covered in §4.1-103, General Powers of Board. Some of these powers include:

- Buy, import and sell alcoholic beverages other than beer and wine not produced by farm wineries, and to have alcoholic beverages other than beer and wine not produced by farm wineries in its possession for sale.
- Control the possession, sale, transportation and delivery of alcoholic beverages;
- Determine, the locations and localities where government stores shall be established or operated.
- Maintain warehouses for alcoholic beverages and control the storage and delivery of alcoholic beverages to and from such warehouses.
- Lease, occupy and improve any land or building required for the purposes of this title.
- Determine the nature, form and capacity of all containers used for holding alcoholic beverages to be kept or sold under this title, and prescribe the form and content of all labels and seals to be placed thereon

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
	ABC Stores	328	328
ABC Employees as internal			

customers	Employees (FTE and FT Equivalent)	2,739	2,739
Liquor Vendors	Liquor Vendors	149	149
State Government Agencies	State Government Agencies	20	20
Vendors & Suppliers other than liquor	Vendors & Suppliers other than liquor	5,000	5,000

Anticipated Changes To Agency Customer Base

This service area supports the work of employees for the internal customers of the agency in support of the mission related functions of the agency. Consequently, changes in the customer base in other service areas will have a direct impact on this services area.

The demographics of ABC’s workforce is generally consistent with the overall state workforce demographics. Nearly 59% of all employees are over the age of 40, 46% are female and 37% are minorities. The average age of an ABC employee is 42 years old, with an average length of service at 11 years. ABC has a high number of retirement-eligible employees: 220 employees (22% of FTE positions) within the next six years and an additional 46 employees (4.5% FTE positions) eligible within 10 years.

The turnover at ABC is considerably higher than the industry norms. Average turnover for the retail industry is 34%, however ABC retail wage positions have a turnover rate of 45%. Turnover for state and local government averages at 7% and ABC average is 12% with rates for the Enforcement Division (10%) and the Information Technology Division (15%). Each year, the agency experiences recruiting challenges for several specific positions. Typically, wage employees for the Stores division are difficult to find and retain. In the recent past, hard-to-fill classified positions have included IT Programmer/Analyst (Information Technology Specialist II), Maintenance Repair Worker (Trade Tech. III), Master Mechanic (Trade Tech IV), Graphic Designer (Media Specialist III), Special Agent (Law Enforcement Officer II), and Order Selectors (Stores and Warehouse Specialist II).

One of the most critical drivers of turnover is employee compensation and related issues. Recent studies have demonstrated that state employees are compensated, on average, 10% - 20% below the private sector in comparable industries. In addition, significant salary compression and inversion situations as well as other internal inequities exist. Both issues have had a significant negative impact on ABC employees, and over 50% of all turnover, due to voluntary resignations, is a result of a new job with a higher salary. For ABC, competitors for employment include most retail establishments (store employees), local and federal law enforcement agencies (sworn agents), IT and Fortune 500 companies (IT staff), and other state agencies.

Partners

Partner	Description
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[None entered]

Products and Services

- *Factors Impacting the Products and/or Services:*

"Increasing population

The continued growth in revenue and profits is directly correlated to store expansion and remodeling with the ability to carry products in demand by consumers. As population and demographics change, store locations will need to adjust accordingly. For example, in Northern Virginia the population is projected to significantly increase which translates to the need for the placement of additional retail stores. New stores are expected to continue to be the cornerstone for sales growth. Continued funding for new store openings and store modernization is necessary to continue the demonstrated sales revenue increase. Increasing population also impacts regulatory requirements through growth in the number of licensed establishments as well as increasing numbers of legal, underage and irresponsible consumers.

Central Agency Mandates

Compliance and implementation for the Agency Risk Management Internal Control Standards (ARMICS) will require ongoing staff commitment across the agency. Stage 2 documentation for all significant fiscal process and Stage 3 corrective action plans will take considerable efforts in the next two years. Expenses such as General Assembly mandated pay raises, changes in health care costs, and VITA charges are sources of expense inflation that reduces profitability.

- *Anticipated Changes to the Products and/or Services*

ABC is already using e-commerce to provide web-based application and payment processing for the banquet licensing process. ABC expects to explore the feasibility of additional opportunities such as other license applications, licensee ordering, and retail sales to the public. The primary driver of these e-commerce opportunities will be the financial viability of the proposal taking into consideration process efficiencies and the increased cost of credit card processing.

- *Listing of Products and/or Services*

- " Revenue Growth & Internal Controls Growing revenues and maintaining accountability and the public's trust continue to be a priority for ABC. The growth in stores and new items continues to produce record levels of sales and revenue contributions to the state and localities. In fiscal year 2007, ABC's sales exceeded \$607 million and total revenue contributions for the state and localities exceeded \$290 million for the first time in ABC's 73-year history. At the same time, ABC gives equal weight to maintaining the public's trust through strong internal controls and compliance with generally accepted accounting principles. For the past three years ABC has received one written audit point from APA audits in addition to no repeat compliance issues being reported in the quarterly comptroller's report. For the past 3 years the agency has maintained 99% rate or better for prompt payment of accounting vouchers.
- " Employee Management & Development A critical part of the balanced scorecard is the management and development of the workforce. In this area, ABC's priorities have included, developing better ways to recognize and reward high performing employees, improving diversity, improving the health and safety of ABC's employees, and expanding learning opportunities. As required by the Baldrige criteria, ABC uses multiple modes of listening to develop a comprehensive picture of employee needs and satisfaction levels. ABC uses a biennial survey based on a survey of organizational health developed by the state of Texas. ABC supplements this information with employee focus groups that provide further details on issues of importance to employees. In response to an issue relating to communication, ABC started an email bulletin that each employee receives as frequently as weekly.

Finance

- *Financial Overview*

The Department of Alcoholic Beverage Control operates as a Non-General/Enterprise Fund Agency which means the cost of providing goods and services are recovered solely through the sale of alcoholic beverages, license fees and other revenues. This service area receives an appropriation of \$24,144,256. which is 5% of the total agency appropriation

- *Financial Breakdown*

	FY 2009		FY 2010		FY 2009	FY 2010	FY 2009	FY 2010
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund				
Base Budget	\$0	\$23,720,515	\$0	\$23,720,515				
Change To Base	\$0	\$423,741	\$0	\$423,741				
Service Area Total	\$0	\$24,144,256	\$0	\$24,144,256				
Base Budget	\$0	\$23,720,515	\$0	\$23,720,515				
Change To Base	\$0	\$423,741	\$0	\$423,741				
Service Area Total	\$0	\$24,144,256	\$0	\$24,144,256				
Base Budget	\$0	\$23,720,515	\$0	\$23,720,515				
Change To Base	\$0	\$423,741	\$0	\$423,741				
Service Area Total	\$0	\$24,144,256	\$0	\$24,144,256				

Human Resources

- *Human Resources Overview*

[Nothing entered]

- *Human Resource Levels*

Effective Date	

Total Authorized Position level	0	
Vacant Positions	0	
Current Employment Level	0.0	
Non-Classified (Filled)		breakout of Current Employment Level
Full-Time Classified (Filled)		
Part-Time Classified (Filled)		
Faculty (Filled)		
Wage		
Contract Employees		
Total Human Resource Level	0.0	= Current Employment Level + Wage and Contract Employees

- **Factors Impacting HR**
[Nothing entered]
- **Anticipated HR Changes**
[Nothing entered]

Service Area Objectives

- We will increase Transfers of Profits and Taxes

Objective Description

As an Enterprise Agency, ABC operates much like a private business using performance metrics to monitor activity throughout much of the organization. ABC generates revenues in the form of profits and taxes including, state taxes, sales tax, wine liter tax and malt beverage tax. These funds are transferred to the General Fund, other state agencies and localities on an annual basis. Estimates of these revenues are included in the Governor's Annual Estimate of Revenues, based on forecasts prepared by ABC.

Alignment to Agency Goals

- Agency Goal: Reliable Source of Revenue Growth - Generate increasing revenues while promoting sound business practices

Objective Strategies

- In FY 2009 open 8 new stores and in FY 2010 open 8 new stores.
- Develop an operating budget at the beginning of each fiscal year and monitor monthly.
- Add 37 stores to be open for business on Sunday.

Link to State Strategy

- nothing linked

Objective Measures

- Increase the combined profits & taxes annually transferred to the General Fund & localities.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004- \$172.9 million

Measure Target Value: Date:

Measure Target Description: FY 2010 - \$237 million

Data Source and Calculation: ABC Profits plus state taxes plus general sales tax equals contributions to

General Fund. Source: Data Warehouse

- Increase the accuracy of ABC Profit Forecasts

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2006 - 6% error rate

Measure Target Value: Date:

Measure Target Description: FY 2010 - 2% error rate

Data Source and Calculation: Source: ABC financial data. Comparison of actual vs. forecasted sales, expenses and profits.

- To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements

Objective Description

This is based in the Management Scorecard that grades agencies on six criteria: Human Resources Management, Government Procurement, Financial Management, Technology, Performance Management, Environmental & Historic Resource Stewardship

Alignment to Agency Goals

- Agency Goal: Effective Public Safety - Improve public safety through increased compliance and responsible consumption
- Agency Goal: Excellent Customer Service - Enhance services provided to agency customers and stakeholders
- Agency Goal: Reliable Source of Revenue Growth - Generate increasing revenues while promoting sound business practices
- Agency Goal: Employee Management and Development - Build and maintain a work environment and an employee support climate conducive to performance excellence, full participation and organizational growth.

Objective Strategies

- Annually in October review management letters from the APA audit and implement corrective actions in order to avoid audit points in future.
- Review quarterly DOA compliance report and take immediate corrective action.
- Provide education for managers about DOA Compliance Report and the significance for compliance §
- Develop a SWAM procurement training program and ABC Vendor Fair by
- Analyze causes of turnover for wage employees through increased exit interviews and develop plan to address priority issues by December 2008.

Link to State Strategy

- nothing linked

Objective Measures

- Percent of scorecard categories marked as "meets expectations" for the agency

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2007 - 50%

Measure Target Value: Date:

Measure Target Description: FY 2010 - 100%

Data Source and Calculation: Number of Governor's Management scorecard categories marked as meets expectations for the agency divided by six the total number of categories.

- Number of management points assessed by APA audit

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 0 APA audit points

Measure Target Value: Date:

Measure Target Description: FY 2010 - 0 APA audit points

Data Source and Calculation: APA Annual Audit Report

- Number of times ABC is out of compliance on DOA Compliance Report

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 2 times out of compliance

Measure Target Value: Date:

Measure Target Description: FY 2010 - 0 times out of compliance

Data Source and Calculation: DOA Compliance Report

- Increase percent of discretionary procurement to SWAM vendors

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2006 - 28%

Measure Target Value: Date:

Measure Target Description: FY 2010 - 40%

Data Source and Calculation: SWAM procurement dollars divided by total agency procurement dollars

- Reduce classified turnover rate

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 12%

Measure Target Value: Date:

Measure Target Description: FY 2010 - 10%

Data Source and Calculation: Number of employees separated in 12 months divided by the number of classified employees in the same 12-month period. Source: Data Warehouse

- Reduce wage employee turnover rate

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 47%

Measure Target Value: Date:

Measure Target Description: Fy 2010 - 34%

Data Source and Calculation: Number of employees separated in 12 months divided by the number of wage employees in the same 12-month period. Source: Data Warehouse

- To ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements

Objective Description

Department of Alcoholic Beverage Control has prepared a Continuity of Operations (COOP) plan with full participation from representatives from all of our diverse operational sectors. This COOP plan establishes policy and guidance to ensure the execution of the essential functions for the Department of Alcoholic Beverage Control in the event that an emergency at the agency or in its service area threatens or incapacitates operations and/or requires the relocation of select personnel and functions.

Alignment to Agency Goals

- Agency Goal: Commonwealth Preparedness ~ We will strengthen the culture of preparedness across state agencies, their employees and customers.

Objective Strategies

- The agency Emergency Coordination Officer will stay in continuous communication with the Office of Commonwealth Preparedness and the VA Department of Emergency Management
- Review, test and update the agency COOP annually
- Fall of 2007 begin the development of a formal Risk Assessment to be completed by April 2008
- Develop a formal Business Impact analysis to be completed by December 2008

Link to State Strategy

- nothing linked

Objective Measures

- Agency Continuity of Operations Plan (COOP) Assessment Score

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2007 COOP Assessment Results - Set by December 2007

Measure Target Value: Date:

Measure Target Description: FY 2010 - Minimum of 75% or if at 75% increase the average by 5% each year.

Data Source and Calculation: The COOP Assessment Review score based on 24 components of the agency COOP plan.

Service Area Strategic Plan

Department of Alcoholic Beverage Control (999)

3/11/2014 10:32 am

Biennium: 2008-10 ▼

Service Area 3 of 4

Alcoholic Beverage Control Retail Store Operations (999 801 02)

Description

Services Include:

- * Operate over 328 retail stores throughout the state, controlling access to distilled spirit products in the Commonwealth.
- * Ensure equitable service throughout the Commonwealth using a sophisticated store location process to maximize customer service and profitability.
- * Provide over 3,000 products for sale including non-alcoholic mixers and Virginia Lottery tickets.
- * Service 3,900 restaurants licensed to sell mixed beverages in the Commonwealth.
- * Conduct over 22 million customer transactions generating in excess of \$607 million in sales in FY 2007.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission

This service area aligns with the ABC mission in regards to operating efficient, conveniently located retail outlets, providing excellent customer service and generating revenue for the Commonwealth.

- Describe the Statutory Authority of this Service

The primary mandates for agency operations are rooted in state statutes. Title 4.1 of the Code of Virginia is known as the Alcoholic Beverage Control Act and includes:

- Chapter 1: Definitions & General Provisions
- Chapter 2: Administration of Licenses
- Chapter 3: Prohibited Practices
- Chapter 4: Wine Franchise Act
- Chapter 5: Beer Franchise Act

The vast majority of the Department’s mandates are covered in §4.1-103, General Powers of Board. Some of these powers include:

- Buy, import and sell alcoholic beverages other than beer and wine not produced by farm wineries, and to have alcoholic beverages other than beer and wine not produced by farm wineries in its possession for sale.
- Control the possession, sale, transportation and delivery of alcoholic beverages;
- Determine, the locations and localities where government stores shall be established or operated.
- Maintain warehouses for alcoholic beverages and control the storage and delivery of alcoholic beverages to and from such warehouses.
- Lease, occupy and improve any land or building required for the purposes of this title.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
ABC Store Customers (annually transactions)	ABC Store Customers (annually transactions)	22,800,000	22,800,000
	Mixed Beverage Licensees	3,900	3,900

Anticipated Changes To Agency Customer Base

Of the approximately 5.3 million legal age Virginians, approximately 50% consume alcoholic beverages and are direct customers of ABC stores. On an annual basis, Virginia ABC conducts over 22 million customer transactions but it is not possible to know the frequency that individual customers visit and make purchases. As the sole regulatory authority over the manufacture, transportation, distribution, sale and consumption of alcoholic beverages in Virginia, primary customers also include the 3,900 restaurants required by statute to purchase distilled spirits from state stores. Population growth, as well as economic factors, influences the growth in the number of licensed establishments.

In this service area, a priority for this biennium has been the expansion of the store network. Throughout most of the 1980’s

and 90's, the number of ABC stores remained constant as the population of Virginia grew. During the last four years, ABC expanded its network using a sophisticated planning model that uses a combination of geographic, demographic and financial analysis to identify specific locations that can increase service and maximize profitability. Presently, the population served by each ABC store is equivalent to levels in the mid-80's and will continue to maintain that level as store expansion continues. By the end of FY 2007, approximately 328 stores will be in operation. At the same time, ABC created a design team to develop a more professional look for existing stores. During the last three years, 38 stores have been modernized or relocated and numerous others have received additional lighting to improve the shopping environment.

Demographic and economic growth is the primary driver of changes to ABC's customer base. In the next 10 years, the census bureau forecasts Virginia to grow by approximately 800,000 people. The growth in the number of people as well as the location of such growth has a direct impact on ABC's ability to provide services such as the number and location of ABC stores. Historically, this growth has been focused between Northern Virginia and Tidewater, leading to a significant expansion of the store network in these areas. Consumption patterns also play an important role in ABC services. The number of distilled spirit products available in the marketplace has grown tremendously in recent years, which is contributing to slight increases in store size to ensure enough space is available to carry products to meet customer demand. At the same time per capita dollar and volume purchases have increased slightly in recent years and is expected to continue during the planning horizon.

Partners

Partner	Description
[None entered]	

Products and Services

- *Factors Impacting the Products and/or Services:*

- * Changing Marketplace

The overall retail environment influences the public's expectation of ABC's shopping environment. Survey and comment cards indicate that customer's desire improved lighting and appearance of ABC stores to make them more like private retail establishments. In addition, the growth in distilled spirit products in the market place means ABC has to adjust the breadth and depth of its product line to meet customer demand and maintain sales growth.

- * Expense Trends

Over the last three years sales have grown at 7% annually. Sales in FY 2008 are currently forecast to reach \$645 million, 6% higher than 2007 however consumer behavior is very difficult to estimate and forecast, particularly during the holidays. On the expense side, over the last three years expenses have grown at 10% annually and similar trends are expected for FY 2008. Additional issues relate to the Appropriations Act by the General Assembly, which raises ABC's profit estimate by \$3 million in FY 2008. This estimate was made without regard to expense trends or current sales trends and the estimate cannot be reached without increased revenues. ABC currently estimates flat profits for FY 2008.

- *Anticipated Changes to the Products and/or Services*

ABC expects to continue to expand the number of stores during the biennium to achieve and maintain a one store per 23,000-person ratio. By the end of FY 2007, the number of ABC stores reached 327 and will need to grow by four to six stores per year to maintain service levels throughout the next biennium. ABC also expects continued growth in the variety of products offered in the marketplace and individual ABC stores that may necessitate slightly larger store sizes in the future.

- Workforce Factors

With continued growth expected in the stores, the agency will need new classified positions within the next two years. Wage employees will need to increase substantially, and 30% of retirement-eligible employees will retire within five years, jumping to 50% in ten years. Key positions identified for succession planning include Regional Managers (most are expected to retire), Director and Assistant Director positions. Recent state legislative action regarding Sunday sales has resulted in 50 ABC stores opening for business on Sundays, beginning in July 2004 with an additional 37 stores opened on Sunday in September 2007. If sales on Sundays meet or exceed projections, it is possible that the General Assembly may pass further legislation for additional ABC stores to have operations on Sundays in other areas. This may result in increased recruitment and retention efforts, as additional P-14 staff will be needed to fill gaps where current employees are unable to work, refuse to work or leave the agency.

- * POS Replacement

The current vendor providing POS hardware and software maintenance support has given notice that the current contract which expires April 1, 2009, will not be extended in its present form. This will require ABC to obtain POS maintenance and support from multiple vendors, which will increase its risks, costs and ability to provide continuous support. Replacement of the current POS system will be a significant financial and operational issue in the next two

years.

*** Information Security**

Information security is a primary challenge because of significant requirements from internal and external sources and the growing threat to the security of citizen’s personal data. The Governor’s Executive Order 43 requires protection of personal information. ABCs merchant status requires compliance with Payment Card Industry (PCI) data security standards (PCIDSS) with significant financial liability for loss of information. Updated Commonwealth of Virginia Information Technology Resource Management standards and policies raise the bar on processes and equipment used to protect the information systems at ABC.

- **Listing of Products and/or Services**

- Quality customer service for ABC involves many of ABC’s service areas. In the stores area, ABC has focused attention on providing convenient retail stores to Virginia’s growing population. Using a sophisticated planning model that utilizes GIS mapping technology, ABC has opened 38 stores in the last three years and is planning on continuing with growth in the next biennium (but at a slower rate). ABC offers a wide product selection throughout the store network with each store having a customized product mix based on its demographics and sales patterns.

Finance

- **Financial Overview**

The Department of Alcoholic Beverage Control operates as a Non-General/Enterprise Fund Agency which means the cost of providing goods and services are recovered solely through the sale of alcoholic beverages, license fees and other revenues. This service area has an appropriation of \$62,950,768, which is 14% of the total agency appropriation.

- **Financial Breakdown**

	FY 2009		FY 2010		FY 2009	FY 2010
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund		
Base Budget	\$0	\$61,662,703	\$0	\$61,662,703		
Change To Base	\$0	\$8,958,804	\$0	\$8,325,592		
Service Area Total	\$0	\$70,621,507	\$0	\$69,988,295		
Base Budget	\$0	\$61,662,703	\$0	\$61,662,703		
Change To Base	\$0	\$8,958,804	\$0	\$8,325,592		
Service Area Total	\$0	\$70,621,507	\$0	\$69,988,295		

Human Resources

- **Human Resources Overview**

[Nothing entered]

- **Human Resource Levels**

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
Current Employment Level	0.0
Non-Classified (Filled)	} breakout of Current Employment Level
Full-Time Classified (Filled)	
Part-Time Classified (Filled)	
Faculty (Filled)	
Wage	

Contract Employees

Total Human Resource Level	0.0	= Current Employment Level + Wage and Contract Employees
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- *Factors Impacting HR*
[Nothing entered]
- *Anticipated HR Changes*
[Nothing entered]

Service Area Objectives

- Maintain ABC Store Underage Buyer Compliance

Objective Description

Increasing the rate of compliance of ABC stores with ABC's ID checking policy and underage sales laws have been a priority because of the high number and frequent turnover of part-time store clerks. To address this issue, ABC utilizes an in-house training program called Retail 101 to provide clerks with training on how and when to check ID's. ABC Special Agents conduct underage buy checks at ABC stores in addition to the Mystery Shopper Program compliance checks. ABC's policy is to request identification when customers appear to be under the age of 30.

Alignment to Agency Goals

- Agency Goal: Effective Public Safety - Improve public safety through increased compliance and responsible consumption

Objective Strategies

- Annually visit all ABC stores for underage buyer compliance.
- Develop a program for ABC agents to train new ABC store employees about underage buyer compliance.

Link to State Strategy

- nothing linked

Objective Measures

- Underage Buyer compliance rate for ABC Stores

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of compliance.

Measure Baseline Value: Date:

Measure Baseline Description: FY - 2004 - 97%

Measure Target Value: Date:

Measure Target Description: FY 2010 - 100%

Data Source and Calculation: Number of Underage Buyer sales divided by the number of total Underage Buyer sales. Source: Data Warehouse

- Increase Customer Satisfaction

Objective Description

Quality customer service for ABC involves many of ABC's service areas. In the stores area, ABC has focused attention on providing convenient retail stores to Virginia's growing population. Using a sophisticated planning model that utilizes GIS mapping technology, ABC has opened 38 stores in the last three years and is planning on continuing with growth in the next biennium (but at a slower rate). ABC offers a wide product selection throughout the store network with each store having a customized product mix based on its demographics and sales patterns. ABC measures customer satisfaction in several areas and continues store modernizations.

Alignment to Agency Goals

- Agency Goal: Excellent Customer Service - Enhance services provided to agency customers and stakeholders

Objective Strategies

- Annually visit all ABC stores for underage buyer compliance. §
- Develop a program for ABC agents to train new ABC store employees about underage buyer compliance.
- Annually conduct in-store customer surveys.
- In FY 2008 open 6-8 new stores and in FY 2009 open 6-8 new stores.
- Develop product knowledge web site and electronic training program that would reward employees for completion.
- Develop training for store employees on customer service and product knowledge.

Link to State Strategy

- nothing linked

Objective Measures

- Increase the number of stores meeting service standards compliance rate.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of Mystery Shopper compliance.

Measure Baseline Value: Date:

Measure Baseline Description: FY 2005 - 78%

Measure Target Value: Date:

Measure Target Description: 2010 - 100% service standard compliance rate

Data Source and Calculation: Number of stores checked divided by the Mystery Shopper Program and the number of stores meeting service standards. Source: Data Warehouse

- Number of stores meeting design standards.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: Annual measure of stores meeting design standards

Measure Baseline Value: Date:

Measure Baseline Description: 2006 - 29%

Measure Target Value: Date:

Measure Target Description: 2010 - 75% of stores meeting design standards

Data Source and Calculation: Number of stores meeting standards as a percentage of total stores.

- Reach an acceptable ABC store density rate based on the population.

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of the stores relative to VA population.

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 25, 209 per store

Measure Target Value: 23000 Date: 6/30/2010

Measure Target Description: FY 2010 - 23,000 per store

Data Source and Calculation: Virginia population divided by the number of ABC stores equals population per ABC Store. Data Source: US Census and ABC New Store Business Plan. Note to DPB: There was some discussion concerning the political sensitivity of this measure. This has been a measure with targets in VA Results for last five years with no comments from the public or community groups. Measure was reworded to be more neutral. While the density shows some growth, the level of stores relative to population is equivalent to the mid 1980's and is still far below neighboring states. ABC believes this to be an important measure that directly supports its funding requests for new stores.

- o Overall customer satisfaction with ABC Stores by annual customer survey results

Measure Class: Other Measure Type: Outcome Measure Frequency: Annual Preferred Trend: Up

Frequency Comment: This is an annual measure of customer satisfaction with ABC stores.

Measure Baseline Value: 91 Date:

Measure Baseline Description: FY 2004 - 91 % Satisfied

Measure Target Value: 94 Date: 6/30/2010

Measure Target Description: FY 2010 - 94% satisfied

Data Source and Calculation: Percent of store customers responding "very satisfied" on store survey. Source: Data Warehouse

Service Area Strategic Plan

Department of Alcoholic Beverage Control (999)

3/11/2014 10:32 am

Biennium: 2008-10 ▼

Service Area 4 of 4

Alcoholic Beverage Purchasing, Warehousing and Distribution (999 801 03)

Description

Services Include:

- * Manage a 300,000 square foot central distribution center in Richmond recently completed major renovation including the installation of racks and conveyors.
- * Manage a warehouse inventory of over 3,000 products with an average inventory exceeding 250,000 cases and a volume exceeding 3.7 million cases annually.
- * Process receipts from vendors averaging over 10 tractor-trailer loads per day.
- * Fill and ship orders to over 327 stores, most on a weekly basis.
- * Process vendor payments of over \$270 million annually
- * Manage product pricing; discount programs, and vendor promotions.
- * Manage product inventory and merchandising including shelf management, displays and central inventory management.
- * Offer special order services such as in-store specialty item catalogs and special orders for merchandise not carried by ABC.

Background Information

Mission Alignment and Authority

- *Describe how this service supports the agency mission*

This service area directly aligns with the ABC mission of controlling the distribution of alcoholic beverages and enforcement of the laws of the Commonwealth pertaining to alcoholic beverages and youth access to tobacco.

- *Describe the Statutory Authority of this Service*

The primary mandates for agency operations are rooted in state statutes. Title 4.1 of the Code of Virginia is known as the Alcoholic Beverage Control Act and includes:

- Chapter 1: Definitions & General Provisions
- Chapter 2: Administration of Licenses
- Chapter 3: Prohibited Practices
- Chapter 4: Wine Franchise Act
- Chapter 5: Beer Franchise Act

The vast majority of the Department's mandates are covered in §4.1-103, General Powers of Board. Some of these powers include:

- Buy, import and sell alcoholic beverages other than beer and wine not produced by farm wineries, and to have alcoholic beverages other than beer and wine not produced by farm wineries in its possession for sale.
- Control the possession, sale, transportation and delivery of alcoholic beverages;
- Determine, the locations and localities where government stores shall be established or operated.
- Maintain warehouses for alcoholic beverages and control the storage and delivery of alcoholic beverages to and from such warehouses.
- Lease, occupy and improve any land or building required for the purposes of this title.
- Determine the nature, form and capacity of all containers used for holding alcoholic beverages to be kept or sold under this title, and prescribe the form and content of all labels and seals to be placed thereon.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
	ABC Mixed Beverage Licensees	3,900	3,900
ABC Store Customers (annually transactions)	ABC Store Customers (annually transactions)	22,800,000	22,800,000
	ABC Stores	327	327
Liquor Vendors	Liquor Vendors	149	149

Anticipated Changes To Agency Customer Base

ABC expects to continue to expand the number of stores during the biennium to achieve and maintain a one store per 23,000-person ratio. Currently there are 327 ABC stores, the number of ABC stores should reach 340 and will need to grow by approximately six to eight stores per year to maintain service levels throughout the next biennium.

Population growth is also a driver of changes in customer base. Of the 5.3 million legal age Virginians, 50% consume alcoholic beverages and are potential customers of ABC. In the next 10 years, the census bureau forecasts Virginia to grow by approximately 800,000 people. Demographic trends such as the aging of the population may also be a factor in changing ABC's customer base.

Partners

Partner	Description
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[None entered]

Products and Services

- *Factors Impacting the Products and/or Services:*

For the warehouse, the most important critical success factors are the capacity to maintain an adequate inventory of the variety of products in demand and the ability to efficiently move the products from receipt to shipment. In recent years, the growth in the number of items available for sale, the increase in sales volume, the increase in number of stores, and workforce issues created significant problems that were impacting ABC's customer service and revenue.

The number of items carried by the Department has almost tripled in the last two decades, growing from approximately 800 items in 1981 to over 3,000 in 2007. The Department's growth in product lines is consistent with national trends and new items have contributed significant incremental revenues from retail and licensee customers. The dynamic nature of the distilled spirits market is expected to continue as distillers develop more innovative ways to market their product.

The warehouse employs nearly 80 employees, both classified and wage, and continuously recruits for Order Selectors. The warehouse is responsible for "picking" or filling orders by the stores for cases of alcohol, and then loading the trucks for delivery. Turnover is high due to the manual requirements of the work environment and a high level of worker's compensation injuries.

In 2004, ABC utilized a distribution consultant to analyze its throughput and capacity limitations and develop an RFP for racking and automating the 300,000 square foot central distribution center. The system has been operational since August 2005. The new system significantly expands storage capacity for existing and new items and will use automation to improve labor productivity and reduce injuries that result in lost time from work, medical expenses and increasing insurance premiums.

- *Anticipated Changes to the Products and/or Services*

Virginia ABC projects that the number of products will far exceed the current 3,000 in the next ten years as distillers seek innovative ways to expand the marketplace to compete with beer and wine. By 2012, ABC expects a 40% growth in the number of orders and a 30% increase in volume. The automated system implemented in 2005 will give ABC the capacity and throughput to meet this increase. Current daily output of 15,000 cases peaks at 22,000 cases during the holiday season. With daily capacity at 25,000 cases, alternative scheduling or additional shifts may be needed to meet store and customer demands.

- *Listing of Products and/or Services*

- The primary services for this area center around two main functions: 1) Product distribution including receiving, storing and distributing product through the warehouse, and 2) product management including product listings, pricing, discounts, inventory management, shelf management and several others.
- § For the product distribution area, ABC is required to receive, store and ship distilled spirits, mixers and store supplies to over 327 stores. As a bailment operation, suppliers actually own the vast majority of inventory stored in ABC's warehouse. ABC houses over 250,000 cases in its Richmond warehouse and ships over 3.7 million cases annually. On a daily basis, ABC receives shipments from suppliers, prepares orders and ships over 12,000 cases with seasonal spikes exceeding 22,000 cases per day during the Christmas holiday season.

Finance

- *Financial Overview*

The Department of Alcoholic Beverage Control operates as a Non-General/Enterprise Fund Agency which means the cost of providing goods and services are recovered solely through the sale of alcoholic beverages, license fees and other revenues. This service area has an appropriation of \$340,843,620 which is 78% of the total agency appropriation. This appropriation includes \$329,800,000 for the costs of good obtained for resale, which is 74.15% of the appropriation for this service area.

• *Financial Breakdown*

	FY 2009		FY 2010	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$0	\$342,794,490	\$0	\$342,794,490
Change To Base	\$0	-\$1,950,870	\$0	-\$1,950,870
Service Area Total	\$0	\$340,843,620	\$0	\$340,843,620

Human Resources

• *Human Resources Overview*

[Nothing entered]

• *Human Resource Levels*

Effective Date		
Total Authorized Position level	0	
Vacant Positions	0	
Current Employment Level	0.0	
Non-Classified (Filled)		} breakout of Current Employment Level
Full-Time Classified (Filled)		
Part-Time Classified (Filled)		
Faculty (Filled)		
Wage		
Contract Employees		
Total Human Resource Level	0.0	= Current Employment Level + Wage and Contract Employees

• *Factors Impacting HR*

[Nothing entered]

• *Anticipated HR Changes*

[Nothing entered]

Service Area Objectives

- Provide Efficient and Effective Warehouse and Inventory Management

Objective Description

ABC offers a wide product selection throughout the store network with each store having a customized product mix based on its demographics and sales patterns. In addition, ABC offers a special order catalog for new and high-end products not currently available in individual stores. ABC maintains a 97% stock of product inventory in a store. Products are stored in a central warehouse in Richmond and shipped to retail stores throughout the state. Inventory turns measures the number of times capital invested in goods to be sold turns over in a year. Increasing inventory turns reduces holding costs and impacts profitability. Items that turn over more quickly increase responsiveness to changes in customer requirements while allowing the replacement of obsolete items.

Alignment to Agency Goals

- Agency Goal: Excellent Customer Service - Enhance services provided to agency customers and stakeholders
- Agency Goal: Reliable Source of Revenue Growth - Generate increasing revenues while promoting sound business practices

Objective Strategies

- Annually improve shipping accuracy

- Develop training program for Store Managers on inventory management

Link to State Strategy

- nothing linked

Objective Measures

- Product inventory annual turn rate

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of inventory turnover frequencies.

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004-inventory turn rate is 7.6

Measure Target Value: Date:

Measure Target Description: FY 2010 - maintain an inventory turn rate of 7.6

Data Source and Calculation: Costs of goods sold divided by average inventory. Source: Data Warehouse

- Reduce the percentage of product stockouts in ABC stores

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Frequency Comment: This is an annual measure of product availability in stores.

Measure Baseline Value: Date:

Measure Baseline Description: FY 2004 - 97% product available

Measure Target Value: Date:

Measure Target Description: FY 2010- maintain 97% product availability

Data Source and Calculation: Percent of products available in store on the day store shipment is received.
Source: Data Warehouse

- Warehouse Labor Productivity

Measure Class: Measure Type: Measure Frequency: Preferred Trend:

Measure Baseline Value: Date:

Measure Baseline Description: FY 2007 - 33.59 cases shipped per hour

Measure Target Value: Date:

Measure Target Description: FY 2010 - 36.15 cases shipped per hour

Data Source and Calculation: Cases shipped by man-hours. Source: Data Warehouse