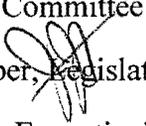


WORKSESSION

MEMORANDUM

TO: Public Safety Committee

FROM: Justina J. Ferber,  Legislative Analyst

SUBJECT: Worksession - Executive's FY14 Recommended Operating Budget
Department of Liquor Control (including the Board of License Commissioners)

Those expected for this worksession:

George Griffin, Director, Department of Liquor Control
Sunil Pandya, Chief of Administration
Kathie Durbin, Chief of Licensure, Regulation and Education, DLC
Gus Montes de Oca, Chief of Operations, DLC
Dennis Hetman, Management and Budget Specialist, OMB

The Executive's Recommended FY14 Operating Budget for the Department of Liquor Control (DLC) is on ©1.

For FY14 the Executive recommends total expenditures of \$55,324,556 for the Department of Liquor Control, a 9.1% increase over the FY13 approved budget of \$50,696,632. An earnings transfer of \$18,085,880 is budgeted for FY14 with \$11,162,400 budgeted for debt service.

Overview

Liquor Control	FY11 Actual	FY12 Actual	FY 13 Budget	FY14 CE Recommended	% Change FY13-FY14
Expenditures:					
Liquor Fund Expend	40,315,416	46,100,457	50,696,632	55,324,556	9.1%
Revenues	69,095,496	74,815,413	73,473,616	76,053,975	3.5%
Earnings Transfer	31,291,320	25,066,800	22,297,140	20,891,294	-6.40%
after chargebacks/costs	28,412,620	22,411,610	19,400,000	18,085,880	-6.80%
Debt Service	3,525,091	5,075,937	8,080,920	11,162,400	38.10%
Positions - FTEs	312.9	323	324	339	4.60%
Full-time	248	245	246	254	3.3%
Part-time	58	57	55	63	14.5%

The earnings fund transfer for FY14 is budgeted at \$20,891,294 before chargebacks. The transfer after chargebacks and costs is \$18,085,880.

Accomplishments and initiatives for DLC are listed on ©1-2.

FY14 Budget Adjustments

Changes with Service Impacts	FTEs	Cost
Add 2 new stores: Seneca Meadows & Clarksburg	14.80	\$1,597,069
Relocate Montgomery Village store to Goshen Crossing	0	\$148,004
Adjustments with no Service Impacts	FTEs	Cost
Debt Service	0	3,081,480
FY14 Compensation Adjustment	0	749,809
Add Maintenance and Utilities at new warehouse	0	333,000
Increase cost of Retail Store Leases	0	\$308,440
Group Insurance Adjustment	0	\$299,996
Risk Management Adjustment	0	\$141,910
Retirement Adjustment	0	\$97,318
Motor Pool Rate Adjustment	0	\$34,420
Other Labor Contract Costs	0	\$28,349
License, Payment, Fine Intake system maintenance	0	\$15,000
Printing and Mail Adjustment	0	\$9,086
Point of Sale System maintenance costs	0	\$800
Retiree Health Insurance pre-funding	0	-\$497,680
Eliminate FY13 Lump Sum Wage Adjustment	0	-\$583,460
Annualization of Personnel Costs	0	-\$1,135,617

Executive's Working Capital Plan

The County Executive invites the Council's input for final County Executive decisions on the determination of adequate working capital within and use of resources in the Liquor Control Fund and net proceeds to be deposited to the General Fund. The DLC Working Capital Plan is the Executive's Recommended Operating Budget for DLC.

The Attorney General has written an opinion that states policy decisions of the DLC Director are subject to exclusive authority of the County Executive. DLC is subject to the same requirements and procedures as applicable under County law to any other County department except to the extent that ordinary County requirements or procedures would be inconsistent with the General Assembly's own decisions about DLC. Under state law, the DLC Director and the Finance Director -- with approval of the County Executive -- are authorized to determine the portion of DLC's "net profits" that are needed for working capital, after payment of debt service.

Debt Service

The Fiscal Plan at ©8 establishes debt service for FY14 at \$11,162,400. Debt service is related to County transportation projects.

Annual Report

A copy of the Department of Liquor Control Annual Report for 2012 is attached at ©9-25. The report shows sales for FY03 to FY12 by division, general fund transfers over the last 10 years, and spotlights the Licensure, Regulation and Education Division.

CountyStat

CountyStat has been working with DLC on overtime issues, internal audit recommendations, licensee compliance rates and other issues. The following charts from the CountyStat DLC Performance Review of February 27, 2013 are included in the packet:

- DLC FY12 Headline Measure Performance ©26
- Historical Licensees Compliance Rate ©27
- Annual Growth in DLC Retail and Wholesale Sales by Product Type ©28
- Annual Growth in DLC Retail Sales by Store Location ©29

FY14 EXPENDITURE ISSUES BY PROGRAM

A. Warehouse Operations, ©2

Warehouse Operations	
FY14 Expenditures \$7,918,151	FY14 68.02 FTEs
FY13 Expenditures \$8,391,204	FY13 66.19 FTEs
\$333,000	Add cost for maintenance and utilities at new warehouse
-\$806,053; 1.83 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

Description: Management of the County's liquor warehouse including purchase, receipt and storage of over 20,000 different stock items and special orders by customers.

FY14 Discussion: DLC hopes to complete its move to the new warehouse at Edison Park in June. The move was delayed due to the requirement by the Fire Marshall for an auxiliary sprinkler system under the new conveyor system in the warehouse.

B. Delivery Operations, ©2-3

Delivery Operations	
FY14 Expenditures \$7,054,500	FY14 68.0 FTEs
FY13 Expenditures \$6,739,250	FY13 74.0 FTEs
\$34,420	Motor Pool Adjustment
\$280,830; -6.0 FTEs	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

Description: Distribution of distilled spirits, wine and beer to licensees and County stores.

FY14 Discussion: DLC is preparing an RFP to contract with a company to update its strategic business plan which will include analysis of lease vs. purchase of the delivery fleet.

C. Retail Sales Operations, ©3

Retail Sales Operations	
FY14 Expenditures \$21,773,550	FY14 165.10 FTEs
FY13 Expenditures \$20,392,567	FY13 145.13 FTEs
\$1,597,069, 14.8 FTE	Add cost for 2 new stores: Seneca Meadows and Clarksburg
\$308,440	Increase cost for retail store leases
\$148,004	Add cost for Montgomery Village store relocation to Goshen Crossing
\$800	Increase costs for Point of Sales System maintenance costs
-\$673,330, 5.17 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

Description: Retail sales of distilled spirits, wine and beer are handled through 23 County-operated outlets. In 1997 a bill was adopted by the State Legislature limiting County contracting of DLC retail operations to four stores that were under contract at that time: Flower Avenue, Kensington, Muddy Branch, and Pike. The Kensington store reverted back to the County in December, 2001. The Muddy Branch and Pike stores reverted back to the County in 2005. The Flower Avenue store is the only County-contracted retail store.

FY14 Discussion: The Retail Division will add two new stores in FY14. One at Seneca Meadows in Germantown adjacent to the new Wegman's store and one in Clarksburg in the town center near Harris Teeter. Sunday sales continue to be popular with customers.

The Retail Division has leveraged a feature in the new point-of-sale system that has eliminated the need for one telephone line in each store resulting in a savings of approximately \$550 per month.

Below is a chart showing store renovations planned for FY14.

White Oak	counters	\$11,500.00
White Oak	replace remaining tile floor	\$24,400.00
White Oak	replace old shelf and wall units	\$34,700.00
Walnut Hill	counters	\$11,940.00
Wheaton	counters	\$11,200.00
Wheaton	remove carpet and lay tile	\$16,800.00
Leisure World	reconfigure and replace counters	\$14,480.00
Leisure World	demo/move office to back room and add more shelving to store area (increased business and customer flow)	\$9,800.00

Montrose	counters	\$13,120.00
Montrose	move office to back room and add more shelving to store area (increased business and customer flow)	\$9,400.00
Total		\$157,340.00

D. Retail Contracted Operations, ©3

Retail Contracted Operations	
FY14 Expenditures \$190,650	FY14 0.0 FTEs
FY13 Expenditures \$190,650	FY13 0.0 FTEs

Description: State Legislation permits the DLC Director to contract the operation of retail outlets with only those persons who had a contract in effect on January 1, 1997.

FY14 Discussion: The store operator receives a percentage of sales and the \$190,650 amount is for budgeting purposes. The only contracted store is the Flower Avenue store, currently the operator is on a month to month contract.

E. Licensure, Regulation and Education, ©3-4

Licensure, Regulation and Education	
FY14 Expenditures \$1,658,804	FY14 14.0 FTEs
FY13 Expenditures \$1,607,773	FY13 15.0 FTEs
\$15,000	Increased cost for License, Payment, Fine intake system maintenance
\$36,031; -1.0 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

Description: This program issues beverage alcohol licenses; inspects and investigates licensed facilities to ensure compliance with laws, rules and regulations. This program works with the public, business, and County agencies to address alcohol control and education efforts.

FY14 Discussion: The change in FTEs is a technical adjustment, not a reduction in LRE staffing. There is an additional cost for a new electronic, more secure system for compliance violations.

LRE offers free alcohol regulatory education and regulation training twice a month as a resource for businesses licensed to sell alcohol. Attached at ©30-31 is a press release for free Alcohol Law Education and Regulatory Training (A.L.E.R.T.) to educate staff at facilities that serve or sell alcohol about what to look for to avoid selling alcohol to those who are under age 21. Stressing the importance of checking identification is an essential component of this educational effort.

F. Administration, ©4

Administration	
FY14 Expenditures \$16,158,645	FY14 21.70 FTEs
FY13 Expenditures \$12,405,497	FY13 20.50 FTEs
\$9,086	Increased cost for printing and mail adjustment
\$3,744,062; 1.20 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

Description: Provides accounting, financial and information technology services for the department.

FY14 Discussion: Financing for some state transportation projects is appropriated through the Liquor Fund and the debt service budgeted for these projects is included in this budget. Also, additional funds are included in FY14 to restore the Liquor Fund balance to policy levels.

G. Office of the Director, ©4

Director's Office	
FY14 Expenditures \$570,256	FY14 2.0 FTEs
FY13 Expenditures \$969,691	FY13 3.2 FTEs
-\$399,435; -1.2 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

Description: This program provides the administration and supervision for the department.

DLC BUDGET RECOMMENDATIONS

Based on the 1998 Maryland Attorney General's opinion, the Council has determined it is more effective to provide general comments on the DLC budget (Working Capital Plan) rather than recommending increases, decreases or deferring particular line items.

Staff Recommendations

- **Approve the Department of Liquor Control FY14 operating budget as submitted by the County Executive for \$55,324,556.**

This packet contains:

	<u>Circle #</u>
Department of Liquor Control Budget	1
Department of Liquor Control Fiscal Plan FY13-18	8
Department of Liquor Control Annual Report FY2012	9
Department of Liquor Control Performance Review – 2/27/13 – CountyStat	26
Press Release for ALERT Program	30

Liquor Control

MISSION STATEMENT

The mission of the Department of Liquor Control (DLC) is to provide licensing, wholesale and retail sales of beverage alcohol products, enforcement and effective education and training programs, while promoting moderation and responsible behavior in all phases of distribution and consumption. The department diligently promotes, enforces and obeys all laws and regulations governing beverage alcohol while generating revenue for the benefit of Montgomery County's General Fund.

BUDGET OVERVIEW

The total recommended FY14 Operating Budget for the Department of Liquor Control is \$55,324,556, an increase of \$4,627,924 or 9.1 percent from the FY13 Approved Budget of \$50,696,632. Personnel Costs comprise 45.7 percent of the budget for 254 full-time positions and 63 part-time positions. A total of 338.82 FTEs includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 54.3 percent of the FY14 budget.

The above projections and proposed expenditures form the basis for working capital decisions concerning the Liquor Enterprise Fund.

The following information is provided to facilitate County Council and public input for final County Executive decisions on the determination of adequate working capital within, and use of resources in, the Liquor Enterprise Fund and net proceeds to be deposited to the General Fund. Consistent with Article 2B, Section 15-207, the County Executive must make resource allocation decisions for the Fund.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ ***A Responsive, Accountable County Government***
- ❖ ***Healthy and Sustainable Neighborhoods***
- ❖ ***Safe Streets and Secure Neighborhoods***
- ❖ ***Strong and Vibrant Economy***

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below, with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY13 estimates reflect funding based on the FY13 approved budget. The FY14 and FY15 figures are performance targets based on the FY14 recommended budget and funding for comparable service levels in FY15.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***In FY14 Liquor Control will make an earnings transfer of \$18.1 million to the General Fund and will make \$11.2 million in debt service payments on Liquor Control Revenue Bonds for a total of \$29.3 million.***
- ❖ ***DLC will open two new locations in FY14 and relocate the current Montgomery Village store to Goshen Crossing. The relocation will occur in early summer of 2013. The new stores will be located in Seneca Meadows anchored by Wegman's with an estimated opening in late summer of 2013 and Clarksburg anchored by Harris Teeter with an opening planned for FY14.***
- ❖ ***The Department received a NACo award for conducting a comprehensive study to measure the rate of alcohol over-service in Montgomery County. Partnering with the national non-profit research organization, the Responsible Retailing Forum, the study measured the rate of over-service and will help steer state-wide regulatory and educational efforts for the future.***

- ❖ **DLC received a NACo award for developing an internet web application that allows residents to search for the availability of beverage alcohol products throughout the retail store system using real-time inventory and providing product and pricing details. The enhancement includes twenty-four seven availability of product information, user-friendly search features, tasting notes, food pairings, and allocation-aware features to determine the nearest store utilizing Google Maps.**
- ❖ **DLC has implemented the use of gift cards in stores answering a customer need as well as providing the opportunity for increased sales.**
- ❖ **The Retail Division and License, Regulation, and Education Division worked together to create an ALERT program specifically tailored for County retail stores, which was approved by the State as a certified alcohol education and server training course. All Retail employees are required to have state certification. The department has previously paid to use other training programs. This allows DLC to train employees without the extra cost of using an alternative program for materials and certification in addition to creating a more consistent message.**
- ❖ **Productivity Improvements**
 - **DLC has assumed the work of entering daily deposits into the ORACLE system from the Treasury Division of Finance relieving their personnel from manually entering individual deposits to different banks daily from Liquor Control created spreadsheets. DLC no longer creates spreadsheets, using that time to enter deposits into ORACLE resulting in more timely entry information. Treasury still oversees the reconciliation of accounts.**
 - **The Retail Division has leveraged a feature in the new point-of-sale system that has eliminated the need for one of the telephone lines in each store resulting in a savings of approximately \$550 per month.**
 - **DLC completed their move to the new warehouse in Edison Park. The warehouse is climate controlled to preserve product integrity, eliminates the need for storage at satellite locations, and has optimal track configuration for product safety.**

PROGRAM CONTACTS

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Dennis Hetman of the Office of Management and Budget at 240.777.2770 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Warehouse Operations

This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 20,000 different stock and special order items.

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	16.4	15	16	16	16
Inventory as a Percent of DLC Sales	11.6	10.45	12	12	12
Satisfaction rating of wholesale customers based on the DLC customer survey results ¹	2.95	2.97	2.95	2.95	2.95

¹ Average score on a 1-4 scale

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	8,391,204	66.19
Increase Cost: Maintenance and Utilities at New Warehouse	333,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-806,053	1.83
FY14 CE Recommended	7,918,151	68.02

Delivery Operations

This program includes the distribution of distilled spirits, wine, and beer to licensed establishments and County retail stores.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	6,739,250	74.00
Increase Cost: Motor Pool Adjustment	34,420	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	280,830	-6.00
FY14 CE Recommended	7,054,500	68.00

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 22 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Retail sales as percentage of total sales	46	na	na	na	na
Satisfaction rating of retail customers based on the DLC customer survey results ¹	3.41	3.2	3.41	3.41	3.41

¹ Average score on a 1-4 scale

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	20,392,567	145.13
Enhance: New stores: Seneca Meadows and Clarksburg	1,597,069	14.80
Increase Cost: Retail store leases	308,440	0.00
Enhance: Montgomery Village store relocation to Goshen Crossing	148,004	0.00
Increase Cost: Point of Sale System (POS) maintenance costs	800	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-673,330	5.17
FY14 CE Recommended	21,773,550	165.10

Retail Contracted Operations

Article 2B of the Annotated Code of Maryland allows the County to hire contractors to operate County liquor stores. The County must retain title to all retail stock until sold. The County Council adopted Council Resolution No. 12-452 on November 12, 1991, mandating that the County contract with qualified contractors to operate selected stores. The Kensington, Muddy Branch, and the Pike sites were selected for contracting, and in the Fall of 1992, contractor staff replaced the County employees. In Fall 1994, the Flower Avenue store became a contractor-operated facility. In December 2000, the Kensington store reverted to County operation. State legislation allows the Director of the Department of Liquor Control to contract the operation of a retail outlet only with those persons who had a contract in effect on January 1, 1997. In fiscal year 2005, two of the three contractor-operated facilities (Rockville Pike and Muddy Branch) reverted to County-staffed and operated stores. Flower Avenue remains as the sole contractor-operated retail store.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	190,650	0.00
FY14 CE Recommended	190,650	0.00

Licensure, Regulation, and Education

This program includes issuing of beverage alcohol licenses inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules, and regulations and serving as support staff and providing expert testimony at hearings for issuance, fining, suspension, or revocation of licenses. This program also encompasses community partnership by defining issues and strategies and monitoring efforts with various agencies, departments, civic organizations, businesses, and individuals to provide and coordinate innovative programs and measures to ensure safe and vibrant communities relative to the service and consumption of beverage alcohol.

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Annual alcohol compliance checks to minors (under 21) ¹	400	403	400	400	400

¹ DLC performs different types of inspections. This measure is under-age compliance checks, which comprise part of the total. The number of inspections may vary by type from year to year.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	1,607,773	15.00
Increase Cost: License, Payment, Fine Intake system maintenance	15,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	36,031	-1.00
FY14 CE Recommended	1,658,804	14.00

Office of the Director

This program provides the overall direction for the Department.

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Percentage of Annual Sales Growth	6.6	4.81	3.5	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	28.3	30	28	28	28

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	969,691	3.20
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-399,435	-1.20
FY14 CE Recommended	570,256	2.00

Administration

This program provides accounting, financial and information technology services for the department. Finance and accounting staff performs day-to-day accounting functions, special analysis and reporting, and the preparation and monitoring of the department's budget. Information and technology staff provide the design, operation, maintenance and protection of all information technology initiatives for the Department.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	12,405,497	20.50
Increase Cost: Printing and Mail Adjustment	9,086	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	3,744,062	1.20
FY14 CE Recommended	16,158,645	21.70

BUDGET SUMMARY

	Actual FY12	Budget FY13	Estimated FY13	Recommended FY14	% Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	18,190,982	18,832,347	18,856,857	18,425,077	-2.2%
Employee Benefits	5,689,015	6,293,305	6,268,795	6,869,434	9.2%
Liquor Control Personnel Costs	23,879,997	25,125,652	25,125,652	25,294,511	0.7%
Operating Expenses	17,144,523	17,384,410	17,167,860	18,761,995	7.9%
Debt Service Other	5,075,937	8,080,920	8,403,120	11,162,400	38.1%
Capital Outlay	0	105,650	0	105,650	—
Liquor Control Expenditures	46,100,457	50,696,632	50,696,632	55,324,556	9.1%
PERSONNEL					
Full-Time	245	246	246	254	3.3%
Part-Time	57	55	55	63	14.5%
FTEs	323.00	324.02	324.02	338.82	4.6%
REVENUES					
Bag Tax	3,690	0	0	0	—
Investment Income	2,869	20,000	0	0	—
Liquor Licenses	1,605,823	1,419,000	1,419,000	1,419,000	—
Liquor Sales	72,948,520	71,649,316	74,160,000	74,249,675	3.6%
Miscellaneous Revenues	-118,046	0	0	0	—
Property Rentals	20,000	0	0	0	—
Other Charges/Fees	13,711	8,740	8,740	8,740	—
Other Fines/Forfeitures	267,058	220,560	220,560	220,560	—
Other Licenses/Permits	71,788	156,000	156,000	156,000	—
Liquor Control Revenues	74,815,413	73,473,616	75,964,300	76,053,975	3.5%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	-677	0	0	0	—
Employee Benefits	-52	0	0	0	—
Grant Fund MCG Personnel Costs	-729	0	0	0	—
Operating Expenses	2,163	0	0	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	1,434	0	0	0	—
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					
Federal Grants	259	0	0	0	—
Other Intergovernmental	1,175	0	0	0	—
Grant Fund MCG Revenues	1,434	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	46,101,891	50,696,632	50,696,632	55,324,556	9.1%
Total Full-Time Positions	245	246	246	254	3.3%
Total Part-Time Positions	57	55	55	63	14.5%
Total FTEs	323.00	324.02	324.02	338.82	4.6%
Total Revenues	74,816,847	73,473,616	75,964,300	76,053,975	3.5%

FY14 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY13 ORIGINAL APPROPRIATION	50,696,632	324.02
Changes (with service impacts)		
Enhance: New stores: Seneca Meadows and Clarksburg [Retail Sales Operations]	1,597,069	14.80
Enhance: Montgomery Village store relocation to Goshen Crossing [Retail Sales Operations]	148,004	0.00
Other Adjustments (with no service impacts)		
Increase Cost: Debt service other	3,081,480	0.00
Increase Cost: FY14 Compensation Adjustment	749,809	0.00
Increase Cost: Maintenance and Utilities at New Warehouse [Warehouse Operations]	333,000	0.00
Increase Cost: Retail store leases [Retail Sales Operations]	308,440	0.00
Increase Cost: Group Insurance Adjustment	299,996	0.00
Increase Cost: Risk Management Adjustment	141,910	0.00
Increase Cost: Retirement Adjustment	97,318	0.00
Increase Cost: Motor Pool Adjustment [Delivery Operations]	34,420	0.00
Increase Cost: Other Labor Contract Costs	28,349	0.00
Increase Cost: License, Payment, Fine Intake system maintenance [Licensure, Regulation, and Education]	15,000	0.00
Increase Cost: Printing and Mail Adjustment [Administration]	9,086	0.00
Increase Cost: Point of Sale System (POS) maintenance costs [Retail Sales Operations]	800	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding	-497,680	0.00
Decrease Cost: Elimination of FY13 \$2,000 Lump Sum	-583,460	0.00
Increase Cost: Annualization of FY13 Personnel Costs	-1,135,617	0.00
FY14 RECOMMENDED:	55,324,556	338.82

PROGRAM SUMMARY

Program Name	FY13 Approved		FY14 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Warehouse Operations	8,391,204	66.19	7,918,151	68.02
Delivery Operations	6,739,250	74.00	7,054,500	68.00
Retail Sales Operations	20,392,567	145.13	21,773,550	165.10
Retail Contracted Operations	190,650	0.00	190,650	0.00
Licensure, Regulation, and Education	1,607,773	15.00	1,658,804	14.00
Office of the Director	969,691	3.20	570,256	2.00
Administration	12,405,497	20.50	16,158,645	21.70
Total	50,696,632	324.02	55,324,556	338.82

FUTURE FISCAL IMPACTS

Title	CE REC. (\$000's)					
	FY14	FY15	FY16	FY17	FY18	FY19
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY14 Recommended	55,325	55,325	55,325	55,325	55,325	55,325
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Items Recommended in FY14	0	-425	-425	-425	-425	-425
Items recommended for one-time funding in FY14 including vacating costs of the old warehouse and operating expenses associated with new stores and relocations will be eliminated from the base in the outyears.						
Labor Contracts	0	1,080	1,412	1,412	1,412	1,412
These figures represent the estimated cost of general wage adjustments, new service increments, and associated benefits.						
Labor Contracts - Other	0	0	-17	-17	-17	-17
These figures represent other negotiated items included in the labor agreements.						
Debt Service Other	0	-2	2	-1	-3	-3
Financing for the State Transportation Participation CIP Project No. 500722, the Glenmont Metro Parking Expansion CIP Project No. 500552, and the warehouse relocation.						
ERP- Warehouse System	0	-480	-480	-480	-480	-480
These figures represent the debt service, maintenance costs, and personnel costs to implement and maintain the ERP warehouse system.						

Title	(S000's)					
	CE REC. FY14	FY15	FY16	FY17	FY18	FY19
Point of Sale System (POS) These figures represent required maintenance of the POS System.	0	1	2	2	3	4
Retail Store Leases The leases for 25 retail stores based on CPI assumptions including new locations in Goshen Crossing, Seneca Meadows, and Clarksburg.	0	196	384	577	775	979
Retiree Health Insurance Pre-Funding These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.	0	-57	-130	-195	-276	-390
Subtotal Expenditures	55,325	55,638	56,072	56,199	56,314	56,405

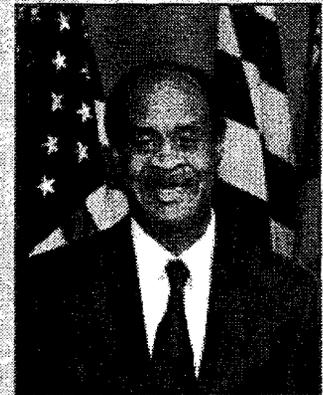
FY14-19 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Department of Liquor Control					
FISCAL PROJECTIONS	FY13 ESTIMATE	FY14 REC	FY15 PROJECTION	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.3%	2.3%	2.4%	2.7%	3.2%	3.5%	3.7%
Investment Income Yield	0.16%	0.19%	0.36%	0.75%	1.35%	1.80%	2.15%
BEGINNING FUND BALANCE	215,825	3,186,353	3,024,478	4,070,162	4,133,253	4,204,833	4,283,530
REVENUES							
Licenses & Permits	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Charges For Services	8,740	8,740	8,740	8,740	8,740	8,740	8,740
Fines & Forfeitures	220,560	220,560	220,560	220,560	220,560	220,560	220,560
Miscellaneous	74,160,000	74,249,675	75,754,669	77,269,362	78,814,349	80,390,236	81,997,641
Subtotal Revenues	75,964,300	76,053,975	77,558,969	79,073,662	80,618,649	82,194,536	83,801,941
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(22,297,140)	(20,891,294)	(20,425,343)	(21,457,828)	(21,729,994)	(21,954,811)	(22,141,456)
Indirect Costs	(2,512,740)	(2,529,450)	(2,637,420)	(2,668,950)	(2,668,950)	(2,668,950)	(2,668,950)
Earnings Transfer	(19,400,000)	(18,085,880)	(17,560,838)	(18,788,878)	(19,061,044)	(19,285,861)	(19,472,506)
TOTAL RESOURCES	53,882,985	58,349,034	60,158,104	61,685,996	63,021,908	64,444,558	65,944,015
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(42,293,512)	(44,162,156)	(44,612,446)	(45,642,836)	(46,780,556)	(48,009,256)	(49,331,676)
Debt Service: Other (Non-Tax Funds only)	(8,403,120)	(11,162,400)	(11,160,400)	(11,164,400)	(11,161,400)	(11,159,400)	(11,159,400)
Labor Agreement	n/a	0	(1,079,710)	(1,394,952)	(1,394,952)	(1,394,952)	(1,394,952)
Annualizations and One-Time	n/a	n/a	425,000	425,000	425,000	425,000	425,000
FR Retiree Health Insurance Pre-Funding	n/a	n/a	56,910	130,450	194,620	276,360	389,700
FR ERP Warehouse	n/a	n/a	479,644	479,644	479,644	479,644	479,644
FR POS	n/a	n/a	(800)	(1,600)	(2,400)	(3,200)	(4,000)
FR Retail Store Leases	n/a	n/a	(196,140)	(384,049)	(577,031)	(775,224)	(978,768)
Subtotal PSP Oper Budget Approp / Expts	(50,696,632)	(55,324,556)	(56,087,942)	(57,552,743)	(58,817,075)	(60,161,028)	(61,574,452)
TOTAL USE OF RESOURCES	(50,696,632)	(55,324,556)	(56,087,942)	(57,552,743)	(58,817,075)	(60,161,028)	(61,574,452)
YEAR END FUND BALANCE	3,186,353	3,024,478	4,070,162	4,133,253	4,204,833	4,283,530	4,369,563
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES							
	5.9%	5.2%	6.8%	6.7%	6.7%	6.6%	6.6%

Assumptions:

1. These projections are based on the Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes not assumed here to fee or tax rates, usage, inflation, future labor agreements, and other factors.
2. Fund Balance Policy equals one month's operating expenses, one payroll, and \$1,500,000 for inventory in cash balance.
3. Operating budget expenditures grow with CPI.
4. Net profit growth is estimated at 3.25% per year.

A note from the Honorable Isiah Leggett, Montgomery County Executive

Montgomery County has a well-earned reputation as a desirable community to live, work and raise a family. To maintain this reputation, we have made it our goal to ensure safe streets, secure neighborhoods and healthy, sustainable communities.



Important components in creating a safe and vibrant community are our policies on the sale and consumption of alcoholic beverages that promote moderation and responsibility. The Department of Liquor Control is nationally recognized for innovative programs that promote responsible sales and service. In 2012, the department received two Achievement Awards from the National Association of Counties. One of the award-winning programs is the department's new "Point-of-Sale" system -- an online, real-time web application that enables licensees and the public to view inventory at each of the County's retail stores.

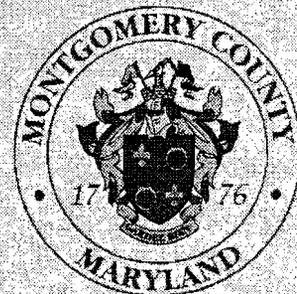
In addition to providing an efficient and quality wholesale and retail sales operation, DLC has contributed more than \$234 million to the County's General Fund in the last decade. These monies help pay for teacher, police and firefighter salaries and benefits; protection of the environment; important health initiatives; and much more.

Look for our liquor control operation to move to new quarters in coming months at the Edison Park building on Rte. 28 in Rockville. This move will improve operations and provide the department with much-needed, additional storage space. Part of our Smart Growth initiative, it consolidates several County government departments at this one County-owned location.

Montgomery County is one of many "control jurisdictions" across the country. We take the responsibility of selling beverage alcohol products very seriously and continue to promote moderation and responsible behavior in all phases of distribution and consumption. I am extremely proud of the work performed by our DLC staff in providing this service to the community.

A handwritten signature in cursive script that reads "Isiah Leggett". The signature is written in dark ink on a light background.

Isiah Leggett
Montgomery County Executive



Montgomery County, MD

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 497 square miles of land area and 10 square miles of lakes and streams. The County is the second largest jurisdiction in the region, accounting for eight percent of total population in the Washington, D.C. metro area.

People come to Montgomery County because of its renowned quality of life. Our residents value our urban centers, our agricultural communities, and our suburban neighborhoods.

Liquor Control At a Glance

Montgomery County's Department of Liquor Control operates facilities for the wholesale and retail distribution of alcoholic beverages in Montgomery County, MD.

The department controls the wholesale distribution of all beverage alcohol in the County, and (subject to one grandfathered exception) the retail sale of all distilled spirits for off-site consumption. The department shares the retail sale of beer and wine with approximately 1000 licensed retailers.



Department Highlights:

\$0

No property, state or local taxes are used to support the department.

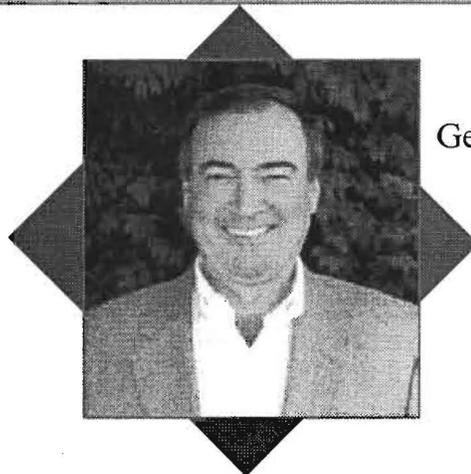
\$28.5 Million

Over 28 million dollars were transferred to the General Fund in 2012 to pay for important services.

\$239.1 Million

Over 239 million dollars were transferred to the General Fund in the last 10 years

Organizational Chart



Director
George F. Griffin



Chief of Operations

Gus Montes de Oca

Purchasing and Customer Service

Wholesale Operations
(sales, warehousing and delivery)

Retail Operations
(sales, promotions and marketing)



Chief of Licensure, Regulation and Education

Kathie Durbin

Licensure and Staffing for the Board of License Commissioners

Regulation
(alcohol and tobacco inspections)

Education, Training, Development of Community Alliances



Chief of Administration

Sunil Pandya

Administration
(budget, HR, facilities)

Finance
(A/P, A/R, pricing, financial reporting)

Information Technology
(wholesale, retail, LRE and financial)

Mission Statement

The mission of the Department of Liquor Control is to provide licensing, wholesale and retail sales of beverage alcohol products, enforcement and effective education and training programs, while promoting moderation and responsible behavior in all phases of distribution and consumption.

The department diligently promotes, enforces and obeys all laws and regulations governing beverage alcohol while generating revenue for the benefit of Montgomery County's General Fund.

Letter from the Director



For the Fiscal Year ending June 30, 2012, the Montgomery County Department of Liquor Control experienced sales growth of 3.95% (in dollars) over the previous year with total sales of \$250,350,747. The wholesale segment of the business experienced sales totaled \$130,374,997, which represented an increase of 2.56%. Wholesale sales are full-case shipments to licensed businesses. The retail segment experienced a growth rate of 5.51%, having total sales of \$119,975,750. Retail sales are primarily to individual retail customers along with some transfers of smaller orders to licensees.

Not only was this a record year for gross sales for Montgomery County; we also saw an increase in one of our key target measurements. Our goal is to maintain a gross profit margin of at least 28% of total sales revenue. That gross profit margin accounts for factors such as cost of goods sold, freight, taxes and credit card financing fees. By maintaining a gross profit margin of 28% and managing our operating costs, we are able to transfer an amount of net profit to the

County's General Fund that we anticipated in the budget. For FY12, I am pleased to report, our gross profit margin came in above target at 29%. The growth in the retail sector and the profit margin indicates there is some movement among consumers in returning to more "premium" products in our market.

While we enjoyed a very successful year on a number of fronts, we won't spend too much time looking back at our accomplishments. We already find ourselves extremely busy in the new fiscal year implementing several major infrastructure projects that will serve us well into the future. We are preparing to move into our new warehouse/headquarters facility later this fiscal year, as the construction activity is in its final phases. This is a long-anticipated, major project for the department, and our new and improved physical plant will allow us to better serve our customers for many years to come.

We are preparing to implement "Phase II" of our Point-of-Sale system upgrade, which includes gift cards and electronic check verification among other features. We are also launching the implementation phase of the Montgomery County ERP system that includes warehouse and transportation management core processes that directly impact our daily business operations. This is a major, multi-million dollar, County-wide effort that will require significant investments of time, energy and resources for more than two years. At the same time, we are moving forward on efforts to replace our case management/tracking system for our regulatory and enforcement functions.

Liquor Control is also continuing to take the lead among Maryland jurisdictions in implementing and creating regulatory and enforcement enhancements. New alcohol laws took effect July 1st in Maryland; one of them allows restaurants to permit patrons to "carry-in" bottles of wine for on-premise consumption with a discretionary corkage fee. Montgomery County once again created and hosted the Annual Maryland Alcohol Beverage Regulatory Forum for all alcohol-related state and local agencies. We continue our award winning ALERT training, as well as other programs to ensure our communities remain safe and vibrant. We are pleased to announce one of our new programs, The Alcohol Over Service Project, won a prestigious NACo award. For more information, please see the Focus: On Awards section on page 5.

The department also won a NACo award for its iCatalog Web Application, which allows residents to search for product availability throughout our retail store system using real-time inventory. This is just one of many recent improvements to our website and we invite you to visit us there (www.montgomerycountymd.gov/dlc), on Facebook (search Montgomery County Department of Liquor Control) and Twitter (MoCoDLC).

A handwritten signature in dark ink, appearing to read "George Griffin". The signature is written in a cursive, flowing style.

George Griffin
Director, Montgomery County Department of Liquor Control

Spotlight: Control Jurisdiction Advantage

Alcohol is a very special and sometimes controversial commercial product that deserves particular care. With the repeal of national prohibition in 1933, the method of beverage alcohol regulation fell to the citizens who decided by state, and sometimes by jurisdiction, how they could balance rights and responsibilities to best serve the community interest. For the individual who chose to drink responsibly, provision had to be made for the legal sale of beverage alcohol while, at the same time, the substantial social risks and economic costs of alcohol abuse had to be considered.

While a number of citizens chose to resume the legal sale of alcohol through licensed private sellers, 17 states and several local jurisdictions opted for a different course - control jurisdiction, where economic incentives for maximum sales were replaced with policies supporting moderate consumption. Seven decades later, jurisdictions continue to use the control method, and such durability suggests that the wisdom of this method is sound.

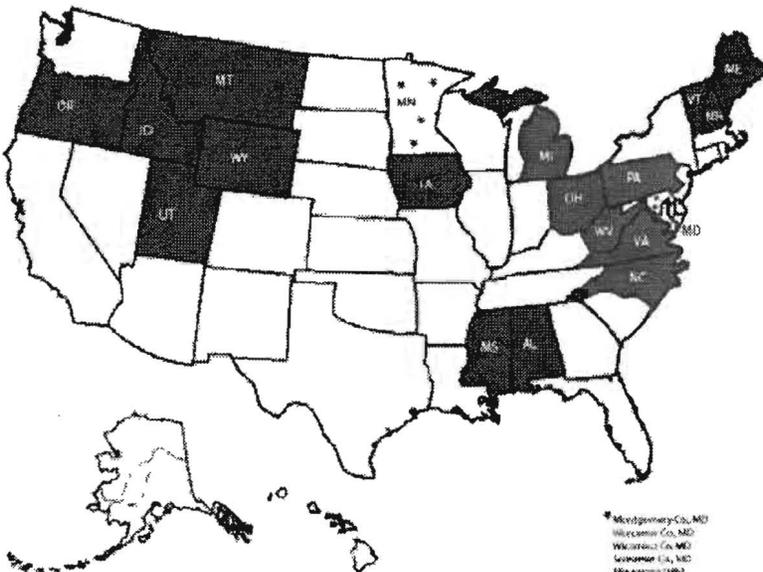
Montgomery County is proud to be one of those control jurisdictions and believes that it has successfully achieved the delicate balance of...

- providing high-quality products and services to customers;
- improving the overall safety of communities through education, regulation and enforcement; and
- generating revenue for transfer to the General Fund to pay for important resident services.

28 percent

Today, 28 percent of the total U.S. population operates under the control mode.

Members of the National Alcohol Beverage Control Association



Revenue Generated

The Control Systems Generate 102% MORE Per Gallon Revenue Than License States.
 Control States: \$22.18 per gallon (spirits)
 License States: \$10.53 per gallon (spirits)

Social Costs Reduced

The Control Systems Consume 15.8% LESS Distilled Spirits Than License States.
 Control States: 1.6 gallons per capita (spirits)
 License States: 1.9 gallons per capita (spirits)

Lives Saved

The Control Systems Experience 9.3% LESS Under 21 Impaired Driving Deaths Than License States.

Source: NABCA

Focus: On Awards

Montgomery County was recently recognized by the National Association of Counties (NACo) for implementing innovative county government programs to better serve area residents.

Liquor Control won a NACo Achievement Award for its iCatalog Web Application Program, a robust internet web application that provides efficiency and innovative feature to enable consumers to maximize their shopping experience.

Realized goals include:

- User-friendly search features and filters
- Real-time inventory
- Rich details on products such as tasting notes and food pairings
- System-wide product searches throughout our 23 stores
- 24x7 availability of product information
- A location feature to allow the user to determine the nearest and/or most convenient store utilizing Google Maps

The NACo Achievement Award program is a non-competitive program that recognizes counties for improving the management of and services provided by county governments. Since the program's inception in 1970, the NACo Achievement Award program has honored thousands of county government initiatives that have improved service delivery, achieved greater cost efficiency, provided finer customer service, and helped to develop a better-trained work force.

This year's winners represent 30 states and 99 counties.

"On behalf of the nation's counties, I commend Montgomery County and all counties who received NACo Achievement Awards this year," said NACo President Lenny Eliason. "This year's applications show that counties are settling into the new fiscal realities with innovative programs that address the continuing demands for public services and programs," said Jacqueline Byers, NACo Director of Research.

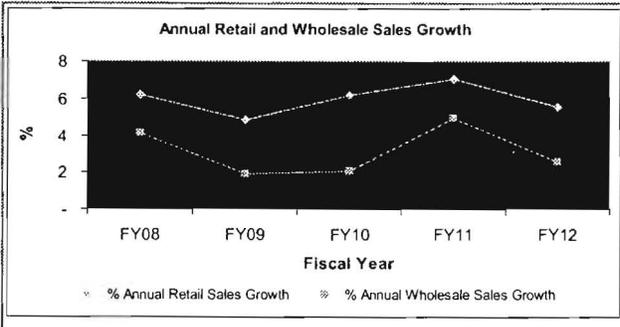
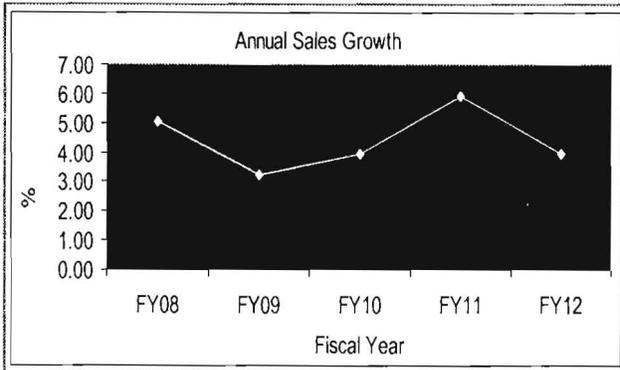
The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation's 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the public's understanding of county government, assists counties in finding and sharing innovative solutions through education and research, and provides value-added services to save counties and taxpayers money. For more information about NACo, visit www.naco.org.

The Department won a NACo Award for its Alcohol Over Service Project.

In an effort to measure the rate of alcohol over service in Montgomery County, the Montgomery County Department of Liquor Control (DLC), Division of Licensure, Regulation and Education, partnered with the national non-profit research organization, the Responsible Retailing Forum (RRF) and local alcohol licensed businesses to conduct a comprehensive study. Forty two businesses that serve alcohol in Montgomery County, MD were visited by "pseudo-intoxicated" Mystery Shoppers who asked to be served alcohol while exhibiting distinct signs of intoxication. Two actors pretended to be intoxicated at two levels, intoxicated and extremely intoxicated. Researchers were specifically looking to see if the establishments sold alcohol to the already intoxicated individuals and what, if any, interventions were taken. Service of alcohol to an intoxicated individual is against Maryland state law. It also poses issues of public safety and liability for an establishment. This evaluation was done to measure the rate of over service and help steer department-wide regulatory and educational efforts for the future.

Results: Systematic Planning and Review

The department provides a wide selection of beverage alcohol products at competitive prices to shoppers in Montgomery County while promoting moderation and responsible consumption of the beverage alcohol products offered for sale. To gauge our success, the department monitors several headline measures:



Annual Growth Sale

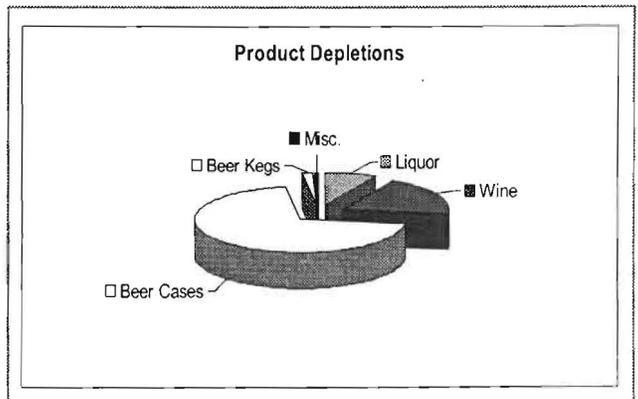
Contributing factors to meeting growth targets are the high level of customer satisfaction in retail stores and wholesale delivery operations, while restricting factors include an overall national trend that point to flattening consumption, tight economic restraints, and our limited advertising strategy that reflects the County's role in this business operation.



Cost of Goods Sold to Sales

Cost of goods sold to sales is a measure of the gross profit margin. Our goal is to maintain a gross profit margin of twenty-eight percent across all segments. Contributing factors are sound management of product selection, tight inventory control and competitive pricing; while restricting factors include the growing interest in more modestly priced items, in-house cost escalations such as funding negotiated compensatory expenses, and other increasing costs such as retail store leases and utility costs, which are rising well above any increase in sales.

28%



Product Depletions

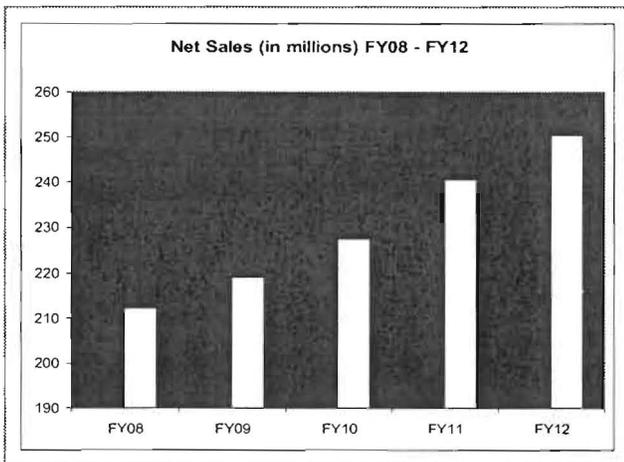
Beer-Case	3,686,654
Wine-Case	991,888
Liquor-Case	408,981
Beer-Keg	84,304
Miscellaneous-Case	26,301

Results: Financial Information

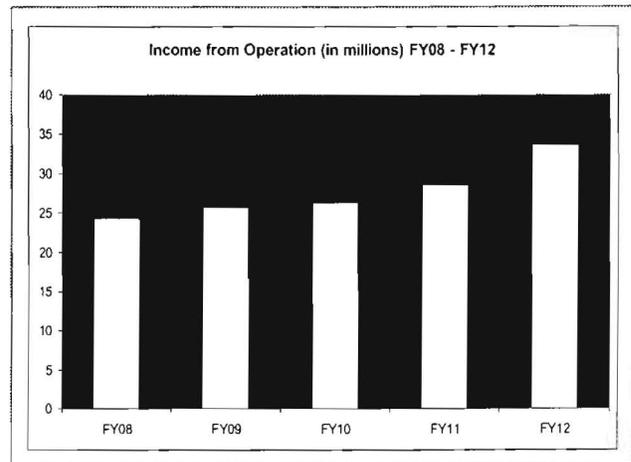
In the past 10 years, the department has made a cumulative contribution of over \$239 million (\$239,169,742) to the General Fund to help pay for important resident services such as education, infrastructure and police and fire services.

Contributing factors are a high level of customer service in both wholesale and retail; operations competitive product promotions; and availability to customers for special assistance in product location, training and guidance. Restricting factors include the overall national trend that points to flattening consumption; the economy; and the department's limited advertising strategy, which reflects the County's role in this business operation.

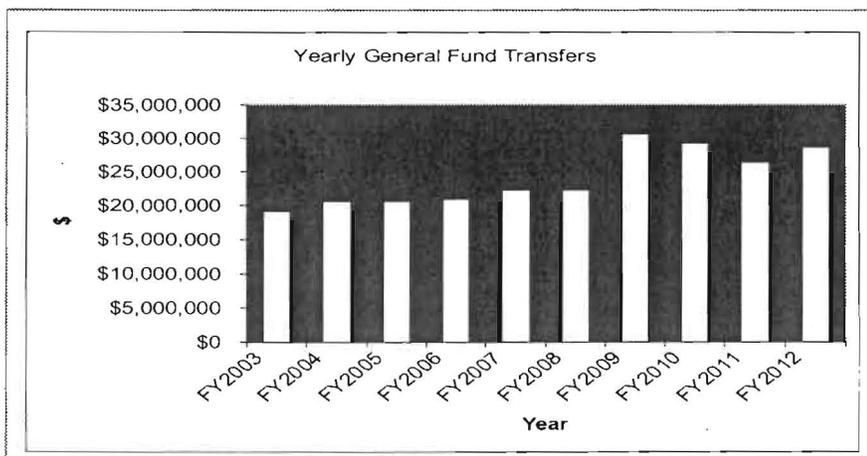
Results of Operation



Liquor Control's sales from continuing operations in FY 2012 were \$250.3 million



Liquor Control's income in FY 2012 was \$33.5 million



Liquor Control's transfer to the General Fund in FY 2012 was \$28,503,717

Results: Financial Information

Sales in Total and by Division, FY 2003-2012

Fiscal Year	Total Sales (\$)	% Change	Retail Sales (\$)	%	Warehouse Sales (\$)	% Change	Warehouse Beer Sales (\$)	% Change	Warehouse Liquor-Wine Sales (\$)	% Change
2012	250,350,747	3.95	119,975,750	5.51	130,374,997	2.56	77,613,273	2.67	52,761,724	2.39
2011	240,832,404	5.90	113,709,823	7.02	127,122,581	4.92	75,592,489	5.11	51,530,092	4.64
2010	227,408,026	3.96	106,247,721	6.20	121,160,305	2.07	71,917,442	1.80	49,242,883	2.45
2009	218,750,580	3.23	100,041,953	4.85	118,708,597	1.90	70,643,269	1.94	48,065,328	1.84
2008	211,914,002	5.05	95,416,786	6.18	116,497,216	4.14	69,301,376	4.76	47,195,840	3.26
2007	201,721,589	5.43	89,859,669	7.45	111,861,920	3.86	66,154,446	2.17	45,707,474	6.41
2006	191,333,415	7.54	83,628,976	8.86	107,704,439	6.55	64,752,051	5.99	42,952,388	7.39
2005	177,911,175	5.79	76,823,377	8.16	101,087,798	4.06	61,089,995	2.62	39,997,803	6.33
2004	168,172,236	7.09	71,024,249	8.41	97,147,987	6.14	59,530,471	5.61	37,617,516	6.99
2003	157,039,353	4.63	65,512,134	8.75	91,527,225	1.87	56,366,974	-0.21	35,160,251	5.40



Results: Financial Information

General Fund Transfers

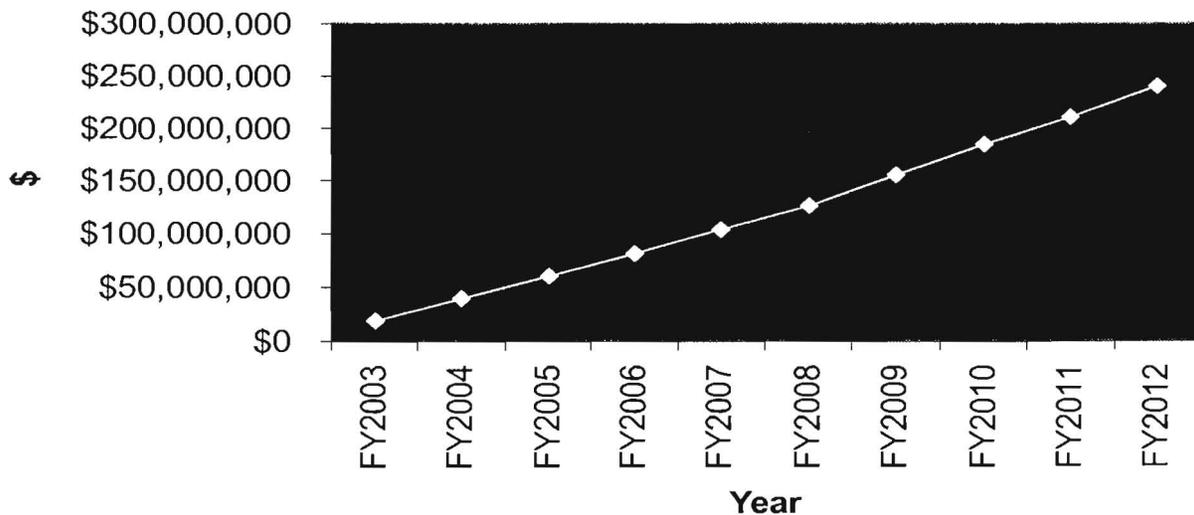
Fiscal Year	Transfer	Cumulative Transfer
2012	\$28,503,717	\$239,169,742
2011	\$26,206,170	\$210,666,025
2010	\$29,043,280	\$184,459,855
2009	\$30,410,060	\$155,416,575
2008	\$22,168,275	\$125,006,515
2007	\$22,149,050	\$102,838,240
2006	\$20,698,760	\$80,689,190
2005	\$20,503,510	\$59,990,430
2004	\$20,501,030	\$39,486,920
2003	\$18,985,890	\$18,985,890

After paying all expenses and retaining a small amount of operating capital, Liquor Control transfers profits to the General Fund to pay for important county services. In Fiscal Year 2012, Liquor Control transferred \$28,503,717; the cumulative contribution in the last 10 years amounted to \$239,169,742.

\$239.1 Million

Liquor Control contributed over \$239 million to the General Fund in the last 10 years.

**Cumulative General Fund Transfers
FY2003 - FY2012**



Spotlight: Licensure, Regulation and Education (LRE)

Division Overview

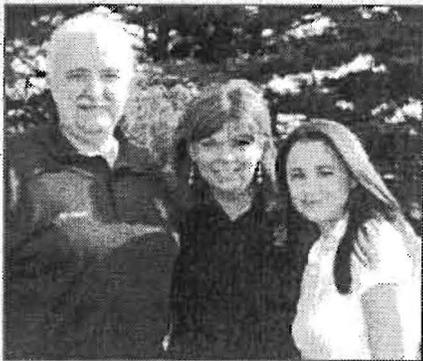
The Montgomery County Department of Liquor Control (DLC), as a "control jurisdiction" facilitates the wholesale distribution of beer, wine and spirits to approximately 1000 licensed establishments in the County. Along with the sale and distribution of a controlled substance comes a responsibility to educate and support the establishments served to ensure the safety of Montgomery County residents and the vitality of licensed businesses. The Division of Licensure, Regulation and Education (LRE) is one the three divisions within the DLC. Within this division there are three offices that work closely together, the Licensure Office, the Regulation Office and the Community Outreach/Education Office.



Kathie Durbin
Division Chief, Licensure,
Regulation and Education



Licensure Office

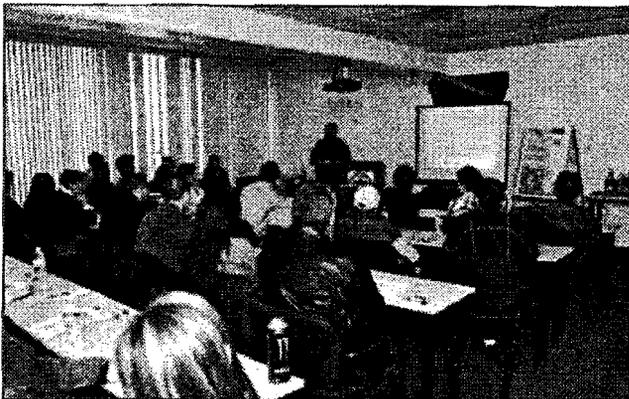


The Licensure Office processes alcoholic beverage license applications (new, transfer, one-day, renewals) in compliance with Article 2B of Maryland state law and the Rules and Regulations of the Board of License Commissioners (BLC). Licensure staff assists applicants throughout the application process from initial inquiry through license issuance and beyond, and provides staff support to the BLC. The Licensure Office is also involved in issuing violation letters, collecting fines, and scheduling show-cause hearings before the BLC.

Spotlight: On Customer Service & Collaboration

Alcohol Law Education and Regulatory Training

The LRE team at Liquor Control developed and provides a free-of-charge ALERT (Alcohol Law Education and Regulatory Training) program. Designed to educate servers, sellers, management and owners of licensed County businesses in alcohol beverage regulatory compliance, the training program is offered twice a month to all County businesses (or potential businesses). This program has been recognized as a valuable resource to the business community, and is being mandated by the Board of License Commissioners and by District Court judges hearing cases of those businesses and/or individuals cited with alcohol violations. In Fiscal Year 2012, over 700 individuals were trained in ALERT by the LRE team. This is up 100 people from Fiscal Year 2011.



Communication Enhancement

Fiscal Year 2012, DLC continued with updating/improving its website, www.montgomerycountymd.gov/dlc, to allow for better information flow. Applications are continuously updated and presented as interactive forms to enable licensees to complete the forms online. Also on the DLC website are free resources including sample business and alcohol plans, newsletters, legislation, licensing, education/training, and regulation news.

Fingerprinting

Montgomery County Department of Liquor Control provides fingerprinting services to alcohol license applicants and managers. Fingerprinting

is offered every Wednesday from 2:00 - 4:00 PM in the Licensure, Regulation and Education (LRE) Main Office. The cost is \$30. In FY 12 just over 300 individuals were fingerprinted.

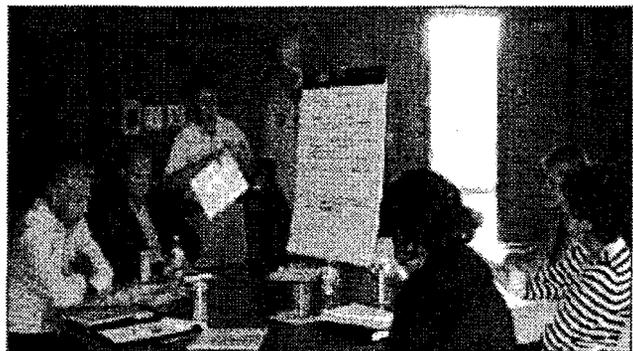


'How to Apply' Brochure

The "How to Apply for a New or Transfer Annual Alcoholic Beverage License in Montgomery County, Maryland" brochure is available on the department's website or in hard copy from the Licensing Office. The brochure consolidates a great deal of information that helps applicants for new or transfer annual licenses as they go through the application process.

Collaborating with Others

The Division of Licensure, Regulation and Education hosted national and statewide forums, spoke at national conferences, and organized community meetings in fiscal year 2012. Some of the events/conferences included the 10th Annual Responsible Retailing Forum National Meeting, Maryland Alcohol Licensing Association (MALA) Conference, Sociable City Leadership Summit, National Alcohol Beverage Control Association (NABCA) Administrators Conference, Safety Alliance Network Meetings, Silver Spring Community Meeting, and the Maryland Statewide Alcohol Beverage Forum.



Spotlight: On Safety*Keeping it SAFE*

Montgomery County Is Keeping it SAFE
Fiscal Year 2012
Alcohol and Tobacco Compliance Checks

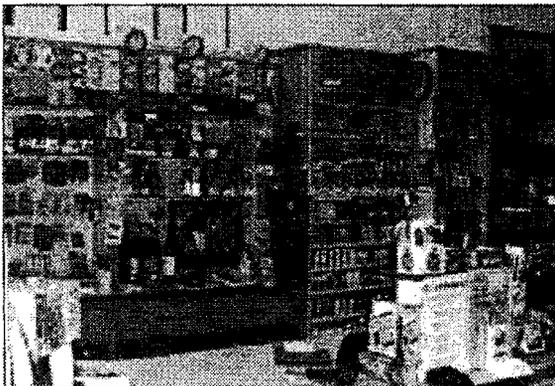
Alcohol Regulation

Recognizing that alcohol licensed businesses are the first line in defense to reduce the availability of alcohol to youth under 21 years of age, and/or intoxicated individuals; and to maintain keg registration a comprehensive compliance, DLC developed an effective compliance check program. A compliance check involves youth under the age of 20, using their own ID, who attempt to purchase alcohol at a licensed establishment or through room service at a hotel or motel. Alcohol Inspectors and Police conduct compliance checks in tandem delivering both an administrative violation against the liquor licensee and a criminal citation to the individual seller/server for failed compliance.

Protocol- Maintaining a consistent protocol is the basis of a successful compliance check program. All underage volunteers are checked to ensure the only belongings on their person at the time of an attempted purchase is their valid ID, a cell phone for safety and buy money funded by the Licensure, Regulation and Education Division of the Department of Liquor Control. Age enhancements such as facial hair, provocative clothing, and sun glasses are unacceptable. UV's attend an extensive training that includes detailed protocol as well as role playing.

Tobacco Regulation

Annually, the Montgomery County Department of Liquor Control conducts tobacco compliance checks to reduce tobacco sales to minors under the age of 18; and to ensure product placement laws are followed. In Fiscal Year 2012, 300 inspections were conducted. Out of those 300, 63 locations sold tobacco products to the UV, 30 of those locations checks the UV's identification and still made the sale, with the remaining 33 locations not checking the UV's identification.



Compliance Checks for Underage Alcohol Sales

Number Checked	400
Number Sold	83
Compliance Rate	79%

Compliance Checks for Underage Tobacco Sales

Number Checked	300
Number Sold	63
Compliance Rate	79%

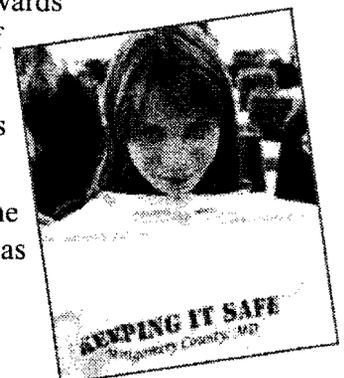
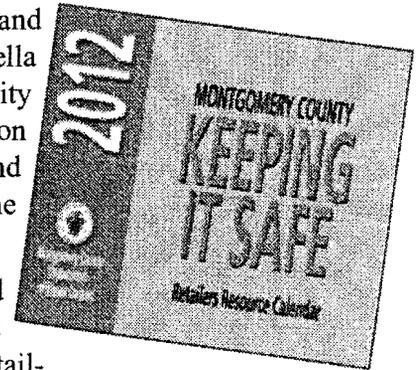
Compliance Team:

Montgomery County Department of Liquor Control,
Montgomery County Board of License Commissioners,
Montgomery County Police Department,
Montgomery County Sheriff's Office, and the
Montgomery County State's Attorney's Office.

FOCUS: On Community

Along with the sale and distribution of a controlled substance comes a responsibility to educate and support the establishments served. The Community Outreach/Education Office consults with and assesses establishments to keep businesses on track. Helping communities flourish through the promotion of alcohol laws, public awareness and responsible hospitality practices are priorities. Below is a partial listing of programs and efforts.

- The Community Outreach Office builds Business Alliances to support safe and vibrant communities. Business Alliances serve as a community based umbrella organization under which local business owners work with State, County and City governments to customize and implement comprehensive prevention, education and enforcement programs that address alcohol abuse, drinking in public and related community concerns. Alliance initiatives have a direct impact on the neighborhood's alcohol related social issues.
- The Outreach Office supports multi agency efforts through grant writing and reporting. In FY 2012, grant funding totaled nearly \$25,000. Grant programs include funding for a Cops in Shops® Program, ID Checking Calendars for Retailers, Sociable City Leadership Summit, free ID training to licensees, hosting an Annual Maryland State Alcohol Beverage Forum, production and distribution of ID Checking tools such as black lights and educational keychain cards, as well as staff attendance at state and national conferences. Additionally, in kind materials from partners, such as over 3,000 ID books, We Don't Serve Teens materials and other educational resources were solicited and distributed in monthly educational trainings. These in kind services are valued at over \$50,000.
- Safety Alliance meetings are coordinated through the Outreach Office, where we serve as a liaison between businesses and county code enforcement. Networking and community trends are discussed and as needed, the Outreach Office disseminates this essential public safety information to licensees.
- Throughout the year, the Outreach Office creates and promotes the "Keeping it Safe" public education campaign. This campaign outreaches to both the hospitality industry and the community with educational materials such as ID checking calendars, signage and a responsible hospitality newsletter. A social host responsibility campaign titled "Adult Host Responsibility" is promoted through out the year through print materials and speaking engagements. Aiming at changing the culture, social host responsibility promotes parental communication and zero tolerance for underage alcohol use. An online e-newsletter, Safenet, is geared towards county parents on youth alcohol prevention. Safenet currently serves hundreds of county parents and all Montgomery County PTAs.
- The Outreach Office distributes monthly newsletters targeting different audiences including SAFEnet, LRE Bulletin, Newslink, and one page resource tip flyers.
- Point of sale materials are available to all county licensees at no charge through the Outreach Office and include: ID Checking Calendars, Point of Sale Materials such as the "We Check ID's" stickers, and brochures on different alcohol topics.



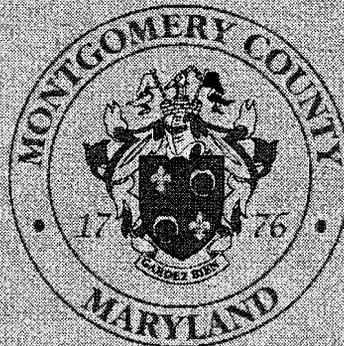
Vision: Looking Toward the Future

Montgomery County Department of Liquor Control looks forward to the future with great enthusiasm, with next year's report coming to you from our new warehouse location – a beautiful climate controlled warehouse, new offices and an on-site hearing room!

We continue to leverage technology advances to streamline our operations with our new point-of-sale system able to take credit cards and complete check verification on the spot. Plans are underway to streamline the work processes of our inspectors and our LRE team with a new client intake system and the ERP warehouse management system is on track to drastically update all warehouse processes (purchasing, pricing, ordering, receiving, inventory, order entry, routing, delivery settlement, etc.) and integrate those functions with A/P, reporting and other functions already under use in the County's ORACLE data base system.

Our product management committee is working hard to ensure customers have a wide selection of products at fair prices and continually bring in new offerings. And, as always, we continue to look for opportunities to provide new retail locations and update the look of our present sites for the pleasure of our customers.





Montgomery County Department of Liquor Control
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240-777-1900
www.montgomerycountymd.gov/dlc

FY12 DLC Headline Measure Performance

	<u>Headline Performance Measure</u>	<u>FY11 Results</u>	<u>FY12 Results</u>	<u>Performance Change</u>
Area of focused analysis	Annual growth in DLC retail and wholesale sales (percent)	6.6%	4.81%	↓
	Gross profit margin of DLC retail and wholesale operations (percent)	28.3%	30%	↔
	Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	3.19	3.20	↔
	Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.67	4.72	↔
Area of focused analysis	Percent of licensees that fail compliance checks (Number of establishments that fail/Number of total compliance checks)	20.75%	25.31%	↓
Area of focused analysis	Number of annual alcohol compliance checks for sales to minors (under 21)	400	403	↔
	Inventory as a percent of 'Cost of Goods Sold' (COGS)	16.4%	15.0%	↔
	Inventory as a percent of DLC sales	11.6%	10.45%	↔
	Rating of licensees satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.97	4.69	↓
	Wholesale customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	2.91	2.97	↔



Focused Analysis: Historical Licensees Compliance Rate

Compliance Checks for Underage Sales

Year	Checked	Violation	Compliance Rate
2008	548	113	79%
2009	406	120	70%
2010	550	110	80%
2011	400	83	79%
2012	404	102	75%

Complaint Compliance Checks for Sales to Intoxicated Individuals

Year	Checked	Violation	Compliance Rate
2008	24	7	71%
2009	20	2	90%
2010	42	22	48%
2011	44	14	68%
2012	14	5	64%

Compliance Checks for Keg Registration

Year	Checked	Violation	Compliance Rate
2008	28	4	86%
2009	186	1	99%
2010	8	1	88%
2011	10	0	100%
2012	8	1	88%



Focused Analysis: Annual Growth In DLC Retail And Wholesale Sales By Product Type

Comparative Product Case Depletion FY09-FY12

	2009	2010	2011	2012	Percent Change FY09-FY12
LIQUOR CASES					
LICENSEES	29,879	29,813	30,615	33,822	13%
COUNTY STORES	331,422	334,792	369,581	375,159	13%
TOTAL	361,301	364,605	400,196	408,981	13%
WINE CASES					
LICENSEES	545,686	556,291	579,695	581,679	6.6%
COUNTY STORES	372,421	382,171	409,128	410,209	10%
TOTAL	918,107	938,462	988,823	991,888	8.0%
BEER CASES					
LICENSEES	3,419,364	3,422,291	3,430,336	3,389,019	-0.9%
COUNTY STORES	270,612	291,824	309,925	297,635	10%
TOTAL	3,689,976	3,714,115	3,740,261	3,686,654	-0.1%
BEER KEGS					
LICENSEES	79,916	78,835	85,329	84,304	5.5%
NON-ALCOHOLIC BEVERAGES					
LICENSEES	17,920	17,510	16,615	15,750	-12%
COUNTY STORES	5,009	6,017	8,068	10,551	111%
TOTAL	22,929	23,527	24,683	26,301	15%
GRAND TOTAL	5,072,229	5,119,544	5,239,292	5,198,128	2.5%

Net Sales FY09-FY12

	2009	2010	2011	2012
Retail Sales	\$ 100,241,632	\$ 106,247,721	\$ 113,632,616	\$ 120,258,459
Beer Warehouse	\$ 70,643,269	\$ 71,917,422	\$ 74,880,245	\$ 76,977,329
Liquor/Wine Warehouse	\$ 48,088,564	\$ 49,242,883	\$ 51,687,323	\$ 54,507,832
TOTAL	\$ 218,973,465	\$ 227,408,026	\$ 240,200,184	\$ 251,743,620



Focused Analysis: Annual Growth In DLC Retail Sales By Store Location

Store	2009	2010	2011	2012	Percent Change FY09-FY12*
Burtonsville (FY10-12)	\$ 255,464	\$ 757,822	\$ 1,508,608	\$ 2,685,458	254%
Darnestown (FY10-12)	\$ 550,479	\$ 4,001,994	\$ 4,957,589	\$ 5,640,637	41%
Chevy Chase Center	\$ 1,920,308	\$ 2,208,047	\$ 2,472,259	\$ 2,534,192	32%
Montgomery Village	\$ 3,307,284	\$ 3,683,832	\$ 3,903,243	\$ 4,242,576	28%
Silver Spring	\$ 4,232,266	\$ 4,528,872	\$ 4,878,252	\$ 5,415,012	28%
Hampden Lane	\$ 1,466,084	\$ 4,661,328	\$ 5,306,254	\$ 5,900,155	27%
Pike	\$ 4,905,387	\$ 5,009,751	\$ 5,984,049	\$ 6,173,661	26%
Wheaton	\$ 3,635,797	\$ 3,820,995	\$ 4,199,136	\$ 4,522,576	24%
Walnut Hill	\$ 3,636,687	\$ 4,132,501	\$ 4,236,712	\$ 4,470,425	23%
Kensington	\$ 4,636,194	\$ 4,866,579	\$ 5,275,004	\$ 5,668,955	22%
Flower	\$ 2,216,786	\$ 2,281,471	\$ 2,526,168	\$ 2,704,317	22%
Montrose	\$ 6,735,261	\$ 6,463,898	\$ 7,843,494	\$ 8,149,584	21%
Milestone	\$ 6,956,538	\$ 8,019,639	\$ 7,928,374	\$ 8,187,946	18%
Potomac	\$ 5,636,996	\$ 5,630,451	\$ 6,147,488	\$ 6,566,688	16%
Westwood	\$ 6,215,128	\$ 6,511,129	\$ 6,842,891	\$ 7,218,858	16%
White Oak	\$ 4,080,937	\$ 4,092,818	\$ 4,419,123	\$ 4,638,038	14%
Leisure World	\$ 3,901,530	\$ 4,092,259	\$ 4,290,209	\$ 4,396,649	13%
Olney	\$ 5,404,428	\$ 5,682,132	\$ 6,029,068	\$ 6,072,632	12%
Muddy Branch	\$ 5,986,371	\$ 5,487,373	\$ 6,075,918	\$ 6,598,710	10%
Fallsgrove	\$ 4,373,376	\$ 4,380,168	\$ 4,650,727	\$ 4,814,286	10%
Kingsview	\$ 4,195,655	\$ 4,205,801	\$ 4,324,287	\$ 4,615,231	10%
Diamond Square (FY09-11)	\$ 1,826,721	\$ 1,795,395	\$ 1,929,002	\$ 1,120,995	6%
Cabin John	\$ 4,092,546	\$ 4,221,952	\$ 4,139,281	\$ 4,306,864	5%
Cloverly	\$ 3,644,684	\$ 3,718,874	\$ 3,765,480	\$ 3,614,014	-1%

* Percent Change FY09 and FY12 unless noted



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**MONTGOMERY COUNTY, MARYLAND****News Release**

For Immediate Release: 4/10/2013

Training for Alcohol Servers to be Held Thursday in Bethesda; Class Helps Prevent Sales of Alcohol to those Underage

The Montgomery County Department of Liquor Control (DLC), in partnership with the Montgomery County Police Department and the Bethesda Chevy Chase Chamber of Commerce, will hold a free ALERT class to help curb sales of alcohol to those under 21 years of age. The class will be held on Thursday, April 11 at 2 p.m. at the Bethesda Chevy Chase Regional Service Center, 4805 Edgemoor Lane, Room A, Bethesda. DLC developed the Alcohol Law Education and Regulatory Training (ALERT) program to educate staff at facilities that serve or sell alcohol about what to look for to avoid selling alcohol to those who are under the age of 21.

ALERT classes are open to all Montgomery County liquor licensees and their staff. Those interested in attending are asked to register in advance. To register or get more information, contact the DLC Outreach Office at 240-777-1989 or dlc@montgomerycountymd.gov.

To prevent alcohol sales to those under 21, DLC and the Montgomery County Police Department conduct 400 compliance checks a year. During a compliance check, local trained volunteers, who are under the age of 20, enter licensed establishments and stores and attempt to purchase alcohol. The volunteers use their own state-issued vertical drivers licenses (ID). Those 21 and older have a horizontal drivers license, while underage teen drivers receive vertical drivers licenses. The volunteers follow a strict protocol and are not allowed to have facial hair, wear excessive makeup, hats or talk on the phone while making a purchase.

Recent alcohol compliance checks have revealed that one in four businesses sell or serve alcohol to a teen. In about a third of the sales, a server asked for and viewed the teen's vertical drivers license and still sold alcohol to the teen.

"The compliance rate has remained fairly steady within the last few years," says DLC Division Chief Kathie Durbin. "We are continually striving for increased compliance. The Department is measured on the program's pass rate."

Through ALERT, alcohol sellers and servers are educated to ask for an ID of anyone who looks under 35 years old and use tools such as ID checking calendars. DLC prints and mails a free calendar annually to each licensed business that shows the cut-off date for purchasing alcohol. As part of the Liquor Board licensing hearing, prospective licensees are asked to describe the under 21 IDs and the Compliance Check program.

The Center for Disease Control and Prevention, in its Guide to Community Preventative Services, recommends compliance checks as an evidence-based strategy for preventing excessive alcohol consumption among youth.

"Compliance checks are known to prevent underage alcohol sales and that is a top priority for the Department," says Durbin.

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Release ID: 13-104

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