

OLCC – REPORT ON AGENCY WAREHOUSE/HQ CAPITAL PROJECT, CONVEYOR CAPITAL PROJECT, & ALCOHOL REVENUE FORECAST UPDATE

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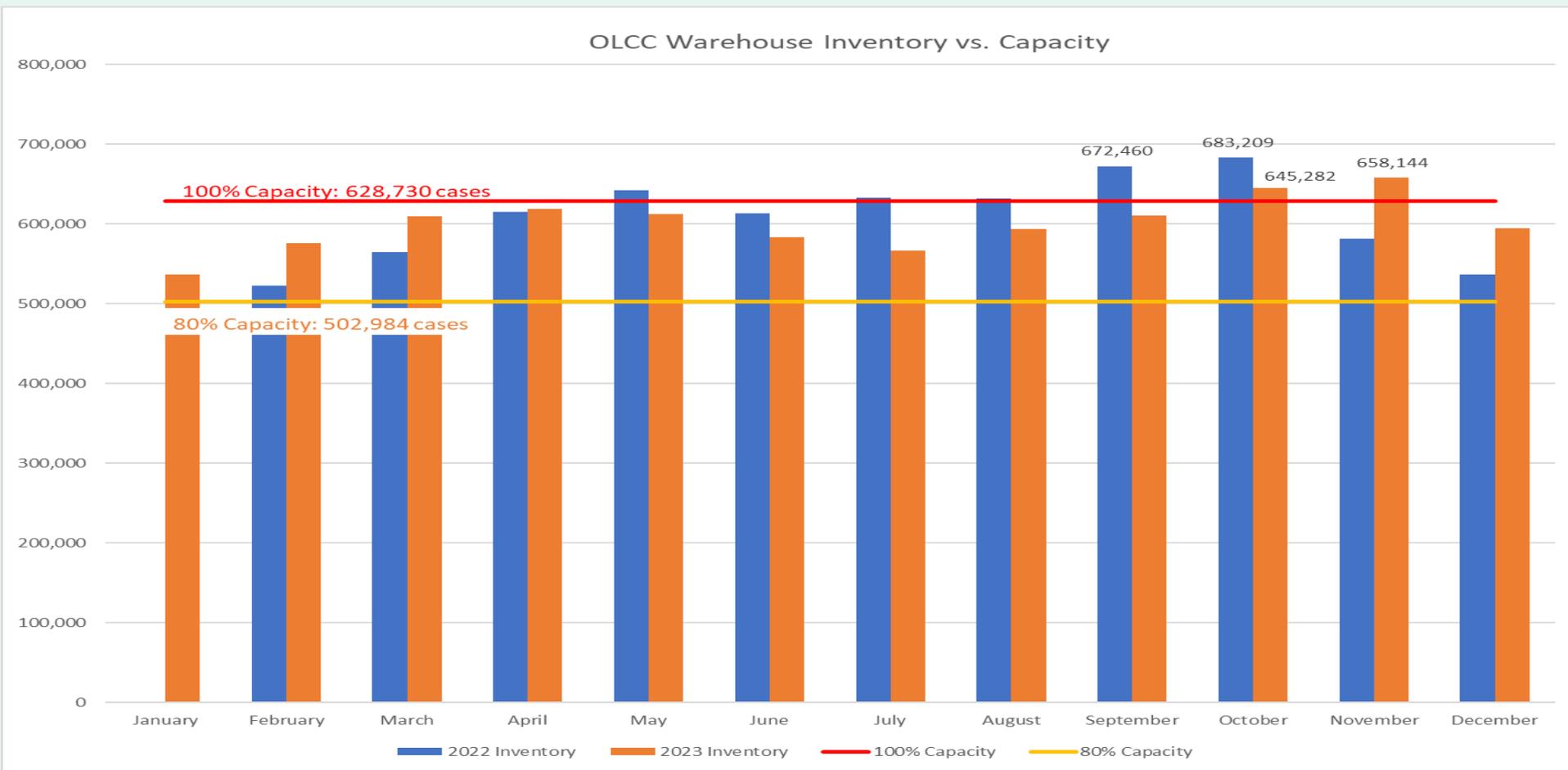
OLCC – WAREHOUSE/HQ AND CONVEYOR CAPITAL PROJECTS UPDATE



OLCC WAREHOUSE/HQ & CONVEYOR CAPITAL PROJECTS, OVERVIEW

- OLCC began working on this effort in 2019.
- OLCC was in need of a new warehouse, conveyor, and IT systems modernization.
- 60 year-old facility, using two warehouses.
- The Governor and the Legislature approved these projects in 2021 and 2022:
 - Invested in the agency's need to modernize,
 - Address warehouse capacity,
 - Meet future demand.

WHY DO WE NEED A NEW WAREHOUSE? – CAPACITY IS A PROBLEM



UPDATE ON CONSTRUCTION MANAGEMENT/GENERAL CONTRACTOR (CM/GC) PROCUREMENT

- Decision made in July/August 2023 to remove the new HQ office from the project made in the summer of 2023.
 - Agency is planning to lease HQ space instead of building new office space.
 - Decision made in collaboration with the Governor's Office, DAS-EAM, and Legislative leadership.
- CM/GC contract signed early February 2024
- Warehouse construction expected to be complete in January/February 2026

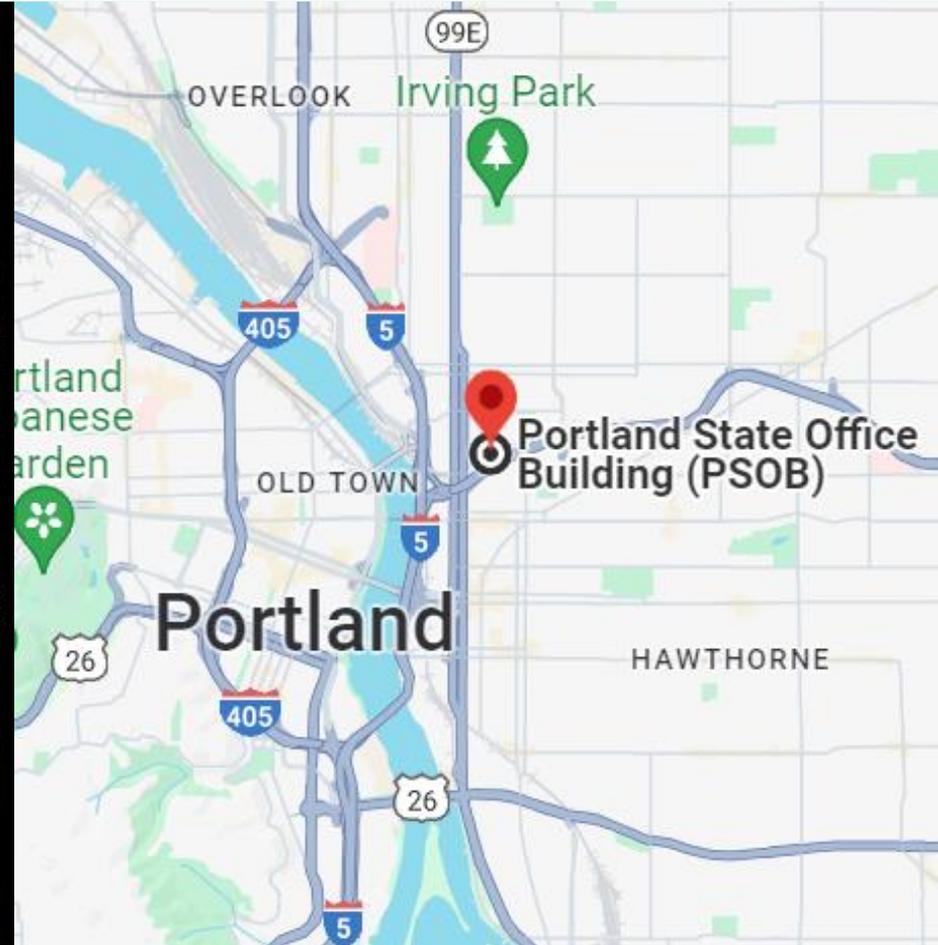
WHY LEASE HQ SPACE INSTEAD OF BUILDING NEW OFFICE SPACE?

- Enables OLCC to focus approved bonding on building the Warehouse, while staying within current budget estimates.
- The project originally assumed an HQ-office space of ~35,000 square feet.
- Currently, 50% or more of agency HQ professional staff work remotely during the week.
 - Aligns with state policy, 50.050.01.
- Leasing ~16,000 square feet of office space is part of agency's overall project value engineering effort.

WHERE WILL THE NEW HQ FOR OLCC BE LOCATED?

- Looking at the state owned, Portland State Office Building (5.5 miles from current HQ):
 - Directly supports the Governor's current initiative around Portland's revitalization.
 - Allows OLCC to be co-located with other state agencies.
 - Aligns with Executive Order 94-07, which instructs agencies to locate in areas that support urban cores, or other areas locally targeted for economic development.
 - Locating in an existing state-owned building conforms with statute, rule and policy.

PORTLAND STATE OFFICE BUILDING (PSOB)



REMOVING HQ WILL ALLOW THE AGENCY TO STAY WITHIN BUDGET & ADDRESS CURRENT CONVEYOR COST ESTIMATES

- OLCC has submitted a request to shift \$9 million in approved funding from the Warehouse/HQ project to the Conveyor project.
- This request was necessary due to current Conveyor cost estimates.

Capital Project*	2022 Session, Other Funds Limitation Approved in SB 5702	Requested Shift Amongst Related Capital Projects	Capital Project Budgets (if request is approved)
Liquor Warehouse Conveyor System	\$ 15,000,000	\$ 9,000,000	\$ 24,000,000
Liquor Warehouse Land & Building	\$ 130,455,048	\$ (9,000,000)	\$ 121,455,048

*Note: No additional bonding and/or limitation was requested during the 2023 session.



OLCC –ALCOHOL REVENUE FORECAST UPDATE



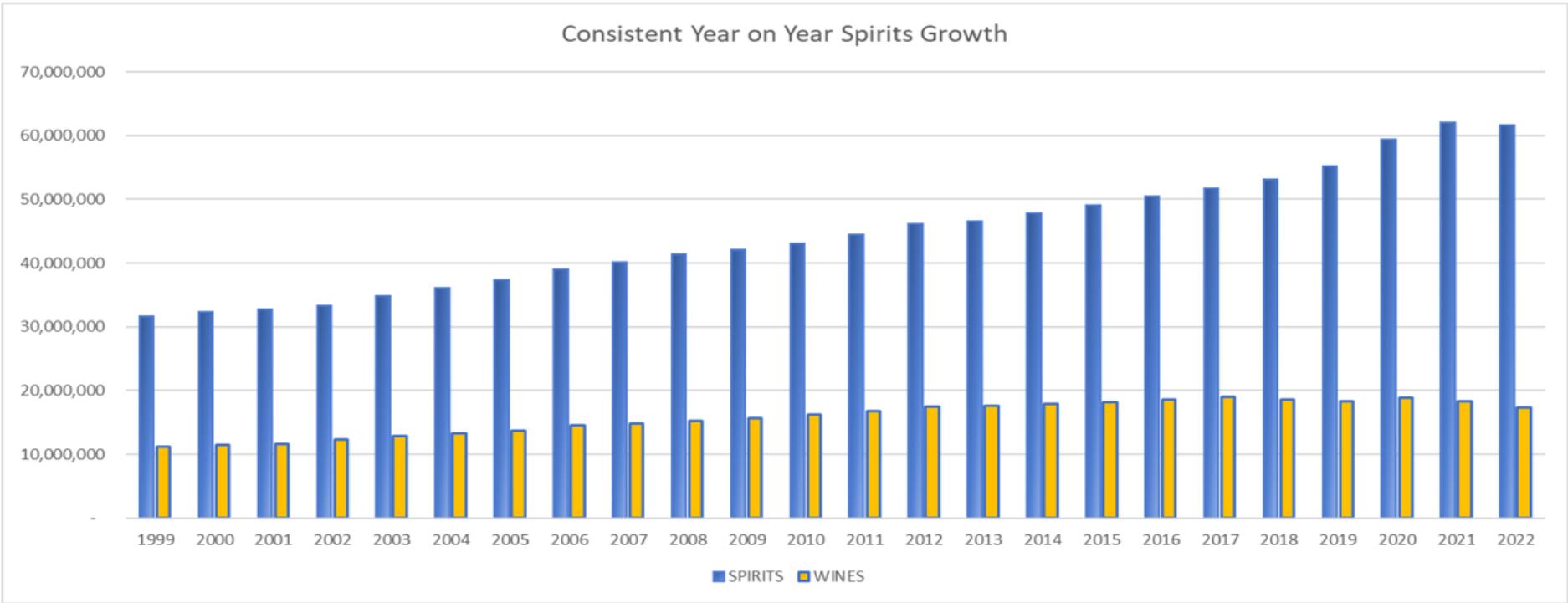
NATIONAL ALCOHOL REVENUE TREND

(SOURCE: NATIONAL ALCOHOL BEVERAGE CONTROL ASSOCIATION, NABCA)

A History of Strong Growth



Consistent Year on Year Spirits Growth

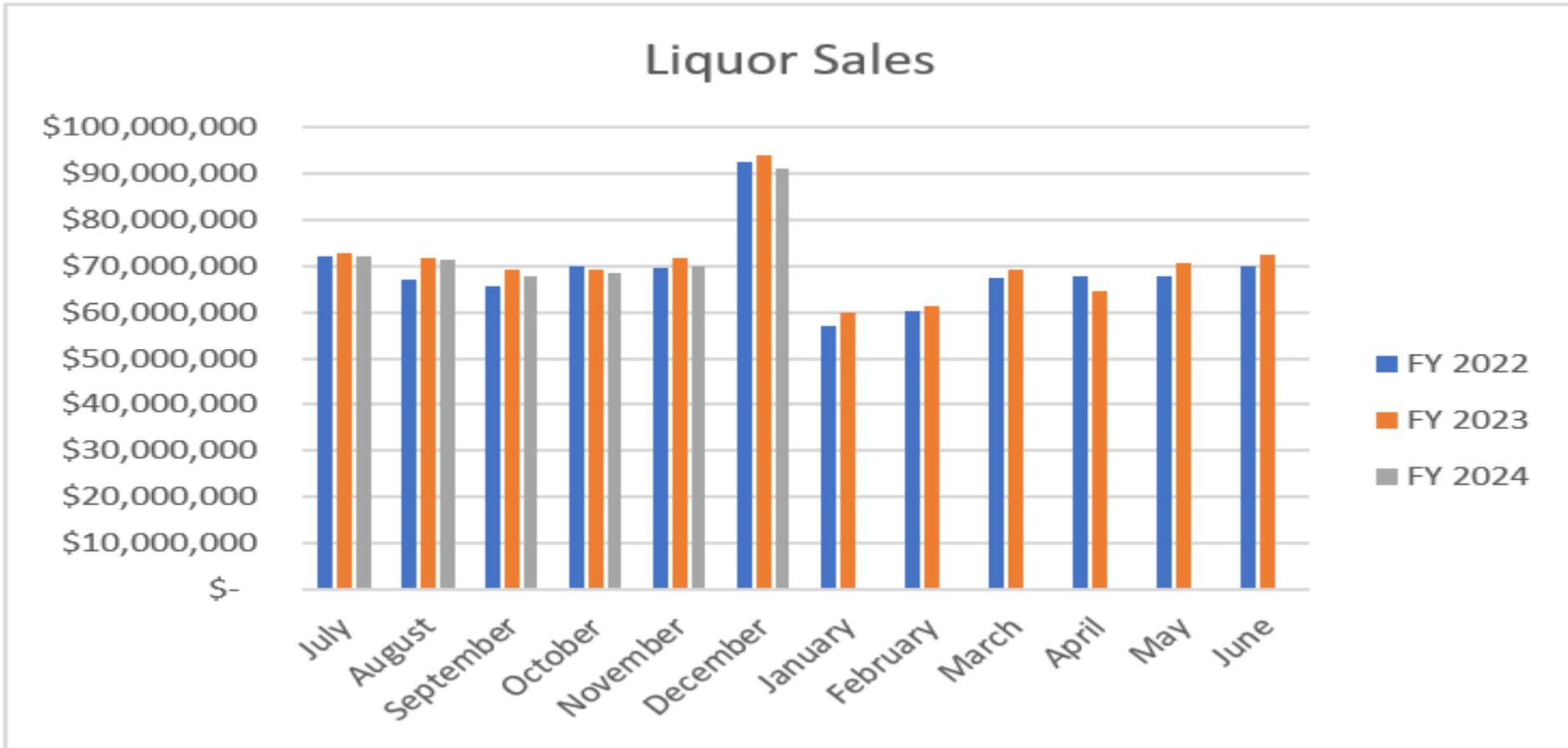


~78 Million Total 9-Liter Cases

~\$15.1 Billion Annual

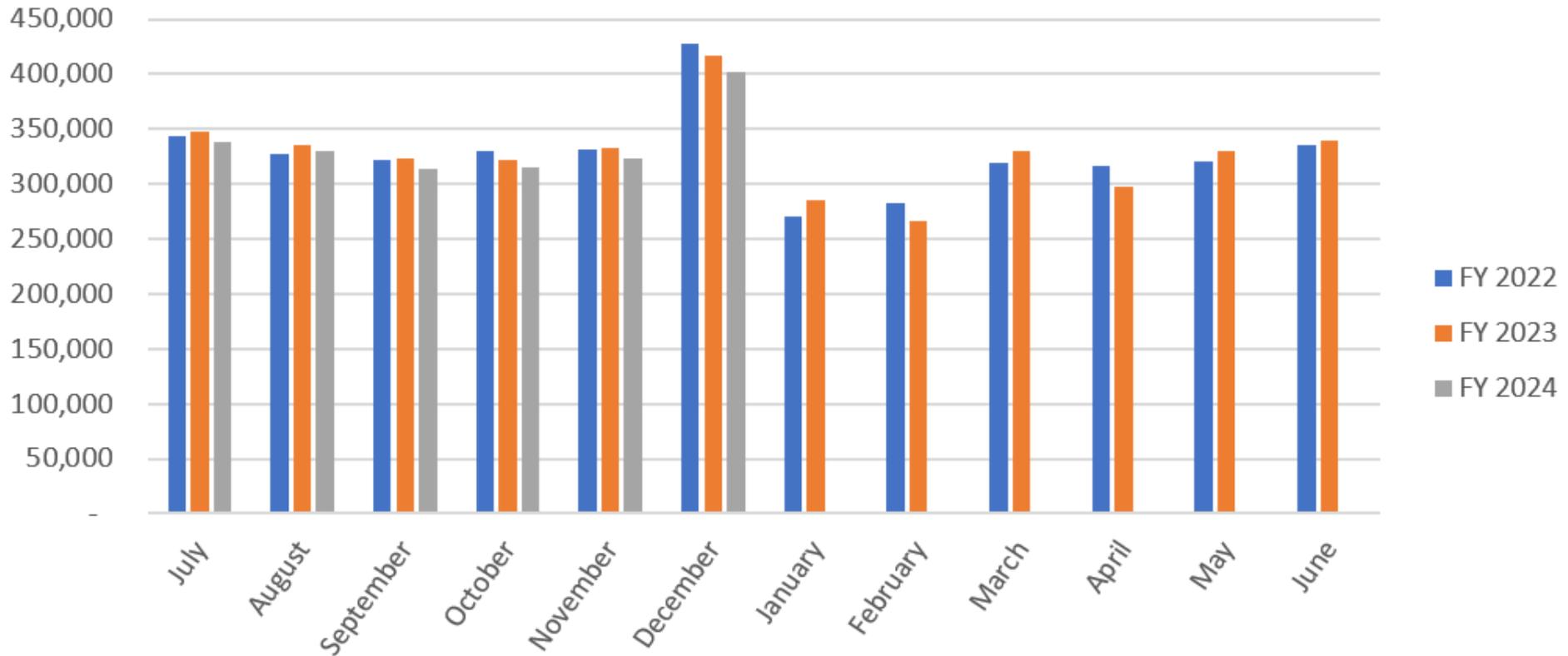


OREGON LIQUOR SALES OVER THE PAST 30 MONTHS (IN DOLLARS), JULY '21 – DEC. '23



OREGON LIQUOR SALES OVER THE PAST 30 MONTHS (IN CASES), JULY '21 – DEC. '23

Liquor Cases Sold



CURRENT AGENCY LEADERSHIP ALCOHOL REVENUE ANALYSIS

- Alcohol Revenue model was relatively accurate through 2021-23.
- Original 2023-25 alcohol revenue forecast projected growth of ~20%.
 - In July 2022, I noted for the Commission that projected revenue growth may not be realized. It would need to be monitored as we went forward.
- During first six months of 2023-25, the projected growth in the model has not been realized.
- Instead, 2023-25 alcohol revenue has been relatively flat.
- OLCC met with DAS-CFO, DAS-OEA, LFO, and LRO in January 2024 regarding 2023-25 revenue forecast.
- Updating Alcohol Revenue Forecast now so the Governor's Office and the Legislature has this information for the 2024 February session.



2023-25 ALCOHOL REVENUE FORECAST: DISTRIBUTION UPDATE

	2023-25 Prior Alcohol Distribution Forecast	2023-25 Current Alcohol Distribution Forecast
General Fund (GROSS)	401,822,146	326,653,628
Incorporated Cities	128,375,908	102,621,424
City Revenue Sharing	89,863,135	71,834,997
Counties	64,187,954	51,310,712
Mental Health	20,700,105	20,296,910
Oregon Wine Board	777,009	745,142
DISTRIBUTION TOTALS (forecasted)	705,726,257	573,462,814

Questions?

