

Dear members of the Joint Subcommittee

I write to you as a 20+ year veteran of the alcohol beverage industry. Having started at a beer distributor at the age of 17 followed by long career working for companies like Jim Beam Brands Co. and Southern Wine and Spirits I fell in love with the retail format here in Oregon. Now I sit here 40 years of age and one of the newer and more successful new stores opened thru OLCC retail expansion phase 1 and I am concerned with what may lay ahead. Having made the decision to give up my very successful career running one of the largest spirits distributor channels in the state with close to \$180mm in annual OLCC revenue responsibility to open a brand new and unproven entity in N. Wilsonville I knew it was going to be a risk. But it appears that the hits just keep coming. To start my venture off Gov. Kate Brown within a couple weeks of opening my store announced that she was raising the minimum wage. With labor being the largest expenditure in our business and having \$0 in annual revenue I wondered "how is this going to work."

Now here I sit at the beginning of my third calendar year in an interesting position. Having worked 100-hour weeks for the first 18 months of operation, I managed to get labor costs down to around \$85k yr. 1, and \$110k in year 2 a **29% increase**. My desire to lower my loan mixed with my concern of paying people a large wage drove the hours worked. Physically tired and unable to work those excessive hours any longer I am forced to hire additional labor at a \$2/hr. premium of min. wage just in an effort to maintain the workers I have, let alone draw in new hires that don't no-show no-call during interviews. With what feels like a forever problem of the revolving employee issues, I wonder if it all was worth it. Now the looming issue of credit cards is going to be shifted to us, which could be ok if the plan is designed with the agents in mind rather than the OLCC just getting rid of an expense. The plan appears to provide an additional 1% of total sales. That sounds good but without having an accurate rate at which I will be charged once taking the cards on my own, an estimate of 1.5% might not be covered by what the OLCC is proposing. With labor costs going up annually and rent increasing a minimum of 3% annually if not more depending on property improvement projects, we are stressed more than ever. Now I understand that I don't have a long history as an agent, but I do have a long history in this business and the one thing that I have always heard is that it is getting harder and harder to make money. The one thing that appears to be obvious is that the OLCC is finding more and more ways to make money and unfortunately this feels like another notch in their belt. The fact that the OLCC has grown from approx. \$450mm/biennium in 2001 when I started in the liquor business to now a staggering \$1.6b/biennium 2019-2021 estimate. All the while the agent comp has basically stayed flat (increase of .05%) from what I believe in the last 15yrs. I'm not aware of any industry that has only received a .05% increase when they sell 100% of the goods responsible for the creation of the state's revenue, especially when the agency has more than tripled in the last 18 years. As an interesting side note the rate at which my pay increased from 2001 to 2016 was (337.5%). Now I understand that was the difference from my first career to running a massive entity, but I worked just as hard in those jobs as I do now. The difference is that I am doing it for my family now and not for the pursuit of a fancy title or office.

As my business continues to grow in excess of \$4.2mm I know that my labor costs will continue to rise. In most cases I could adjust my inventory and try to capitalize on items that generate more profit there lies one main issue but that will result in less sales and more complaints from customers as prices cross their comfort zones. I am in a lease that costs approx. \$5400/mo. \$40/sq. ft annually (just under \$3/sq. ft per month and \$1800/month in taxes that are unavoidable). The location is easily a top

five location in the state but that comes at a massive premium which sacrifices store size. Currently we have around 1300 sq. ft. and are generating over \$3000/sq. ft. Wanting to move to a larger location only means an increase in labor, rent, utilities, increased equipment, security, etc. The OLCC has done a nice job of encouraging people to clean up their stores and some have obliged however it's easy to see how some people just wouldn't be able to do much based on the town they may reside. Having a new location makes it easy for me as everything was new when I started. Thinking even five years ahead and what we need to do in order to stay modern and in line with what the customers/OLCC gives me concern what might be possible with all the rising costs that just don't ever seem to stop.

The true reason I started this business was to build a business my children could be proud of and hopefully take on some day when I look to retire. Having a child with Down Syndrome my wife and I want to make sure that our daughter can be taken care of if something happens to us. The long term outlook of our business is to hopefully own multiple locations so each boy can have a store long term. But in the short term it would allow us to hopefully cut costs by sharing employees, provide benefits to managers, purchase inventory as a larger entity as well as hopefully lower the credit card costs.

I appreciate you hearing my story for my kids' sake. I still love this business and my customers, but I long for an opportunity to be rewarded for my hard work, like I could in any other business!

Sincerely,

Jesse Stafford Agent #1264

Stafford Beverage/N. Wilsonville



