

---

# 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 FY16 Operating Budget for the Department of Liquor Control is \$59,332,248, an increase of \$3,063,507 or 5.4 percent from the FY15 Approved Budget of \$56,268,741. Personnel Costs comprise 52.5 percent of the budget for 294 full-time positions and 160 part-time positions, and a total of 426.72 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 47.5 percent of the FY16 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 FY15 estimates reflect funding based on the FY15 approved budget. The FY16 and FY17 figures are performance targets based on the FY16 recommended budget and funding for comparable service levels in FY17.

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***In FY16, Liquor Control will make a transfer of \$24.5 million to the General Fund and will make \$11 million in debt service payments on Liquor Control Revenue Bonds for a total of \$35.5 million.***
- ❖ ***DLC total sales for FY14 were \$266.6 million. This represents growth over the previous year of 3.8%. Montgomery County DLC-operated retail liquor and wine stores had sales of \$127.2 million – an annual increase of 3.9%. Warehouse/wholesale sales amounted to \$139.4 million. Sales to licensees (both on and off premise) were up nearly 3.7% over last year. The wholesale beer business grew by 5.1% -- fueled by the continuing robust interest in craft beers and micro-brews.***
- ❖ ***DLC opened two new stores in Clarksburg and Seneca Meadows to serve the rapidly growing Clarksburg and Germantown areas and relocated Montgomery Village store to a more desirable location.***

- ❖ **The County Executive created a “Nighttime Economy Task Force” to develop specific recommendations for facilitating responsible growth in this area. Several legislative initiatives resulted from the work of the task force, and DLC was actively involved in drafting and promoting these changes. The laws adopted by the Maryland General Assembly took effect on July 1st, and include:**
  - longer hours of operation for some licensees
  - new license categories such as the performing arts license
  - modified residency requirements for license applicants
  - update to the food to alcohol ratios
  - the ability of salons, art galleries and other non-traditional licensed retailers to serve alcohol
  - increased flexibility and expanded self-distribution rights for local micro-breweries and wineries
- ❖ **In FY16, DLC will open three new retail stores in currently underserved areas of the County generating at least \$1.8 million in additional net profit.**
- ❖ **Productivity Improvements**
  - **DLC continued through the year to develop its much-anticipated Oracle ERP system, which went live on February 1, 2015. Once fully operational, this system will dramatically improve many of the department's business processes and operational practices as it offers tighter inventory controls, County-approved inventory valuation methodology, and enhanced reporting capabilities which enable customers, suppliers and employees access to more valuable information.**

## 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.

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Inventory as a percent of Cost of Goods Sold (COGS)	14.2%	16.6%	16.0%	16.0%	16.0%
Inventory as a Percent of DLC Sales	10.10%	11.87%	12.00%	12.00%	12.00%
Satisfaction rating of wholesale customers based on the DLC customer survey results	2.91	2.53	2.95	2.95	2.95

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>8,714,906</b>	<b>63.96</b>
Decrease Cost: ERP - Warehouse System cost reductions	-180,000	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.	-218,377	7.50
<b>FY16 CE Recommended</b>	<b>8,316,529</b>	<b>71.46</b>

### Delivery Operations

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

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>6,218,682</b>	<b>68.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	444,938	7.80
<b>FY16 CE Recommended</b>	<b>6,663,620</b>	<b>75.80</b>

### Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores that are located throughout Montgomery County.

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	3.23	3.14	3.20	3.20	3.20

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>24,559,120</b>	<b>170.16</b>
Increase Cost: Retail Store Leases	208,787	0.00
Increase Cost: staffing to convert Flower Avenue store from contractor to DLC operated	166,355	8.00
Decrease Cost: Point of Sale System cost reduction	-371,534	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.	2,179,959	64.71
<b>FY16 CE Recommended</b>	<b>26,742,687</b>	<b>242.87</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 FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Annual alcohol compliance checks to minors (under 21)	400	400	400	400	400
Percent of licensees that fail compliance checks (Number of establishments that fail/Number of total compliance checks)	27.7%	19.0%	20.0%	20.0%	20.0%
Rating of licensees satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.69	4.86	4.86	4.86	4.86
Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.77	4.82	4.80	4.80	4.80

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>1,633,225</b>	<b>12.00</b>
Add: Program Manager II position for Licensure, Regulation, and Education	97,500	1.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	146,273	-1.61
<b>FY16 CE Recommended</b>	<b>1,876,998</b>	<b>11.39</b>

## Office of the Director

This program provides the overall direction for the Department.

<b>Program Performance Measures</b>	<b>Actual FY13</b>	<b>Actual FY14</b>	<b>Estimated FY15</b>	<b>Target FY16</b>	<b>Target FY17</b>
Annual growth in DLC retail and wholesale sales (percent)	2.30%	3.79%	3.00%	3.00%	3.00%
Gross profit margin of DLC retail and wholesale operations (percent)	28.2%	28.0%	28.0%	28.0%	28.0%

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>512,058</b>	<b>2.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	42,165	0.00
<b>FY16 CE Recommended</b>	<b>554,223</b>	<b>2.00</b>

## 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.

<b>FY16 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY15 Approved</b>	<b>14,630,750</b>	<b>20.70</b>
Increase Cost: Debt Service	879,600	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.	-332,159	2.50
<b>FY16 CE Recommended</b>	<b>15,178,191</b>	<b>23.20</b>

## BUDGET SUMMARY

	<b>Actual FY14</b>	<b>Budget FY15</b>	<b>Estimated FY15</b>	<b>Recommended FY16</b>	<b>% Chg Bud/Rec</b>
<b>LIQUOR CONTROL</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	20,328,439	20,985,210	20,976,074	22,147,818	5.5%
Employee Benefits	6,779,938	7,105,943	8,046,703	9,009,104	26.8%
<b>Liquor Control Personnel Costs</b>	<b>27,108,377</b>	<b>28,091,153</b>	<b>29,022,777</b>	<b>31,156,922</b>	<b>10.9%</b>
Operating Expenses	14,940,800	17,948,938	18,011,324	17,067,076	-4.9%
Debt Service Other	7,914,065	10,123,000	10,123,000	11,002,600	8.7%
Capital Outlay	0	105,650	0	105,650	—
<b>Liquor Control Expenditures</b>	<b>49,963,242</b>	<b>56,268,741</b>	<b>57,157,101</b>	<b>59,332,248</b>	<b>5.4%</b>
<b>PERSONNEL</b>					
Full-Time	254	255	255	294	15.3%
Part-Time	63	155	155	160	3.2%
FTEs	338.82	336.82	336.82	426.72	26.7%
<b>REVENUES</b>					
Bag Tax	7,520	0	0	0	—
Investment Income	5,756	680	7,730	30,060	4320.6%
Liquor Licenses	1,647,016	1,570,197	1,570,197	1,570,197	—
Liquor Sales	75,756,503	77,033,671	77,650,416	81,463,676	5.8%
Miscellaneous Revenues	71,407	0	0	0	—
Other Charges/Fees	19,756	8,740	8,740	8,740	—
Other Fines/Forfeitures	216,243	220,560	220,560	220,560	—
Other Licenses/Permits	80,600	156,000	156,000	156,000	—
<b>Liquor Control Revenues</b>	<b>77,804,801</b>	<b>78,989,848</b>	<b>79,613,643</b>	<b>83,449,233</b>	<b>5.6%</b>
<b>GRANT FUND MCG</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	3,357	0	0	0	—
Employee Benefits	888	0	0	0	—
<b>Grant Fund MCG Personnel Costs</b>	<b>4,245</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	2,994	0	0	0	—
Capital Outlay	0	0	0	0	—
<b>Grant Fund MCG Expenditures</b>	<b>7,239</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
<b>REVENUES</b>					
Federal Grants	6,600	0	0	0	—
<b>Grant Fund MCG Revenues</b>	<b>6,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>49,970,481</b>	<b>56,268,741</b>	<b>57,157,101</b>	<b>59,332,248</b>	<b>5.4%</b>
<b>Total Full-Time Positions</b>	<b>254</b>	<b>255</b>	<b>255</b>	<b>294</b>	<b>15.3%</b>
<b>Total Part-Time Positions</b>	<b>63</b>	<b>155</b>	<b>155</b>	<b>160</b>	<b>3.2%</b>
<b>Total FTEs</b>	<b>338.82</b>	<b>336.82</b>	<b>336.82</b>	<b>426.72</b>	<b>26.7%</b>
<b>Total Revenues</b>	<b>77,811,401</b>	<b>78,989,848</b>	<b>79,613,643</b>	<b>83,449,233</b>	<b>5.6%</b>

## FY16 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>LIQUOR CONTROL</b>		
<b>FY15 ORIGINAL APPROPRIATION</b>	<b>56,268,741</b>	<b>336.82</b>
<b><u>Changes (with service impacts)</u></b>		
Enhance: Three new retail stores (budget assumes stores open January 2016)	1,309,500	22.20
Add: Program Manager II position for Licensure, Regulation, and Education [Licensure, Regulation, and Education]	97,500	1.00
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: FY16 Compensation Adjustment	1,079,712	0.00
Increase Cost: Debt Service [Administration]	879,600	0.00
Increase Cost: Retiree Health Insurance Pre-funding Adjustment	637,390	0.00
Increase Cost: Annualization of FY15 Personnel Costs	597,899	49.70
Increase Cost: Chargeback from Department of Technology Services for ERP contractor expenses	542,000	0.00
Increase Cost: Annualization of FY15 Lapsed Positions	371,000	0.00
Increase Cost: Five truck drivers to improve warehouse operations and four positions to support the new Oracle ERP system	264,001	9.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	208,787	0.00
Increase Cost: staffing to convert Flower Avenue store from contractor to DLC operated [Retail Sales Operations]	166,355	8.00
Increase Cost: Retirement Adjustment	161,941	0.00
Increase Cost: Group Insurance Adjustment	124,111	0.00
Increase Cost: Solid Waster Services System Benefit Charge	6,656	0.00
Decrease Cost: Printing and Mail	-25,308	0.00
Decrease Cost: Motor Pool Rate Adjustment	-36,138	0.00
Decrease Cost: Risk Management Adjustment	-67,774	0.00
Decrease Cost: ERP - Warehouse System cost reductions [Warehouse Operations]	-180,000	0.00
Decrease Cost: Facilities services	-318,580	0.00
Decrease Cost: Reduction in Contractual Services	-332,373	0.00
Decrease Cost: Point of Sale System cost reduction [Retail Sales Operations]	-371,534	0.00
Decrease Cost: Reduction in professional computer services spending	-668,370	0.00
Decrease Cost: Increase Lapse	-673,750	0.00
Decrease Cost: Defer Store improvements	-709,118	0.00
<b>FY16 RECOMMENDED:</b>	<b>59,332,248</b>	<b>426.72</b>

## PROGRAM SUMMARY

Program Name	FY15 Approved		FY16 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Warehouse Operations	8,714,906	63.96	8,316,529	71.46
Delivery Operations	6,218,682	68.00	6,663,620	75.80
Retail Sales Operations	24,559,120	170.16	26,742,687	242.87
Licensure, Regulation, and Education	1,633,225	12.00	1,876,998	11.39
Office of the Director	512,058	2.00	554,223	2.00
Administration	14,630,750	20.70	15,178,191	23.20
<b>Total</b>	<b>56,268,741</b>	<b>336.82</b>	<b>59,332,248</b>	<b>426.72</b>

## FUTURE FISCAL IMPACTS

Title	CE REC. FY16	FY17	FY18	(\$000's) FY19	FY20	FY21
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>LIQUOR CONTROL</b>						
<b>Expenditures</b>						
<b>FY16 Recommended</b> No inflation or compensation change is included in outyear projections.	<b>59,332</b>	<b>59,332</b>	<b>59,332</b>	<b>59,332</b>	<b>59,332</b>	<b>59,332</b>
<b>Labor Contracts</b> These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.	<b>0</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>258</b>
<b>Point of Sale System (POS)</b> These figures represent cost savings realized from the POS System.	<b>0</b>	<b>-36</b>	<b>78</b>	<b>-84</b>	<b>-34</b>	<b>-34</b>
<b>Retail Store Leases</b> The leases for 25 retail stores based on CPI assumptions.	<b>0</b>	<b>215</b>	<b>437</b>	<b>665</b>	<b>900</b>	<b>900</b>
<b>Retiree Health Insurance Pre-funding</b> These figures represent the estimated cost of pre-funding retiree health insurance costs for the County's workforce.	<b>0</b>	<b>0</b>	<b>-73</b>	<b>-155</b>	<b>-198</b>	<b>-243</b>
<b>Subtotal Expenditures</b>	<b>59,332</b>	<b>59,770</b>	<b>60,032</b>	<b>60,017</b>	<b>60,259</b>	<b>60,213</b>

FY16-21 PUBLIC SERVICES PROGRAM: FISCAL PLAN			Liquor Control				
FISCAL PROJECTIONS	FY15 ESTIMATE	FY16 REC	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION	FY21 PROJECTION
<b>ASSUMPTIONS</b>							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	1.7%	2.0%	2.2%	2.3%	2.5%	2.8%	3.1%
Investment Income Yield	0.17%	0.65%	1.25%	1.75%	2.25%	2.75%	3.50%
<b>BEGINNING FUND BALANCE</b>	<b>7,903,057</b>	<b>2,568,683</b>	<b>2,116,008</b>	<b>4,116,008</b>	<b>4,116,008</b>	<b>4,116,008</b>	<b>4,116,008</b>
<b>REVENUES</b>							
Licenses & Permits	1,726,197	1,726,197	1,764,173	1,805,279	1,850,952	1,902,779	1,962,336
Charges For Services	8,740	8,740	8,932	9,140	9,372	9,634	9,936
Fines & Forfeitures	220,560	220,560	225,412	230,664	236,500	243,122	250,732
Miscellaneous	77,658,146	81,493,736	83,558,078	85,668,705	87,831,519	90,047,826	92,330,523
<b>Subtotal Revenues</b>	<b>79,613,643</b>	<b>83,449,233</b>	<b>85,556,596</b>	<b>87,713,788</b>	<b>89,928,343</b>	<b>92,203,361</b>	<b>94,553,526</b>
<b>INTERFUND TRANSFERS (Net Non-CIP)</b>	<b>(27,790,916)</b>	<b>(24,569,660)</b>	<b>(22,105,663)</b>	<b>(24,188,348)</b>	<b>(24,429,596)</b>	<b>(24,285,339)</b>	<b>(24,446,554)</b>
Transfers To The General Fund	(27,790,916)	(24,569,660)	(22,105,663)	(24,188,348)	(24,429,596)	(24,285,339)	(24,446,554)
Indirect Costs	(2,809,120)	(3,115,690)	(3,141,540)	(3,141,540)	(3,141,540)	(3,141,540)	(3,141,540)
Technology Modernization	(960,383)	0	0	0	0	0	0
Earnings Transfer	(24,021,413)	(21,453,970)	(18,964,123)	(21,046,808)	(21,288,056)	(21,143,799)	(21,305,014)
<b>TOTAL RESOURCES</b>	<b>59,725,784</b>	<b>61,448,256</b>	<b>65,566,941</b>	<b>67,641,448</b>	<b>69,614,755</b>	<b>72,034,030</b>	<b>74,222,980</b>
<b>PSP OPER. BUDGET APPROP/ EXPS.</b>							
Operating Budget	(46,818,501)	(48,329,648)	(50,013,718)	(51,825,888)	(53,811,838)	(56,023,728)	(58,516,068)
Debt Service: Other (Non-Tax Funds only)	(10,338,600)	(11,002,600)	(10,999,600)	(10,999,600)	(11,002,600)	(10,967,900)	(10,710,200)
Labor Agreement	n/a	0	(258,460)	(258,460)	(258,460)	(258,460)	(258,460)
FRI Retiree Health Insurance Pre-Funding	n/a	n/a	320	73,050	155,060	197,690	243,380
FRI POS	n/a	n/a	35,577	(77,988)	83,793	34,070	34,070
FRI Retail Store Leases	n/a	n/a	(215,052)	(436,554)	(664,702)	(899,694)	(899,694)
<b>Subtotal PSP Oper Budget Approp / Exp's</b>	<b>(57,157,101)</b>	<b>(59,332,248)</b>	<b>(61,450,933)</b>	<b>(63,525,440)</b>	<b>(65,498,747)</b>	<b>(67,918,022)</b>	<b>(70,106,972)</b>
<b>TOTAL USE OF RESOURCES</b>	<b>(57,157,101)</b>	<b>(59,332,248)</b>	<b>(61,450,933)</b>	<b>(63,525,440)</b>	<b>(65,498,747)</b>	<b>(67,918,022)</b>	<b>(70,106,972)</b>
<b>YEAR END FUND BALANCE</b>	<b>2,568,683</b>	<b>2,116,008</b>	<b>4,116,008</b>	<b>4,116,008</b>	<b>4,116,008</b>	<b>4,116,008</b>	<b>4,116,008</b>
<b>END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES</b>	<b>4.3%</b>	<b>3.4%</b>	<b>6.3%</b>	<b>6.1%</b>	<b>5.9%</b>	<b>5.7%</b>	<b>5.5%</b>
<b>Assumptions:</b> 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 2.5% per year.							