

# 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 FY09 Operating Budget for the Department of Liquor Control is \$39,228,000, an increase of \$282,380 or 0.7 percent from the FY08 Approved Budget of \$38,945,620. Personnel Costs comprise 63.2 percent of the budget for 264 full-time positions and 60 part-time positions for 343.8 workyears. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 36.8 percent of the FY09 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:

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

## PERFORMANCE MEASURES

This table presents the department's performance data estimates and projections from FY08 through FY10 if there are no changes in funding.

Measure	Actual FY06	Actual FY07	Estimated FY08	Approved FY09	Projected FY10
Number of annual alcohol compliance checks	327	393	600	600	600
Percentage of compliance checks that are failed	13	13	11	12	12
Sales per retail associate (\$ thousands)	560	600	630	660	660
Retail sales as percentage of total sales	43	44	45	46	46
Percentage of wholesale customer satisfaction <sup>1</sup>	84	84	84	84	84
Percentage of retail customer satisfaction <sup>2</sup>	97	97	97	97	97
Percentage of gross profit margin on sales	27.2	27.5	28	28	28
Percentage of annual sales growth	7.5	5.5	5	5	5

<sup>1</sup>Rated satisfied and above

<sup>2</sup>Rated satisfied and above

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Achieved a high level of customer satisfaction in the retail and warehouse delivery operations accompanied with competitive prices led the Department to achieve its highest annual sales of \$201.7 million, an increase of 5.43%, which exceeded the target of 5%.*

- ❖ **Achieved a 97% satisfaction result in the retail customer survey and an 84% satisfaction result in wholesale operations from targeted training and promoting clearly defined expectations.**
- ❖ **Transfer \$30,410,060 to the General Fund in FY09.**
- ❖ **The Department authors an ongoing, monthly, online newsletter e-mailed countywide to PTAs and interested parents on youth alcohol prevention and local activities. Participants can also e-mail alcohol-related questions.**
- ❖ **Productivity Improvements**
  - **The Division of Licensure, Regulation and Education received grants for \$44,500 from multiple sources, which funded initiatives resulting in server training that yielded an average of 29% increase in knowledge; 94% of all establishments in Wheaton/Long Branch signed a code of conduct pledging to abide by all alcohol laws; 10 Cops in Shops details were held in various locations to assist business owners in combating over-service and underage sales; and a monthly ALERT training has been developed and implemented to assist licensees in understanding responsible sales and service.**
  - **The Department has re-engineered a number of processes to increase efficiency such as performing inventory counts within 24 hours vs. 72 hours; automating the verification of gallons purchased for excise tax collections, automating the production of a number of reports to save time and increase morale; automated process on the web to assist vendors and customers.**

## 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 14,000 different stock and special order items.

#### FY09 Changes

	Expenditures	WYs
<b>FY08 Approved</b>	<b>7,209,500</b>	<b>67.5</b>
Increase Cost: Southlawn Warehouse Lease	254,960	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	43,750	-1.1
<b>FY09 Approved</b>	<b>7,508,210</b>	<b>66.4</b>

### Delivery Operations

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

#### FY09 Changes

	Expenditures	WYs
<b>FY08 Approved</b>	<b>5,583,780</b>	<b>75.7</b>
Decrease Cost: Elimination of One-Time Items Approved in FY08 (One Delivery Truck)	-75,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	313,540	-0.4
<b>FY09 Approved</b>	<b>5,822,320</b>	<b>75.3</b>

### Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (24 County-staffed and operated and one contractor-operated) located throughout Montgomery County.

### **FY09 Changes**

	<b>Expenditures</b>	<b>WYs</b>
<b>FY08 Approved</b>	<b>16,176,180</b>	<b>151.4</b>
Increase Cost: Retail Store Leases	255,020	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	1,073,060	0.5
<b>FY09 Approved</b>	<b>17,504,260</b>	<b>151.9</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.

### **FY09 Changes**

	<b>Expenditures</b>	<b>WYs</b>
<b>FY08 Approved</b>	<b>190,650</b>	<b>0.0</b>
<b>FY09 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.

### **FY09 Changes**

	<b>Expenditures</b>	<b>WYs</b>
<b>FY08 Approved</b>	<b>2,317,780</b>	<b>20.1</b>
Increase Cost: Printing and Mail Adjustments	17,590	0.0
Increase Cost: Central Duplicating Deficit Recovery Charge	3,870	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	640,050	3.5
<b>FY09 Approved</b>	<b>2,979,290</b>	<b>23.6</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 personal computer applications.

### **FY09 Changes**

	<b>Expenditures</b>	<b>WYs</b>
<b>FY08 Approved</b>	<b>1,819,060</b>	<b>9.1</b>
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	69,800	0.0
<b>FY09 Approved</b>	<b>1,888,860</b>	<b>9.1</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.

**FY09 Changes**

	Expenditures	WYs
<b>FY08 Approved</b>	<b>1,584,660</b>	<b>14.3</b>
Decrease Cost: Charges from County Attorney	-58,630	-0.3
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	66,440	1.0
<b>FY09 Approved</b>	<b>1,592,470</b>	<b>15.0</b>

**Administration**

This program provides overall direction, administration, and supervision for the department.

**FY09 Changes**

	Expenditures	WYs
<b>FY08 Approved</b>	<b>4,064,010</b>	<b>2.5</b>
Decrease Cost: State Transportation Participation - Debt Service Other	-2,300,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-22,070	0.0
<b>FY09 Approved</b>	<b>1,741,940</b>	<b>2.5</b>

# BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Approved FY09	% Chg Bud/App
<b>LIQUOR CONTROL</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	15,405,860	17,185,330	17,690,800	18,319,530	6.6%
Employee Benefits	5,034,571	5,944,570	5,686,680	6,469,190	8.8%
<b>Liquor Control Personnel Costs</b>	<b>20,440,431</b>	<b>23,129,900</b>	<b>23,377,480</b>	<b>24,788,720</b>	<b>7.2%</b>
Operating Expenses	13,311,246	11,551,120	10,370,910	12,549,680	8.6%
Debt Service Other	770,416	2,800,000	200,000	500,000	-82.1%
Capital Outlay	1,866,717	1,464,600	1,347,230	1,389,600	-5.1%
<b>Liquor Control Expenditures</b>	<b>36,388,810</b>	<b>38,945,620</b>	<b>35,295,620</b>	<b>39,228,000</b>	<b>0.7%</b>
<b>PERSONNEL</b>					
Full-Time	252	260	260	264	1.5%
Part-Time	60	60	60	60	—
Workyears	329.8	340.6	340.6	343.8	0.9%
<b>REVENUES</b>					
Liquor Licenses	0	1,300,000	1,350,000	1,350,000	3.8%
Miscellaneous/Investment Income	534,036	66,000	100,000	100,000	51.5%
Operating Revenue	56,469,911	57,168,700	58,713,110	61,501,980	7.6%
Liquor License Application Fees	0	153,000	160,000	160,000	4.6%
Liquor Enforcement Fines	0	200,000	150,000	150,000	-25.0%
Tobacco Enforcement Fines	0	20,000	20,000	20,000	—
Publication Sales - Alcohol Regulation	0	900	0	0	—
Fingerprint Processing Fee	0	9,000	8,500	8,500	-5.6%
<b>Liquor Control Revenues</b>	<b>57,003,947</b>	<b>58,917,600</b>	<b>60,501,610</b>	<b>63,290,480</b>	<b>7.4%</b>
<b>GRANT FUND MCG</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	16,880	0	—
Employee Benefits	0	0	1,230	0	—
<b>Grant Fund MCG Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>18,110</b>	<b>0</b>	<b>—</b>
Operating Expenses	5,854	0	19,390	0	—
Capital Outlay	0	0	0	0	—
<b>Grant Fund MCG Expenditures</b>	<b>5,854</b>	<b>0</b>	<b>37,500</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>					
NABCA	0	0	10,000	0	—
Latino Server Training Initiative Grant	5,854	0	27,500	0	—
<b>Grant Fund MCG Revenues</b>	<b>5,854</b>	<b>0</b>	<b>37,500</b>	<b>0</b>	<b>—</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>36,394,664</b>	<b>38,945,620</b>	<b>35,333,120</b>	<b>39,228,000</b>	<b>0.7%</b>
<b>Total Full-Time Positions</b>	<b>252</b>	<b>260</b>	<b>260</b>	<b>264</b>	<b>1.5%</b>
<b>Total Part-Time Positions</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>—</b>
<b>Total Workyears</b>	<b>329.8</b>	<b>340.6</b>	<b>340.6</b>	<b>343.8</b>	<b>0.9%</b>
<b>Total Revenues</b>	<b>57,009,801</b>	<b>58,917,600</b>	<b>60,539,110</b>	<b>63,290,480</b>	<b>7.4%</b>

## FY09 APPROVED CHANGES

	Expenditures	WYs
<b>LIQUOR CONTROL</b>		
<b>FY08 ORIGINAL APPROPRIATION</b>	<b>38,945,620</b>	<b>340.6</b>
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: General Wage and Service Increment Adjustments	1,079,910	0.0
Increase Cost: Additional cost to pre-fund retiree health insurance on the multi-year schedule	438,410	0.0
Increase Cost: Group Insurance Adjustment	358,730	0.0
Increase Cost: Retail Store Leases [Retail Sales Operations]	255,020	0.0
Increase Cost: Southlawn Warehouse Lease [Warehouse Operations]	254,960	0.0
Increase Cost: Retirement Adjustment	131,590	0.0
Increase Cost: Annualization of FY08 Personnel Costs	118,580	3.5
Increase Cost: Motor Pool Rate Adjustment	63,460	0.0
Increase Cost: Occupational Medical Services (OMS) Adjustment	19,140	0.0
Increase Cost: MLS Adjustment	17,750	0.0
Increase Cost: Printing and Mail Adjustments [Accounting and Inventory Systems]	17,590	0.0
Increase Cost: Labor Contracts - Other	10,890	0.0
Increase Cost: Central Duplicating Deficit Recovery Charge [Accounting and Inventory Systems]	3,870	0.0
Decrease Cost: System Benefit Charge	-12,110	0.0
Decrease Cost: Risk Management Adjustment	-41,780	0.0
Decrease Cost: Charges from County Attorney [Licensure, Regulation, and Education]	-58,630	-0.3
Decrease Cost: Elimination of One-Time Items Approved in FY08 (One Delivery Truck) [Delivery Operations]	-75,000	0.0
Decrease Cost: State Transportation Participation - Debt Service Other [Administration]	-2,300,000	0.0
<b>FY09 APPROVED:</b>	<b>39,228,000</b>	<b>343.8</b>

## PROGRAM SUMMARY

	FY08 Approved		FY09 Approved	
	Expenditures	WYs	Expenditures	WYs
Warehouse Operations	7,209,500	67.5	7,508,210	66.4
Delivery Operations	5,583,780	75.7	5,822,320	75.3
Retail Sales Operations	16,176,180	151.4	17,504,260	151.9
Retail Contracted Operations	190,650	0.0	190,650	0.0
Accounting and Inventory Systems	2,317,780	20.1	2,979,290	23.6
Information Management	1,819,060	9.1	1,888,860	9.1
Licensure, Regulation, and Education	1,584,660	14.3	1,592,470	15.0
Administration	4,064,010	2.5	1,741,940	2.5
<b>Totals</b>	<b>38,945,620</b>	<b>340.6</b>	<b>39,228,000</b>	<b>343.8</b>

## CHARGES TO OTHER DEPARTMENTS

Recipient Department	Recipient Fund	FY08		FY09	
		Total\$	WYs	Total\$	WYs
<b>LIQUOR CONTROL</b>					
Health and Human Services	Grant Fund - MCG	67,150	1.0	72,130	1.0