



Public Knowledge, LLC

1911 SW Campus Drive
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September 6, 2005

The Honorable Christine Gregoire

Governor of the State of Washington
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Gregoire:

Public Knowledge, LLC is pleased to submit this Organizational and Operational Review of the Washington State Liquor Control Board (WSLCB). This report would not have been possible without the full and enthusiastic support of the Board members, Administrative Director, Deputy Administrative Director and management of WSLCB.

The review recommends an optimal organizational structure created by the delegation of additional management responsibilities to the Administrative Director, the consolidation of the Purchasing, Distribution and Retail Sales Divisions into a single Retail Services Division, and the development of a plan to transition the Board from its current sixty percent salaried status to a voluntary Board meeting monthly. The review recommends several operational efficiencies, documents and validates the revenue projection methodology used by WSLCB and also identifies any potential public safety challenges related to these projected trends.

We found that WSLCB leadership is performing well and currently enjoys the strong support of stakeholders including the regulated industries. The creation of an Administrative Director and the increasing management capabilities of WSLCB should allow the Board to successfully fulfill its policy, legislative and judicial requirements as a voluntary body. However, we have found operational issues of concern: primarily the lack of critical infrastructure -- information technology, management information, training resources, replacement parts for key equipment -- that will hinder WSLCB's ability to meet key Agency goals, in particular, increasing revenue to the state. The situation likely results from the Agency's inability to reinvest sufficient revenues to meet infrastructure needs and represents the biggest challenge to WSLCB.

Addressing this challenge will require legislative action such as allowing WSLCB to operate in an enterprise business model. The longtime benefits to the state, we believe, overshadow the immediate savings that would result from converting the Board to a voluntary status. A well - planned transition to a voluntary Board should avoid the disruption and potential lack of focus that could hinder the Agency's ability to meet this challenge.

Thank you for this opportunity to be of service.

Sincerely,

Gerry Brodsky
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