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

State Auditor Otto Releases Municipal Liquor Store Report

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ST. PAUL (1/27/2014) – State Auditor Rebecca Otto today released the 2012 Analysis of Municipal Liquor Store Operations. The report provides comparative data on liquor operations owned and operated by Minnesota cities.

In 2012, 207 Minnesota cities operated 239 municipal liquor stores, with 114 cities operating both on-sale and off-sale liquor establishments and 93 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 Seven-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 revenues to supplement traditional tax and fee revenues.

Highlights from the report include:

- The combined net profit of all municipal liquor operations totaled \$27.3 million in 2012. This represents an increase of \$3.9 million, or 16.6 percent, over the amount generated in 2011. Among on-sale operations, net profits totaled \$3.7 million in 2012, which was an increase of \$1.2 million, or 45.3 percent, over 2011. Total net profits for off-sale operations totaled \$23.5 million in 2012, which was an increase of \$2.7 million, or 13.1 percent, over 2011.
- During 2012, Minnesota's municipal liquor stores transferred \$23.0 million of their profits to other city funds. This represents an increase of 14.3 percent over the total net transfers made in 2011. Transfers totaled \$8.3 million among Metro Area establishments, compared to \$14.7 million for Greater Minnesota establishments.

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- During 2012, Minnesota's municipal liquor operations reported a 17th consecutive year of record sales totaling \$329.6 million. Total sales generated in 2012 increased by \$12.4 million, or 3.9 percent, over 2011. Total municipal liquor sales ranged from \$91,917 in Canton to \$15.2 million in Lakeville.
- Municipal liquor operations located within the Metro Area are considerably larger and more profitable than their Greater Minnesota counterparts. Although only 19 of the 207 Minnesota cities (9.2 percent) that own and operate municipal liquor stores are located in the Metro Area, they represent 37.4 percent of the total sales and 36.5 percent of the net profits of municipal liquor operations. Sales by all Metro Area operations averaged \$3.2 million in 2012, compared to average sales of \$1.0 million for all Greater Minnesota municipal liquor operations.
- Over the past five years, net profits have increased 33.7 percent. Among off-sale stores, there was a 27.6 percent increase in net profits, while on-sale stores showed an increase of 92.3 percent.
- Twenty-five Minnesota cities reported net losses for 2012, compared to 36 cities in 2011. All 25 cities with losses were from Greater Minnesota.
- 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 2012 data, an examination of losses for the years 2010, 2011, and 2012 shows that 25 cities should have held hearings on or after November 17, 2013.

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

<http://www.auditor.state.mn.us/default.aspx?page=20140124.000>.

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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>.