LIQUOR CONTROL[a]

PROGRAM:
Licensing and Regulatory Enforcement

PROGRAM ELEMENT:
Alcoholic Beverage Sales to Minors

PROGRAM MISSION:
To reduce and ultimately eliminate alcohol sales to minors

COMMUNITY OUTCOMES SUPPORTED:
- Young people making smart choices
- Respect for the law
- Healthy children and adults

PROGRAM MEASURES	FY03 ACTUAL	FY04 ACTUAL	FY05 ACTUAL	FY06 BUDGET	FY07 CE REC
Outcomes/Results:					
Percentage of alcoholic beverage-licensed facilities tested that sold to minors	6.3	5.2	4.9	4.5	4.5
Percentage of non-licensed beverage facilities (DLC dispensaries) tested that sold to minors[b]	6.5	0.0	0.0	0.0	0.0
Number of sales to minors violations in licensed facilities	20	16	15	14	14
Number of sales to minors violations in non-licensed (DLC) facilities	2	0	0	0	0
Service Quality:					
Percentage of licensed facilities tested at least once per year	37	35	33	36	34
Percentage of non-licensed facilities (DLC dispensaries) tested at least once per year	100	100	100	100	100
Efficiency:					
Average cost per inspection ($)	95	119	123	128	137
Workload/Outputs:					
Number of licensed facilities tested	318	308	302	313	310
Number of tests of non-licensed facilities (DLC dispensaries)	31	30	32	30	30
Inputs:					
Expenditures ($)	32,990	[d]40,310	41,255	[e]44,074	46,579
Workyears[c]	1.4	[d]1.5	1.5	1.5	1.5

Notes:

[a]Beginning in FY07, the Office of the Board of Liquor License Commissioners and all applicable programs will become part of the Department of Liquor Control (DLC) within the new Division of Licensing and Regulatory Enforcement.

[b]DLC dispensaries consist of the 25 retail liquor stores operated by the Department of Liquor Control.

[c]Since FY01, full-time, under 21, minimum wage employees (Government Aides) from the Board of Liquor License Commissioners have been used for alcohol compliance checks (the availability of under 21 *volunteers* has been significantly reduced in recent years).

[d]A part-time 0.4 workyear temporary Alcohol Enforcement Specialist position was re-classified as a 0.5 workyear permanent position.

[e]In order to increase retention, the hourly rate for the Government Aides was increased from $5.35 per hour (minimum wage) to $7.57 per hour in FY06.

EXPLANATION:

The Division of Licensing and Regulatory Enforcement (formerly the Office of the Board of Liquor License Commissioners) has implemented an aggressive enforcement effort to decrease violations related to the sale of alcoholic beverages to minors, using compliance checks by under-age testers. Facilities licensed for alcoholic beverages are tested by sending in under-age testers who attempt to purchase such beverages. The initial violation rate for the first year of these tests (FY92) was 36 percent. Compliance checks with under-age testers have continued on a weekly or monthly basis since that time. The FY05 violation rate was 4.9 percent, and it has been as low as 2 percent (in FY97).

Montgomery County's violation rate is currently one of the lowest in the country (any violation rate less than 10 percent is considered outstanding). The substantial decrease in licensed facilities selling alcoholic beverages to minors can be attributed to continuous monitoring of these facilities. Licensees are aware that compliance checks by under-age testers are conducted on a weekly and/or monthly basis. Equally important are the stiff penalties assessed to licensees. First-time violators are fined $1,000. Repeat violators have been fined up to $20,000, issued a six-month license suspension, or have had their alcoholic beverage license revoked. All fines, suspensions, and revocations are reported monthly in the *Washington Post* and in the Department of Liquor Control newsletter, which is issued to all alcoholic beverage licensed facilities. Licensees are also made aware of this enforcement effort through press reports, notification letters from the Division of Licensing and Regulatory Enforcement, and word of mouth.

In FY93, the Program began to regularly monitor Department of Liquor Control dispensary stores ("County liquor stores") for sales-to-minors violations. The FY05 sales-to-minors violation rate for the dispensary stores tested was a perfect 0 percent - no violations were found.

PROGRAM PARTNERS IN SUPPORT OF OUTCOMES: County Attorney's Office; under-21 employees.

MAJOR RELATED PLANS AND GUIDELINES: Article 2B of the Annotated Code of Maryland (Alcoholic Beverages and Tobacco Tax Laws); Montgomery County Code, Appendix D (Rules and Regulations of the Board of Liquor License Commissioners); Board of Liquor License Commissioners Policy and Procedure 1-4, "Use of Underage Volunteers;" DLC Policy and Procedure #4-22, "Sales to Minors and Intoxicated Patrons."

LIQUOR CONTROL[a]

PROGRAM:
Licensing and Regulatory Enforcement

PROGRAM ELEMENT:
Tobacco Enforcement

PROGRAM MISSION:
To inspect and investigate facilities licensed by the State to sell tobacco products in Montgomery County in order to ensure compliance with Montgomery County's Distribution of Tobacco Products to Minors law

COMMUNITY OUTCOMES SUPPORTED:
- Young people making smart choices
- Respect for the law
- Healthy children and adults

PROGRAM MEASURES	FY03 ACTUAL	FY04 ACTUAL	FY05 ACTUAL	FY06 BUDGET	FY07 CE REC
Outcomes/Results:					
Percentage of compliance checks in which retail facilities licensed to sell cigarettes were found to be distributing tobacco products to minors	5.9	4.6	5.7	5	5
Number of compliance checks in which retail facilities were found to be distributing tobacco products to minors	[c]32	[e]24	61	100	100
Service Quality:					
Percentage of facilities that are inspected two times per year	[c]20	0	42	100	100
Efficiency:					
Cost per facility monitored ($)	130	[e]79	155	166	149
Average cost per compliance check ($)	[c]130	[e]79	109	66	60
Workload/Outputs:					
Number of licensed facilities	780	760	750	800	800
Number of compliance checks conducted	[c]538	[e]521	[f]1,067	[f]2,000	2,000
Number of citations issued[b]	[c]57	[e]45	119	[f]190	190
Inputs:					
Expenditures ($)	[d]70,143	[e]41,000	121,675	[g]132,400	119,440
Workyears	[d]1.5	[e]1.5	2.5	2.5	2.5

Notes:

[a]Beginning in FY07, the Office of the Board of Liquor License Commissioners and all applicable programs will become part of the Department of Liquor Control (DLC) within the Division of Licensing and Regulatory Enforcement.

[b]Two citations are usually issued in connection with a tobacco violation: one to the clerk and one to the cigarette licensee.

[c]The Tobacco Enforcement Specialist was on sick leave for over five months in FY03, which adversely affected performance.

[d]The budgeted workyears were not fully utilized because the Tobacco Enforcement Specialist was out on sick leave.

[e]The Tobacco Enforcement Specialist assigned to this program did not return to work in FY04 and retired at the end of the fiscal year. Part-time enforcement specialists were assigned to this program beginning in January, 2004.

[f]The Tobacco Enforcement Specialist assigned to this program returned from active duty in Iraq in March, 2005. Full staffing is anticipated for FY06.

[g]The Tobacco Enforcement Specialist assigned to this program will be promoted to a Specialist II in February, 2006. In order to increase retention, the hourly rate for the Government Aides was increased from $5.35 per hour (minimum wage) to $7.57 per hour in FY06.

EXPLANATION:

The Division of Licensing and Regulatory Enforcement (formerly the Office of the Board of Liquor License Commissioners or BLC) has been charged by the County Executive with developing and implementing an enforcement methodology to identify and cite facilities that violate Montgomery County Code 24-9C (Distribution of Tobacco Products to Minors), which took effect at the beginning of FY99. "Compliance checks" are conducted to ensure that tobacco products are not distributed to minors. These checks entail having a Government Aide who is under 18 years old attempt to purchase a tobacco product from facilities licensed to sell them. The Government Aide goes into the facility, asks for the tobacco product, places the money on the counter, and then awaits the outcome. If the tobacco product is placed on the counter, the sale is rung up, and change is given, the Government Aide picks up the tobacco product and change from the counter and leaves the facility. Tobacco enforcement specialists from the Licensing and Regulatory Enforcement Program then enter the facility, identify their presence, and issue a $500 civil citation to both the clerk and the retail cigarette license holder. For second and subsequent offenses, $750 citations are issued. The tobacco products are marked as evidence and maintained by the Licensing and Regulatory Enforcement Program for District Court cases.

Of the 750 facilities licensed to sell tobacco products in Montgomery County, 317 were checked twice in FY05 (all facilities were checked at least once). Since enforcement began in FY99, the number of retail cigarette licensed facilities operating in Montgomery County has decreased approximately ten percent (from 842 down to 750 licensed facilities). The large fines issued for violations ($500 - $750) may be one reason that many retailers are choosing not to sell cigarettes.

Montgomery County is one of the only counties in the State of Maryland that operates a full-time, year-round tobacco enforcement program. With an FY05 compliance rate of 94 percent and similar or better compliance rates expected for FY06 and FY07, Montgomery County continues to be a national leader in preventing the distribution of tobacco products to minors.

PROGRAM PARTNERS IN SUPPORT OF OUTCOMES: County Attorney's Office.

MAJOR RELATED PLANS AND GUIDELINES: Montgomery County Code 24-9C, Distribution of Tobacco Products to Minors; Board of Liquor License Commissioners Policy and Procedure #1-10, Use of Under 18 Tobacco Enforcement Employees.

LIQUOR CONTROL

PROGRAM:
Retail Operations

PROGRAM ELEMENT:

PROGRAM MISSION:

To provide efficient, customer-friendly retail stores that compete successfully with stores in surrounding jurisdictions both in price and selection; that comply with all laws; and that return a reasonable transfer to the General Fund

COMMUNITY OUTCOMES SUPPORTED:

- Provide high quality, high value service to customers
- Foster respect for all County, State, and Federal laws
- Provide a reasonable transfer to the General Fund to assist in supporting other County services

PROGRAM MEASURES	FY03 ACTUAL	FY04 ACTUAL	FY05 ACTUAL	FY06 BUDGET	FY07 CE REC
Outcomes/Results:					
Gross profit ($000)	20,960	22,671	24,241	24,318	26,325
Net income ($000)[a]	7,801	8,519	9,254	8,337	8,430
General Fund transfer ($000)[b]	6,963	6,984	6,971	6,984	6,970
Service Quality:					
Board of Liquor License Commissioners inspection violations	2	0	0	0	0
Montgomery County Police Department inspection violations	0	0	0	0	0
Percentage of customers satisfied with customer service offered[c]	96	96	100	100	100
Percentage of customers satisfied with facility and design[c]	94	94	100	100	100
Percentage of customers satisfied with product selection[c]	89	93	100	100	100
Percentage of customers satisfied with product pricing[c]	87	92	100	100	100
Efficiency:					
Gross profit per dollar of labor costs ($)	3.37	3.39	3.15	2.88	2.73
Sales per dollar of gross profit ($)	3.13	3.13	3.08	3.20	3.11
Sales per dollar of net income ($)	8.40	8.34	8.07	9.35	9.73
Sales per dollar of operating expenses (less depreciation) ($)	5.05	5.08	4.85	4.35	4.31
Workload/Outputs:					
Sales ($000)	65,512	71,024	74,723	77,910	81,997
Cases transferred in (000)[d]	734	772	808	820	863
Inputs:					
Operating expenses excluding depreciation ($000)	12,962	13,990	15,415	17,929	19,008
Labor costs including salaries and benefits ($000)	6,223	6,691	7,696	8,432	9,655
Workyears	120.0	125.1	125.1	149.6	153.9

Notes:

[a]Based on Generally Accepted Accounting Principles (GAAP): revenues are recorded when earned; expenses are recorded when liabilities are incurred; capital outlay is excluded; depreciation is included.

[b]Estimate of total transfer attributed to retail operations.

[c]In the fall, postage-paid surveys are placed in customers' bags at checkout. Each store receives about 1,500 surveys to be distributed. In 2003, 888 surveys were returned from the 24 stores; in 2004, 795 were returned. The FY06 surveys were distributed in the Fall of 2005.

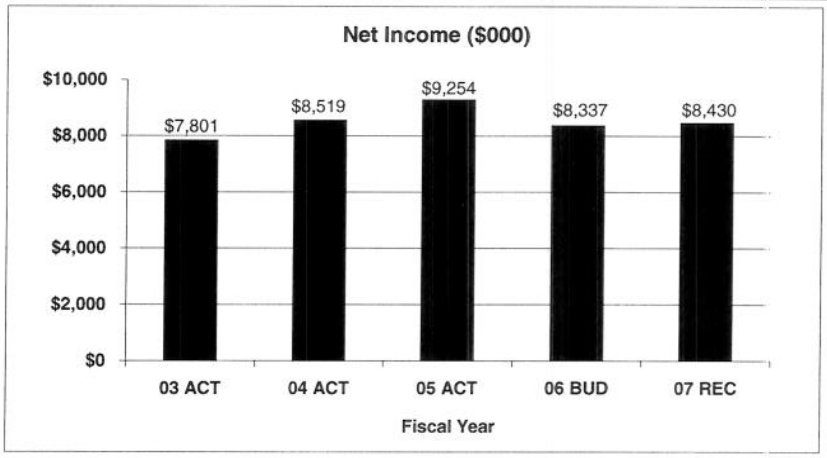
[d]This is the number of cases transferred to Department of Liquor Control liquor stores to be sold.

EXPLANATION:

Retail Operations consists of contractor and County-managed stores, plus a pro-rata share of other Department of Liquor Control functions (Office of the Director, Community Outreach, Finance, and IT).

In March, 2004, the County added a new retail store, making the total 25. In January, 2005, the Pike store reverted to County management, and in March, 2005, the Muddy Branch store reverted to County management. Currently, only one store is contractor-managed.

While gross profit has been increasing steadily, net income is projected to decline in FY06 when the Department of Liquor Control undertakes new investments for computer upgrades.



PROGRAM PARTNERS IN SUPPORT OF OUTCOMES: Finance Department.

MAJOR RELATED PLANS AND GUIDELINES: Federal, State, and County laws; Generally Accepted Accounting Principles.

LIQUOR CONTROL

PROGRAM:
Wholesale Operations

PROGRAM ELEMENT:

PROGRAM MISSION:
To ensure the availability and delivery of beer, wine, and other beverage alcohol to wholesale licensees and retail stores at reasonable prices, in good condition, and in a manner that complies with all laws and returns a reasonable transfer to the General Fund

COMMUNITY OUTCOMES SUPPORTED:
- Provide high quality, high value service to customers
- Foster respect for all County, State, and Federal laws
- Provide a reasonable transfer to the General Fund to assist in supporting other County services

PROGRAM MEASURES	FY03 ACTUAL	FY04 ACTUAL	FY05 ACTUAL	FY06 BUDGET	FY07 CE REC
Outcomes/Results:					
Gross profit ($000)	23,987	25,694	28,458	28,549	30,905
Net income ($000)[a]	13,535	14,909	16,452	16,185	14,984
General Fund transfer ($000)[b]	12,115	13,517	13,532	13,517	13,530
Service Quality:[c]					
Percentage of customers satisfied with employees' friendliness and professionalism	84	93	88	100	100
Percentage of customers satisfied with level of customer service provided	79	74	80	100	100
Percentage of customers satisfied with product integrity[d]	86	84	87	100	100
Percentage of customers satisfied with product selection	80	80	82	100	100
Efficiency:					
Gross profit per dollar of labor costs ($)	2.67	2.72	2.91	2.63	2.62
Sales per dollar of gross profit ($)	3.82	3.78	3.63	3.77	3.66
Sales per dollar of net income ($)	6.76	6.52	6.27	6.65	7.56
Sales per dollar of operating expense (less depreciation) ($)	9.20	9.37	8.87	7.95	7.90
Workload/Outputs:					
Sales ($000)	91,527	97,148	103,188	107,590	113,233
Cases sold (000)	3,891	4,026	4,026	5,340	5,661
Inputs:					
Operating expenses excluding depreciation ($000)[e]	9,950	10,368	11,628	13,525	14,340
Labor costs including salary and benefits ($000)	8,976	9,433	9,796	10,847	11,801
Workyears	166.0	167.1	168.1	171.6	175.9

Notes:

[a]Based on Generally Accepted Accounting Principles (GAAP): revenues are recorded when earned; expenses are recorded when liabilities are incurred capital outlay is excluded; depreciation is included.

[b]Estimate of earnings transfer attributed to wholesale operations.

[c]Surveys are mailed to all wholesale customers every fall to gauge satisfaction in the four key areas shown. About 850 are mailed out each year (the number depends on the number of active licensees), and the number of responses has ranged from 242 (in 2001) to 78 (in 2003). For the 2005 survey, the department received 84 responses.

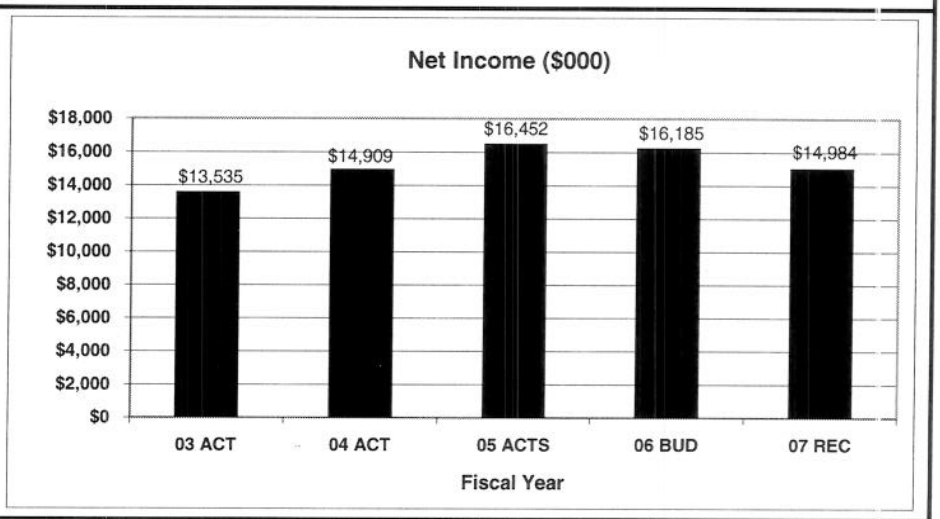
[d]"Product integrity" encompasses a number of characteristics that affect the saleability of the product when it arrives at the customer's establishment - cleanliness, damage, within-code date, etc.

[e]Operating expenses include the night loading contract.

EXPLANATION:

Wholesale Operations consists of Warehouse Operations and Delivery Operations, plus a pro-rata share of other Department of Liquor Control functions (Office of the Director, Community Outreach, Finance, and IT). The Warehouse Operations portion involves management of the warehouse facility and includes receipt, storage, and loading of distilled spirits, wine, and beer. Delivery Operations includes the distribution of distilled spirits, wine, and beer to approximately 870 private retailers and 25 County stores. (The 25th store was opened in March, 2004.)

While gross profit has been increasing steadily, net income is projected to decline in FY06 and FY07 when the Department of Liquor Control undertakes new investments for computer upgrades and physical improvements to the warehouse.



PROGRAM PARTNERS IN SUPPORT OF OUTCOMES: Finance Department.

MAJOR RELATED PLANS AND GUIDELINES: Federal, State, and County laws; Generally Accepted Accounting Principles.