Virginia Alcoholic Beverage Control Authority
FY2024 Current Forecast vs. FY2023 Actual
(in millions)

		Curr.Fcst. FY 2024	Actual FY2023	Variance	%Chng.	Comments:
1	Revenue Sources: Growth Rate	*1.4%*	*4.9%*	*-3.5%*		
2	Alcoholic Beverages (Store Sales)	1,464.6	1,443.9	20.7	1.4%	Stores sales increased 1.4% over FY 23
3	Less: State Taxes on Spirits & Wine	242.4	238.9	3.5	1.5%	Increase in line with higher store sales
4	Net Store Sales	1,222.2	1,205.0	17.2	1.4%	
5						
6	Licenses, Permits & Penalties	20.1	18.5	1.6	8.6%	FY 24 reflects $0.8M increase in licenses & permits and $0.4M increase in penalties
7	Wine Liter Tax (ABC 12% share)	4.0	4.6	(0.6)	-13.0%	
8	Other	3.3	5.4	(2.1)	-38.9%	FY 24 reflects $0.8M increase in FEMA money and other recoveries
9	Other Revenue	27.4	28.5	(1.1)	-3.9%	
10						
11	Total Net Revenue	1,249.6	1,233.5	16.1	1.3%	
12						
13	Cost of Goods Sold:	702.6	693.3	9.3	1.3%	Increase in line with higher store sales
14						
15	Gross Profit	547.0	540.2	6.8	1.3%	Principal increase in gross profit driven by net impact of higher store sales
16	Gross Profit %	*43.8%*	*43.8%*	*0.0%*		
17						
18	Operating Costs:	307.6	319.6	(12.0)	-3.8%	
19	IT Staff Augmentation & Consulting	4.3	10.1	(5.8)	-57.4%	Significant decrease due to a reduction in Staff augmentation in IT and project consultants
20	Hourly Wage Labor	38.3	42.2	(3.9)	-9.2%	Reduced spending in FY 24 to support achieving higher profitability levels; partially offset by the 5% and 2% pay increases
21	Media Services	1.5	4.1	(2.6)	-63.4%	Reduced spending back to FY 2020 levels to achieve greater profitability
22	Computer Hardware & Software Maintenance Services	3.7	6.0	(2.3)	-38.3%	Reduced spending in FY 24 to support achieving higher profitability levels
23	Other Contractual Services	2.9	4.9	(2.0)	-40.8%	Reduced spending in FY 24 to support achieving higher profitability levels
24	Management Services	0.6	2.6	(2.0)	-76.9%	Reduced spending in FY 24 to support achieving higher profitability levels
25	Manual Labor Services (for Distribution Center Support)	1.0	2.7	(1.7)	-63.0%	Reduced spending following the new Distribution Center startup needs in prior year, mainly repalletization of non-forming shipments
26	Store Fixtures & Office Equipment	0.9	2.4	(1.5)	-62.5%	Lower new and remodeled store activity
27	Network Servers	1.0	2.3	(1.3)	-56.5%	Reduced spending offset by higher computer processor rentals
28	Supplies, Maintenance & Custodial Materials	3.0	4.1	(1.1)	-26.8%	Reduced spending in FY 24 to support achieving higher profitability levels
29	Other Continuous Charges	2.0	2.8	(0.8)	-28.6%	Reduced spending in FY 24 to support achieving higher profitability levels
30	Other Equipment	0.5	1.2	(0.7)	-58.3%	Mainly lower IT equipment spend in FY 24
31	Telecom Costs	1.6	1.9	(0.3)	-15.8%	
32	Training & Travel Costs	1.1	1.3	(0.2)	-15.4%	Reduced spending in FY 24 to support achieving higher profitability levels
33	Computer Software Purchases	0.5	0.6	(0.1)	-16.7%	
34	Packaging & Shipping Supplies	1.3	1.4	(0.1)	-7.1%	
35	Amortization -Software	6.3	6.3	-	0.0%	
36	Transfer Payments (Grants & Pmts. In lieu of Prop.taxes)	0.2	0.2	-	0.0%	
37	Other (GACR Project Related)	-	-	-	0.0%	
38	Outbound Freight Services - Estes	9.7	9.6	0.1	1.0%	
39	Utilities (Electric,Water & Refuse)	3.2	3.1	0.1	3.2%	
40	Commission Payments-20% on Distillery Store Sales	3.1	3.0	0.1	3.3%	
41	Building Rental (GASB 87 Leasing)	39.9	39.8	0.1	0.3%	
42	Custodial Services	0.7	0.5	0.2	40.0%	
43	Depreciation-Buildings, Equipment & Vehicles	6.0	5.8	0.2	3.4%	
44	Agency Service Charges(Payroll, HR & Financial Sys.)	2.2	2.0	0.2	10.0%	
45	Credit Card Fees	19.6	18.7	0.9	4.8%	Decreases in line with higher store sales
46	Subscription Based IT Arrangements (GASB 96)	4.6	3.4	1.2	35.3%	Impact of IT contract renewals and new agreements in FY 24
47	Computer Processor Rentals	2.0	0.5	1.5	300.0%	Increased spending in FY 24 offset by lower network server costs
48	Benefits	48.5	45.8	2.7	5.9%	Increase due to impacts of a full year 5% pay increase and 1/2 year impact of 2% pay increase in late December
49	Salaried Labor	97.4	90.3	7.1	7.9%	Increase due to impacts of a full year 5% pay increase and 1/2 year impact of 2% pay increase in late December
50	VABC Net Profit	239.4	220.6	18.8	8.5%	
51	Net Profit as % of Net Revenue	19.1%	17.8%	1.3%		

Virginia Alcoholic Beverage Control Authority
FY2024, FY2025 and FY 2026 Current Forecast vs. GACRE Forecast

(in millions)

		FY 2024				FY 2025				FY 2026				Comments:
		Curr.Fcst. FY 2024	Board Approved Budget FY2024	Variance	%Chng.	Curr.Fcst. FY 2025	GACRE Fcst FY2025	Variance	%Chng.	Curr.Fcst. FY 2026	GACRE Fcst FY2026	Variance	%Chng.	
1	Revenue Sources: Growth Rate	*1.4%*	*5.1%*	*-3.7%*		*1.5%*	*5.0%*	*-3.5%*		*2.0%*	*5.0%*	*-3.0%*		
2	Alcoholic Beverages (Store Sales)	1,464.6	1,517.4	(52.8)	-3.5%	1,486.6	1,593.3	(106.7)	-6.7%	1,516.3	1,673.0	(156.7)	-9.4%	Reduction in Store Sales due to current downturn in economic conditions FY 24 - FY 26
3	Less: State Taxes on Spirits & Wine	242.4	251.3	(8.9)	-3.5%	246.1	263.8	(17.7)	-6.7%	251.1	277.1	(26.0)	-9.4%	Reductions in line with lower store sales FY 24 - FY 26
4	**Net Store Sales**	**1,222.2**	**1,266.1**	**(43.9)**	**-3.5%**	**1,240.5**	**1,329.5**	**(89.0)**	**-6.7%**	**1,265.2**	**1,395.9**	**(130.7)**	**-9.4%**	
5														
6	Licenses, Permits & Penalties	20.1	18.9	1.2	6.3%	19.8	19.8	-	0.0%	20.0	20.0	-	0.0%	FY 24 reflects $0.8M increase in licenses & permits and $0.4M increase in penalties
7	Wine Liter Tax (ABC 12% share)	4.0	4.2	(0.2)	-4.8%	4.3	4.3	-	0.0%	4.3	4.3	-	0.0%	
8	Other	3.3	1.9	1.4	73.7%	1.1	1.1	-	0.0%	1.2	1.2	-	0.0%	FY 24 reflects $0.8M increase in FEMA money and other recoveries
9	**Other Revenue**	**27.4**	**25.0**	**2.4**	**9.6%**	**25.2**	**25.2**	**-**	**0.0%**	**25.5**	**25.5**	**-**	**0.0%**	
10														
11	**Total Net Revenue**	**1,249.6**	**1,291.1**	**(41.5)**	**-3.2%**	**1,265.7**	**1,354.7**	**(89.0)**	**-6.6%**	**1,290.7**	**1,421.4**	**(130.7)**	**-9.2%**	
12														
13	Cost of Goods Sold:	702.6	728.3	(25.7)	-3.5%	713.6	764.8	(51.2)	-6.7%	727.8	803.0	(75.2)	-9.4%	Decrease in line with lower store sales FY 24 - FY 26
14														
15	**Gross Profit**	**547.0**	**562.8**	**(15.8)**	**-2.8%**	**552.1**	**589.9**	**(37.8)**	**-6.4%**	**562.9**	**618.4**	**(55.5)**	**-9.0%**	Principal decline in gross profit driven by net impact of lower store sales FY 24 - FY 26
16	Gross Profit %	*43.8%*	*43.6%*	*0.2%*		*43.6%*	*43.5%*	*0.1%*		*43.6%*	*43.5%*	*0.1%*		
17														
18	**Operating Costs:**	**307.6**	**318.5**	**(10.9)**	**-3.4%**	**320.6**	**314.3**	**6.3**	**2.0%**	**328.5**	**318.0**	**10.5**	**3.3%**	
19	Salaried Labor	97.4	98.5	(1.1)	-1.1%	102.0	95.6	6.4	6.7%	105.0	95.5	9.5	9.9%	FY 24 reflects unfilled positions, FY25 & FY 26 reflects 1% to 3% pay increases and attrition removal of $4.5 & $5.7 million, respectively
20	Hourly Wage Labor	38.3	40.5	(2.2)	-5.4%	41.7	40.8	0.9	2.2%	43.2	41.4	1.8	4.3%	FY 24 reflects reduced wage hours, FY 25 & FY 26 reflects 1% to 3% pay increases
21	Benefits	48.5	49.8	(1.3)	-2.6%	50.6	50.0	0.6	1.2%	52.5	51.3	1.2	2.3%	FY 24 reflects unfilled positions, FY 25 & FY 26 reflect 1% to 3% pay increases and attrition removal
22	Building Rental (GASB 87 Leasing)	39.9	39.5	0.4	1.0%	36.4	36.4	-	0.0%	37.6	37.6	-	0.0%	
23	Credit Card Fees	19.6	20.9	(1.3)	-6.2%	20.4	22.0	(1.6)	-7.3%	21.1	23.1	(2.0)	-8.7%	Decreases in line with lower store sales, FY 24 - FY 26
24	Outbound Freight Services - Estes	9.7	9.2	0.5	5.4%	9.4	9.4	-	0.0%	9.7	9.7	-	0.0%	Increased shipping weights not planned for in FY 24
25	Amortization -Software	6.3	6.1	0.2	3.3%	6.1	6.1	-	0.0%	4.5	4.5	-	0.0%	
26	Depreciation-Buildings, Equipment & Vehicles	6.0	5.9	0.1	1.7%	5.9	5.9	-	0.0%	5.9	5.9	-	0.0%	
27	Subscription Based IT Arrangements (GASB 96)	4.6	3.4	1.2	35.3%	2.6	2.6	-	0.0%	3.1	3.1	-	0.0%	Impact of IT contract renewals and new agreements in FY 24
28	IT Staff Augmentation & Consulting	4.3	4.8	(0.5)	-10.4%	4.6	4.6	-	0.0%	4.6	4.6	-	0.0%	Impact of lower project activity
29	Computer Hardware & Software Maintenance Services	3.7	5.9	(2.2)	-37.3%	5.9	5.9	-	0.0%	5.9	5.9	-	0.0%	Lower than planned costs
30	Utilities (Electric,Water & Refuse)	3.2	3.4	(0.2)	-5.9%	3.4	3.4	-	0.0%	3.4	3.4	-	0.0%	
31	Commission Payments-20% on Distillery Store Sales	3.1	3.1	-	0.0%	3.1	3.1	-	0.0%	3.1	3.1	-	0.0%	
32	Supplies, Maintenance & Custodial Materials	3.0	2.7	0.3	11.1%	2.7	2.7	-	0.0%	2.7	2.7	-	0.0%	
33	Other Contractual Services	2.9	3.1	(0.2)	-6.5%	2.9	2.9	-	0.0%	2.9	2.9	-	0.0%	
34	Agency Service Charges(Payroll, HR & Financial Sys.)	2.2	2.1	0.1	4.8%	2.1	2.1	-	0.0%	2.1	2.1	-	0.0%	
35	Computer Processor Rentals	2.0	2.3	(0.3)	-13.0%	2.3	2.3	-	0.0%	2.3	2.3	-	0.0%	
36	Other Continuous Charges	2.0	2.1	(0.1)	-4.8%	2.1	2.1	-	0.0%	2.1	2.1	-	0.0%	
37	Telecom Costs	1.6	1.3	0.3	23.1%	1.3	1.3	-	0.0%	1.3	1.3	-	0.0%	
38	Media Services	1.5	1.6	(0.1)	-6.3%	1.6	1.6	-	0.0%	1.6	1.6	-	0.0%	
39	Packaging & Shipping Supplies	1.3	1.6	(0.3)	-18.8%	1.6	1.6	-	0.0%	1.6	1.6	-	0.0%	
40	Training & Travel Costs	1.1	2.0	(0.9)	-45.0%	2.1	2.1	-	0.0%	2.1	2.1	-	0.0%	Reduced spending in FY 24 to support reaching profit transfer target
41	Manual Labor Services (for Distribution Center Support)	1.0	0.9	0.1	11.1%	0.9	0.9	-	0.0%	0.9	0.9	-	0.0%	
42	Network Servers	1.0	1.9	(0.9)	-47.4%	1.9	1.9	-	0.0%	1.9	1.9	-	0.0%	Lower than planned costs
43	Store Fixtures & Office Equipment	0.9	1.7	(0.8)	-47.1%	1.7	1.7	-	0.0%	1.7	1.7	-	0.0%	Lower than planned new and remodeled store activity
44	Custodial Services	0.7	1.1	(0.4)	-36.4%	1.2	1.2	-	0.0%	1.3	1.3	-	0.0%	
45	Management Services	0.6	0.8	(0.2)	-25.0%	0.9	0.9	-	0.0%	0.9	0.9	-	0.0%	
46	Computer Software Purchases	0.5	0.8	(0.3)	-37.5%	0.8	0.8	-	0.0%	0.8	0.8	-	0.0%	
47	Other Equipment	0.5	1.2	(0.7)	-58.3%	1.2	1.2	-	0.0%	1.2	1.2	-	0.0%	Mainly lower IT equipment spend in FY 24
48	Transfer Payments (Grants & Pmts. In lieu of Prop.taxes)	0.2	0.3	(0.1)	-33.3%	0.3	0.3	-	0.0%	0.3	0.3	-	0.0%	
49	Other (GACR Project Related)	-	-		0.0%	0.9	0.9	-	0.0%	1.4	1.4	-	0.0%	
53	**VABC Net Profit**	**239.4**	**244.3**	**(4.9)**	**-2.0%**	**231.5**	**275.6**	**(44.1)**	**-16.0%**	**234.4**	**300.4**	**(66.0)**	**-22.0%**	
54	**Profit Carryover from Prior Fiscal Year**	**(0.8)**	**(0.8)**	**-**		**0.0**	**0.0**	**-**		**0.0**	**0.0**	**-**		
55	**Adjusted VABC Profit Including Carryover**	**238.6**	**243.5**	**(4.9)**	**-2.0%**	**231.5**	**275.6**	**(44.1)**	**-16.0%**	**234.4**	**300.4**	**(66.0)**	**-22.0%**	
56	**Net Profit as % of Net Revenue**	**19.1%**	**18.9%**	**0.2%**		**18.3%**	**20.3%**	**-2.1%**		**18.2%**	**21.1%**	**-3.0%**		

Virginia Alcoholic Beverage Control Authority
FY2024 Current Forecast vs. FY 2025 Current Forecast
Operating Costs Comparison
(in millions)

		Curr.Fcst. FY 2024	Curr.Fcst. FY 2025	Change $	Change %	
1	Operating Costs:	307.6	320.6	13.0	4.2%	
2	Salaried Labor	97.4	102.0	4.6	4.7%	FY 2024 vacant position savings more than offset by incremental 2% pay increase impact and attrition removal
3	Hourly Wage Labor	38.3	41.7	3.4	8.9%	FY 2024 wage savings more than offset by incremental 2% pay increase
4	Computer Hardware & Software Maintenance Services	3.7	5.9	2.2	59.5%	FY 2024 savings more than offset by increased maintenance costs in FY 2025
5	Benefits	48.5	50.6	2.1	4.3%	FY 2024 savings more than offset by incremental pay increase impact and attrition removal
6	Training & Travel Costs	1.1	2.1	1.0	90.9%	Reflects original GACRE forecast level in FY 2025. May be adjusted for additional savings identified during the FY 2025 Annual Budget Process
7	Other (GACR Project Related)	-	0.9	0.9	0.0%	Small project related spending in FY 2025.
8	Network Servers	1.0	1.9	0.9	90.0%	Reflects original GACRE forecast level in FY 2025. May be adjusted for additional savings identified during the FY 2025 Annual Budget Process
9	Credit Card Fees	19.6	20.4	0.8	4.1%	Increase in line with 1.5% projected increase in store sales
10	Store Fixtures & Office Equipment	0.9	1.7	0.8	88.9%	Reflects original GACRE forecast level in FY 2025. May be adjusted for additional savings identified during the FY 2025 Annual Budget Process
11	Other Equipment	0.5	1.2	0.7	140.0%	Reflects original GACRE forecast level in FY 2025. May be adjusted for additional savings identified during the FY 2025 Annual Budget Process
12	Custodial Services	0.7	1.2	0.5	71.4%	Reflects original GACRE forecast level in FY 2025. May be adjusted for additional savings identified during the FY 2025 Annual Budget Process
13	Packaging & Shipping Supplies	1.3	1.6	0.3	23.1%	
14	Management Services	0.6	0.9	0.3	50.0%	
15	Computer Software Purchases	0.5	0.8	0.3	60.0%	
16	IT Staff Augmentation & Consulting	4.3	4.6	0.3	7.0%	
17	Computer Processor Rentals	2.0	2.3	0.3	15.0%	
18	Utilities (Electric,Water & Refuse)	3.2	3.4	0.2	6.2%	
19	Other Continuous Charges	2.0	2.1	0.1	5.0%	
20	Media Services	1.5	1.6	0.1	6.7%	
21	Transfer Payments (Grants & Pmts. In lieu of Prop.taxes)	0.2	0.3	0.1	50.0%	
22	Commission Payments-20% on Distillery Store Sales	3.1	3.1	-	0.0%	
23	Other Contractual Services	2.9	2.9	-	0.0%	
24	Depreciation-Buildings, Equipment & Vehicles	6.0	5.9	(0.1)	-1.7%	
25	Manual Labor Services (for Distribution Center Support)	1.0	0.9	(0.1)	-10.0%	
26	Agency Service Charges(Payroll, HR & Financial Sys.)	2.2	2.1	(0.1)	-4.5%	
27	Amortization -Software	6.3	6.1	(0.2)	-3.2%	
28	Outbound Freight Services - Estes	9.7	9.4	(0.3)	-3.1%	
29	Supplies, Maintenance & Custodial Materials	3.0	2.7	(0.3)	-10.0%	
30	Telecom Costs	1.6	1.3	(0.3)	-18.8%	
31	Subscription Based IT Arrangements (GASB 96)	4.6	2.6	(2.0)	-43.5%	Due to mix and aging of current SBITA's vs new SBITA's
32	Building Rental (GASB 87 Leasing)	39.9	36.4	(3.5)	-8.8%	Decrease due to the mix of the aging of current leases vs lease renewals

Virginia Alcoholic Beverage Control Authority

Interim Chief Executive Officer
Thomas W. Kirby

IT Status Report 2023

The IT Division ended the year 10% under budget with annual costs of $35.8M. We have 82 full time staff, 29 contractors and nine hourly paid employees. We support the entire infrastructure for ABC operations, including 5,000 users on 1,100 computers and 1,100 registers in over 400 locations across the Commonwealth. Our uptime for network, Point of Sale and enterprise services exceeds 99.9% for the year, and we have had no significant service interruptions.

During the year we implemented a new Service Desk Solution (ServiceNow) integrated with telephone call center functionality from our phone provider 8x8. This is handling requests for IT, procurement, facilities and several other divisions. We handle 4,000 service requests, nearly one million emails (and 250,000 spam and malware interceptions) each month.

We also migrated our Oracle infrastructure from a private cloud to Oracle Platform as a Service (PaaS), which delivered significant cost avoidance savings. Infrastructure was upgraded to current versions during the migration (performed inside a weekend maintenance window).

We refreshed the IT strategy this year, further clarifying our approaches to user and enterprise support.

Enterprise Systems:

VABC has Modernized and/or migrated to SaaS / COTS 71% of our enterprise systems. The only three major legacy systems remaining are MIPS (inventory), Tax Management and HR (although these represent almost all the 21 legacy component systems), and we are due to refresh our Web / Ecommerce environment.
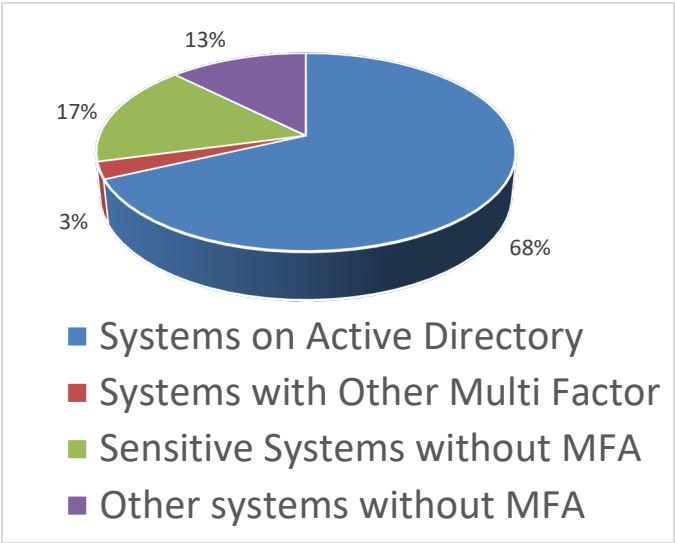
Modernization Status

Pie chart "Modernization Status" with values:
- SaaS / PaaS: 30
- Modernized COTS: 20
- Legacy Cots: 1
- In House / Custom: 20

Legend: ■ SaaS / PaaS ■ Modernized COTS ■ Legacy Cots ■ In House / Custom
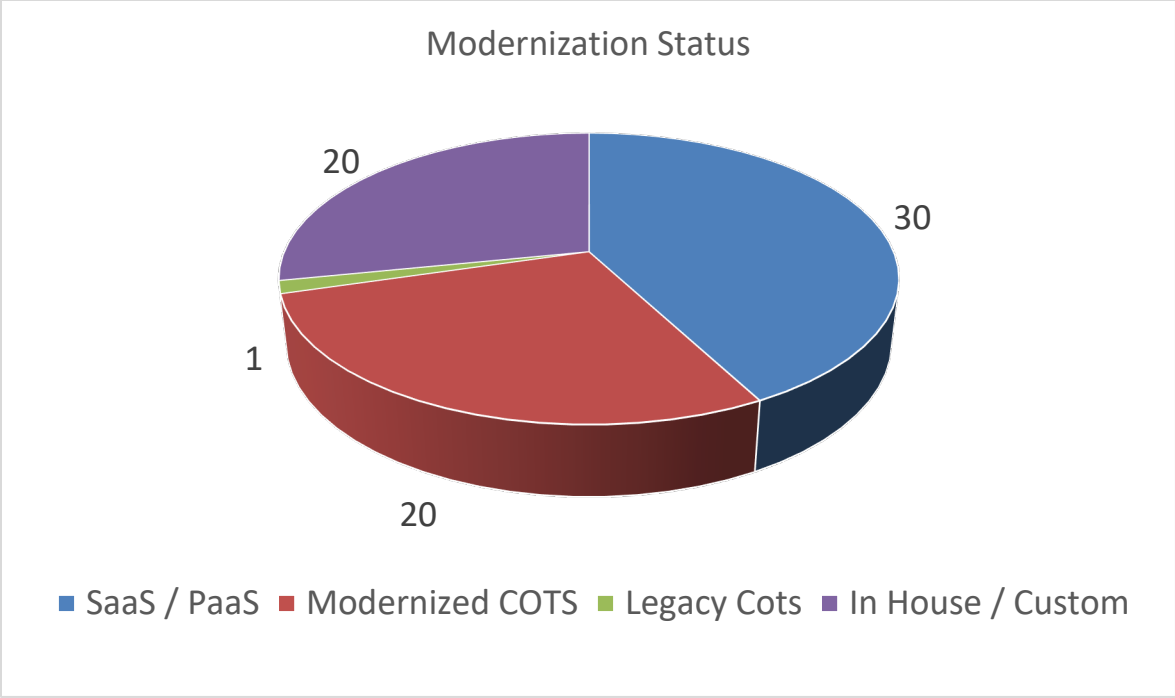
Significant efforts this year with our business partners included:

- Working on preparing the licensing system (VAL) to migrate to a SaaS provider and onboarding new licensees to online services, increasing system adoption.
- Supporting better payment options for licensees by using Payment tokens for repeating payees of Excise tax (will expand to other services in 2024).
- Continuing support for Digital commerce – expanding our online capabilities for product ordering from the warehouse, lottery automation and distribution of limited availability (popular, high demand, low availability) product.
- Preparing to upgrade the credit card terminals across all stores to remain PCI compliant for next year's PCI Audit.

Security and Risk Management

- Our main focus (and risk) is that an ABC identity will be compromised and expose ABC to being hacked. Our main defense is to ensure system identities and roles are secure.

- The majority of ABC Enterprise systems require an ABC Active Directory identity and/or support multi factor authentication ("MFA") (name, password + another factor) (71%)

- We have 19 systems that are not linked to ABC Active Directory / Have no MFA (i.e., they have standalone identities that have to be managed separately from the employee record and only require a username and password). Twelve of these contain sensitive data.

- We continue to pursue having 'one identity' (Active Directory) for ABC employees being integrated with HR, converted two more systems in July 2023 and continue to drive to a single secure identity.

- Systems on Active Directory
- Systems with Other Multi Factor
- Sensitive Systems without MFA
- Other systems without MFA

13%

17%

3%

68%

IT Overview
March 2024

General Principles

- **SaaS First Approach** – Software as a Service (SaaS) puts the maintenance, upgrade, security and infrastructure responsibilities on the software vendor, reducing reliance on ABC resources.

- **Minimize Storage of Sensitive Information** - Compliance exceptions are an inevitability. By avoiding the in house storage of high-value data (such as credit cards), ABC reduces risk across the Authority.

- **Keep Systems Up-to-Date** – For years, ABC ran on end-of-life software and operating systems, for things as critical as POS and financials. The mountain of technical debt that has been addressed in the last five years has been a financial drain and source of stress for the organization. We cannot repeat those mistakes.

- **Single Identity** – Utilize a single directory across applications for our employees (and customers in the future) to simplify user management and access.

- **User experience** – Is a priority and solving for usability improves reliability and reduces overall support costs

By adhering to these basics, we can maintain a stable head count in IT while supporting a highly-available, low-risk environment for business operations.

Major Migrations to SaaS

Since becoming an Authority in 2018

- **Finance** – We moved from an unsupported platform (Performance) to Oracle Fusion ERP.

- **Office** – Pre-Authority we utilized VITA managed email and SharePoint ran on ABC managed servers in VITA's data center. We now have a much more stable environment in Microsoft 365, which allowed us the flexibility to meet the changing demands brought on by the pandemic.

- **Licensing and Case Management** – Enforcement relied on two obsolete systems (CORE and CMS) for critical business operations. Both have moved to SaaS platforms (Accela and Caliber RMS).

- **Warehouse** – Hermitage Rd location ran on the same basic applications for decades. As part of the move to Hanover, we implemented Manhattan WMS providing modern functionality.

- **Service Management** – Completed the move from an obsolete on-premise ticketing system (Footprints) to ServiceNow in 2023 to support IT, procurement and facilities requests.

- **IT Infrastructure** - In 2018, all ABC systems ran in VITA's data center. We now have much greater flexibility at a lower cost by having servers in Microsoft Azure and Oracle Cloud, with network and telephony components running on SaaS solutions from Cisco, Palo Alto and 8x8.

More Major Improvements

- **Point of Sale (POS)** – Pure SaaS doesn't always make sense. Our stores, especially those in rural locations, cannot be dependent on a cloud-first SaaS solution for POS. After operating on an obsolete platform (Triversity) for years, ABC retail locations now use a modern POS (GK OmniPOS) capable of running without a constant connection to the central management hub in Microsoft Azure.

- **Oracle Infrastructure** – Custom code and middleware now runs in a platform-as-a-service (PaaS) environment. This has reduced our overall costs and simplified the support of the technology.

- **HR Application Suite** – We have decommissioned an old platform (MyABC) supporting our HR functions. With a more modern code base (Still custom in house software), the system is supportable until a longer-term business strategy is developed.

- **BI/Reporting Infrastructure** – ABC had multiple disparate obsolete reporting platforms just a few years ago. The environment is maturing as we are focused on a Power BI analytics future, while maintaining Oracle Analytics for traditional reports. We have decommissioned several other smaller platforms.

FY25-26 Priorities

- **Tax Management** – We run a suite of applications build on an obsolete Powerbuilder code base. Since tax management processes are highly specific to Virginia ABC, a commercial (COTS) solution does not exist "out of the box." We are rebuilding the suite on a modern platform to ensure ABC IT can support the business for years to come.

- **Public Website** – Our public website has become expensive, technically outdated and inflexible. Licensing and infrastructure costs for the underlying software (Sitecore) have increased without major platform changes since 2014-2015. Moving to a modern architecture is an opportunity to reduce annual cost while providing flexible options for content and ordering.

- **Authentication and Compliance** – We are in the process of adding multi-factor authentication to all our internal applications and will be working to provide our customers with the same experience.

FY25-26 Priorities

- **Inventory Roadmap** – We are evaluating our custom-written collection of inventory components (known as MIPS). As the middleware between POS, warehouse, finance and the web, MIPS is a critical part of ABC's environment. We are planning to increase internal support and will work with the business to develop a long-term roadmap since this system is now expected to be in place for several more years.

- **ACH Capabilities** – We will expand our use of ACH and encourage adoption by the licensee community to reduce cost of credit card processing fees.

- **Improving Data Governance and Availability** – We will continue to document sources of truth, identify data quality issues, and improve access to information for appropriate stakeholders.

Main Themes

- Focus on Users not Hardware
- Deliver Sustainable, Reliable and Resilient services to ABC internally and externally
- Use a Modular approach to Applications and Services and mitigate enterprise single points of failure
- Continue to Minimize investments in owning or leasing central computing and storage hardware
- Continue maturing Packaged Application and Customer Support

Focus on users

- Windows / Microsoft Centric for users / desktops

  - Office Suite, Teams
  - Active Directory for users

- Data and Applications bound to the user and role, not the equipment

  - Intune for Applications
  - One Drive for Data
  - One Drive for Backup
  - 8x8 for phones

- Own PC's to avoid rigid lease cycles

  - Buy and Specify to need, not schedule
  - Surplus equipment cleaned and donated locally

- Premium machines for better experience

  - Much lower cost of support and better user experience.

- Support easy hardware swaps

  - Manufacturers warranty only. Hot swap is best option for breakfix. IT will determine scrap or repair

Sustainable, Reliable and Resilient

- Keep offices and locations online

- Host external facing systems in quality hosting Public and Private cloud space (Including SaaS services)

- Disaster Recovery, Failover capabilities and SLA's based on contracts with providers to meet business needs

- Maintain and monitor KPI's to ensure we meet business expectations.

- Governance controls to ensure decisions are consistent with goals and strategy

- ABC Managed Network – 'Software defined Network' (SDN), with redundancy at all locations

- Use SaaS for Enterprise common services (Phones, Email) so services work independent of any location status

- Remove ABC maintained Infrastructure as a risk.

- Expect 24/7 coverage and support from all providers, with specified response expectations

- Expectation is better than 99.9% sustained planned uptime

- Focus on Value and return on investments we make (minimum life, scalability, sustainability, compatibility, Compliance)

Use a Modular approach - no single points of failure

- Ensure Systems can operate independently to avoid cascade failure or compromise

- Separate Reporting and Archiving from Operational systems

- Separate Internal Corporate systems from External facing customer systems

- Compartmentalize systems separately
- Abstract system interfaces from core systems.
- Services approach to integration with an enterprise service hub

- Industry best practice – Avoid real time workloads compromising execution systems

- Separate identities, roles and functions for employees from Customers, Vendors and partners

Minimize investments in owned Hardware

- Owning hardware (or software) requires Cyclical re-investment and re-implementation

- Avoids being constrained by current environment or capacity in the short term.

- Removes a large capital requirement on approximately a 5 year cycle for re-investment

- Avoids have a large investment (data center) that needs to be leveraged to be efficient

- Buying (renting) Capacity and capability rather than owning it, means we can transfer obligations and effort for maintaining currency of those services to the provider of the service.

- The capacity of delivered services can be adjusted in near real time meaning we can be dynamic and flexible to variable load and demand

- Having to repeatedly cycle capital projects risks that some may get denied or delayed, accumulating obsolescence over time

- Owning centralized services is only effective if they are highly used. Creates a difficult boundary to new service delivery and flexibility

Packaged Application (PAS) and Customer Support

- Mature the PAS function and teams

  - Continue to refine the staffing and resource mixes for packaged applications
  - Balance of third party specialist support contracts and internal staff
  - Maturing relationship and formality of support with Business owners of Applications

- Continue to grow Customer support capabilities.

  - Although the long term goal is to have increased self service, until structural changes are made we need to provide immediate customer support functions for Business Applications that move from 'on premise' to 'online'
  - Even after enabling better self service, ABC needs a customer 'front door' to rapidly provide customer service and satisfaction and to correctly route and resolve more complex customer issues and needs.