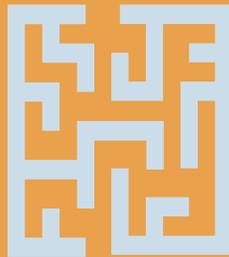


Oregon Liquor Control Commission



Warehouse & Conveyor Capitol Bond Funding SB 5506

DISTRIBUTION CHALLENGES



Warehouse Capacity

Internal and external studies determined warehouse and central office are at capacity and require substantial investments to maintain current levels of operation (current warehouse is near 100% capacity).



Economic Uncertainty

Capacity limitations affect revenues by limiting the possibility of new product listings and constricting new store expansion (80% - 85% of space utilization is industry standard).



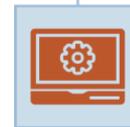
Customer's Expectation

OLCC's current business strategy is to continue to open new stores and actively seek opportunities to profitably expand product selection.



Aged Facility

OLCC operations are housed in a warehouse that is more than 60 years old. Failing to plan for our future distribution needs will constrict growth and limit profitability.



Improvised Technologies

Key warehouse technology is nearing its end of its useful life and has minimal infrastructure flexibility; inefficient and disjointed. Major changes across the enterprise are required to meet business needs and secure revenue.



Changing Enterprise

Staying in the existing warehouse does not remove the need for new/upgraded warehouse management system (WMS) and replacing outdated legacy supply chain systems.

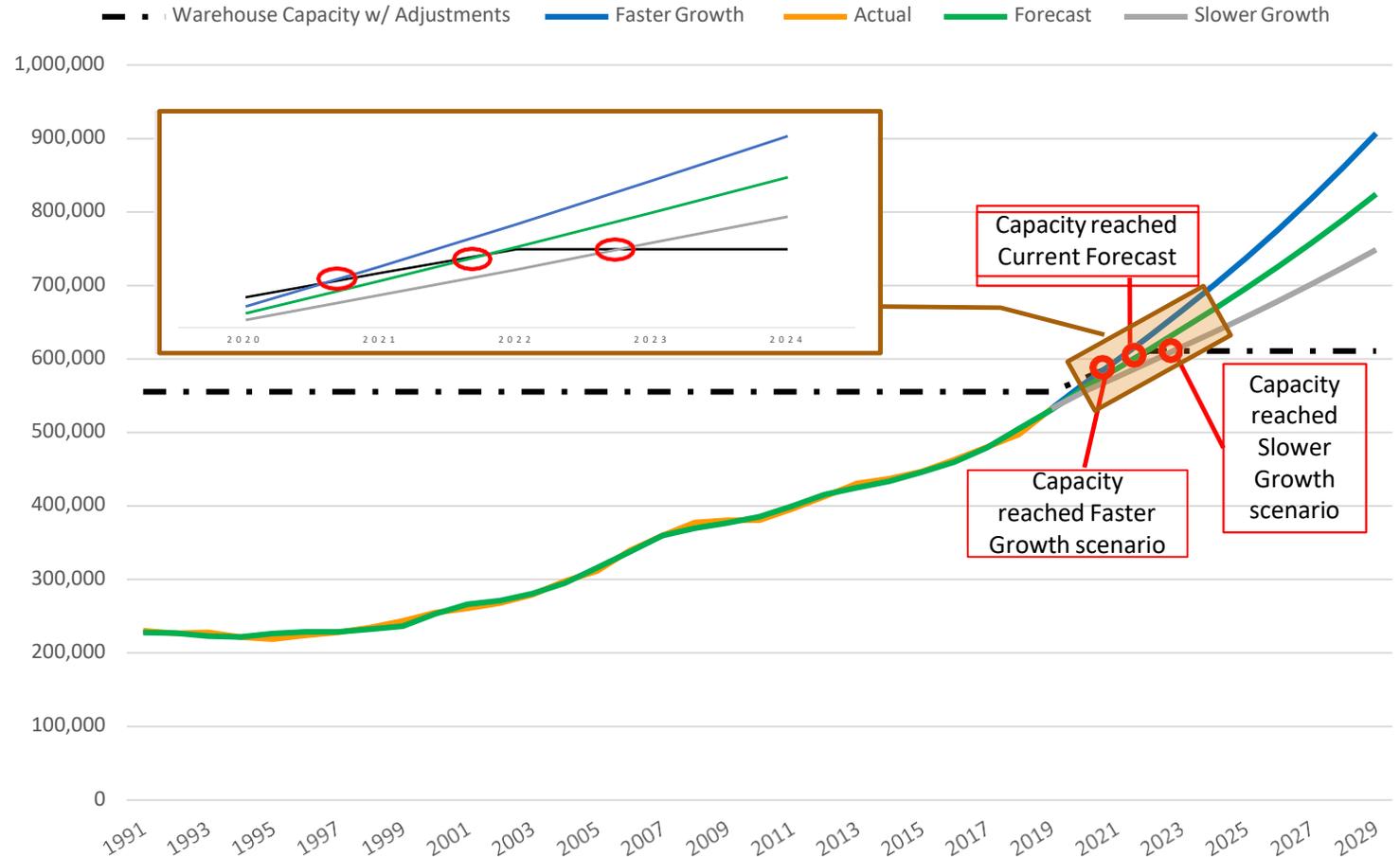


Predictable & Stable Revenue Source

OLCC has taken a proactive approach to mitigate the immediate space constraints in an effort to delay the anticipated capacity shortfalls.

Warehouse Capacity - Sensitivity Analysis

- Expectations for reaching capacity:
 - October 2021 – Faster Growth scenario
 - October 2022 – Current Forecast
 - October 2023 – Slower Growth scenario
- Tactical changes to warehouse capacity
 - Utilize Vertical Space
 - Recently increased capacity 10% or 55,000 cases
 - Reduce Number of Regular Listed SKU's
 - More Stringent Delisting Requirements
 - Reduce Days of Supply
 - Recently improved case stock ratio from 1.8 /1 to 1.5 /1
 - Improved Inventory Management
- Alternative for temporary capacity improvements
 - Add Location Off-Site for Additional Storage
 - Potential Cross Docking (from Milport)
 - Minimize Repack Locations (Single Bottle Pick)





Financial Risk

Actual Revenue
2019

\$665.4m

Actual Distribution
2019

\$266.7m

5-Year Revenue Risk
through 2024

(\$269.2m)

5-Year Distribution Risk
through 2024

(\$102.3m)

10-Year Revenue Risk through 2029

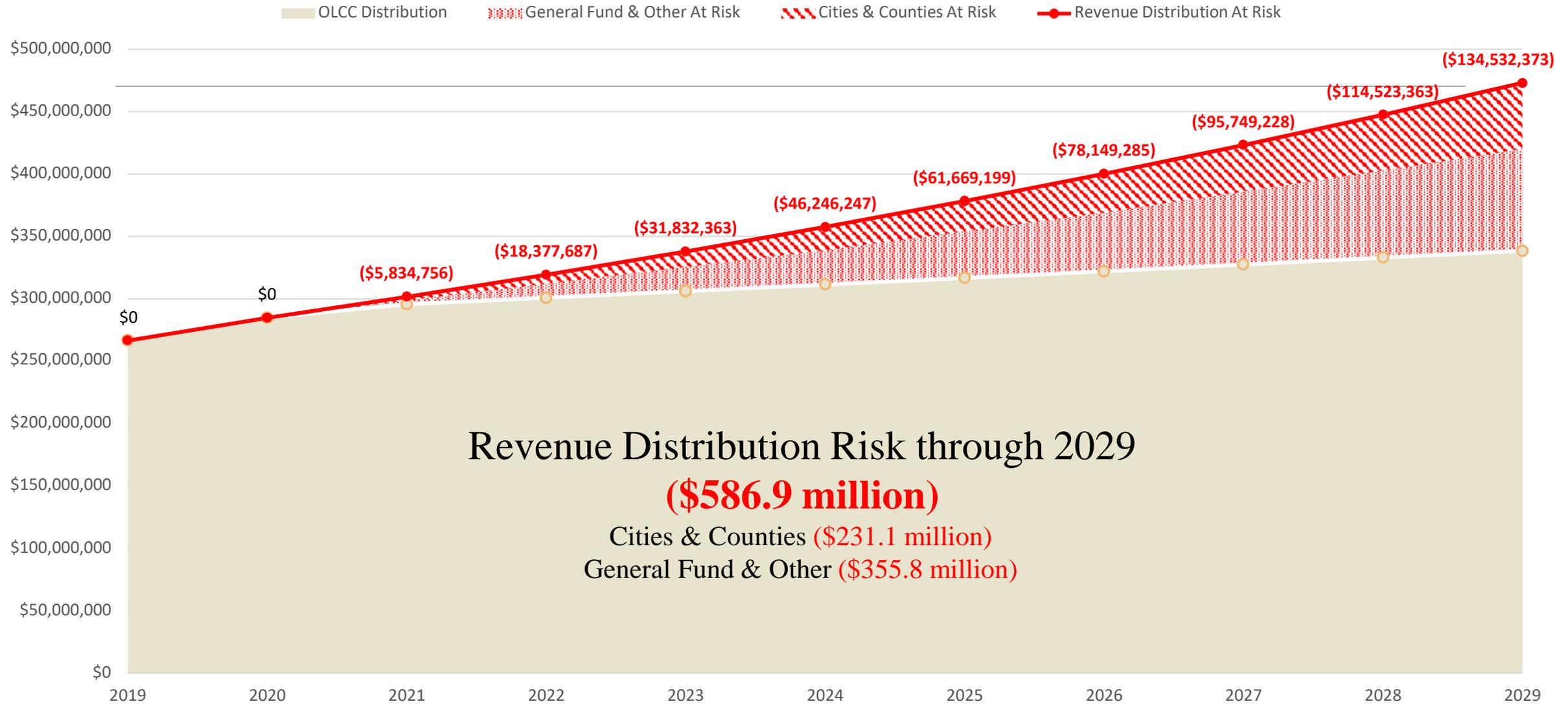
(\$1.5 billion)

10-Year Distribution Risk through 2029

(\$586.9 million)

What if?

We Do Nothing – Revenue Distribution Impact



Revenue Distribution Risk through 2029

(\$586.9 million)

Cities & Counties (\$231.1 million)
 General Fund & Other (\$355.8 million)

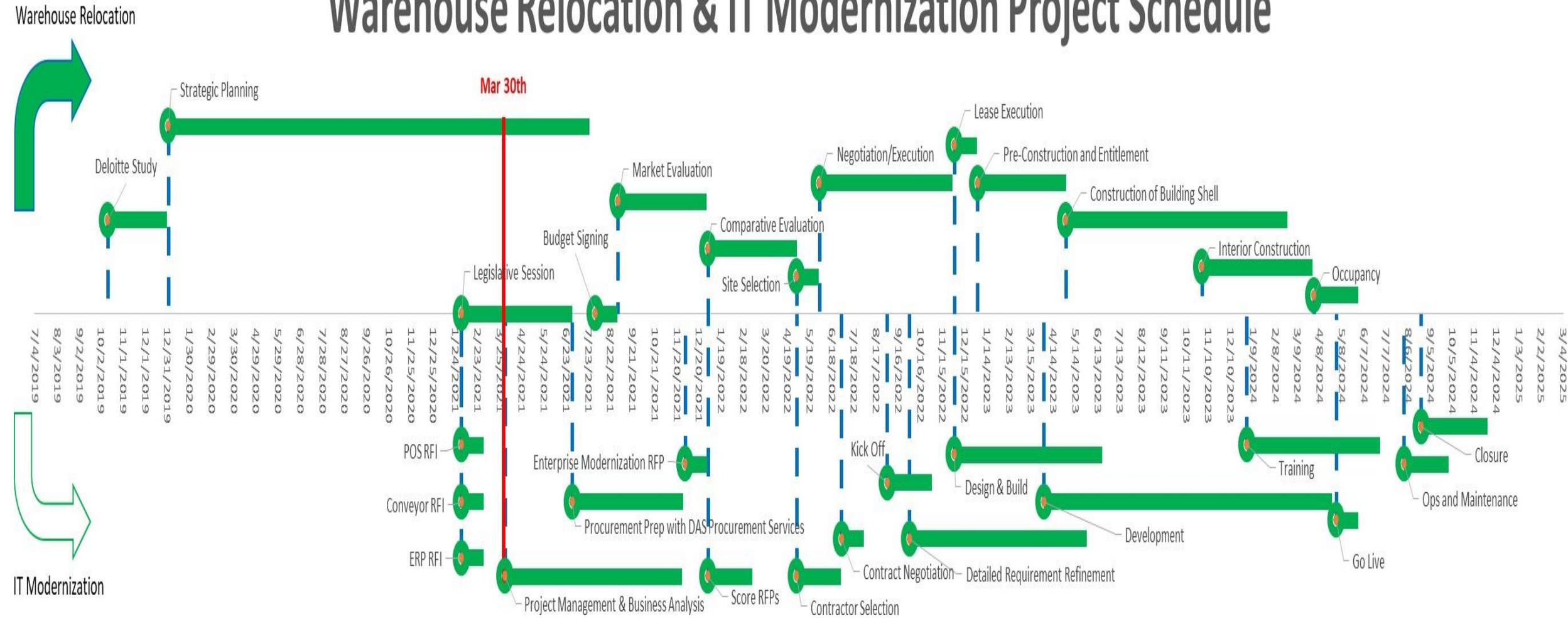
Revenue and distributions for 2020 and beyond are based on OLCC case sales forecast, revenue per case forecast and a 38% profitability rate. OLCC warehouse capacity is based on "OLCC Capacity Assessment" prepared by Deloitte on January 23, 2020

Significant Investment Needed

- Moving is the best solution from both an operational perspective as well as financial perspective.
- Relocation and expanded warehouse would cost approximately 90m dollars.
- Provides for the continued growth and profitability of OLCC for at least 30 years (or more).

OLCC Turn Key Solutions	Estimated Costs
<i>Land and Construction</i>	<i>\$52.5 m</i>
<i>Material Handling Equipment (Conveyor)</i>	<i>\$10 m</i>
<i>Total</i>	<i>\$62.5 m</i>

Warehouse Relocation & IT Modernization Project Schedule



SUMMARY

WAREHOUSE & CONVEYORS

\$62,551,265 (\$52,551,265 & \$10,000,000)



Warehouse Background

- OLCC's liquor distribution warehouses have reached physical capacity for storage of distilled spirits; without relocation the physical space constraints will impede ability to meet spirits demand
 - In 1954 shipping 850,000 cases annually; in 2019 shipped 3.5 million cases
 - Currently 98% capacity; however 100% during peak holiday sales
 - Industry standard for distribution facilities is 80% - 85% storage utilization
 - With a 5% expected annual increase in liquor shipments due to population growth and retail expansion, the current warehouse expects to run out of storage capacity in 2021-2023
- The 10-year projected liquor sales gross revenue at risk is \$1.5 billion (\$570 million distributable revenue); \$132 million of which is at risk during the 2021-23 biennium
- In June 2020 the Capital Projects Advisory Board approved the project for construction of a new warehouse

SUMMARY (Continued)

WAREHOUSE & CONVEYORS CAPITAL BONDING

\$62,551,265 (\$52,551,265 & \$10,000,000)

Bonding Warehouse Construction and Conveyors

- This bond eliminates the agency's expected 21-23 funding request for roof repair and seismic upgrades on the existing warehouse
- The bonding package for warehouse construction lowers the overall limitation necessary for the program in the 2021-23 biennium and increases the funds available for distribution
- Bonds must be approved by the Ways and Means Subcommittee on Capitol Construction, Jt. Ways and Means, and legislators
- Bonds issued for this project are not subject to the General Fund Debt Capacity since repayment is supported by Other Funds and not the General Fund

OLCC'S MISSION

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

