

## Part 1 – Agency Profile

### Agency Overview

The Idaho State Liquor Dispensary was established in 1935, following the repeal of prohibition, as a means of providing greater control over the distribution, sale, and consumption of alcoholic beverages. Idaho is one of 20 jurisdictions that control the sale of alcoholic beverages. (Eighteen control states plus two Maryland counties). These jurisdictions account for almost one-third of the U.S. population, and regulate their own retail and/or wholesale distribution of alcoholic beverages.

Organizationally, the Dispensary has been a division of the Office of the Governor since 1974. Dyke Nally, Superintendent, is appointed by the Governor.

The Dispensary's Central Office and Warehouse are located in Boise. All aspects of the business, including purchasing, accounting, information technology, human resources, contracts, and store supervision are administered by a Central Office staff of 25, along with four District Managers. Fifteen warehouse personnel, co-located with the administrative office, receive, store and distribute more than 750,000 cases annually over a geographic area of 83,000 square miles. The warehouse typically inventories about 140,000 cases valued at \$7 million to \$8 million.

At fiscal year-end, the Dispensary operated 161 retail outlets throughout the State. Of those, 59 were state liquor stores staffed and operated by Dispensary employees; 102 were contract agencies. Stores are typically open from 11:00 a.m. to 7:00 p.m., although some stores have extended hours to enhance customer service. Selected stores in 26 of Idaho's 44 counties have added limited Sunday hours as an additional customer service feature. Each state and contract store is stocked and maintained to meet the needs of customers, who also include liquor-by-the-drink establishments. Outlets feature a selection of products specific to the tastes and lifestyles of the local communities they serve. All products are priced uniformly throughout the state.

Idaho's system of liquor control provides benefits to all of the State's citizens. Moderation and temperance in control states generally reduce social costs associated with alcoholic beverage consumption. Additionally, Idaho law provides for the distribution of liquor profits to State programs, 44 counties and 200 cities. Over the previous decade, \$254 million was distributed to state programs, and to counties and cities, including a record \$39.2 million in FY 2007.

### Core Functions/Idaho Code

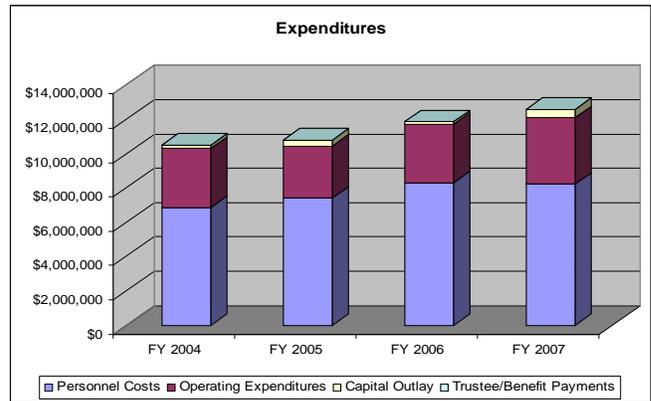
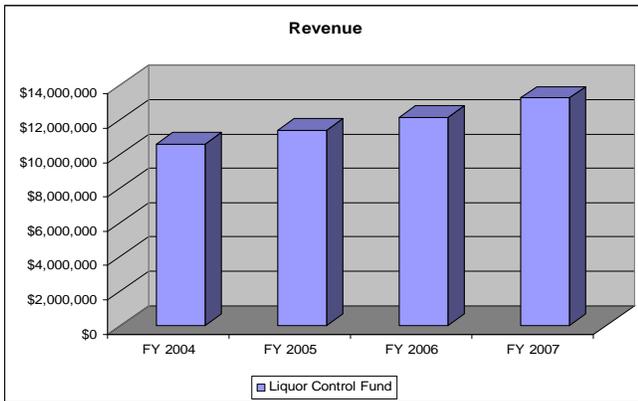
The Idaho State Liquor Dispensary statutory authority is stated in Title 23 of the *Idaho Code*.

The primary functions of the agency as stated in *Idaho Code 23-203* include but are not limited to:

- **Regulation of liquor traffic:** to permit, license, inspect and regulate the manufacture, importation, transportation, storage, sale and delivery of alcoholic liquor;
- **Traffic in Liquor:** to buy, import, transport, store, sell and deliver alcoholic liquor;
- **Operation of Liquor Stores:** to establish, maintain and discontinue warehouses, state liquor stores, and distribution stations [contract liquor stores];
- **Acquisition of Real Estate:** to acquire, buy and lease real estate, and to improve and equip the same for the conduct of its business;
- **Acquisition of Personal Property:** to acquire, buy and lease personal property necessary and convenient for the conduct of business;
- **Making Reports:** to report to the Governor annually, and at such other times as he may require, concerning the condition, management, and financial transactions of the Dispensary.

### Revenue and Expenditures

Total Revenue	FY 2004	FY 2005	FY 2006	FY 2007
Liquor Control Fund	\$10,598,800	\$11,397,500	\$12,139,400	\$13,270,800
<b>Total</b>	<b>\$10,598,800</b>	<b>\$11,397,500</b>	<b>\$12,139,400</b>	<b>\$13,270,800</b>
Total Expenditures	FY 2004	FY 2005	FY 2006	FY 2007
Personnel Costs	\$6,878,700	\$7,432,800	\$8,327,000	\$8,251,100
Operating Expenditures	\$3,435,700	\$3,048,200	\$3,396,200	\$3,872,600
Capital Outlay	\$220,400	\$350,500	\$161,700	\$486,300
Trustee/Benefit Payments	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$10,534,800</b>	<b>\$10,831,500</b>	<b>\$11,884,900</b>	<b>\$12,610,000</b>



**Performance Highlights**

Following is a summary of operations for FY 2007:

- Sales increased \$12.0 million from \$109.6 million to \$121.6 million-up 11.0%.
- Net Profit increased \$5.2 million from \$37.2 million to \$42.4 million-up 14.0%
- Sunday sales are increasing in popularity.
  - 26 of the 44 Counties have approved Sunday sales.
  - Some of the resort area stores report more sales on Sundays than on their typically large Friday and Saturday sales.
  - Sunday gross revenue sales were \$1.5 million during the 1<sup>st</sup> six months of 2007.

Rapid growth continues to be the number one ISLD challenge. The Dispensary has experienced five straight years of 10% to 15% annual dollar sales growth, with annual sales more than doubling over the past decade. The largest growth is occurring in Ada, Kootenai, and Canyon counties, which directly correlates to the economies in those areas, and large increases in population. Consumption in Idaho remains below other controls states and well below the national average consumption rate.

This surge in growth is putting considerable stress on the capacity of the warehouse, as well as increased demands on employees throughout the Dispensary. The Dispensary will be requesting funding for the completion of a larger, automated warehouse, along with more funding for new and existing stores, and additional personnel as needed to operate efficiently.

**Part II – Performance Measures and Benchmarks***[Based on FY 2007 Strategic Plan]*

**Goal #1- Maintain low per capita consumption of distilled spirits in Idaho.**

**OBJECTIVES:**

1. Conscientiously respond to adult consumer demand for new products.

**Strategies:** Provide a reasonable selection of products specific to the tastes and lifestyles of the communities served.

2. Support moderation and temperance by denying availability of our products to minors and intemperate consumers of alcoholic beverages.

**Strategies:** Through ongoing alcohol education activities, the Liquor Dispensary will inform underage youth about the negative consequences of drinking. The Dispensary will also facilitate training of store personnel on alcohol beverage laws, legal age determination, civil and criminal penalties, and risk reducing techniques to ensure legal and responsible sales of distilled spirits.

3. Control the retail distribution of distilled spirits.

**Strategies:** Uniform pricing, customer service policies and operating procedures will help control retail distribution of alcoholic beverages.

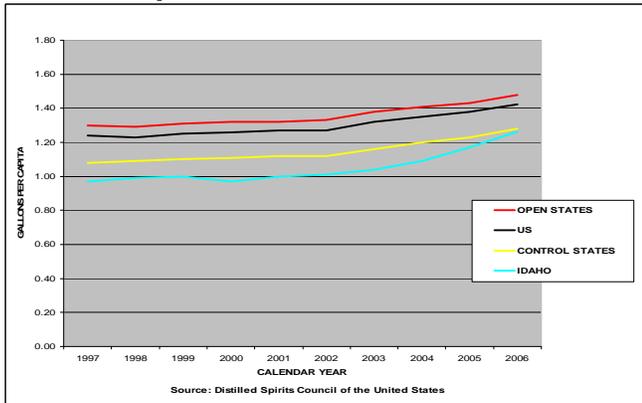
**PERFORMANCE MEASURES:**

Performance Measure	2004	2005	2006	2007	Benchmark
Per Capita Consumption	1.04	1.09	1.10	1.26	1.28

National statistics and private studies repeatedly show that sales of alcoholic beverages in a controlled environment reduce illegal and intemperate consumption.

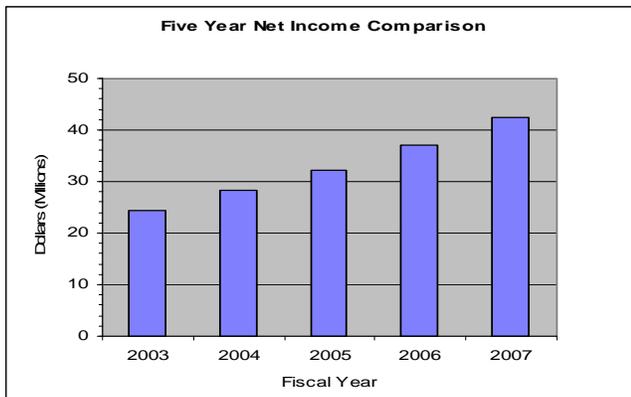
**BENCHMARKS:** For FY 2007 and beyond, the Dispensary's ongoing benchmark is to continue to adhere to the mission of the Liquor Dispensary as established by Idaho law, provide excellent service to the public and maintain low per capita consumption rates, while maximizing profits for state and local units of government.

**RESULTS/OUTCOMES: United States and Idaho Apparent Per Capita Consumption of Distilled Spirits**

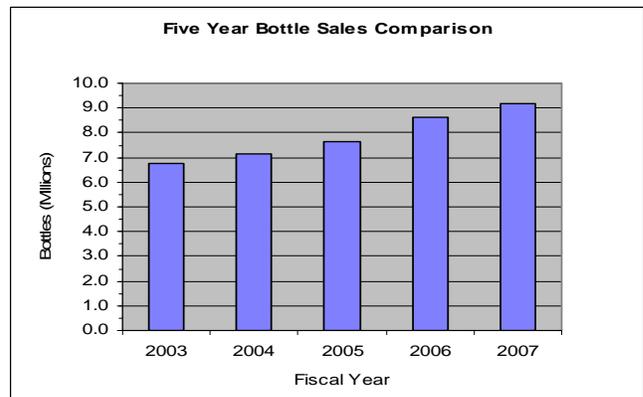


Apparent per capita consumption is based on total population and not adults age 21 and over. Statistics are based on point of sale data and do not take into account cross-border distilled spirits sales. Consumption in Idaho was 1.26 gallons in calendar year 2006 compared with 1.28 gallons for all control states and 1.48 gallons in open states. Consumption in open states is 16% more than in all control states and 17% more than in Idaho.

**Goal #2- Maximize financial returns to the state by operating an efficient wholesale and retail business operation**



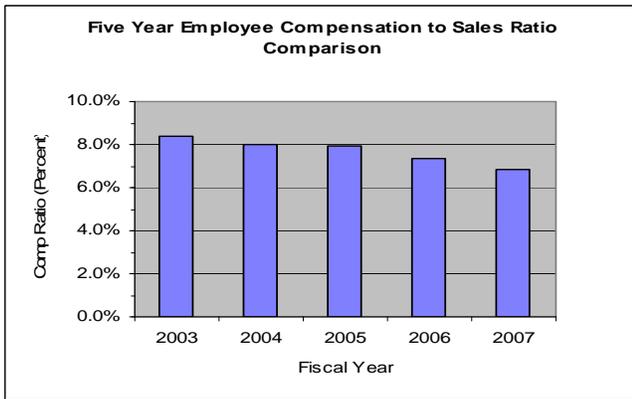
Net income increased by 89.9% from \$22.3 million in 2002 to \$42.4 million in 2007. Net income is projected to increase 61.0% over the next five years, reaching \$68.2 million by 2012.



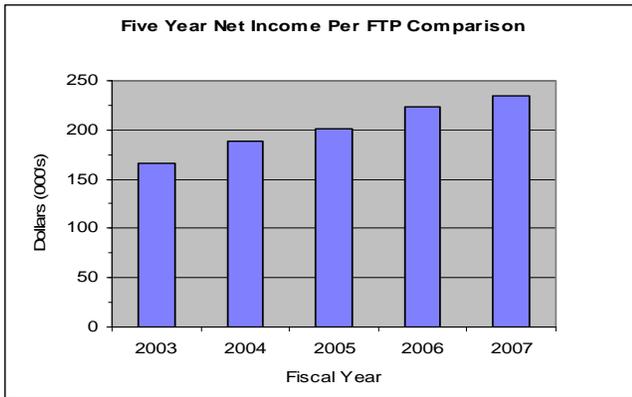
Bottle sales increased 42.5% from 6.4 million in 2002 to 9.2 million in 2007. Bottle sales are projected to increase 42.3% over the next five years, reaching 13.1 million by 2012.

**Industry Best Practices:**

Performance Measure	2004	2005	2006	2007	Benchmark
High Sales Per Employee	\$575,000	\$595,000	\$660,000	\$676,000	\$600,000
Low Employee Costs per Sale	8.0%	7.9%	7.3%	6.8%	7.5%
High Net Income Per Employee	\$189,000	\$201,000	\$224,000	\$235,000	\$225,000



The most recent figures available indicate that the national average net income per employee is \$51,000 in the Alcohol Beverage Industry. The ISLD average of \$235,000 in FY'07 is projected to reach \$298,000 by 2012.



The ratio of ISLD employee compensation to sales dollars improved from 8.6% in 2002 to 6.8% in 2007. This ratio is projected to further drop over the next five years, dropping to 5.2% by 2012. By contrast, this commonly-used measure of efficiency is 11.7% nationwide for the retail trade industry, and 13.1% for the retail liquor industry, according to recent IRS Corporate Financial Ratios. This unusually low ratio should illustrate, and help justify, the need for more adequate staffing for ISLD.

**OBJECTIVES:**

1. Complete the Warehouse Expansion project and the installation of warehouse technology systems.

**Strategies:**

- Create automated storage/retrieval system for temporary bulk storage.
- Install new Warehouse Management system.
- Purchase and install AS/RS equipment.
- Provide for additional pallet locations within warehouse.

2. Implement industry best practices in all Dispensary operations.

**Strategies:** Collaborate with the National Alcohol Beverage Control Association (NABCA) to implement nationally accepted best practices in the Dispensary's retail operations.

3. Provide a customer-friendly, full-service shopping experience for the retail and on-premise licensee customer.

**Strategies:** Improve customer service and store presentation, with emphasis on in-store merchandising, design and employee training programs.

4. Maximize Profit Distributions for the Public Good.

**Strategies:** Improve distribution and purchasing of distilled spirits with particular emphasis on how to favorably impact cost of goods sold. Analyze product consumption trends.

**PERFORMANCE MEASURES:** A Warehouse Expansion plan covering FY 2007, 2008 and 2009 has been developed. Phase I was approved in the FY 2007 Budget. Success of this project will be measured by maximizing space within the current warehouse, accommodating service expectations, improving warehouse management methods, and through the use of automation, achieving better staff utilization and eliminating some health safety concerns.

**BENCHMARKS:**

- FY 2007-Automated Storage/Retrieval System (AS/RS) building shell built. One-Half of the split case mezzanine to be built. New Warehouse Management System (WMS) installed. Finalize product retention program. Revamp special order program.
- FY 2008-Remaining half of split case mezzanine built. Upgrade ACCPAC Inventory Management and Sales Order processes.
- FY 2009-Install AS/RS equipment, reconfigure existing racking.

**RESULTS/OUTCOMES:**

- Phase 1 and Phases 2A and 2B were approved in FY 2007 and FY 2008 Budgets.
- The Dispensary will seek funding in its FY 2009 Budget for Phase 3.
- Warehouse Expansion Shell completed Aug 2007.

**BENCHMARKS:**

Open 6 new state liquor stores with funds approved by the Legislature for FY '07. Contract liquor stores to be added as population trends warrant.

**RESULTS/OUTCOMES:**

Five new state stores were opened - one each in Pocatello, Caldwell, Twin Falls, Coeur d'Alene and Moscow. A sixth state store in Boise's Columbia Village was delayed by construction and leasing issues until an early FY 2008 opening. A private owner contract store was opened in Culdesac.

**BENCHMARKS:**

Conduct a minimum of three listing sessions in FY 2007. These meetings allow suppliers to present new products for possible inclusion into the ISLD product line. As many as 150 new items are anticipated at each Listing Meeting, with approximately 25% being selected.

**RESULTS/OUTCOMES:**

In FY 2007, the Dispensary held just two listing sessions, due to a late spring '06 session, and other scheduling and personnel issues. 88 items were presented in September '06 (34 listed), and 86 items were presented in April '07 (40 listed). 74 Stock Keeping Units (SKU's) were listed. 240 closeouts were made, which can consist of the following: New listings introduced and closed out after 1 year, One-Time Only's (OTO's) when exhausted, Supplier Closeouts, code changes, discontinued products and specials not reordered. Special Order Program revamp was completed early, and implemented during FY 2007. This system automated Special Order store ordering systems. Product retention program continues to be developed with supplier and local representation input and participation.

**Goal #3 –Develop a Human Resource Succession Plan.****OBJECTIVE:**

Identify developmental career paths within the organization and facilitate ongoing professional growth opportunities that will meet future staffing needs and sustain a stable, technically proficient and professional workforce.

**Strategies:**

- Determine knowledge and skill levels needed to meet core competencies in successive career levels.
- Submit budget request for staff development.
- Encourage development of workforce knowledge and skills through increased training opportunities in communication and leadership.
- Provide ongoing basic skills training to staff at all levels to assure the Liquor Dispensary's mission and goals are clearly communicated, to ensure quality customer service, and provide fulfilling career opportunities for all employees.

**PERFORMANCE MEASURES:**

Annual reports of ongoing development and progress of succession plan. Appropriate hiring lists available to fill vacancies as they occur.

**BENCHMARKS:**

Career paths for various positions formalized and documented in FY 2007.  
State of Idaho

The ongoing process of cross-training will continue throughout the organization with current documentation by position completed by end of FY 2007. Staff training needs assessment developed and initiated to establish training priorities by end of FY 2007.

Submit budget request to support increased focus on staff training in FY 2008. Position task list format developed and introduced to staff by November 2006 followed with bi-monthly progress reports leading to project completion by May 2007.

**RESULTS/OUTCOMES:**

Ongoing monitoring of recruitment activities and review of promotional opportunities reveals a gap in skill levels in basic leadership. Promotional candidates are unable to qualify for promotion because they lack the minimum qualifications in people management areas.

Liquor Dispensary employees completed 80 classroom days of training in the past year.

Liquor Dispensary experienced 23 internal promotions in the past year.

Three Liquor Dispensary employees experienced upward job reclassifications due to successful completion of advanced training and increased skill levels.

Central Office Managers have provided a succession plan for their departments, i.e. Administration, HR, Accounting, IT, Warehouse and the four District Managers submitted succession plans for their Districts.

Cross training is in action in all departments of the organization; showing good results by increased job satisfaction and staffing efficiencies demonstrated in alternate staff coverage for brief time periods.

A process whereby ISLD Human Resource policies and practices are presented for management review and input to ensure alignment and management philosophy support of business objectives has begun. ISLD Human Resource policy review and revision is nearing completion.

Draft policies based upon HRO review for compliance with Federal and State Laws and DHR draft rules will be presented to Agency Director for executive review prior to distribution to agency staff at annual management meeting in September 2007.

Policy drafts will be presented to Management Staff for review prior to finalization.

***Goal # 4 – Information Technology Enhancements***

**Objectives:**

1. All state stores to be connected to IDANET, if applicable:

**Strategies:** Installation of DSL access to all state stores. Time and Attendance Software implemented for state stores to facilitate automated payroll processing. Dial-up access to State webpage available for stores not DSL-qualified.

2. Upgrade Back Office and register hardware for stores' Point of Sales systems.

**Strategies:** Ensure reliability and performance of point-of-sale system with updated equipment.

3. Consolidate peripheral equipment in state stores.

**Strategies:** Increased efficiency in state stores through consolidation of various peripheral equipment.

**PERFORMANCE MEASURES:**

Liquor Dispensary store personnel will have access to information available to all state employees through the internet. Increased efficiency and timeliness of payroll records.

Back office hardware installed in all stores using point-of-sale systems.

**BENCHMARKS:**

Complete installation of DSL access to all state stores by end of FY 2007.

**RESULTS/OUTCOMES:**

Twenty six of the sixty one Idaho State Liquor Dispensary state stores have DSL installed, allowing these stores remote access to the state web-site for time-accounting. Also allows hi-speed credit card transaction processing.

Delays caused by Qwest and GE Communications have slowed the completion process, but the remaining 28 state stores qualifying for DSL are scheduled to be completed by November 1<sup>st</sup> 2007. There are seven stores not qualified for DSL through IDANET, due to available phone service not authorized by Administration Department to provide DSL use.

Back office and register hardware will be ordered by the November 2007 time frame. Once the hardware is received at ISLD, it will be configured to be used at each state store. Installation will begin in April 2008, with completion date of June 2008.

Consolidation of peripheral equipment will be on schedule with the installation of DSL. This includes consolidating the age verification equipment with the new credit card machines. Consolidation at all state stores is scheduled to be completed by the end of November 2007.

### ***Goal # 5 – Support Statewide Educational Programs to reduce youth access, adult alcohol abuse and strengthen local prevention programs***

#### **Objectives:**

1. Identify and promote alcohol awareness and strengthen efforts to prevent underage drinking.

**Strategies:** Collaborate with various stakeholders such as the National Alcohol Beverage Control Association (NABCA), industry leaders, law enforcement, legislators, community interest groups, state agencies, colleges and universities, licensees, cities/counties, schools, social service agencies and health care providers to raise public awareness about underage drinking and over-consumption.

Participation in local, state and national level groups such as the statewide Enforce Underage Drinking Laws Partnership group.

2. Encourage responsibility and moderation for adults, age 21 and over, who choose to consume alcoholic beverages.

**Strategies:** Develop and disseminate a wide variety of alcohol education materials to state liquor and contract liquor stores. Enhance the Dispensary website to deliver information and resources on alcohol education.

#### **PERFORMANCE MEASURES:**

Track and record the distribution of education materials. Monitor compliance checks through onsite and records inspections by the Alcohol Beverage Control Bureau and local law enforcement as well as monitoring training sessions.

#### **BENCHMARKS:**

Continue to update ISLD website. Track number of alcohol education materials distributed and to whom. Zero citations among state liquor store employees for sales to minors.

#### **RESULTS/OUTCOMES:**

- Age Calendars were distributed to all stores and bars in the state.
- Participated in booth at a Health Fair held at BSU.
- Century Council “WE DON’T SERVE TEENS” campaign held in both Boise and Idaho Falls with participants including the Century Council President, ISLD Superintendent Dyke Nally, Idaho Attorney General Lawrence Wasden, Drug Czar Jim Tibbs, ABC Sgt. Greg Harris, Boise Police Chief Mike Masterson and Idaho Falls Police Chief Kent Livsey.
- Continuing our part in the Idaho Prevention Partnership which is a diverse coalition of governmental, community, and private organizations dedicated to reducing underage drinking which meets on a monthly basis. The partnership focuses on collectively pursuing opportunities to reduce the availability of alcohol to underage drinkers, the occasions for underage drinking, and the demand for alcohol among young people.
- Boise Server Training Pilot Project, the Idaho Prevention Partnership, approved a project to learn more about the benefits and challenges associated with different types of responsible alcohol server training. The Idaho Prevention Partnership is confident that the education provided will translate directly into more careful retail practices and fewer alcohol sales to minors.
- “REPORT UNDERAGE DRINKING” sponsored with the Boise City Police and the local Crime Stoppers. Held a press conference, paid for and dispensed posters and cards to all of the Ada County stores with the local Crime Stoppers number to call.
- TV and radio Campaigns on Underage Drinking in Graduation and Holiday months.
- Paid for the printing and mailing for Mrs. Kempthorne’s “I TAKE RESPONSIBILITY” pamphlet. Mailed to all of our stores and pediatric doctors offices.
- Worked with Treasure Valley Alcohol and Drug Coalition on a pamphlet on “UNDERAGE DRINKING - WHAT CAN BE DONE?” The pamphlet shows the effects of alcohol on the adolescent brain. Mailed to our stores and went around the state in doctor’s offices and Jackson’s stores.
- A Liquor Dispensary employee has been trained as a certified TIPS Trainer. **TIPS (Training for Intervention ProcedureS)** is the global leader in education and training for the responsible service, sale, and consumption of alcohol. Proven effective by third-party studies, TIPS is a skills-based training program that is designed to prevent intoxication, underage drinking, and drunk driving.

- 35 Liquor Dispensary employees have trained and passed the TIPS off-premise test.

### **Goal # 6 - Document Management System**

1. Establish a document management system to efficiently manage the creation, use, and disposition of all records, as well as minimize legal risks, ensure regulatory compliance, and preserve necessary documents.

#### **Strategies:**

- Continue contract with Records Management Consultant to identify records of the Liquor Dispensary and generate a records retention schedule.
- Identify legal requirements, regulatory compliance issues.
- Develop policies and procedures regarding document management.
- Locate and preserve historical documents in accordance with State requirements.

#### **PERFORMANCE MEASURES:**

Document Management software installed and training completed.

Records Management policies developed.

Historical records of Liquor Dispensary preserved and transferred to State Historical Society.

#### **BENCHMARKS:**

Approve Records Retention Schedule for Dispensary by October, 2006.

By FY 2007- Purchase document management software and equipment for the Central Office. Complete training for all employees.

#### **RESULTS/OUTCOMES:**

Contract with Records Management Consultant concluded. Records Retention Schedule for Dispensary has been initially reviewed by the State Records Manager and the State Archivist. Completion scheduled for October, 2007.

Policies have been developed for use of email and computer. ISLD will need to implement the new policy developed for all state agencies on email by the State Records Manager.

A significant number of historical records for the agency have been preserved on laser disc and the original documents turned over to the State Historical Society.

August, 2007 began process of purging files that can be marked for destruction. Assistance being provided to each section of the agency in the identification of records for destruction consistent with the ISLD records retention schedule.

Working in conjunction with State Records Manager and State Archivist on identifying Document Management software appropriate for ISLD agency use to insure that it is compliant with the Department of Defense (DoD 5015.2 ).

#### **For More Information Contact**

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