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*****PRESS RELEASE*****

State Auditor Otto Releases Municipal Liquor Store Report

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ST. PAUL (3/31/2011) – State Auditor Rebecca Otto today released the Analysis of Municipal Liquor Store Operations, which provides comparative data on municipal liquor operations owned and operated by Minnesota cities for calendar year 2009.

In 2009, 210 Minnesota cities operated 242 municipal liquor stores, with 118 cities operating both on-sale and off-sale liquor establishments and 92 cities restricting their municipally-owned establishments to off-sale liquor stores. While the majority of municipally-owned liquor stores are located in Greater Minnesota, 19 cities within the 7-County Metro Area own and operate liquor establishments.

Minnesota municipalities were originally authorized to own and operate liquor establishments as a means of controlling the sale of alcohol. For many communities in Greater Minnesota, municipal liquor operations provide access and convenience in areas that might be unable to attract a privately-run establishment. In addition to these functions, profitable municipal liquor operations have provided another source of revenue to supplement traditional tax and fee revenues.

Highlights from the report include:

- The combined net profit of all municipal liquor operations totaled \$21.9 million in 2009. This represents an increase of \$1.5 million, or 7.1 percent, over the amount generated in 2008. Among on-sale operations, net profits totaled \$2.2 million in 2009, which was an increase of \$298,099, or 15.3 percent, over 2008. Total net profits for off-sale operations totaled \$19.6 million in 2009, which was an increase of \$1.2 million, or 6.3 percent, over 2008.
- Over the past five years, net profits have increased 16.4 percent. Among off-sale stores, there was a 23.9 percent increase in net profits, while on-sale stores showed a decrease of 23.7 percent.

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- Thirty-eight Minnesota cities reported net losses for 2009, compared to 42 cities in 2008. All 38 cities with losses were from Greater Minnesota.
- During 2009, Minnesota's municipal liquor operations reported a 14th consecutive year of record sales totaling \$311.2 million. Total sales generated in 2009 increased by \$8.2 million, or 2.7 percent, over 2008.
- Municipal liquor operations located within the 7-County Metro Area are considerably larger and more profitable than their Greater Minnesota counterparts. Sales by all Metro Area operations averaged \$3.0 million in 2009, compared to average sales of \$956,820 for all Greater Minnesota municipal liquor operations. In 2009, the average net profit of Metro Area municipal liquor operations was \$214,573, compared to \$66,469 for municipal liquor operations in Greater Minnesota.
- During 2009, Minnesota's municipal liquor stores transferred \$16.5 million of their profits to other city funds. This represents a decrease of 7.0 percent from the total net transfers made in 2008. Transfers totaled \$6.7 million among Metro Area establishments, compared to \$9.8 million for Greater Minnesota establishments.
- Minnesota law requires cities to hold a public hearing on the future of their liquor store(s) if the liquor operation shows a net loss in at least two of the past three years. While this report is based on 2009 data, an examination of losses for the years 2007, 2008, and 2009 shows that the 32 cities should have held hearings on or after November 17, 2010.
- Due in part to the lack of profitability, insurance costs, and other concerns, the number of cities operating municipal liquor stores has steadily declined. There was a net decrease of one store between 2008 and 2009.

To view the complete report, which includes an Executive Summary, tables, and graphs go to:

http://www.auditor.state.mn.us//Reports/gid/2009/liquor/liquor_09_report.pdf

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The Office of the State Auditor is a constitutional office that is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota. The Office of the State Auditor does this by performing audits of local government financial statements, and by reviewing documents, data, reports, and complaints reported to the Office. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the Office of the State Auditor.

Rebecca Otto is Minnesota's 18th State Auditor. A high-resolution official photo is available for download at http://www.auditor.state.mn.us/images/otto_hires.jpg. To learn more about State Auditor Otto, see <http://www.auditor.state.mn.us/default.aspx?page=bio>.