



pennsylvania
LIQUOR CONTROL BOARD

Budget Hearing Materials

Fiscal Year 2021-22

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Mission Statement

The mission of the Pennsylvania Liquor Control Board is to responsibly sell wine and spirits as a retailer and wholesaler, regulate Pennsylvania's alcohol industry, promote alcohol education and social responsibility and maximize financial returns for the benefit of all Pennsylvanians.

**LIQUOR CONTROL BOARD
SUMMARY BY FUND AND EXECUTIVE AUTHORIZATION**

The Pennsylvania Liquor Control Board (PLCB) regulates the manufacture, importation, sale, distribution and disposition of liquor, alcohol, and malt or brewed beverages in the Commonwealth. As Pennsylvania’s primary retailer of wine and spirits, the PLCB operates 582 Fine Wine & Good Spirit stores, including 110 Premium Collection stores, plus an e-commerce website and fulfillment center. As the commonwealth’s wholesale distributor of wines and spirits to retail licensees and Fine Wine & Good Spirits stores, the PLCB manages warehousing and transportation of products from three privately contracted distribution centers and operates 13 licensee service centers. The PLCB’s Bureau of Alcohol Education works to prevent underage and dangerous drinking through grants awarded to community partners in alcohol deterrence efforts, advertising and education efforts, and the Responsible Alcohol Management Program (RAMP), which provides training and certification to licensees to help owners, managers and servers conscientiously run a business serving alcohol, serve alcohol responsibly and minimize the risks and dangers associated with alcohol service.

The dollar amounts shown below include executive authorizations from, and augmentations to, the State Stores Fund, a special enterprise fund. They are reflected herein as "Other Funds". The sole source of operating funds for the PLCB's operations is the Governor's Executive Authorization of Expenditure from the revenues and retained earnings of the State Stores Fund.

The State Stores Fund serves as the general operating fund for the PLCB. This fund receives revenues from the sale of wine and spirits, fees not credited to the Liquor License Fund, fines and penalties for law violations by licensees, and losses and damages recovered. Expenditures cover all costs associated with the operation and administration of all PLCB functions as outlined and prescribed by the Pennsylvania Liquor Code. In addition, the fund also provides monies to the Pennsylvania State Police for enforcement of the Liquor Code, the Department of Drug and Alcohol Programs for alcohol abuse and prevention programs, the Office of Auditor General for auditing services and the Office of the Comptroller assigned to the PLCB for accounting services. Annual transfers are made from this fund to the General Fund.

(\$ Amounts in Thousands)

	<u>Actual</u> <u>2019-20</u>	<u>Available</u> <u>2020-21</u>	<u>Budgeted</u> <u>2021-22</u>
STATE STORES FUND			
General Operations (EA)	\$ 591,980	\$ 624,440	\$ 671,700
(A) Sale of Automobiles	5	20	20
Purchase of Liquor (EA)	1,432,488	1,464,700	1,530,600
Comptroller Operations (EA)	6,025	6,123	6,130
Transfer to the General Fund (EA)	<u>185,100</u>	<u>185,100</u>	<u>185,100</u>
LIQUOR CONTROL BOARD TOTAL.....	<u>\$2,215,598</u>	<u>\$2,280,383</u>	<u>\$2,393,550</u>

I. SUMMARY FINANCIAL DATA

	(\$ Amounts in Thousands)			
	<u>Actual</u> <u>2019-20</u>	<u>Available</u> <u>2020-21</u>	<u>Budgeted</u> <u>2021-22</u>	<u>Budgeted vs.</u> <u>Available</u>
State Funds	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0	0
Other Funds (State Stores)	<u>591,980</u>	<u>624,440</u>	<u>671,700</u>	<u>47,260</u>
Total	\$591,980	\$624,440	\$671,700	\$ 47,260

II. DETAIL BY MAJOR OBJECT
General Operations

	(\$ Amounts in Thousands)			
	<u>Actual</u> <u>2019-20</u>	<u>Available</u> <u>2020-21</u>	<u>Budgeted</u> <u>2021-22</u>	<u>Budgeted vs.</u> <u>Available</u>
<u>Personnel</u>				
State Funds	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0	0
Other Funds (State Stores)	<u>342,480</u>	<u>342,937</u>	<u>337,700</u>	<u>(5,237)</u>
Total	\$342,480	\$342,937	\$337,700	\$ (5,237)

<u>Operating</u>				
State Funds	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0	0
Other Funds (State Stores)	<u>225,600</u>	<u>252,430</u>	<u>285,830</u>	<u>33,400</u>
Total	\$225,600	\$252,430	\$ 285,830	\$ 33,400

<u>Fixed Assets</u>				
State Funds	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0	0
Other Funds (State Stores)	<u>18,925</u>	<u>24,873</u>	<u>44,770</u>	<u>19,897</u>
Total	\$ 18,925	\$ 24,873	\$ 44,770	\$ 19,897

<u>Grants and Subsidies</u>				
State Funds	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0	0
Other Funds (State Stores)	<u>4,975</u>	<u>4,200</u>	<u>3,400</u>	<u>(800)</u>
Total	\$ 4,975	\$ 4,200	\$ 3,400	\$ (800)

III. HISTORY OF LAPSES

(\$ Amounts in Thousands)

<u>Fiscal Year</u>	<u>Authorization</u>	<u>Lapse</u>
2019-20	\$592,000	\$35,348
2018-19	\$577,600	\$34,109
2017-18	\$556,950	\$39,372

IV. COMPLEMENT INFORMATION

		<u>Dec. 31, 2019</u>		<u>Dec. 31, 2020</u>		<u>Budgeted</u>	
		<u>Authorized</u>	<u>Filled</u>	<u>Authorized</u>	<u>Filled</u>	<u>Authorized</u>	<u>Filled</u>
State Funds		0	0	0	0	0	0
Federal Funds		0	0	0	0	0	0
Other Funds (State Stores)		<u>3,219</u>	<u>3,187</u>	<u>3,219</u>	<u>3,173</u>	<u>3,219</u>	<u>3,173</u>
Total		3,219	3,187	3,219	3,173	3,219	3,173
<u>Salary</u>	# Positions		3,219		3,219		3,219
	Salary	\$152,779,000		\$158,410,000		\$157,033,000	
	Benefits	135,852,000		131,850,000		123,896,000	
	% Benefits		88.8%		83.1%		78.9%
<u>Wage</u>	# Positions		3,275		3,278		3,278
	Wages	39,190,000		37,030,000		42,843,000	
	Benefits	14,659,000		15,647,000		13,928,000	
	% Benefits		37.4%		38.6%		32.5%
<u>Total</u>	# Positions		6,494		6,497		6,497
	Salary/Wages	191,969,000		195,440,000		199,876,000	
	Benefits	150,511,000		147,497,000		137,824,000	
	% Benefits		<u>78.4%</u>		<u>75.3%</u>		<u>69.0%</u>
		<u>\$342,480,000</u>		<u>\$342,937,000</u>		<u>\$337,700,000</u>	

V. PROGRAM DESCRIPTION

The statutory authority for the Liquor Control Board is Act 21 of April 12, 1951, P.L. 90; as reenacted by Act 14 of June 29, 1987, P.L. 32. In conformance with the Pennsylvania Liquor Code, the mission of the Pennsylvania Liquor Control Board (PLCB) is to responsibly sell wine and spirits as a retailer and wholesaler, regulate Pennsylvania's alcohol industry, promote alcohol education and social responsibility and maximize financial returns for the benefit of all Pennsylvanians. Funds to cover the general operating expenditures of the PLCB are generated by the sale of wine and spirits and come from the State Stores Fund.

For FY 2021-22, the PLCB is submitting a budget request of \$671,700,000 for its general operations, which are funded through an executive authorization to spend from revenues of the State Stores Fund. This request funds the operation of approximately 600 retail stores and licensee service centers (which provide wines and spirits to the consuming public and licensees), an e-commerce fulfillment center, and three distribution centers, which deliver wines and spirits to both Fine Wine & Good Spirits stores and more than 500 licensees. This request also funds the regulatory functions of the PLCB including licensing, the Office of the Administrative Law Judge and alcohol education, as well as administrative and central office functions that support retail, wholesale, and regulatory functions. The budget request represents an increase of \$47.3 million, or 7.6%, from the FY 2020-21 executive authorization of \$624,440,000. A large portion of this increase is for the PLCB's replacement and upgrade of its current Oracle ERP platform, with \$34.7 million budgeted for FY 2021-22. Although \$17.5 million was budgeted for this project in FY 2020-21, the start of this project was delayed, (in part, due to the COVID-19 pandemic), with a portion of these costs expected to be deferred into FY 2021-22.

This budget requests \$337.7 million for personnel services, a decrease of \$5.2 million, or -1.5%, from FY 2020-21. Salaries, wages and overtime are increasing by \$4.4 million, or 2.3%, due to contract rate increases and to cover expanded wage hours for retail stores and facilities maintenance staff. Total benefits decreased by \$9.7 million, or -6.6%, largely due to a \$9.1 million reduction (nearly 50%) in retiree health care costs. Other significant benefit changes were reductions in expected unemployment compensation (-\$1.9 million, -79.2%) and workers compensation (-\$0.8 million, -10.0%) costs, and an increase in retirement contributions, (\$2.2 million, 4.0%).

This budget submission requests \$285.9 million for operational expenses, an increase of \$33.4 million, or 13.2%, from FY 2020-21. IT consulting and software maintenance accounts for \$10.0 million of the increase with \$4.7 million of this amount for the ERP upgrade. Freight expenses are expected to increase by \$7.7 million as the new distribution center serving the Philadelphia region will be operating for a full fiscal year, for possible increased costs from the request for proposal (RFP) for our western Pennsylvania warehousing and distribution operations and for increased shipping costs related to growing e-commerce sales. Credit and debit card usage fees are projected to increase by \$4.5 million, or 12.0%, with 70.0% of FY 2020-21 first half sales being credit/debit card purchases, as compared to only 65.9% for the first half of FY 2019-20. Store rents are projected to increase by \$3.3 million, or 5.1%, with 30 to 40 stores being renovated and remodeled, and maintenance supplies are expected to increase by \$1.8 million, or 68.9%, for refreshing 100 stores.

Combined, the warehouse operations, store leases and credit card expenses account for more than \$187 million, or two-thirds of the PLCB's operational expense request. More than 1,400 licensees, including more than 1,000 grocery and convenience stores, are now permitted to sell limited quantities of wine-to-go. Many of these licensees, as well as on-premises licensees like bars and restaurants, utilize the PLCB's Licensee Delivery Program. The PLCB has been activity working with chain licensees to transition from deliveries to individual stores to deliveries to their warehouses, trailer-drops and back-haul deliveries, all of which are more efficient distribution methods for both the PLCB and licensed retailers.

This budget requests \$44.8 million for fixed assets, a \$19.9 million, or 80.0%, increase from FY 2020-21. Most of these funds are required for the Oracle ERP upgrade (\$30.0 million). FY 2020-21 had \$16.5 million budgeted for the ERP upgrade and point-of sale (POS) replacement projects, but due to a delayed start, a portion of the ERP project costs are expected to shift into FY 2021-22 and the POS project is being pushed back to FY 2022-23. The PLCB is pursuing a transition to a new cloud-based ERP platform to replace the existing on-premises platform, which will provide additional functionality and be easier and more cost-effective to maintain. The PLCB has completed the ERP blueprinting phase, and the design and implementation project for a new retail/wholesale Oracle Cloud ERP solution is expected to run at least through FY 2022-23.

This budget requests \$3.4 million for grants, with \$1.0 million each for grants supporting Pennsylvania's wine and beer industries, and \$1.4 million for alcohol education grants (a \$0.2 million increase), which aim to reduce underage and dangerous drinking.

FY 2021-22 Initiatives

The key FY 2021-22 initiative, the Oracle ERP upgrade, was described above. Other FY 2021-22 projects include a retail security solution including cameras for all stores and our e-commerce platform upgrade and website redesign started in FY 2018-19.

Revenues

The PLCB remains committed to customer service excellence and social responsibility in all facets of our operation while maintaining a strong revenue stream for the Commonwealth.

The primary revenue source for the State Stores Fund is the PLCB's sale of wine and spirits. Until the COVID-19 public health crisis, the PLCB had achieved year-over-year sales growth for each of the past 26 years. For the first eight months of FY 2019-20, PLCB sales were on a record pace, with year-to-date sales through February 4.5% ahead of the prior year. However, beginning in the middle of March, Fine Wine & Good Spirits stores and licensee service centers were temporarily closed, and e-commerce operations were briefly suspended in response to Governor Tom Wolf's COVID-19 mitigation efforts. Despite online and curbside pickup sales options available beginning in April, the closure of FW&GS stores to traditional

traffic – compounded by limited sales to bars and restaurants due to COVID-19 occupancy limits and business restrictions – hampered sales and tax revenue from March through June, even as some stores began reopening to limited in-store traffic in May 2020. As a result, FY 2019-20 sales and tax revenues totaled \$2.56 billion, a decrease of \$110.9 million, or -4.1%, from FY 2018-19.

Although COVID-19 restrictions continue to impact PLCB sales to bars and restaurants, sales for the first quarter of FY 2020-21 grew 4.7% over the first quarter of the prior year. The PLCB's re-budget projection for FY 2020-21 was for sales growth of only 4.3%; essentially only returning to FY 2018-19's sales level. Since sales over the last few months have shown the re-budget projection to be overly conservative, it has been revised for the budget submission, with FY 2020-21 sales now projected to grow 10.5% over FY 2019-20, or 6.1% above FY 2018-19. Sales for FY 2021-22 are projected at a slower growth rate of 3.5%, with future years' sales projected to grow 3.0% annually. Sales and margin trends continue to be monitored closely, but long-term trends are difficult to predict due to the pandemic, and as Pennsylvania customers continue to adapt to marketplace changes including the availability of wine at a growing number of private retailers, consumers' ability to buy wine from direct wine shippers and a growing network of Pennsylvania wineries, distilleries and breweries, all of which can sell directly to consumers and licensees.

These revenues cover the cost of all merchandise inventory maintained and sold by the PLCB and all the costs of operating the PLCB. After payment of these operating expenses, the PLCB transferred \$694.8 million in taxes and funds from operations to the General Fund for FY 2019-20. In addition to the General Fund transfer and taxes, the PLCB also funds enforcement efforts of the Pennsylvania State Police Bureau of Liquor Control Enforcement (BLCE). BLCE funding totaled \$30.8 million in FY 2019-20. Additionally, \$4.2 million was allocated to the Pennsylvania Department of Drug and Alcohol Programs, \$4.3 million in license fees were collected to be returned to local municipalities and \$8.8 million in local sales tax was collected and remitted to Philadelphia and Allegheny counties.

For FY 2019-20, the PLCB achieved record net income of \$208.7 million, up \$17.7 million, or 9.2%, more than the previous year. Licensing revenues decreased \$5.6 million, or 13.5%, for FY 2019-20, mostly due to a \$3.9 million decline in auction revenues from expired restaurant licenses, which dropped to \$3.1 million in FY 2019-20. In order to help support licensees who were adversely impacted by the pandemic and COVID-19 restrictions, the PLCB waived the collection of most license fees for calendar year 2021, with an expected \$29.5 million reduction in licensing fees. The estimated impact is a \$25.5 million reduction in State Stores Fund revenues and a \$4.0 million reduction in Liquor License Fund revenues that will be approximately evenly split over fiscal years 2020-21 and 2021-22.

In FY 2020-21, the PLCB will transfer \$185.1 million to the General Fund, and the agency is committed to maintain the transfer to the General Fund at \$185.1 million in FY 2021-22.

V. 1. PROGRAM DESCRIPTION – Performance Measures

The most effective program performance measures used by the Liquor Control Board are those that report the financial results of the business enterprise we operate. Monthly financial statements prepared in accordance with Generally Accepted Accounting Principles provide information on gross sales, taxes collected, cost of goods sold, operating expenses and net income. The Board has developed metrics and key performance indicators that give the PLCB visibility into expenses and variances from planned expense and revenue goals. Tools have been developed for improved forecasting of income and cash flow. In addition to financial information, various other performance measures are regularly reported to PLCB operating managers. Increased use of business ratios, such as Expense to Net Sales and Sales per Square Foot, are utilized for comparative purposes with increased emphasis on market impact of store relocations, closings and openings to maximize service level to the customer base. Comparative measures are utilized to monitor daily store performance by tracking sales challenges, inventory shrink and other measures. Tools have been developed to analyze the effectiveness of our advertising expenditures, allowing us to maximize advertising benefits.

The PLCB devotes significant resources to improve the efficiency of regulatory services to licensees. Program performance measures used include the number of applications processed, turnaround time, inquiries handled personally or by telephone, fees processed and detailed monitoring of investigative activities. Measures of alcohol education program performance include the number of owners/managers/servers completing Responsible Alcohol Management Training (RAMP) and number of alcohol education materials distributed to the targets of our various alcohol education programs as well as definable measurements for activities funded through our grant programs.

VI. EXPLANATION OF CHANGES

(\$ Amounts in thousands)

PERSONNEL

- | | |
|---|------------------|
| 1. Reduction in cost of indirect compensation (Retired Employee Health Benefits: -\$9.1M) | (\$5,237) |
| Subtotal – Personnel Change: | (\$5,237) |

OPERATING EXPENSE

- | | |
|--|-----------------|
| 1. Increased funding for IT consulting and software (+\$10.0M, including \$4.7M for Oracle ERP upgrade), Freight (+\$7.7M), credit cards (+4.5M), store leases (+\$3.3M) and advertising (+\$3.0M) | \$33,400 |
| Subtotal – Operating Expense Change: | \$33,400 |

FIXED ASSETS

- | | |
|--|-----------------|
| 1. Increased funding for information technology projects, primarily for Oracle ERP upgrade | \$19,897 |
| Subtotal – Fixed Asset Change: | \$19,897 |

GRANTS

- | | |
|---|----------------|
| 1. Increased funding for Alcohol Education grants (\$200K increase to \$1.4M) | |
| 2. Level funding for new PA Wine Marketing Board and Malt Beverage Board Grants (\$1.0M each) | |
| 3. Removed funding for anticipated Spirit industry grants (-\$1.0M) | (\$800) |
| Subtotal – Grants Change | (\$800) |

State Stores Fund - Total Change: **\$47,260**

VII. OTHER INFORMATION

1. **FY 2019-20 Obligations** – There was no carryover of FY 19-20 obligations into FY 20-21.
2. **FY 2020-21 Supplemental Authorization** – No request for supplemental funding for FY 20-21 has occurred as of February 15, 2021.
3. **Restricted Receipts** – No restricted receipts are received or budgeted for the general operations of the Liquor Control Board.

VIII. CONSULTING CONTRACTS

1. FISCAL YEAR 2019-20

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2019-20	63018706	\$ 51,384.00	American Assoc. of Motor Vehicle Administrators 4401 Wilson Blvd Arlington, VA 22203	Provide value added communication networking (VAN) services to include: enhanced connectivity service, information exchange, mail exchange and IBM expedite/CICS.
2019-20	63018640	\$ 26,400.00	Appalachia Technologies 5012 Lenker Street Mechanicsburg, PA 17050	Assistance in configuration and administration of PLCB's internal networks
2019-20	63017795	\$ 455,412.22	CDW Govt LLC 230 N. Milwaukee Avenue Vernon Hills, IL 60061	Adobe professional services for configuration and implementation of Adobe Experience Manager (AEM) Sites, Users, Commerce, Assets, CPU, Storage and Backup.
2019-20	63018599	\$ 6,112.35	CDW Govt LLC 230 N. Milwaukee Avenue Vernon Hills, IL 60061	Listrak professional services to implement additional functionality.
2019-20	63018692	\$ 28,028.19	CDW Govt LLC 230 N. Milwaukee Avenue Vernon Hills, IL 60061	Trintech professional services to install and configure three ReconNET Reconciliation types, research for one reconciliation type and SmartAnalysis software.

VIII. CONSULTING CONTRACTS

1. FISCAL YEAR 2019-20 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2019-20	63012322	\$ 569,418.50	Computronix USA, Inc 3900 S. Wadsworth Blvd. Suite 510 Lakewood, CO 80235-2208	Provide a scalable, hosted Regulatory Affairs software system that is a single gateway for businesses and individuals to apply.
2019-20	63013717	\$ 1,800,641.08	Deloitte Consulting LLP 300 Corporate Center Drive Camp Hill, PA 17011-1760	Production support and enhancement services for the PLCB's current Oracle ERP platform.
2019-20	63019783	\$ 49,000.00	KPMG LLP 30 N Third St, Ste 200 Harrisburg, PA 17101	Consulting services for the independent evaluation and validation of Oracle Business Optimization Solution.
2019-20	63019828	\$ 19,895.00	Mazars USA Public Sector LLC 47 E South St, Ste 201 Frederick, MD 21701-5982	Wireless network security assessment to identify wireless vulnerabilities and risks.
2019-20	63019097	\$ 398,970.00	Microsoft Corporation 12012 Sunset Hills Road Reston, VA 20190	Deployment, management, and support of on-premise and cloud-based Microsoft services.
2019-20	63019933	\$ 300,177.70	Microsoft Corporation 12012 Sunset Hills Road Reston, VA 20190	Deployment, management, and support of on-premise and cloud-based Microsoft services.

VIII. CONSULTING CONTRACTS

1. FISCAL YEAR 2019-20 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2019-20	63019476	\$ 623,928.28	Oracle America Inc. 500 Oracle Parkway Redwood City, CA 94065-1677	Oracle Retail Demand Forecasting Cloud Implementation Services.
2019-20	63018601	\$ 346,108.75	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Adobe Experience Manager Support using Adobe Assets and Sites Cloud-Based Software.
2019-20	63018861	\$ 31,363.20	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Quality Assurance Specialist Support for E-Commerce.
2019-20	63018917	\$ 433,038.85	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Solution Architect Support for E-Commerce.
2019-20	63018980	\$ 112,794.36	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Unix Administrator Support.
2019-20	63018984	\$ 169,956.84	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Database Administrator Support.

VIII. CONSULTING CONTRACTS

1. FISCAL YEAR 2019-20 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2019-20	63018985	\$ 103,441.36	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support for production issues related to E-Commerce.
2019-20	63018986	\$ 102,040.80	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support for production issues related to E-Commerce.
2019-20	63019159	\$ 481,032.50	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Adobe Experience Manager Support block of hours using Adobe Assets and Sites Cloud- Based Software.
2019-20	63019393	\$ 681,423.60	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Adobe Experience Manager Support block of hours using Adobe Assets and Sites Cloud- Based Software.
2019-20	63019394	\$ 34,594.56	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Quality Assurance Specialist Support for E-Commerce.
2019-20	63019395	\$ 149,700.00	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Solutions Architect Support for E-Commerce.

VIII. CONSULTING CONTRACTS

1. FISCAL YEAR 2019-20 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2019-20	63019543	\$ 16,342.93	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Desktop Support Hardware/ Software Product Specialist consulting.
2019-20	63019585	\$ 350,669.13	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support to migrate environments in Azure Cloud and API integration points with Adobe Experience manager for E-Commerce.
2019-20	63019694	\$ 434,571.80	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Adobe Experience Manager Support block of hours using Adobe Assets and Sites Cloud- Based Software.
2019-20	63019797	\$ 23,950.08	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Quality Assurance Specialist Support for E-Commerce.
2019-20	63019829	\$ 82,714.50	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support to migrate environments in Azure Cloud and API integration points with Adobe Experience manager for E-Commerce.

VIII. CONSULTING CONTRACTS

1. FISCAL YEAR 2019-20 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2019-20	63015545	\$ 246,300.00	Partnership of Packer Oesterling and Smith Inc. 513 N 2 nd St Harrisburg, PA 17101-1058	Comprehensive advertising campaign consulting for alcohol education to prevent and reduce underage use of alcohol.
2019-20	63010541	\$ 123,223.00	Robocom US LLC 1111 Broadhollow Rd., Suite 100 Farmingdale, NY 11735-4819	IT consulting support, upgrades, and services for Robocom Inventory Management System software, hard- ware, and equipment at the PLCB's three Distribution Centers.
2019-20	63013714	\$ 1,266,360.00	SkillNet Solutions, Inc. 1151 Sonora Court, Suite 2 Sunnyvale, CA 94086	Configuration and deployment services for the PLCB's Oracle Retail Point of Service solution.
2019-20	63019291	\$ 42,440.00	Synerg IT, Inc. 811 Camp Horne Road Pittsburgh, PA 15237-1282	PCI Report on Compliance and Penetration Testing.
2019-20	63019290	\$ 26,710.00	Synerg IT, Inc. 811 Camp Horne Road Pittsburgh, PA 15237-1282	Security Risk Assessment.

VIII. CONSULTING CONTRACTS

1. FISCAL YEAR 2019-20 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2019-20	63018494	\$ 2,899,419.00	Tierney & Partners, Inc DBA Tierney Communications 200 S. Broad St., 10 th Floor Philadelphia, PA 19102	Blanket Purchase Order for advertising and marketing services including research, planning and development for all TV, radio, digital, social media, email and print marketing; website design; media buying; and pass-through subcontract work.
2019-20	63018591	\$ 210,260.00	Venger Consulting LLC 6807 Sparkling Way Wesley Chapel, FL 33545-4383	Subject matter expertise and project management services for ERP, Transition and Change Management, and DC Network Optimization.

VIII. CONSULTING CONTRACTS

2. FISCAL YEAR 2020-21

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2020-21	63018706	\$ 51,384.00	American Assoc. of Motor Vehicle Administrators 4401 Wilson Blvd Arlington, VA 22203	Provide value added communication networking (VAN) services to include: enhanced connectivity service, information exchange, mail exchange and IBM expedite/CICS.
2020-21	63019937	\$ 44,960.00	Appalachia Technologies 5012 Lenker Street Mechanicsburg, PA 17050	E-Commerce web application penetration testing.
2020-21	63020263	\$ 36,000.00	Appalachia Technologies 5012 Lenker Street Mechanicsburg, PA 17050	Tenable Security Solution consulting to protect business from underlying hardware and software vulnerabilities.
2020-21	63018692	\$ 28,868.88	CDW Govt LLC 230 N. Milwaukee Avenue Vernon Hills, IL 60061	Trintech professional services to install and configure three ReconNET Reconciliation types, research for one reconciliation type and SmartAnalysis software.
2020-21	63012322	\$ 752,726.50	Computronix USA, Inc 3900 S. Wadsworth Blvd. Suite 510 Lakewood, CO 80235-2208	Provide a scalable, hosted Regulatory Affairs software system that is a single gateway for businesses and individuals to apply.

VIII. CONSULTING CONTRACTS

2. FISCAL YEAR 2020-21 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2020-21	63013717	\$ 3,099,335.45	Deloitte Consulting LLP 300 Corporate Center Drive Camp Hill, PA 17011-1760	Production support and enhancement services for the PLCB's current Oracle ERP platform.
2020-21	63019712	\$ 23,450.00	Genesys Telecommunications Laboratories Inc. 2001 Junipero Serra Blvd Daly City, CA 94014-3891	Genesys professional services to add self-service functionality to check gift card balance.
2020-21	63019715	\$ 9,975.00	Genesys Telecommunications Laboratories Inc. 2001 Junipero Serra Blvd Daly City, CA 94014-3891	Genesys professional services to enable web chat media channel and routing on the LOOP website.
2020-21	63020320	\$ 49,000.00	KPMG LLP 30 N Third St, Ste 200 Harrisburg, PA 17101	Consulting services for the independent evaluation and validation of third-party logistics provider responses to Western PA Warehousing and Transportation RFP.
2020-21	63020331	\$ 332,500.00	KPMG LLP 30 N Third St, Ste 200 Harrisburg, PA 17101	Consulting services for an independent, unbiased advisor for PLCB ERP project implementation.

VIII. CONSULTING CONTRACTS

2. FISCAL YEAR 2020-21 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2020-21	63020523	\$ 49,900.00	KPMG LLP 30 N Third St, Ste 200 Harrisburg, PA 17101	Consulting services for the independent evaluation and validation of third-party logistics provider responses to Central PA Warehousing and Transportation RFP.
2020-21	63020169	\$ 5,194,649.00	Oracle America Inc. 500 Oracle Parkway Redwood City, CA 94065-1677	Provide services, SaaS and software licensing sufficient to support definition, design and architecture of a new Oracle cloud-based ERP.
2020-21	63019694	\$ 343,424.99	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Adobe Experience Manager Support block of hours using Adobe Assets and Sites Cloud-Based Software.
2020-21	63019797	\$ 50,927.94	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Quality Assurance Specialist Support for E-Commerce.
2020-21	63019829	\$ 174,214.50	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support to migrate environments in Azure Cloud and API integration points with Adobe Experience manager for E-Commerce.

VIII. CONSULTING CONTRACTS

2. FISCAL YEAR 2020-21 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2020-21	63020019	\$ 45,643.06	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Adobe Experience Manager Support block of hours to assist with E-commerce projects management activities.
2020-21	63020020	\$ 90,823.15	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support to migrate environments in Azure Cloud and API integration points with Adobe Experience manager for E-Commerce.
2020-21	63020021	\$ 83,871.20	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support to migrate environments in Azure Cloud and API integration points with Adobe Experience manager for E-Commerce.
2020-21	63020022	\$ 80,588.58	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support to migrate environments in Azure Cloud and API integration points with Adobe Experience manager for E-Commerce.
2020-21	63020023	\$ 156,205.26	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	WebSphere Commerce Support for E-commerce production issues

VIII. CONSULTING CONTRACTS

2. FISCAL YEAR 2020-21 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2020-21	63020024	\$ 60,078.60	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Unix Administrator Support.
2020-21	63020025	\$ 91,358.58	OST, Inc. DBA Optimal Solutions 2101 L St NW, Suite 800 Washington, DC 20037-1637	Database Administrator Support to reduce PLCB's storage needs and provide performance improvements threatening PLCB's business.
2020-21	63015545	\$ 685,200.00	Partnership of Packer Oesterling and Smith Inc. 513 N 2 nd St Harrisburg, PA 17101-1058	Comprehensive advertising campaign consulting for alcohol education to prevent and reduce underage use of alcohol.
2020-21	63010541	\$ 35,285.93	Robocom US LLC 1111 Broadhollow Rd., Suite 100 Farmingdale, NY 11735-4819	IT consulting support, upgrades, and services for Robocom Inventory Management System software, hardware, and equipment at the PLCB's three Distribution Centers.
2020-21	63013714	\$ 2,821,499.61	SkillNet Solutions, Inc. 1151 Sonora Court, Suite 2 Sunnyvale, CA 94086	Configuration and deployment services for the PLCB's Oracle Retail Point of Service solution.
2020-21	63020212	\$ 42,440.00	Synerg IT, Inc. 811 Camp Horne Road Pittsburgh, PA 15237-1282	PCI Report on Compliance and Penetration Testing.

VIII. CONSULTING CONTRACTS

2. FISCAL YEAR 2020-21 (Cont'd)

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2020-21	63020211	\$ 26,710.00	Synerg IT, Inc. 811 Camp Horne Road Pittsburgh, PA 15237-1282	Security Risk Assessment.
2020-21	63018494	\$ 11,501,721.05	Tierney & Partners, Inc DBA Tierney Communications 200 S. Broad St., 10 th Floor Philadelphia, PA 19102	Blanket Purchase Order for advertising and marketing services including research, planning and development for all TV, radio, digital, social media, email and print marketing; website design; media buying; and pass-through subcontract work.
2020-21	63018591	\$ 111,205.00	Venger Consulting LLC 6807 Sparkling Way Wesley Chapel, FL 33545-4383	Subject matter expertise and project management services for ERP, Transition and Change Management, and DC Network Optimization.

VIII. CONSULTING CONTRACTS

3. FISCAL YEAR 2021-22

<u>FY</u>	<u>Contract #</u>	<u>Amount</u>	<u>Vendor/Address</u>	<u>Description</u>
2021-22	63018706	\$ 51,384.00	American Assoc. of Motor Vehicle Administrators 4401 Wilson Blvd Arlington, VA 22203	Provide value added communication networking (VAN) services to include: enhanced connectivity service, information exchange, mail exchange and IBM expedite/CICS.
2021-22	63018692	\$ 29,734.83	CDW Govt LLC 230 N. Milwaukee Avenue Vernon Hills, IL 60061	Trintech professional services to install and configure three ReconNET Reconciliation types, research for one reconciliation type and SmartAnalysis software.
2021-22	63020331	\$ 420,000.00	KPMG LLP 30 N Third St, Ste 200 Harrisburg, PA 17101	Consulting services for an independent, unbiased advisor for PLCB ERP project implementation.

4. INTERAGENCY AGREEMENTS & MEMORANDUMS OF UNDERSTANDING

- a.** Office of Administration – Agreement between OA and PLCB to allow PLCB to purchase Oracle Enterprise Software with the PLCB agreeing not to use certain software that the OA Technology Architecture Review Board deemed in conflict with the Commonwealth’s enterprise standards. No cost to either party. Effective date of 9/05/08 with indefinite term.
- b.** Department of General Services – Agreement for the PLCB to participate in consolidated warehousing and warehouse functions provided by DGS. As a cost savings move by the PLCB, all PLCB materials were removed from DGS warehousing locations on October 2015 and are being handled internal by the PLCB. The Interagency Agreement Memorandum of Understanding for warehousing remains in effect at no cost to PLCB in the event the PLCB has a future need to use DGS warehousing.
- c.** Department of General Services – Agreement for the PLCB to reimburse DGS for vehicle purchases. Effective date of 8/29/2012 with indefinite term.
- d.** Department of General Services – Agreement to transfer certain PLCB real estate responsibilities and staff to DGS. Effective 10/13/13 with indefinite term.
- e.** Department of General Services – Agreement between the PLCB and DGS for the PLCB to pay a monthly proportional share of the payment obligation to DGS’s contractor for installation and financing costs associated with energy conservation measures installed in the Northwest Office Building under DGS’s contract to implement Pennsylvania’s Guaranteed Energy Savings Act (GESA). Effective 10/9/10 and concurrent with the term of the Guaranteed Energy Savings Agreement.
- f.** Pennsylvania State Police – Agreement between the PLCB and PSP for the PLCB to reimburse PSP for the cost of criminal history background checks as needed for the Bureau of Licensing. These fees are charged to the PLCB via monthly PATCH (PA Access to Criminal History) billings, but are essentially a pass-through expense as the fees are billed to the licensees. Effective date 7/12/1995 with indefinite term.
- g.** Pennsylvania State Police – Agreement between the PLCB and PSP for the PLCB to supply and absorb the costs for alcoholic beverage samples for analysis testing in furtherance of PSP enforcement efforts. Effective date 7/12/1995 with indefinite term.
- h.** Department of General Services - Agreement between the PLCB and DGS for the PLCB to pay DGS Bureau of Publications for provided mail pre-sorting and processing services. Effective date 12/21/2007 with indefinite term.

- i. Office of Administration – Agreement between OA and PLCB to implement a comprehensive solution to collect and integrate time and attendance into SAP for time evaluation and payroll processing. Effective 9/5/2008 with indefinite term.
- j. Department of Revenue – Agreement between Revenue/PA Lottery and PLCB to license the PLCB to sell Lottery products in PLCB Fine Wine & Good Spirits stores as set forth in Act 39 of 2016. Effective 8/8/2016 with indefinite term.
- k. Department of Revenue – Agreement between Revenue/PA Lottery and PLCB for data sharing. Lottery has a need to obtain certain data on businesses licensed to sell wine and spirits in Pennsylvania for purposes of implementing legislation allowing for Lottery to offer Keno. Effective 1/2/2018. Agreement was amended to obtain additional data related to wine and spirit sales by businesses located within officially designated Neighborhood Improvement Zones and City Revitalization Improvement Zones. Agreement was extended with indefinite term.
- l. Commonwealth of PA & Department of Labor & Industry – Agreement among the Commonwealth of PA, Labor & Industry (L&I) and PLCB, as part of each agency’s Continuity of Operations plan (COOP), to provide temporary work space and resources for offset and digital print services in the event of an emergency that causes one of the parties to be unable to occupy their print operation facilities. Effective 11/15/2016, with termination date of 9/30/2021.
- m. Department of Community and Economic Development – Agreement between DCED and PLCB to work collaboratively in the development and maintenance of an enterprise, quality, reusable system for the management of various grant programs and projects. Effective 5/30/2019 and in effect until terminated by either party.
- n. Commonwealth of PA & VMware Enterprise License Agreement – Agreement between the Commonwealth of PA and VMware to provide licenses and subscription/support. Effective 1/1/2019, with termination date of 6/30/2022.
- o. Department of General Services and Department of Transportation – Agreement among DGS, PennDOT and the PLCB for the auctioning of an active restaurant license held by DGS on the behalf of PennDOT, acquired by PennDOT through eminent domain. Effective 1/30/2020 and will terminate after the license is successfully transferred after auction and all costs are settled.

1. SUMMARY FINANCIAL DATA (Amounts in Thousands)

Total Funds - Transfer to the General Fund

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
State Funds	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0
Other Funds (State Stores)	<u>185,100</u>	<u>185,100</u>	<u>185,100</u>
Total	\$185,100	\$185,100	\$185,100

2. Program Description

This Executive Authorization provides the means by which funds from the operation of PLCB Fine Wine & Good Spirits stores are transferred from the State Stores Fund to the General Fund. The transfers are used for general appropriation purposes as provided by Act No. 412 ½ of July 18, 1935, P.L. 1316. (47 P.S. § 744-907b).

3. Other Information

Historical Lapses	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
	\$ 0	\$ 0	\$ 0

1. SUMMARY FINANCIAL DATA (Amounts in Thousands)

Total Funds - Purchases of Liquor

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
State Funds	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0
Other Funds (State Stores)	<u>1,432,488</u>	<u>1,464,700</u>	<u>1,530,600</u>
Total	\$1,432,488	\$1,464,700	\$1,530,600

2. Program Description

This Executive Authorization is used only to purchase merchandise for resale by the PLCB.

3. Other Information

Historical Lapses

(Amounts in Thousands)

<u>Fiscal Year</u>	<u>Authorization</u>	<u>Lapse</u>
2019-20	\$1,432,488	\$70,375
2018-19	\$1,414,400	\$ 116
2017-18	\$1,396,500	\$ 750

**LIQUOR CONTROL BOARD
COMPTROLLER OPERATIONS**

The Executive Authorization for the Comptroller of the PLCB is included in the hearing materials prepared by the Governor's Office of the Budget. The PLCB has neither authority nor responsibility for the expenses incurred by the Office of the Comptroller.

State Stores Fund
Statement of Cash Receipts & Disbursements Worksheet
(Dollar Amounts in Thousands)

The State Stores Fund serves as the general operating fund for the Liquor Control Board. The Pennsylvania State Police also receive funds for the enforcement of the Liquor Code. Prior to 2012-13, the Department of Health received funds for alcohol abuse programs. Act 50 of 2010 created the Department of Drug and Alcohol Programs and requires that all drug and alcohol program funding previously allocated to the Department of Health be transferred to the Department of Drug and Alcohol Programs.

This fund receives revenues from the sale of goods in State Liquor Stores, fees not credited to the Liquor License Fund, fines and penalties, losses and damages recovered, and loans from the General Fund to provide working capital. Expenditures cover all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Code. Surplus funds are available for transfer to the General Fund.

	<u>Actual</u> FY 2018-19	<u>Actual</u> FY 2019-20	<u>Available</u> FY 2020-21	<u>BUDGET</u> FY 2021-22	<u>Estimate</u> FY 2022-23	<u>Estimate</u> FY 2023-24	<u>Estimate</u> FY 2024-25	<u>Estimate</u> FY 2025-26
Treas. Cash Balance, Beginning	204,076	226,280	182,118	169,200	126,099	106,394	105,039	107,534
Receipts:								
Fees/Fines	34,863	32,866	22,050	22,050	34,800	34,800	34,800	34,800
Expired License Auction Proceeds	8,000	2,474	2,000	1,500	1,500	1,500	1,500	1,500
Sale of Goods	2,148,945	2,062,590	2,280,000	2,359,800	2,430,600	2,503,500	2,578,600	2,656,000
Tax Revenues	541,751	518,430	573,100	593,200	611,000	629,300	648,200	667,600
Lottery Proceeds	1,171	1,239	1,300	1,350	1,400	1,450	1,500	1,550
Other / Misc	2,538	2,444	1,500	1,595	1,500	1,500	1,500	1,500
Interest	5,865	4,900	1,500	1,600	1,700	1,800	1,900	1,900
Total Receipts	<u>2,743,133</u>	<u>2,624,943</u>	<u>2,881,450</u>	<u>2,981,095</u>	<u>3,082,500</u>	<u>3,173,850</u>	<u>3,268,000</u>	<u>3,364,850</u>
Total Funds Available	<u>2,947,209</u>	<u>2,851,223</u>	<u>3,063,568</u>	<u>3,150,295</u>	<u>3,208,599</u>	<u>3,280,244</u>	<u>3,373,039</u>	<u>3,472,384</u>
Disbursements:								
Dept. Drug & Alcohol Programs	2,500	2,269	5,696	4,175	4,175	4,175	4,175	4,175
Liquor purchases	1,412,193	1,374,050	1,464,700	1,530,600	1,568,900	1,608,100	1,648,300	1,689,500
LCB Expenses	542,581	554,551	624,440	671,720	691,000	703,600	731,700	761,000
Comptroller	5,596	3,983	8,165	6,130	6,130	6,130	6,130	6,130
State Police	31,208	30,722	33,167	33,271	35,900	38,800	41,900	45,200
Tax Revenues	541,751	518,430	573,100	593,200	611,000	629,300	648,200	667,600
Transfer to General Fund	185,100	185,100	185,100	185,100	185,100	185,100	185,100	185,100
Total Disbursements	<u>2,720,929</u>	<u>2,669,105</u>	<u>2,894,368</u>	<u>3,024,196</u>	<u>3,102,205</u>	<u>3,175,205</u>	<u>3,265,505</u>	<u>3,358,705</u>
Treas. Cash Balance, Ending	<u>226,280</u>	<u>182,118</u>	<u>169,200</u>	<u>126,099</u>	<u>106,394</u>	<u>105,039</u>	<u>107,534</u>	<u>113,679</u>

Notes:

Sales revenues differs from GAAP reported sales due to the inclusion of SLO freight and timing differences in recognition of revenues, (Treasury vs GAAP).

FY 2020-21 (rebudget revisions)

1. Sales and tax revenues reflect revised projections to grow by 10.5%, (was 4.35% in original projection), after a 4.0% decline in FY19 due to impacts from Covid-19 public health crisis.
2. FY20 ESN (20-039) has \$1.465B for liquor appropriation. (Revised amount no longer reflects an expected lapse of \$44M as sales have rebounded back to pre-Covid projections.)
3. Fee/Fines revenues reduced by \$25.5M across FY 2020-21 and FY2021-22 for the estimated impact of waiving certain licensing fees for calendar 2021.

FY 2021-22 & beyond.

1. Sales and tax revenues are projected to grow by 3.5% for FY 2021-22, and by 3.0% for FY 2022-23 and beyond.
2. FY 2021-22 budget request for liquor purchases is for \$1.531B, (4.5% or 3.0% growth plus \$22M for inventory drawdown in FY 2020-21), and then by 2.5% for FY 2022-23 and beyond.
3. FY 2021-22 budget request for general operations is \$671.7M (+7.6%), which includes \$34.7M for the ERP system upgrade. FY 2020-21 request has estimated \$17M in non-recurring costs and another \$15M in FY 2022-23. Gen Ops is projected to grow by 4.0% for FY 2022-23 and beyond.
4. FY 2021-22 PSP Enforcement budget request is for \$33.3M. Projected to grow at 4.0% for FY 2022-23 and beyond.
5. General Fund transfer remains at \$185.1M for FY 2021-22 and beyond.