

THE
MUNICIPAL
LIQUOR STORE

Volume 69, Number 3, 2010

OFFICIAL PUBLICATION OF THE
MINNESOTA MUNICIPAL BEVERAGE ASSOCIATION
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Volume 69, Number 3, 2010

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On The Cover

One of the trends in our business is a shift away from full-time employees to part-time staff.

A great number of these employees are very part-time and working the night shift. Unfortunately these individuals probably do not have high product knowledge, yet they often come into contact with customers who have the most purchasing power.

To help address this disconnect, MMBA has introduced a new on-line training course to help address this situation.

The Institute for Beverage Professionals (IBP) is open to full and part-time employees in all sectors of the beverage industry.

IBP's goal is to provide training that will translate into improved individual sales skills, a higher personal professionalism, and enhanced facility revenue and image.

The training includes written materials, testing and certificates of completion.

IBP is designed to be a supplemental training that should be combined with instruction provided by an employer.

The first course is on wine. Planned future courses include beer, spirits, customer service and more.

The course (including a preview area) can be found on the MMBA website at www.municipalbev.com.



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MMBA President's Message



Tom Agnes
President

As an effort to keep in touch with our Municipal Beverage history I have reproduced this article from the summer of 1985.

Look for the similarities to our times and the differences. As a wise man once said, "We live in a world of cycles."

Tom Agnes

Municipals Now Controlling Their Own Future by Gene O'Brien

As the only man in the Minnesota Municipal Liquor ranks who can look back and survey a period of 45 years, I've witnessed some amazing changes over four and a half decades.

This publication, the "Municipal Liquor Store," was started in 1940, four years after Minnesota Municipal Liquor Store Inc. (MMLSI) was established, and six years after repeal in 1934. In the first year of its existence (1934) 68 stores were opened between February first and December 31st. Honors for being established as the original "muni" in Minnesota go to Marshall where MMLSI Treasurer Jim Van Hyfte holds forth as manager.

During the early days, as soon as the issue carrying the earnings records of Minnesota "munis" came out we were deluged with requests for copies, "everybody wanted to get into the act!" There was still a number of "dry" counties, some 28, if memory

serves us rightly, and many real, bone dry (no bootleggers). Well, it didn't take long before one by one the "dry" counties voted to go "wet" with visions of \$\$ Signs dancin' in their heads. In one fell swoop the last 13 were brought out of their long dry spell by legislative act when Karl Rolvaag was governor in 1963. Again, the deciding factor was the municipal liquor dispensaries.

In those days the battle cry was "Control" of liquor traffic. Better to have the community own and control the business, it would have no interest in profits, only control was the day's watchword, Control is now completely forgotten about for the most part, some still mouth it hypocritically, but in their hearts it's the money. Woe betide the combination of the two, control and profits is the order today and it's religiously carried out by Minnesota MLS managers.

In recent years the opening of a municipal event has become rarer and rarer. Just the reverse has been happening. Too many stores have closed, mostly because of management problems, and some for lack of inviting facilities. The incapable manager succeeded during the "fair trade", brought on by a suicidal price war between the Twin Cities small and large stores, and as everyone had the same markup it was comparatively easy job to make profits. There were no tough competitors breathing down managers' necks.

Partly as the result of the income possibilities of "mass merchandising",

several of the heavy producing stores in the Twin Cities area went to "warehousing operations". These stores carried huge inventories and are, at present tremendous successes. To meet this change several operations in the state have "cleaned house". The old dumpy outlets have been revived by building new plants or remodeling old ones. MMLSI has been in the thick of advocating the changes. Their "Outreach Program" has scored mightily in restoring faltering operations. Store changes in design has made the "minus" more convenient and inviting to patrons and profits have risen correspondingly.

*"Fight Back" has been the rallying cry and it's working. Something of a triumph was scored recently by Lyn Griffin, MMLSI executive director and "Outreach" genius (In our book). The town of Rush City sold its municipal store, the new owners couldn't make the operation go and the operation came back to the city. Then, wonder of wonders, in a Cinderella switch the R.C. operation was completely remodeled, opened auspiciously and is now operating profitably. The manager, Larry Mash, is ecstatic over the change of the premises and the change in the patrons who now flock into the refurbished quarters!
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Profit Minnesota Supports State-Regulated Gaming for Bars & Restaurants

Who is Profit Minnesota?

We're a coalition of small businesses, community organizations, local charities and Minnesotans throughout the state who support state-regulated gaming as a REAL solution to our state's budget crisis without raising taxes.

Our state is in serious financial trouble; our charities are losing money, our services are being cut and jobs are leaving Minnesota in record numbers.

With a budget deficit near \$6 billion, solving our current financial crisis isn't going to be easy. It's going to take creative solutions and ideas, and frankly, courage to make decisions that will help our state and communities in every corner on Minnesota. We can't simply raise new taxes or cut the services that Minnesota's children, veterans and public safety providers depend upon daily.

The time is now to pass proposals that will create new revenue outside of simple tax hikes and budget cuts. The time is now to support state-regulated gaming in licensed bars and restaurants.

Profit Minnesota is a true grassroots effort that is supported by over 4,900 licensed bar and restaurants throughout the state. Our partner organizations include the Minnesota Licensed Beverage Association, Hospitality Minnesota and its allied associations.

Why is the organization called Profit Minnesota?

Our coalition has a simple goal: provide a creative idea that will help to raise significant new revenue for the state budget without simply raising taxes. Our proposal will provide financial support for charities throughout the state such as veterans

groups, youth athletic organizations and volunteer fire departments. We'll also be saving small businesses and jobs that are struggling in every community. I think we can all agree that Minnesota comes out a winner in that scenario.

Explain the Profit Minnesota proposal?

Our coalition of small businesses and charitable organizations is asking the state legislature and the next governor to allow for state-regulated gaming in licensed bars and restaurants throughout Minnesota. Whether talking about pull tabs and bingo or Video Lottery Terminals (VLT's), the games already exist in paper format. By simply upgrading them into 21st Century technology, we'll be providing much needed new state revenue for Minnesota.

According to the Minnesota State Lottery and the State of Minnesota Gambling Control Board, this proposal has the potential to drive over \$630 million worth of new revenue into the state annually, and as much as \$230 million to charitable organizations such as youth athletic clubs, VFWs and American Legions and volunteer fire departments.

What is "state-regulated gaming?"

In the Profit Minnesota proposal, state-regulated gaming includes three forms of games of chance that are currently legal and available in Minnesota: Video Lottery Terminals (VLT's), pull tabs and bingo. Our proposal asks the legislature for two things: 1.) Allow for regulated gaming to be approved in licensed bars and restaurants, and 2.) Allow for these games to upgrade to 21st Century technology as opposed to the paper format they currently use.

This proposal will generate over \$630 million in new state revenue. With a large budget deficit looking us in the face, this seems like a good solution for Minnesota communities.

What does this mean for Minnesota?

With a crippling \$6 billion deficit, our proposal brings creative ideas to the table that will provide much needed state revenue without raising a single tax. This proposal will help the state's general fund while saving our struggling charities. Whether funding programs such as K-12 education or public safety through the state budget, or supporting charities in every community that fund youth hockey and baseball teams, help repair VFW's and American Legion's for our vets and provide defibrillators to fire departments - every one of our communities stands to gain under this proposal.

What are the benefits of this proposal?

This proposal will not only help fill the huge hole that we have in the state budget by creating new, non-existing revenue without raising any taxes, it will also help to give a much needed contributions to charitable organizations in the state that saw losses of \$400 million last year as compared to 2004. This proposal stands to raise \$630 million in new state revenue every year!

How much money is generated?

According to the Minnesota State Lottery and the State of Minnesota Gambling Control Board, this proposal would bring in \$630 million in state revenue annually. This money could be used to fund things like improving our K-12 education, state health services and public safety services in every community.

(Continued on page 9)



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Not only that, but this proposal also has the potential to raise \$230 in charitable donations every year for local hockey and little league teams, veterans groups and volunteer fire departments.

Where does the money go?

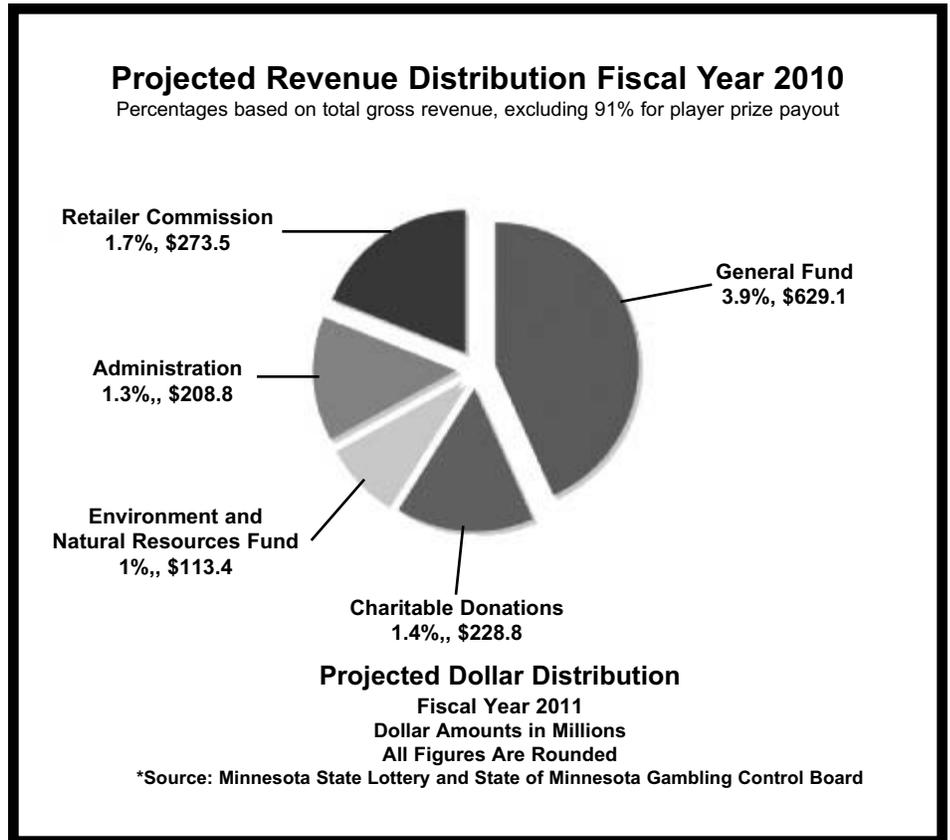
This money will be used to fill the holes in our states crippling \$6 billion budget deficit. It will go to help fund our states struggling charities. It will help provide for small businesses and save jobs in your community. See our illustrated chart here (link to the pie chart) for a break down of where this revenue will go.

Do other states have this type of gaming?

Several states have successfully proven that this is a great way to raise revenue, especially in these tough economic times. South Dakota is so happy with its similar state-regulated gaming laws that its voters have overwhelmingly supported it on the ballot twice!

A quick and easy breakdown of the estimated state-regulated gaming dollars...where does the money go*?

- Total gross revenue from controlled state-regulated gaming in this proposal is estimated at \$14.7 billion in 2011, with \$742.57 million going to state programs.
- Video Lottery Terminals will account for \$14 billion
- Electronic pull tabs and bingo will account for \$2.3 billion
- \$14.86 million will be paid to player prizes
- \$629.1 million to the state General Fund to support services such as K-12 education, health care, aid to local governments and public safety.
- \$228.8 million to Charitable Donations
- Allied Charities of Minnesota reported losses of \$400 million in



- total sales from 2004 to 2009.
- Allied charities has reported a 57% reduction in charitable contributions since it's high mark in 1989.
- This money will support groups such as veterans organizations, youth athletics, Lion's Clubs and volunteer fire departments.
- \$273.5 million - will be paid to retailers in the form of commissions and incentives.
- This money supports licensed bars and restaurants and machine operators in communities throughout Minnesota. Keeping money in local economies and supporting small businesses and jobs.
- \$113.4 million - to the Environment and Natural Resources Trust Fund to finance projects that preserve, restore and enhance our state's natural resources.
- \$208.8 million will be used for administrative costs such as vendor costs.

Gross Profit

As MMBA travels the state visiting members, a common factor in those facilities not maximizing profitability is a low gross profit (total sales minus cost of sales).

Cities with relatively low gross profits should consider whether the gross profits reflect their intended markup policies. (Remember, there is a difference between mark-up and gross profit.)

In addition, if gross profits are well below the intended markup of inventory, a number of factors can be in play such as theft, poor inventory control, or damage of inventory.

Good gross profit amounts are in the 24% - 25% range for off-sale and 42%- 45% range for combination facilities.

New Law Prohibits Mayors & Councilmembers from City Employment

A law enacted during the 2010 legislative session, Chapter 206, prohibits mayors and council members from being employed in their city. It took effect on Aug. 1.

The law applies to individuals who are:

- Elected or appointed on or after Aug. 1, 2010.
- Employed on a full-time, permanent basis by the city.

The new law was proposed by Sen. Gen Olson (R-Minnetrista) and Rep. Steve Smith (R-Mound) as a result of a situation in the city of Mound where a full-time city employee also served on the city council. The bill authors stated that simultaneously holding both positions would create a conflict of interest for individuals who could be voting on budgets and other issues that would directly impact their own salary and other employment benefits.

During the committee hearings, Mound officials testified in support of the bill, which as enacted, will not force an individual to immediately resign, but would be effective for an individual's first election occurring after Aug. 1.

The new law is generally similar to laws applicable to school and county board members. For instance, Minnesota Statutes, section 123B.195 prohibits a school board member from being employed by a school board in a position that earns more than \$8,000 per year. The law is not as restrictive as the county employment restriction

under Minnesota Statutes, section 375.09, which prohibits any and all simultaneous employment with the county for county board members, regardless of full-time status or earnings limitations.

Section 1 of the new law impacts home rule charter cities by creating Minnesota Statutes, section 410.191, which prohibits a mayor or city councilmember in a home rule charter city from being employed by the city, notwithstanding charter provisions to the contrary. A city charter could probably be more restrictive than the new law by prohibiting employment of any sort. Statutory cities are similarly covered under section 2 of the law.

The new law defines "employed" as full-time, permanent employment "as defined by the city's employment policy." This adds further importance to the task of clearly defining the employment status of those working within the city.

CHAPTER 206--H.F.No. 3350

An act relating to local government; prohibiting city employees from serving on the city council or as mayor; amending Minnesota Statutes 2008, section 412.02, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 410.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1.

[410.191] CITY COUNCIL MEMBERS; CITY EMPLOYMENT.

Notwithstanding any charter provision, neither the mayor nor any city council member may be employed by the city. For purposes of this section, "employed" refers to full-time permanent employment as defined by the city's employment policy.

EFFECTIVE DATE.*This section is effective August 1, 2010, and applies to persons elected or appointed to serve as mayor or city council member on or after that date.*

Sec. 2. Minnesota Statutes 2008, section 412.02, is amended by adding a subdivision to read:

Subd. 1a. City council; city employees. Neither the mayor nor any city council member may be employed by the city. For purposes of this subdivision, "employed" refers to full-time permanent employment as defined by the city's employment policy.

EFFECTIVE DATE.*This section is effective August 1, 2010, and applies to persons elected or appointed to serve as mayor or city council member on or after that date.*

Presented to the governor March 29, 2010

Signed by the governor March 30, 2010, 10:39 a.m.

Inventory Levels

As MMBA travels the state visiting members, a common factor in those facilities not maximizing profitability is a high inventory level.

Recognizing fluctuations throughout the year, a recent MMBA survey indicated the following average inventory amounts as a percentage of total gross sales:

Metro
10%

Greater Minnesota
15%



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Employee Theft Indicators

ByBarBusinessOwner.com

Theft is an all too common problem in the bar industry. It's estimated that 50% of all bartender employees steal and that percentage is even higher when you take into account theft from additional staff members like servers or managers.

Such a prevalent case of thievery can make any bar owner a little paranoid. But how do you know if your employees are stealing from you? How can you be sure that theft is occurring in your bar?

If you suspect that something is going on, there are some clear signs to look for. These theft indicators will let you know that someone is stealing from your bar in some way -- by stealing money, inventory, giving away free drinks, bringing in outside liquor, etc.

The presence of one indicator should give you reason to suspect that you're getting ripped off. If you find more than one indicator, the chances increase that someone is stealing from your business and you must take immediate action.

Top 10 Bar Theft Indicators:

Theft Indicator #1: Uneven Drawer Counts

One of the first things to do when you suspect theft is to take an unannounced mid-shift "Z" reading of the cash register or pos system. Taking the reading by surprise should catch discrepancies between what money should be in the register and what is actually there. If you find that a drawer is under or over a significant amount, the employee responsible for that drawer may be stealing.

Often bartenders will keep track of how much the drawer is under or over and they will pocket that money or make up for it before the end of the

night. An employee that has consistent uneven drawer counts is probably taking money out of the register.

Theft Indicator #2: Higher Pour Cost

There are lots of things that can cause a rise in your pour costs and theft is one of them. When employees steal inventory or money (in nearly any way) it drives up your pour cost.

Investigate if high pour cost is the only indicator of theft. If it is, be sure to evaluate other possible reasons for high pour cost before you make any staff changes.

Theft Indicator #3: Too Many Cash Register Commands

Take a look at the readings from your cash register or pos system. If you notice an excess of void or no sale cash register commands, theft could be occurring.

Employees may not be ringing in sales and keeping the cash or they might be stealing cash directly out of the register. Require manager verification for voids and discourage employees from using the no sale key. You could also have employees keep a record of why no sale was used during their shift.

Theft Indicator #4: Customer Complaints

Does it seem like customers are complaining more frequently? If you're hearing customers complain about "weak" drinks, shortchanging or not receiving a receipt, it could mean that employees are stealing.

By making drinks weaker, bartenders can save some of the liquor for a later drink that will be sold off the record. Sales without receipts also point to drinks that were sold with the bartender pocketing the money. Shortchanging is just as bad because it means that employees are stealing cash from customers.

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Start putting tighter cash controls in place. Make sure that every sale is rung into the register and that every customer gets a receipt.

Theft Indicator #5: Frequent Breakage

Check your liquor bottle breakage charts and see if there's been an unusual amount of breakage lately. Accidents sometimes happen, but if it seems like your breakage numbers have recently spiked theft may be occurring.

Employees might be stealing bottles or selling the contents and keeping the money for themselves. Make a new rule that breakage must be verified by a manager when entered into the record.

Theft Indicator #6: Abnormal Inventory Purchasing

Have there been any changes in your inventory order recently? Are you ordering more? If the order you place with your supplier is getting bigger and bigger but your sales have remained the same, someone is probably stealing from your bar.

Employees could be stealing alcohol from the storeroom or selling drinks and pocketing the money. Double check inventory records (like requisition sheets) to see if the records are inconsistent with your sales.

Theft Indicator #7: Counting Systems

Often when bartenders steal cash from the register they need to remember how much money is in the register. But this is hard to do while you're working. So to keep track of how much the register is over or under at any given time, many bartenders use counting devices.

A counting device can be almost anything -- a pad and paper, stacks of cocktail swords, matches, even stacks of glasses can be used as a makeshift abacus.

If you spot a counting device behind the bar or near the cash register, theft is

likely happening at your bar. Remove the counting device at once and do a "Z" reading of the cash register if appropriate.

Theft Indicator #8: Lower Sales

There are lots of possible reasons for lower sales (like seasonality or a new competitor) so make sure you explore other options if this is the only theft indicator you can find.

If there's no other explanation for low sales, employees may not be ringing sales into the register and taking the money. Apply better cash control procedures and have management on the floor to make sure that all sales are rung into the register or pos with receipts for every sale.

Theft Indicator #9: Low Bartender Productivity

Your bartenders should have similar sales based on the shifts that they work. If you find that one or two bartenders have particularly low productivity, those employees are suspect.

Track each of your bartender's productivity by looking at their sales per shift and per hour. If there's

someone who stands out as an under-performer, that person might be stealing. Take a closer look at that bartender and determine if theft is the reason for their low productivity.

Theft Indicator #10: Unusually High Tips

While employees that earn decent tips are good for your business, if you notice that an employee is having an unusually high amount of gratuities you should keep an eye on them. Its one thing to have a good night, but if staff members are bringing in more tips without additional effort, they could be supplementing their tips with cash from the register or selling drinks without ringing them in.

Bring the issue up in a staff meeting and ask the employee to share how they've been able to increase their tips. Tighten cash controls and closely monitor suspect employees.

It's hard to tell if theft is occurring if you don't know what you're looking for. Analyze your operation and see if you uncover any of these theft indicators -- if you do, take action immediately to put an end to theft at your bar.



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Theft Reduction Procedures

ByBarBusinessOwner.com

Theft is like a disease in your bar. Once it begins, it spreads and can eventually damage your bar operation to the point that it can't recover. When you begin to realize that it's occurring, you fight against the theft, but by that point it might already be too late.

Fortunately there's a better way to keep theft out of your bar -- by being proactive with theft reduction procedures. So instead of fighting against the disease once you start seeing the symptoms of theft, you get vaccinated against the disease to keep it from happening in the first place.

When you decide to be proactive in preventing theft at your bar, you might not know where to start. Below are several tried and true ways of minimizing the risk for theft. Make these theft reduction procedures a part of your day-to-day operations and keep the disease of theft from taking hold in your bar.

Theft Reduction Procedure #1: Cash Control

As soon as your bar is no longer serving alcohol the manager on duty should take a "Z" reading of the cash register and take the cash drawer into the office. Tips from the drawer should be distributed by management only and register keys should be given to managers only.

Why it works:

With tight cash procedures in place, it limits the chance that an employee could steal from the cash drawer. Taking immediate "Z" readings at the end of a shift make it easier to spot theft when drawers are over or under and it will force employees to "reconcile" their theft during busy working hours when they can be easily observed.

Theft Reduction Procedure #2: Visible Management

When managers are on duty, make sure that they are circulating around the bar and observing what's going on. Remove the idea that the area behind the bar is the "bartender's domain."

Why it works:

You've heard the old saying "while the cat's away the mice will play." Having managers visibly supervising the operation in your bar will give employees fewer chances to steal without being observed. Occasionally venturing behind the bar will break

some of the assumed privacy that bartenders could use for theft practices.

Theft Reduction Procedure #3: Random Register Readings

Managers on duty should perform mid-shift "Z" reading from the cash register on a random basis. The reading should be performed and then the cash drawer should be replaced with a new one.

Why it works:

Taking random "Z" readings prevents theft in two ways. For one, if a bartender is stealing, the drawer may be

(Continued on page 16)

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under or over. If it's over, the bartender may have been keeping cash in the drawer to be stolen later. If it's under, the bartender might have already pocketed cash and was planning on replacing it later.

The other way that it prevents theft is because if bartenders know that random checks occur, they will be less likely to steal from the cash drawer.

Theft Reduction Procedure #4:
Non-Transparency in Management

While transparency in some aspects of business is a good thing, to prevent theft there are a few things that should not be shared with anyone who isn't a part of your management team.

Figures like pour cost percentages or monthly profits can tempt some employees to steal. They might be resentful that the bar is making so much money and may find a way to capture some of those profits for themselves.

Why it works:

If employees don't know how much your bar is making, they won't have a basis to rationalize their theft.

When employees know more about the operation of your bar, they can be more intelligent about stealing. Keeping some information close to the belt will make theft easier to spot.

*In the end,
it is important to
remember that we
cannot become
what we need to be
by remaining
what you are.*

*When you're through
changing, you're
through*

Theft Reduction Procedure #5:
Mandatory Receipts

Make sure that customers are issued receipts for every transaction at your bar. Use a box for keeping used receipts so they can't be reused for theft purposes. Get a locked box with a slit in the top large enough for receipts fit through. After the ticket is paid, it should automatically be dropped into the box.

Why it works:

When every customer gets a receipt, it's harder for a staff member to pocket money from a transaction because there's a record of the transaction. Instituting a locked box for receipts makes it difficult to reuse a receipt to steal in the future.

Theft Reduction Procedure #6:
Physical Bar Changes

Adding mirrors above and behind the bar and overhead lighting (like track lighting) makes everything happening back there more visible. With better visibility behind the bar, possible hiding places for cash, reused receipts or counting devices cannot be easily hidden.

Going one step further and installing surveillance cameras in your bar gives even more visibility into what's happening.

Why it works:

If your bartenders know that it's easy for management and customers to see what's going on behind the bar, it will discourage them from doing anything that's dishonest. Making these changes to your bar will also help managers spot bar theft if it happens.

Theft Reduction Procedure #7:
Inventory Control

Only allow limited access to the storeroom in your bar. Make sure that keys to the storeroom are only held by managers and that inventory is tracked from delivery to consumption with perpetual inventory sheets, requisition sheets, par forms and records to account for breakage and spillage. Have employees help with inventory counts on a rotational basis.

Why it works:

When there is little access to inventory there is little opportunity for theft. Keeping good records will make it plainly obvious if inventory disappears. Involving employees in inventory counts helps them see how much care is taken with inventory and that missing inventory would be immediately noticed.

Don't wait until it's too late to prevent theft at your bar. Taking a proactive stance will help to stop theft before it starts and keep money and alcohol in your bar where it belongs.

Why People Do Not Perform

- 1) They do not know what they are supposed to do
- 2) They do not know how to do it
- 3) They do not know why they should
- 4) There are obstacles beyond their control

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Manufacturers Association

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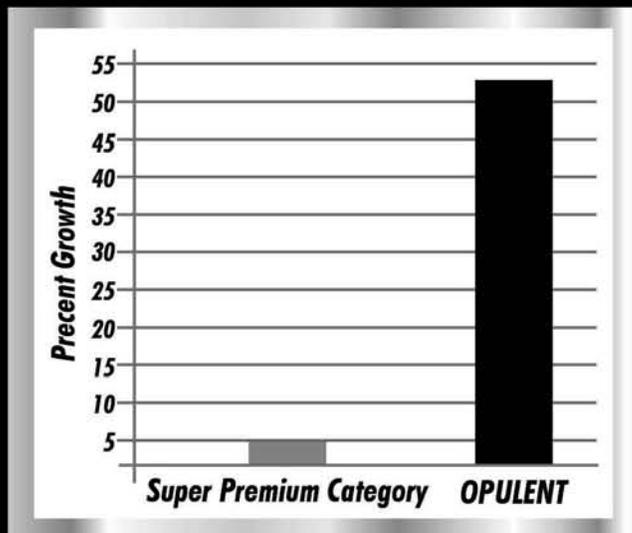
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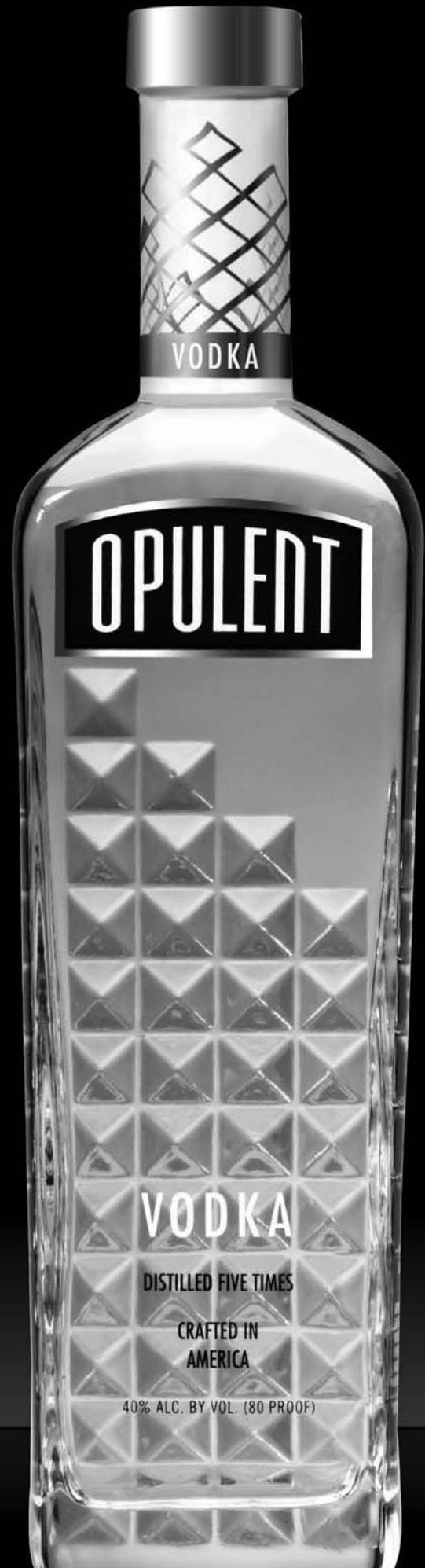
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