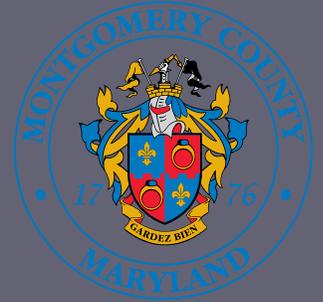


# FISCAL YEAR 2012 ANNUAL REPORT



Montgomery County Department of Liquor Control  
16650 Crabbs Branch Way  
Rockville, MD 20855  
240-777-1900  
[www.montgomerycountymd.gov/dlc](http://www.montgomerycountymd.gov/dlc)

## 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 of Isiah Leggett in black ink, written in a cursive style.

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](http://www.montgomerycountymd.gov/dlc)), on Facebook (search Montgomery County Department of Liquor Control) and Twitter (MoCoDLC).

A handwritten signature in black ink that reads "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.

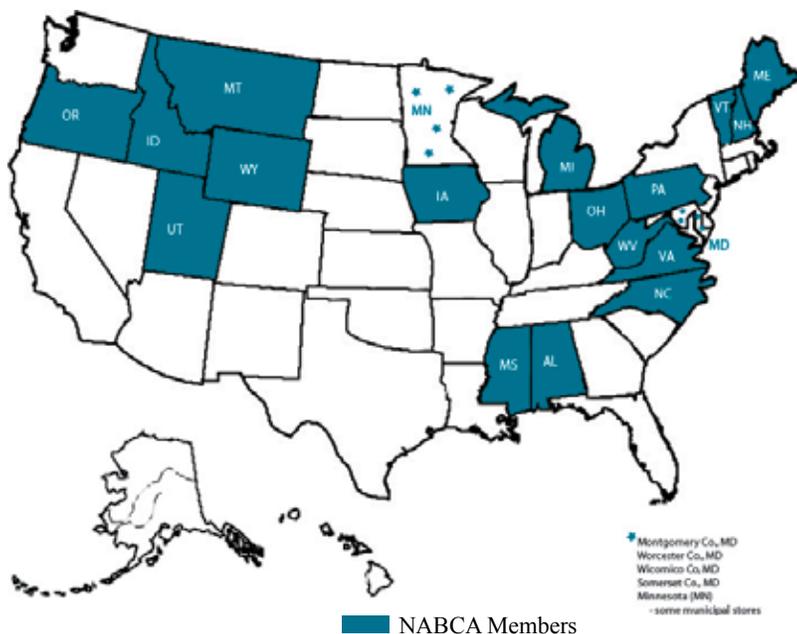
Montgomery County is proud to be one of those control jurisdictions and believes that it has successfully achieved the delicate balance of...

- 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.

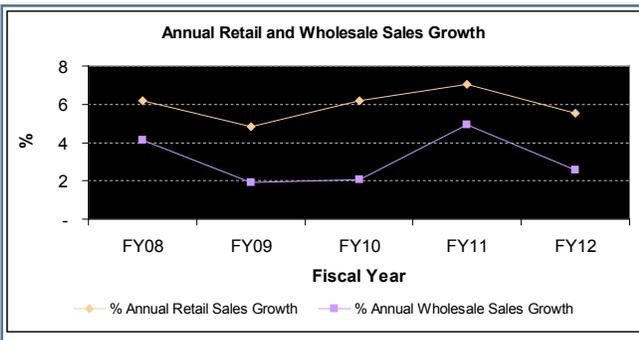
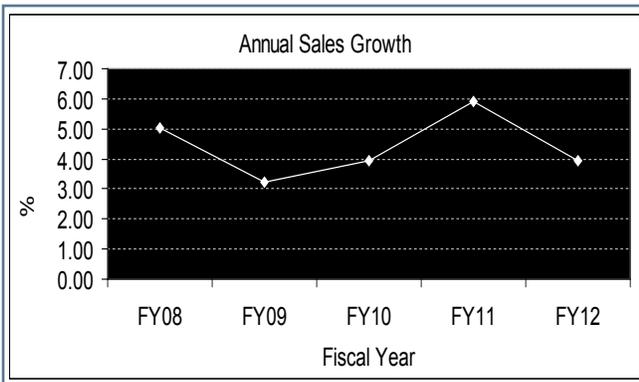
The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation's 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the 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](http://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

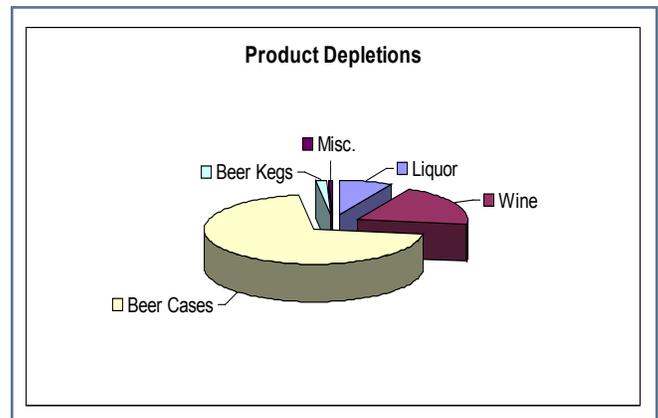
Contributing factors to meeting growth targets are the high level of customer satisfaction in retail stores and wholesale delivery operations, while restricting factors include an overall national trend that point to flattening consumption, tight economic restraints, and our limited advertising strategy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

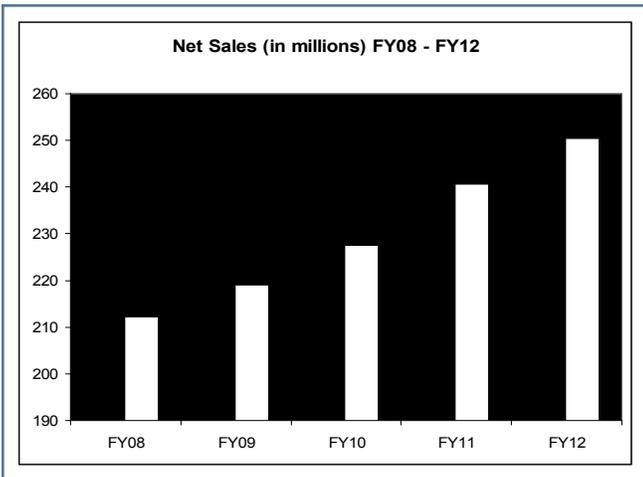
Beer-Case	3,686,654
Wine-Case	991,888
Liquor-Case	408,981
Beer-Keg	84,304
Miscellaneous-Case	26,301

## Results: Financial Information

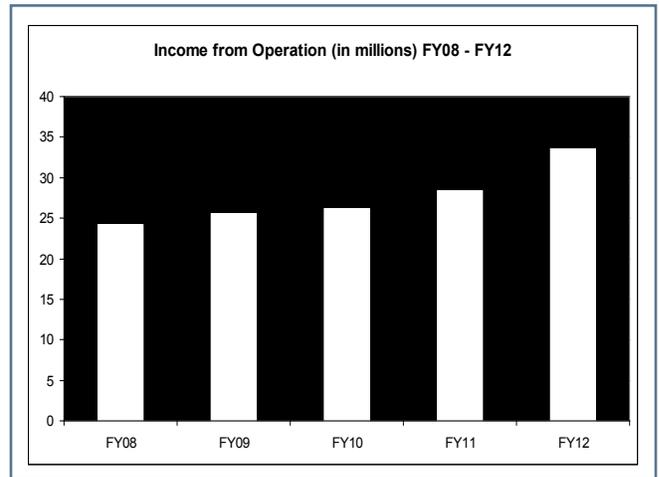
In the past 10 years, the department has made a cumulative contribution of over \$239 million (\$239,169,742) to the General Fund to help pay for important resident services such as education, infrastructure and police and fire services.

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.

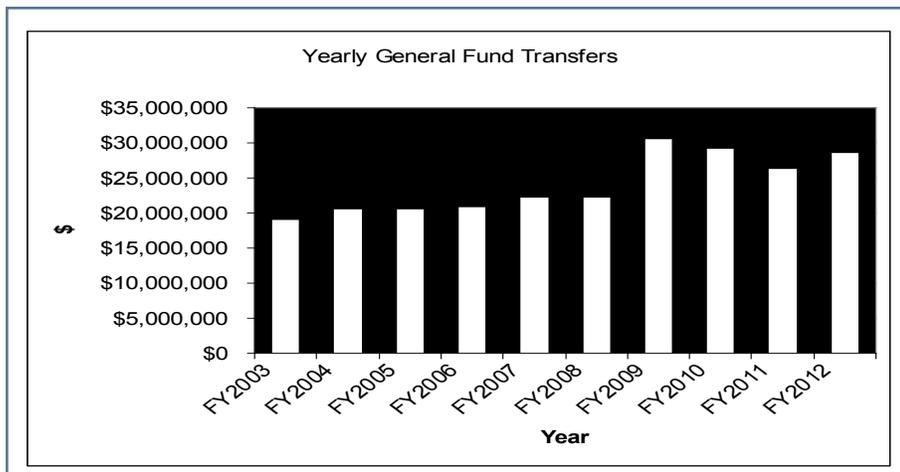
### Results of Operation



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

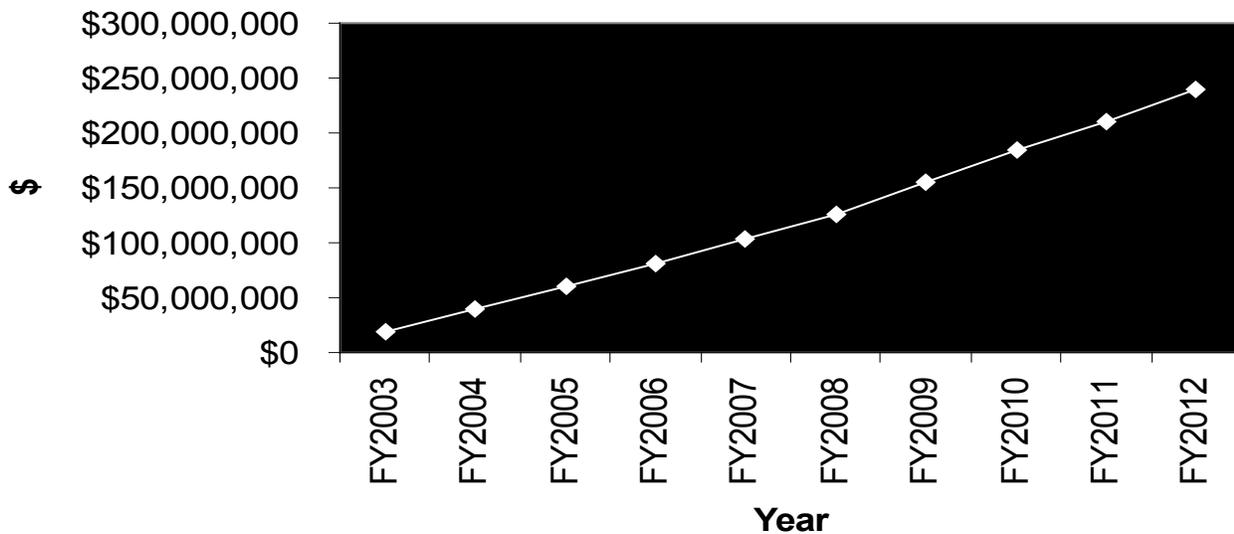
Fiscal Year	Transfer	Cumulative Transfer
2012	\$28,503,717	\$239,169,742
2011	\$26,206,170	\$210,666,025
2010	\$29,043,280	\$184,459,855
2009	\$30,410,060	\$155,416,575
2008	\$22,168,275	\$125,006,515
2007	\$22,149,050	\$102,838,240
2006	\$20,698,760	\$80,689,190
2005	\$20,503,510	\$59,990,430
2004	\$20,501,030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



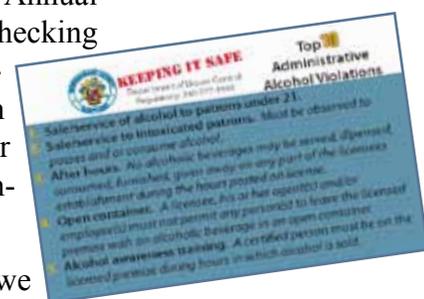
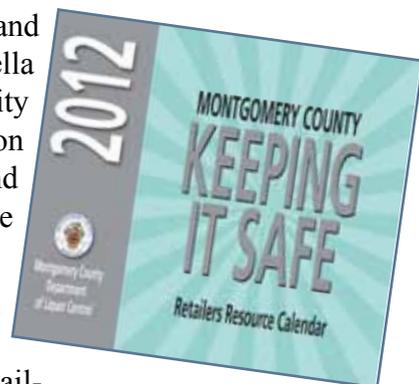
## Compliance Team:

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  
16650 Crabbs Branch Way  
Rockville, MD 20855  
240-777-1900  
[www.montgomerycountymd.gov/dlc](http://www.montgomerycountymd.gov/dlc)