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# 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 approved FY11 Operating Budget for the Department of Liquor Control is \$42,520,100, a decrease of \$1,975,160 or 4.4 percent from the FY10 Approved Budget of \$44,495,260. Personnel Costs comprise 54.6 percent of the budget for 248 full-time positions and 58 part-time positions for 312.9 workyears. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 45.4 percent of the FY11 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 FY10 estimates incorporate the effect of the FY10 savings plan. FY11 and FY12 targets assume the approved FY11 budget and FY12 funding for comparable service levels.

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***Relocated two retail stores into larger, improved locations in the Bethesda Central Business District and in the Shoppes of Potomac in the Gaithersburg/Darnestown area.***
- ❖ ***Responded to the consumers' interest in finer wines, by securing a generous allotment of Bordeaux 2005 on future, enabling customers to acquire some very fine wines at the best possible prices.***
- ❖ ***Developed and provided free training designed to educate servers, sellers, managers and owners of licensed businesses in alcohol beverage regulatory compliance.***
- ❖ ***Created and hosted a Statewide Alcohol Regulatory Forum in 2009 for Maryland's jurisdictions to share ideas and solutions on alcohol related issues. DLC won a National Association of Counties (NACo) Award for this forum.***
- ❖ ***Hosted the "2009 Nighttime Economy Regional Forum", a networking and educational opportunity for Montgomery County businesses to gain information on creating safe, vibrant , and profitable nighttime venues.***

❖ **Transfer \$26,206,170 to the General Fund in FY11.**

❖ **Productivity Improvements**

- **Implemented and will monitor a revised "Listing/Delisting Product Committee" process designated to maximize inventory control efficiencies while providing a wide and varied selection of fresh items and standards from which customers can choose.**
- **Reduced paper usage by 21% from FY08 by increasing on-line report generation for staff and vendors.**
- **Automated the pricing program, which enables vendors to enter price changes on the Internet and submit electronically. This information will flow into the warehouse management system automatically after department review, eliminating the manual entry.**
- **Implemented improvements to the wholesale internet ordering system resulting in a 45% increase in Internet sales.**

## PROGRAM CONTACTS

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Alison Dollar of the Office of Management and Budget at 240.777.2781 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.

<b>Program Performance Measures</b>	<b>Actual FY08</b>	<b>Actual FY09</b>	<b>Estimated FY10</b>	<b>Target FY11</b>	<b>Target FY12</b>
Percent of wholesale customers satisfied with DLC based on the DLC customer survey results <sup>1</sup>	2.95	2.95	2.95	2.95	2.95
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	18.2	18.0	18.0	18.0	18.0
Inventory as a Percent of DLC Sales	28.1	28.5	28.5	28.5	28.5

<sup>1</sup> On a rating of 1 to 4 with 4 being most satisfied and 1 being least satisfied.

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>7,988,440</b>	<b>66.9</b>
Increase Cost: Grounds Maintenance - New Warehouse	80,000	0.0
Increase Cost: Utilities - New Warehouse	30,100	0.0
Reduce: Forklifts	-70,000	0.0
Decrease Cost: Abolish One Warehouse Assistant Supervisor	-121,000	-1.0
Decrease Cost: Southlawn Warehouse Lease Payment	-222,000	0.0
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	66,650	-2.5
<b>FY11 Approved</b>	<b>7,752,190</b>	<b>63.4</b>

### Delivery Operations

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

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>5,870,210</b>	<b>75.7</b>
Decrease Cost: Abolish One Work Force Leader II	-83,500	-1.0
Reduce: Delivery Trucks - Delay Replacement Schedule	-320,000	0.0
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	14,970	-2.6
<b>FY11 Approved</b>	<b>5,481,680</b>	<b>72.1</b>

### Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 23 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.

<b>Program Performance Measures</b>	<b>Actual FY08</b>	<b>Actual FY09</b>	<b>Estimated FY10</b>	<b>Target FY11</b>	<b>Target FY12</b>
Retail sales as percentage of total sales	45	46	46	46	46
Percent of retail customers satisfied with DLC based on the DLC customer survey results <sup>1</sup>	3.20	3.22	3.22	3.22	3.22

<sup>1</sup> On a rating of 1 to 4 with 4 being most satisfied and 1 being least satisfied.

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>17,971,740</b>	<b>153.5</b>
Increase Cost: Retail Store Leases	150,390	0.0
Decrease Cost: Abolish One Liquor Store Assistant Manager and One Liquor Store Clerk I Position	-88,900	-1.8
Reduce: Advertising	-157,900	0.0
Reduce: Retail Store Improvements	-241,000	0.0
Reduce: Close Twinbrook Retail Store	-525,300	-4.6
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	100,040	-4.1
<b>FY11 Approved</b>	<b>17,209,070</b>	<b>143.0</b>

## 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.

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>190,650</b>	<b>0.0</b>
<b>FY11 Approved</b>	<b>190,650</b>	<b>0.0</b>

## Accounting and Inventory Systems

This program provides accounting and financial services for the department. Staff performs day-to-day accounting functions, special analysis and reporting, and the preparation and monitoring of the department's budget.

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>7,923,390</b>	<b>17.6</b>
Decrease Cost: Internal Printing and Mail Reduction	-49,700	0.0
Reduce: Abolish One Part-time Fiscal Assistant	-51,300	-0.5
Reduce: Abolish One Fiscal Assistant Position	-53,100	-1.0
Decrease Cost: Miscellaneous Operating Expenses	-120,580	0.0
Reduce: Abolish Two Accountant Auditor III Positions	-232,300	-2.0
Decrease Cost: Debt Service: State Transportation Projects and Warehouse Relocation	-1,216,750	0.0
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	278,570	-1.0
<b>FY11 Approved</b>	<b>6,478,230</b>	<b>13.1</b>

## Information Management

This program provides for the design, operation, maintenance, and protection of all information technology initiatives of the Department. These initiatives include the warehouse inventory system, the retail point-of-sale system, and numerous other applications.

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>1,444,900</b>	<b>7.1</b>
Reduce: Professional Computer Services	-112,240	0.0
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-140,140	-0.4
<b>FY11 Approved</b>	<b>1,192,520</b>	<b>6.7</b>

## 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.

<b>Program Performance Measures</b>	<b>Actual FY08</b>	<b>Actual FY09</b>	<b>Estimated FY10</b>	<b>Target FY11</b>	<b>Target FY12</b>
Annual alcohol compliance checks to minors (under 21) <sup>1</sup>	600	612	600	600	600

<sup>1</sup> DLC has established a target of 600 compliance checks in partnership with Montgomery County Police Department. For FY08, DLC performed 5,124 inspections (of all types). For FY09, DLC performed 5,267 inspections, which included 612 compliance checks.

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>1,376,540</b>	<b>14.0</b>
Reduce: Abolish One Fiscal Assistant Position	-75,500	-1.0
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-68,830	-0.7
<b>FY11 Approved</b>	<b>1,232,210</b>	<b>12.3</b>

## Office of the Director

This program provides the overall direction for the Department.

<b>Program Performance Measures</b>	<b>Actual FY08</b>	<b>Actual FY09</b>	<b>Estimated FY10</b>	<b>Target FY11</b>	<b>Target FY12</b>
Percentage of Annual Sales Growth	5	3.2	2.0	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	28	28	28	28	28

<b>FY11 Approved Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY10 Approved</b>	<b>1,729,390</b>	<b>2.5</b>
Increase Cost: Retiree Health Insurance Pre-Funding	1,167,360	0.0
Increase Cost: Increased Chargebacks for Facility Maintenance and Solid Waste Disposal	16,980	0.7
Miscellaneous adjustments, including furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	69,820	-0.9
<b>FY11 Approved</b>	<b>2,983,550</b>	<b>2.3</b>

## BUDGET SUMMARY

	Actual FY09	Budget FY10	Estimated FY10	Approved FY11	% Chg Bud/App
<b>LIQUOR CONTROL</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	18,190,168	18,040,540	17,759,240	17,085,410	-5.3%
Employee Benefits	5,722,941	6,204,500	6,204,500	6,148,800	-0.9%
<b>Liquor Control Personnel Costs</b>	<b>23,913,109</b>	<b>24,245,040</b>	<b>23,963,740</b>	<b>23,234,210</b>	<b>-4.2%</b>
Operating Expenses	11,660,808	13,713,570	14,149,110	14,596,990	6.4%
Debt Service Other	417,116	5,800,000	3,659,530	4,583,250	-21.0%
Capital Outlay	0	736,650	1,789,260	105,650	-85.7%
<b>Liquor Control Expenditures</b>	<b>35,991,033</b>	<b>44,495,260</b>	<b>43,561,640</b>	<b>42,520,100</b>	<b>-4.4%</b>
<b>PERSONNEL</b>					
Full-Time	264	257	257	248	-3.5%
Part-Time	60	62	62	58	-6.5%
Workyears	343.8	337.3	337.3	312.9	-7.2%
<b>REVENUES</b>					
Vendor Procure Registration Fee	17,010	0	0	0	—
Property Rentals	5,333	0	0	0	—
Liquor Licenses	1,418,602	1,350,000	1,419,000	1,419,000	5.1%
Miscellaneous/Investment Income	-1,418,787	100,000	10,000	30,000	-70.0%
Operating Revenue	62,331,276	64,549,570	64,262,430	66,456,780	3.0%
Liquor License Application Fees	155,701	160,000	156,000	156,000	-2.5%
Liquor Enforcement Fines	310,276	150,000	200,000	200,000	33.3%
Tobacco Enforcement Fines	38,808	20,000	20,000	20,560	2.8%
Publication Sales - Alcohol Regulation	195	0	0	0	—
Fingerprint Processing Fee	8,610	8,500	8,500	8,740	2.8%
<b>Liquor Control Revenues</b>	<b>62,867,024</b>	<b>66,338,070</b>	<b>66,075,930</b>	<b>68,291,080</b>	<b>2.9%</b>
<b>GRANT FUND MCG</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	12,875	0	8,520	0	—
Employee Benefits	964	0	920	0	—
<b>Grant Fund MCG Personnel Costs</b>	<b>13,839</b>	<b>0</b>	<b>9,440</b>	<b>0</b>	<b>—</b>
Operating Expenses	30,155	0	14,840	0	—
Capital Outlay	0	0	0	0	—
<b>Grant Fund MCG Expenditures</b>	<b>43,994</b>	<b>0</b>	<b>24,280</b>	<b>0</b>	<b>—</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>REVENUES</b>					
Adult Who Host Lose The Most Brochures	1,000	0	0	0	—
Under 21 Alcohol Compliance Checks	8,747	0	0	0	—
Coasters - Alcohol Awareness	3,835	0	0	0	—
COPS In Shops	404	0	24,280	0	—
NABCA	8,104	0	0	0	—
Latino Server Training Initiative Grant	21,904	0	0	0	—
<b>Grant Fund MCG Revenues</b>	<b>43,994</b>	<b>0</b>	<b>24,280</b>	<b>0</b>	<b>—</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>36,035,027</b>	<b>44,495,260</b>	<b>43,585,920</b>	<b>42,520,100</b>	<b>-4.4%</b>
<b>Total Full-Time Positions</b>	<b>264</b>	<b>257</b>	<b>257</b>	<b>248</b>	<b>-3.5%</b>
<b>Total Part-Time Positions</b>	<b>60</b>	<b>62</b>	<b>62</b>	<b>58</b>	<b>-6.5%</b>
<b>Total Workyears</b>	<b>343.8</b>	<b>337.3</b>	<b>337.3</b>	<b>312.9</b>	<b>-7.2%</b>
<b>Total Revenues</b>	<b>62,911,018</b>	<b>66,338,070</b>	<b>66,100,210</b>	<b>68,291,080</b>	<b>2.9%</b>

## FY11 APPROVED CHANGES

	Expenditures	WYs
<b>LIQUOR CONTROL</b>		
<b>FY10 ORIGINAL APPROPRIATION</b>	<b>44,495,260</b>	<b>337.3</b>
<b><u>Changes (with service impacts)</u></b>		
Reduce: Abolish One Part-time Fiscal Assistant [Accounting and Inventory Systems]	-51,300	-0.5
Reduce: Abolish One Fiscal Assistant Position [Accounting and Inventory Systems]	-53,100	-1.0
Reduce: Forklifts [Warehouse Operations]	-70,000	0.0
Reduce: Abolish One Fiscal Assistant Position [Licensure, Regulation, and Education]	-75,500	-1.0
Reduce: Professional Computer Services [Information Management]	-112,240	0.0
Reduce: Advertising [Retail Sales Operations]	-157,900	0.0
Reduce: Abolish Two Accountant Auditor III Positions [Accounting and Inventory Systems]	-232,300	-2.0
Reduce: Retail Store Improvements [Retail Sales Operations]	-241,000	0.0
Reduce: Delivery Trucks - Delay Replacement Schedule [Delivery Operations]	-320,000	0.0
Reduce: Close Twinbrook Retail Store [Retail Sales Operations]	-525,300	-4.6
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: Retiree Health Insurance Pre-Funding [Office of the Director]	1,167,360	0.0
Increase Cost: Risk Management Adjustment	202,380	0.0
Increase Cost: Group Insurance Adjustment	158,630	0.0
Increase Cost: Retail Store Leases [Retail Sales Operations]	150,390	0.0
Increase Cost: Retirement Adjustment	149,080	0.0
Increase Cost: Grounds Maintenance - New Warehouse [Warehouse Operations]	80,000	0.0
Increase Cost: Energy Tax Increase	75,330	0.0
Increase Cost: Utilities increase based on projections from the Interagency Committee of Energy and Utilities Management	71,040	0.0
Increase Cost: Annualization of FY10 Personnel Costs	60,230	0.0
Increase Cost: Utilities - New Warehouse [Warehouse Operations]	30,100	0.0
Increase Cost: Increased Chargebacks for Facility Maintenance and Solid Waste Disposal [Office of the Director]	16,980	0.7
Technical Adj: Workyears based on Approved Personnel Actions	0	0.2
Decrease Cost: Occupational Medical Services Adjustment	-5,840	0.0
Decrease Cost: Printing and Mail Adjustment	-16,310	0.0
Decrease Cost: Motor Pool Rate Adjustment	-25,090	0.0
Decrease Cost: Internal Printing and Mail Reduction [Accounting and Inventory Systems]	-49,700	0.0
Decrease Cost: Abolish One Work Force Leader II [Delivery Operations]	-83,500	-1.0
Decrease Cost: Expedited Bill 16-10 - Imputed Compensation Limit	-83,820	0.0
Decrease Cost: Abolish One Liquor Store Assistant Manager and One Liquor Store Clerk I Position [Retail Sales Operations]	-88,900	-1.8
Decrease Cost: Miscellaneous Operating Expenses [Accounting and Inventory Systems]	-120,580	0.0
Decrease Cost: Abolish One Warehouse Assistant Supervisor [Warehouse Operations]	-121,000	-1.0
Decrease Cost: Southlawn Warehouse Lease Payment [Warehouse Operations]	-222,000	0.0
Decrease Cost: Furlough Days	-264,550	-12.4
Decrease Cost: Debt Service: State Transportation Projects and Warehouse Relocation [Accounting and Inventory Systems]	-1,216,750	0.0
<b>FY11 APPROVED:</b>	<b>42,520,100</b>	<b>312.9</b>

## PROGRAM SUMMARY

Program Name	FY10 Approved		FY11 Approved	
	Expenditures	WYs	Expenditures	WYs
Warehouse Operations	7,988,440	66.9	7,752,190	63.4
Delivery Operations	5,870,210	75.7	5,481,680	72.1
Retail Sales Operations	17,971,740	153.5	17,209,070	143.0
Retail Contracted Operations	190,650	0.0	190,650	0.0
Accounting and Inventory Systems	7,923,390	17.6	6,478,230	13.1
Information Management	1,444,900	7.1	1,192,520	6.7
Licensure, Regulation, and Education	1,376,540	14.0	1,232,210	12.3
Office of the Director	1,729,390	2.5	2,983,550	2.3
<b>Total</b>	<b>44,495,260</b>	<b>337.3</b>	<b>42,520,100</b>	<b>312.9</b>