BUDGET NARRATIVE

CAPITAL IMPROVEMENTS PROGRAM – 088
OLCC 2019-21 AGENCY REQUEST BUDGET

PROGRAM EXECUTIVE SUMMARY

A. PURPOSE, ACTIVITIES & ISSUES

Through its Capital Improvements Program, the OLCC provides effective stewardship of its building and grounds. The OLCC owns its main office and distribution center complex on McLoughlin Blvd., Milwaukie. OLCC's distribution center comprises the warehouse connected to the main office building and a second warehouse on Milport Road, acquired in 2007. The entire campus houses approximately 248 employees; 80 employees are located in eleven different leased field offices.

Preventive maintenance and regular repairs of the OLCC offices and distribution center are high priorities in order to reduce potentially more costly projects that might result from deferring maintenance. The OLCC Administrative Services Division creates and implements the agency's ten-year maintenance plan and is responsible for the timely planning, management, execution and completion of the capital improvement projects.

The OLCC has a perpetual ten-year maintenance plan. Each biennium the OLCC receives legislative limitation authority to accomplish its facility maintenance projects. The OLCC's capital improvement expenditures typically average less than two percent of the assessed market value of the facility. More extensive maintenance projects follow the policy option package budget process.

B. BACKGROUND

The Milwaukie complex is comprised of the central office and distribution center on McLoughlin Blvd and a second nearby warehouse on Milport Road. The original McLoughlin building was built in 1954. The warehouse was expanded in 1977 to its present 124,000 square feet and the central office was expanded in 1991 to 50,361 square feet for a total footprint of 174,361 square feet. The newest portion of the McLoughlin warehouse is 41 years old and the newest portion of the central office is 27 years old. In 2007 the OLCC acquired the nearby Milport building, with 104,875 square feet of warehouse and 2,369 square feet of office space for a total footprint of 107,244 square feet. The Milport building was built in 1977 and is also 41 years old.

	Square Foot	Construction	Years Since Last Roof Replacement
McLoughlin	**174,361**		
*Warehouse	124,000	1954, 1977	64 years for main area built in 1954 41 years for additions to the main area built in 1977
*Central Office	50,361	1991	2
Milport	**107,244**		
*Warehouse	104,875	1991	2
*Office	2,369	1991	2

The OLCC provides warehouse security for both the state and vendor owned bottled distilled spirits inventory. The McLoughlin warehouse serves as the main warehouse for distribution to 267 liquor stores in Oregon; 12 additional stores are set to open shortly. This is an increase from 248 stores prior to retail expansion. The fifth phase of retail expansion is currently underway with additional stores expected to be added in 2019. The Milport facility serves as a delivery hub for inbound products from manufactures and fulfillment center to support distribution from the main warehouse. Combined, these two facilities are expected to distribute 7.4 million cases of distilled liquor in the 2019-21 biennium, accommodating a case growth rate of 2.5% per year. Facility maintenance, repair and the conditions of the building impact the OLCC's ability to generate revenue and protect the safety and security of the distilled liquor inventory. The wholesale value of the entire inventory in the warehouses, both vendor and OLCC-owned, is approximately $40 million at cost and a retail value of $80 million. The inventory turns approximately 11 times per year, generating an expected $1.45 billion in total sales during the 2019-21 biennium and $594.5 million in 2019-21 distributed revenue for state, counties and cities.

The central office located in the McLoughlin building serves as the primary customer service hub for 14,085 liquor licensees, 3,846 out of state certificate holders, 165,000 alcohol service permittees, 1,960 marijuana licensees, 31,000 marijuana worker permitees and 9,500 temporary sales license holders in 2018 as well as provides central services for the Commission, Distilled Spirits, Public Safety, Support Services, Marijuana and OMMP Tracking Programs, OLCC field offices, liquor store agents, and the public.

Each biennium, the OLCC completes regular maintenance and repairs per its ten-year plan, and does major projects as provided for by the Legislatively Adopted Budget. With the 2015-17 legislature-approved $5.1 million for Phase I of the roofing project, OLCC accomplished:

- Engineer assessments of the building roof systems
- Replacement of the Milport roof
- Partial replacement and repair of the McLoughlin roof
- Replacement of the HVAC units, both locations
- Structural and seismic repairs and upgrades for Milport and McLouglin office facilities

C. EXPECTED RESULTS

Keeping both the McLoughlin and Milport facilities properly maintained is critical to their continued role in generating revenue and protecting the vendor and OLCC-owned inventory and state assets. The OLCC Administrative Services Division's main objective for the capital improvement program is to maintain a safe and efficiently operated facility that has continued expected life, and the flexibility to continue growth while addressing the changing demands brought on by administering the marijuana program.

As of Spring 2018, the OLCC's ten-year plan, beginning in 2017-19, contains the following elements. The current service level budget will enable the OLCC to perform some basic regular maintenance; larger projects will require legislatively approved policy option packages.

2017-19

- **Current Service Level**
  - Safety and operational related repairs such as electrical, plumbing, mechanical and maintenance.

2019-21

- **Current Service Level**
  - Safety and operational related repairs such as electrical, plumbing, mechanical and maintenance.
  - Replace access control and badging systems; Mcloughlin and Milport Facilities

- **Policy Option Package**
  - Replace and repair primary McLoughlin Warehouse roof (POP 304)
  - Bring McLoughlin warehouse up to current seismic standards (POP 304)

2021-2023

- **Current Service Level**
  - Repair all CMU and Concrete walls at McLoughlin building
  - Replace caulking/sealant at expansion joints, windows and doors (Milport)
  - Repair cracking of roof storage unit (McLoughlin)
  - Repair garage doors (McLoughlin)
  - Apply safety zone markings (Milport warehouse)

- **Policy Option Package**
  - Repair deteriorating/cracking concrete (McLoughlin)
  - Replace water heater (electric – McLoughlin)
  - Repair/resurface/reseal – strip parking lot (McLoughlin)
  - Install conduit for future ZEV charging stations (McLoughlin parking lot)
  - Complete electrical repairs/replacements at both locations

2023-2025

- **Current Service Level**
  - Repaint exterior walls (repair concrete) at Milport
  - Repair/replace caulking expansion joints, windows and doors (McLoughlin)
  - Apply new safety zone markings (McLoughlin)
  - Replace gravel (McLoughlin)
  - Replace domestic hot water heater (gas) (McLoughlin)
  - Repaint garage doors (McLoughlin)

- **Policy Option Package**
  - Replace fire alarm system and panel (both)
  - Install occupancy sensors (McLoughlin)
  - Replace concrete steps, ADA compliance (Milport)
  - Restroom ADA upgrades (McLoughlin)
  - Replace door handles to meet ADA codes (McLoughlin)
  - Replace aluminum windows at warehouse (McLoughlin)
  - Energy conservation projects
  - Security system replacement at both buildings
  - Install charging stations for zero emission vehicles

2025-2027

- **Current Service Level**
  - Repair/replace concrete paving (Milport)
  - Bark mulch/landscaping – both locations

- **Policy Option Package**
  - Modernization for McLoughlin and Milport
  - Replace doors and windows for office area (McLoughlin)
  - Repair/repaint sun canopies (McLoughlin)
  - Repair or replace overhead doors at both locations

2027-2029

- **Current Service Level**
  - Repaint interior office walls (Milport)
  - Repaint interior office walls/ceilings (McLoughlin)
  - Repaint exterior walls McLoughlin warehouse
  - Replace counters (restrooms/cafeteria) both locations
  - Replace carpet (Milport)
  - Replace fixed windows (Milport)
  - Replace vinyl and carpet (McLoughlin)
  - Facility Condition Assessments both locations

- **Policy Option Package**
  - Replace fixed windows (Milport)
  - Replace all hard floor covering and carpet (McLoughlin)
  - Crack repair, seal coating and restriping in both parking lots
  - Replace window blinds for improved energy conservation (both buildings)
  - Replace McLoughlin vinyl flooring in cafeteria
  - Upgrade and remodel restrooms (fixtures)
  - Purchase and install charging stations for zero emission vehicles
  - Facility Condition Assessments both locations

BUDGET NARRATIVE

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent Other Funded and generates revenues from the sale of distilled spirits, license fees from alcohol and marijuana and penalties, privilege tax paid on the sales of beer and wine and other miscellaneous sources. The OLCC collects this revenue in accordance with ORS Chapters 471, 473, 475B.

E. PROGRAM FUNDING REQUEST

The Agency Request Budget is $6,461,943 Other Funds limitation for the 2019-21 biennium. No Positions or FTE are requested.

F. PROPOSED LEGISLATIVE CHANGES

There are no proposed legislative changes.

Roof Repairs and Replacement to Main Warehouse

OLCC 2019-21 Agency Request Budget

Policy Option Package No. 304, Agency Priority No 4

A. PACKAGE PURPOSE

Through the Capital Improvements Program, the OLCC provides effective stewardship of its buildings and grounds. OLCC owns its main office and distribution center complex on McLoughlin Blvd in Milwaukie and a second receiving warehouse on Milport Ave. also in Milwaukie. Both facilities house 248 employees working in Distilled Spirits, Public Safety, Marijuana, OMMP Tracking, and Support Services.

In 2014, OLCC hired Professional Roof Consultants (PRC) to evaluate roofs of the two Milwaukie facilities. Their findings indicated that 10 areas of the Mcloughlin roof office were failing and had to be repaired and that the Milport facility roof had to be replaced. Extensive repairs were done on the McLoughlin office facility and the Milport warehouse in the 2015-17 biennium under Phase one of the remediation plan to correct the deficiencies. Important lessons were learned in that process about the structural issues and contingencies needed when working on aging buildings. The study also found that three large areas over the main McLoughlin warehouse had three years of useful life left and should be repaired or replaced in Phase two. The Phase two plan identifies roof replacement in the 2019-21 budget. The main warehouse roof of the McLoughlin building is 64 years old. The addition to the main warehouse has a roof that is 41 years old.

Phase two will be a repair and/or replacement of the primary warehouse roof at McLoughlin. Three sections of the roof totaling 124,000 square feet have been identified for this project. The company that completed Phase one for OLCC (Anderson Roofing) provided the cost estimates for Phase two. The largest part of the project will focus on the primary roof which was built in 1954. Two smaller sections attached to the 1954 warehouse were added in 1977 and are also part of Phase two. Contingent upon replacement of the main warehouse roof is a requirement to upgrade the facility for any and all seismic requirements which have been deferred until this project could be started. There is also a 45% contingency for possible structural issues that cannot be identified until construction is underway. Water incursion resulting in dry rot to support structures was discovered during the Milport roof replacement in 2016 so a contingency has been added in the event that similar issues have occurred at the McLoughlin warehouse.

B. HOW ACHIEVED

If approved, OLCC will issue a request for proposal that will elicit bids for the project. Work will begin in late spring and completion will be required by fall before the winter rains begin. It will be important that the warehouse remain functioning during construction because the McLoughlin warehouse is the only distribution point for liquor to all stores in Oregon.

Repair OLCC Facilities Phase 2
OLCC 2019-21 Agency Request Budget Policy Option Package No 304

Division	Package Description	FTE	One-time	Ongoing	Total
	CAPITAL OUTLAY				
	ROOF Repairs & Replacement to Main Warehouse				
Capital Improvements	Phase II roof replacement and repair (sections A, B, & C)		$3,300,000	$0	$3,300,000
	Earthquake remediation to warehouse (required with replacement)		$1,000,000		$1,000,000
	Contingency for unexpected structural and other issues		$1,934,000		$1,934,000
Subtotal - Capital Improvements - Maintain & Replace - Package 304		**0.00**	***$6,234,000***	***$0***	***$6,234,000***

a. Benefits to stakeholders

OLCC's McLoughlin warehouse houses $80 million of liquor inventory at any given time. This product is in the care of OLCC as it is a bonded warehouse and the state does not pay for the liquor until shipped or cases are opened in the warehouse. Warehousing and shipment of liquor out of the McLoughlin facility is core to the OLCC mission of generating revenue for the state and retailing liquor.

b. Benefits to OLCC

State liquor inventories are protected. Worker safety in the event of a large seismic event is enhanced. Capital value of the state's asset is maintained and enhanced.

C. STAFFING IMPACT

The package adds no new staff to OLCC.

D. QUANTIFYING RESULTS

OLCC will be able to continue its business without interruptions from building or system failure.

E. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent other funded and generates revenues from the sale of distilled spirits, license fees from alcohol and marijuana, taxes paid on sales of beer and wine and other miscellaneous revenue sources. The OLCC collects this in accordance with ORS Chapter 471, 473, and 475B.

Facilities Summary Report

2019-21 Biennium

Agency Name: **OR Liquor Control Commission**

Owned Facilities Over $1 million

	FY 2018 DATA
Number of Facilities	2
Current Replacement Value $ (CRV)[1]	$ 37,049,006
Gross Square Feet (GSF)	*283,714*
Usable Square Feet (USF)[2]	*283,714*
Occupants Position Count (PC)[3]	209

Source[4]	FCA	Risk or FCA
Estimate/Actual[5]	*40*	% USF/GSF
USF/PC[6]	**413**	
Or Agency Measure[7]	n/a	

Owned Facilities Under $1 million

Number of Facilities	not applicable
CRV[1]	not applicable
GSF	not applicable

Leased Facilities

Total Rentable SF[8]	12,969
Biennual Lease Cost	468,912
Additional Costs for Lease Properties (O&M)[9]	28,128
Usable Square Feet (USF)[2]	*not available*
Occupants Position Count (PC)[3]	54

Estimate/Actual[5]	*100*	% RSF/GSF
USF/PC[6]	**n/a**	

Definitions

CRV 1 Current Replacement Value Reported to Risk Management ***or Calculated Replacement Value Reported from iPlan Facility Conditions Assessment (FCA)***

USF 2 Usable Square Feet per BOMA definition for office/administrative uses. Area of a floor occupiable by a tenant where

Occupant Postion Count (PC) 3 Total Legislatively Approved Budget (LAB) Position Count within the buildings or leases as applicable.

Source 4 Enter Source of CRV as "Risk" or "FCA"

Estimate/Actual 5 Use actual USF % of USF to GSF, if available. If not known, estimate the percentage.

Office/Administrative USF/PC 6 Divide your USF by your position count. If office/admin space is a less than 10% of your space use, fill in N/A and fill in

Agency Measure 7 If not using USF/PC, insert Agency Measure as defined in 107BF02 question #1.

RSF 8 Rentable SF per BOMA definition. The total usable area plus a pro-rated allocation of the floor and building common

O&M 9 Total Operations and Maintenance Costs for facilities including all maintenance, utilities and janitorial

Facilities Operations and Maintenance and Deferred Maintenance Report

2019-21 Biennium

Facility Plan - Facility O&M/DM Report 107B16b
2019-21 Biennium

Agency Name Oregon Liquor Control Commission

Facilities Operations and Maintenance (O&M) Budget excluding Capital Improvements and Deferred Maintenance[1]	**2015-17 ACTUAL**	**2017-19 Budgeted**	**2017-19 Projected**	**2019-21 Agency Request**
Personal Services (PS) Operations and Maintenance	404,498	432,797	432,797	452,273
Services and Supplies (S&S) Operations and Maintenance	416,697	432,115	432,115	451,560
Utilities not included in PS and S$S above	349,478	362,409	362,409	378,717
Total O&M				
O&M $/SF	1,170,673	1,227,321	1,227,321	1,282,550

Total O&M SF 1,170,673 Include only the SF for which your agency provides O&M funding.

	General Fund	**Lottery Fund**	**Other Funds**	**Federal Funds**
O&M Estimated Fund Split Percentage %[2]			100%	

Total Short and Long Term Deferred Maintenance Plan for Facilities Value Over $1M[3]	**Current Costs (2015)**	**Ten Year Projection**	**2017-19 Budgeted**	**2019-21 Agency Request**
Priorities 1-3 - Currently, Potentially and Not Yet Critical[4,5,6]	$ 227,943	$ 14,421,894	$ 227,943	6,461,943
priority 4 - Seismic & Natural Hazard[7]				
Priority 5 - Modernization[8]				
Total Priority Need				
Facility Condition Index (Need/CRV)[9]	227,943	14,421,894	227,943	6,461,943

Buildings Over $1M CRV 37,049,006 Current Replacement Value Reported to Risk ***or Calculated Replacement Value Reported from Facility Conditions Assessment (FCA)***

Process/Software for routine maintenance (O&M)	OLCC Administrative Services is now using iPlan© software to track building assets and components, maintenance schedules and forecasts of remaining useful life and to project costs. In addition, the maintenance staff and manager use Excel to manually track all scheduled maintenance.
Process/Software for deferred maintenance/renewal	In addition to the FAC, OLCC maintenance staff performs regular inspections of the buildings, components and the grounds, including parking lots. Needed repairs are identified and documented. If funding is unavailable, these repairs will become deferred maintenance.
Process for funding facilities maintenance	Facility maintenance is included as a separate item in the agency request budget on a biennial basis. Per ORS 276.285(1), maintenance is essential to maintain and protect State of Oregon's investments.

Definitions

Facilities Operations and Maintenance Budget[1]	The Facilities Operations and Maintenance budget includes costs to operate and maintain facilities and keep them in repair including utilities, janitorial and maintenance costs. Maintenance costs are categorized as external building (roof, siding, windows, etc.); interior systems (electrical, mechanical, interior walls, doors, etc.); roads and ground (groundskeeper, parking lots, sidewalks, etc.) and centrally operated systems (electrical, mechanical, etc.). Agencies with significant facilities may include support staff if directly associated with facilities maintenance activities. Do not include other overhead costs such as accounting, central government charges, etc.
O&M Estimated Fund Split Percentage %[2]	Show the fund split by percentage of fund source allocated to facility O&M for your agency
Total Short and Long Term Maintenance and Deferred Maintenance Plan for Facilities Value Over $1M[3]	All Maintenance excluding routine O&M costs
Priority One: Currently Critical[4]	From the Budget Instruction: Priority One projects are conditions that require immediate action in order to address code and accessibility violations that affect life safety. Building envelope issues (roof, sides, windows and doors) that pose immediate safety concerns should be included in this category.
Priority Two: Potentially Critical[5]	From the Budget Instruction: Priority Two projects are to be undertaken in the near future to maintain the integrity of the facility and accommodate current agency program requirements. Included are systems that are functioning improperly or at limited capacity, and if not addressed, will cause additional system deterioration and added repair costs. Also included are significant building envelope issues (roof, sides, windows and doors) that, if not addressed, will cause additional system deterioration and added repair costs.
Priority Three: Necessary - Not yet Critical[6]	From the Budget Instructions: Priority Three projects could be undertaken in the near to mid-term future to maintain the integrity of a building and to address building systems, building components and site work that have reached or exceeded their useful life based on industry standards, but are still functioning in some capacity. These projects may require attention currently to avoid deterioration, potential downtime and consequently higher costs if corrective action is deferred.
Priority Four: Seismic and Natural Hazard Remediation[7]	From the Budget Instructions: Priority Four projects improve seismic performance of buildings constructed prior to 1995 building code changes to protect occupants, minimize building damage and speed recovery after a major earthquake. Projects also include those that mitigate significant flood hazards.
Priority Five: Modernization[8]	From the Budget Instructions: Priority Five projects are alterations or replacement of facilities solely to implement new or higher standards to accommodate new functions, significantly improve existing functionality as well as replacement of building components that typically last more than 50 years (such as the building structure or foundations). These standards include system and aesthetic upgrades which represent sensible improvements to the existing condition. These projects improve the overall usability and reduce long-term maintenance requirements. Given the significant nature of these projects, the work typically addresses deficiencies that do not conform to current codes, but are 'grandfathered' in their existing condition to the extent feasible.
Facility Condition Index[9]	A calculated measure of facility condition relative to its current replacement value (expressed as a percentage)

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 304 - Distilled Spirits Shipping Capacity & Svcs

Cross Reference Name: Capital Improvements
Cross Reference Number: 84500-088-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Capital Outlay							
Building Structures	-	-	4,300,000	-	-	-	4,300,000
Contingencies	-	-	1,934,000	-	-	-	1,934,000
Total Capital Outlay	**-**	**-**	**$6,234,000**	**-**	**-**	**-**	**$6,234,000**
Total Expenditures							
Total Expenditures	-	-	6,234,000	-	-	-	6,234,000
Total Expenditures	**-**	**-**	**$6,234,000**	**-**	**-**	**-**	**$6,234,000**
Ending Balance							
Ending Balance	-	-	(6,234,000)	-	-	-	(6,234,000)
Total Ending Balance	**-**	**-**	**($6,234,000)**	**-**	**-**	**-**	**($6,234,000)**

DETAIL OF LOTTERY FUNDS, OTHER FUNDS, AND FEDERAL FUNDS REVENUE

Oregon Liquor Control Comm
2019-21 Biennium

Agency Number: 84500
Cross Reference Number: 84500-088-00-00-00000

Source	2015-17 Actuals	2017-19 Leg Adopted Budget	2017-19 Leg Approved Budget	2019-21 Agency Request Audit	2019-21 Governor's Budget	2019-21 Leg. Adopted Audit
Other Funds						
Transfer In - Intrafund	4,953,678	227,943	227,943	6,461,943	-	-
Total Other Funds	**$4,953,678**	**$227,943**	**$227,943**	**$6,461,943**	**-**	**-**