Agency Overview

OLCC is the third largest revenue-generating state agency

- $1.5 billion in gross sales from distilled spirits that supports Oregon’s distilled spirits industry.
- OLCC’s distilled spirits warehouse and retail services operates on less than 1% of total revenue collected.
- $635 million from distilled spirits sales estimated to be distributed to the state’s general fund, counties, cities, mental health and addiction treatment services 2019-21.
- $251 million in taxes projected to be collected from marijuana licenses 2019-21.
- $25 million collected in marijuana license fees that funds OLCC marijuana operations.
IT MODERNIZATION AND IMPLEMENTATION
PROBLEM STATEMENT

• In order to support commerce and revenues generated for the state over the next ten years, a major retooling/replacement of the agency’s data systems is required to achieve long-term goals for high performance service delivery.

• The $1.5 billion distilled spirits warehouse operates on a “spaghetti monster” of unsupported and outdated applications, which require daily manual interventions to maintain operations. Without a replacement, the agency risks millions of dollars of lost revenue with a long-term outage.

• The marijuana licensing system was implemented quickly to accommodate statute and accept online payments. It does not have a functional renewal system and therefore, renewals are done outside the system. Additionally, the system lacks functionality to track license history or create an auditing trail. This creates a burden on staff to track this manually.

• The liquor licensing manual process depends on antiquated document management system equipment that has long been discontinued and is a constant risk for failure. OLCC is currently using the last access key (dongle) for this system purchased on EBay and cannot be replaced.
MAJOR RISKS & CHALLENGES

• Legacy systems, built in mid-90s, siloed, unsupported, frequent break downs, and in some cases impossible to modify
  • Distilled distribution system experiences critical system failures approximately once every two weeks and requires many manual interventions each day to keep it running.
  • Failure of systems threatens distribution and sales – revenue loss $2.5 million per day.
  • System failures set back financial operations to pay manufacturers, freight, liquor agents as well as the ability to distribute revenue to the state, counties, and cities.
  • Liquor store audit information remains inaccurate for extended periods of time.
  • Inability to adjust pricing, add SKU’s, provide product marketing, or manage inventory in real time.

• Lack of online systems
  • Manual paper processes in conjunction with hundreds of non-connected spreadsheets to perform key functions – alcohol licensing, privilege tax reporting and filing, alcohol and marijuana compliance.

• Outgrown current marijuana licensing system
  • Barebones initial implementation, built quickly to meet legislatively mandated date.
  • Limited flexibility to meet complex needs of evolving marijuana market, administrative work, or changing regulatory structure.
CRITICAL NEEDS FOR 2019-2021

• Secure critical level of IT infrastructure and resources to support agency’s current and future business operations

• Implementation of legislatively mandated online privilege tax system

• Replace failing distilled spirits supply chain system to secure revenue and accommodate growth in distilled spirits

• Provide modern technology tools for supporting retail liquor agents, vendors, and public

• Ensure continuity of business operations for marijuana and liquor licensing and compliance
ENTERPRISE MODERNIZATION

Licensing and compliance:
• Accept online license applications, renewals, and payments
• Case management
• Enforcement tracking

Distilled spirits supply chain:
• Warehouse management
• Liquor store order and fulfillment
• Liquor sales tracking
DISTILLED SPIRITS SUPPLY CHAIN

• The system is lacking cohesion between financial services, retail liquor stores, distillers, manufacturers, brokers, and transportation companies.

• Daily sales and inventory data is reported nightly through individual Point of Sale (POS) systems but is not recorded into OLCC’s financial systems to reflect actual sales receipts for the day. Accurate sales data is only captured at the end of the month with paper receipts and deposit slips.

• Calculation of compensation to both vendors and liquor agents is another manual process. The manual process is subject to error and requires a re-reconciliation of payments.

• The agency experiences frequent system failures that result in loss of productivity, compromised data integrity, and a negative impact on stakeholders.

• Inflexible 25-year-old software prevents OLCC from providing electronic data and services to retailers and customers.
## Distilled Spirits Supply Chain

### OLCC Distilled Spirits Supply Chain Project Cost Estimates +/- 50%

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>Total Project Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing Costs</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Contractor Professional Services (Planning &amp; Integration Consultant)</td>
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<td>$125,000</td>
<td>$250,000</td>
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<tr>
<td><strong>Software Costs</strong></td>
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<tr>
<td>SW License</td>
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<tr>
<td><strong>Other Costs</strong></td>
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<tr>
<td>Software Implementation  (Distilled Spirits Supply Chain)</td>
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<td>Quality Assurance</td>
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<td><strong>Total Costs</strong></td>
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<td>$3,025,000</td>
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</tbody>
</table>

### Timeline:
September 2019 - January 2023
LICENSING AND COMPLIANCE

Liquor Program

• The agency lacks basic technology to support licensing or compliance of the 17,500 businesses that hold an OLCC liquor license.
• The agency is still using the same manual processes for liquor that have been in place for decades (paper forms and paid via cash, check, or money order).
• Business records are maintained on paper “history cards” stored in a Lektriever which are updated with correction tape and a typewriter.
• Document management for licensing and compliance poses a great risk as the system is severely out of date and unsupported. If it breaks, there is no way to fix it.
LICENSING AND COMPLIANCE

Marijuana Program

• Upon legalization of recreational marijuana, an online licensing system was implemented to enable businesses and employees in the marijuana industry to submit applications and make payments.

• Due to quick statutory deadlines, onboarding of initial program staff, rapid changes in law, and fluctuations within the market, the OLCC did not have the time, resources, or knowledge available to accurately predict or plan for the necessary requirements of a system to meet all the industry’s future needs at inception.

• As the marijuana market has evolved, the demands upon the system have also changed
  • Number of licensees and permittees has grown exponentially, far exceeding initial estimates
  • Missing licensing and compliance case management functionality
  • Inadequate ability to renew licenses
  • Lack of auditing capabilities
**LICENSING AND COMPLIANCE**

*Total Budget Allocation Split 50/50 between Alcohol and Marijuana Programs*

<table>
<thead>
<tr>
<th>OLCC Licensing and Compliance Project Cost Estimates +/- 50%</th>
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<td><strong>Staffing Costs</strong></td>
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<tr>
<td><strong>Total Costs</strong></td>
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</table>

**Timeline:**
September 2019 - September 2023
IT IMPLEMENTATION TIMELINE

- Est. RFP Close Oct. 2019
  - 7/1/18 - 6/30/19
    - 2018 Fiscal Year
- 01/22/19 - 06/30/19
  - 2019 Legislative Session
- 02/03/20 - 03/8/20
  - 2020 Legislative Session
- 7/1/19 - 6/30/21
  - 2019-2021 Biennium
- 7/1/21 - 6/30/23
  - 2021-2023 Biennium
- 7/1/23 - 6/30/24
  - 2023 Fiscal Year

- 10/31/19 - 1/1/23
  - Distribution Supply Chain & Retail Services (Customer Engagement)
- 10/31/19 - 9/1/23
  - Marijuana & Liquor Licensing and Compliance
MODERNIZATION PROJECT PLANNING HISTORY

- Secretary of State Audit Findings
  - February 2018
- CIO Hired
  - May 6, 2018
- Prioritization Matrix Submitted
  - June 30, 2018
- Enterprise Modernization Portfolio Project Kick-off Meeting
  - August 2, 2018
  - With OSCIO’s Office (Ben G.)
- POP 301 Submitted
  - August 18, 2018
  - Includes Enterprise Modernization & Positions
- Enterprise Modernization Stage Gate 1 Approval
  - October 25, 2018
- Enterprise Modernization Portfolio RFP Kick-off Meeting
  - March 4, 2019
IT MODERNIZATION SUMMARY

• Invest in technology to protect core agency functions of distilled spirits distribution, finance, licensing and cannabis tracking

• Redesign work processes to eliminate manual processes, reliance on excel spreadsheets & duplicate data entry

• Licensee and vendor selection, evaluation and oversight

• Automate data analysis and dissemination to improve profitability

• Improve automation of entire chain of logistics from manufacturer's’ marketplace, to warehouse and shipping of inventory to retail sales transactions

• Increase data analysis and dissemination to improve warehouse efficiency

• Implement online privilege tax system
## IT COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Alcohol Fees</th>
<th>Marijuana Fees</th>
<th>Total Project Request</th>
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<tbody>
<tr>
<td>Distilled Spirits Supply Chain Modernization</td>
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<tr>
<th>Description</th>
<th>Alcohol Fees</th>
<th>Marijuana Fees</th>
<th>Total Biennial Request</th>
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<tr>
<td>IT Staffing</td>
<td>628,500</td>
<td>628,500</td>
<td>1,257,000</td>
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</table>
OLCC’S MISSION

Support businesses, public safety, and community livability through education and the enforcement of liquor and marijuana laws.