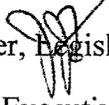


**MEMORANDUM**

TO: Public Safety Committee

FROM: Justina J. Ferber,  Legislative Analyst

SUBJECT: Worksession - Executive's FY15 Recommended Operating Budget  
**Department of Liquor Control (including the Board of License Commissioners)**

Those expected for this worksession:

- George Griffin, Director, Department of Liquor Control (DLC)
- Sunil Pandya, Chief of Administration, DLC
- Kathie Durbin, Chief of Licensure, Regulation and Education, DLC
- Gus Montes de Oca, Chief of Operations, DLC
- Dennis Hetman, Management and Budget Specialist, OMB

The Executive's Recommended FY15 Operating Budget for the Department of Liquor Control (DLC) is on ©1.

For FY15 the Executive recommends total expenditures of \$56,268,741 for the Department of Liquor Control, a 1.7% increase over the FY14 approved budget of \$55,324,556. An earnings transfer of \$24,021,413 is budgeted for FY15 with \$10,123,000 budgeted for debt service for transportation projects.

**Overview**

	FY12 Actual	FY 13 Actual	FY14 Budget	Rec FY15	% Change
<b>Liquor Fund Expend \$</b>	46,100,457	48,172,559	55,324,556	56,268,741	1.7%
<b>Revenues \$</b>	74,815,413	76,961,750	76,053,975	78,989,848	3.9%
<b>Earnings Transfer \$</b>	25,066,800	22,297,140	20,891,294	27,165,916	30.03%
<b>after chargebacks/costs</b>	22,411,610	19,400,000	18,085,880	24,021,413	32.80%
<b>Debt Service \$</b>	5,075,937	5,025,176	11,162,400	10,123,000	-9.30%
<b>Positions - FTEs</b>	323	324	339	337	0.60%
<b>Full-time</b>	245	246	254	255	0.4%
<b>Part-time</b>	57	55	63	155	146.0%
<b>TOTAL Positions</b>	324	301	317	310	-2.3%

The earnings fund transfer for FY15 is budgeted at \$27,165,916 before chargebacks. The transfer after chargebacks and costs is \$24,021,413.

Accomplishments and initiatives for DLC are listed in the budget on ©6.

**FY15 Budget Adjustments**

<b>Adjustments with no Service Impacts</b>	<b>FTEs</b>	<b>Cost</b>
Convert 95 Temporary Employees to Merit Positions	0	\$1,744,678
FY15 Compensation Adjustment	0	\$1,119,935
Point of Sale System	0	\$484,022
Increase cost of Retail Store Leases	0	\$196,140
Group Insurance Adjustment	0	\$59,850
Retirement Adjustment	0	\$55,179
Preparation of Annual Financial Statements		\$39,300
Motor Pool Rate Adjustment	0	\$15,795
Printing and Mail Adjustment	0	\$10,538
Risk Management Adjustment - Decrease	0	-\$77,232
ERP Warehouse System Personnel Costs -Decrease		-\$183,000
Eliminate FY15 One-time items	0	-\$425,000
Debt Service - Decrease	0	-\$1,039,400
Retiree Health Insurance pre-funding adjustment	0	-\$1,056,620

**95 Retail and Warehouse Employees Converted to Merit System Status**

Ninety-five temporary DLC employees were converted to Merit System status as a result of negotiations with MCGEO. These employees met the County Code definition of Merit System Employee: “All persons who are employed by the county in full-time or part-time year-round permanent career positions in any department/office/agency of the executive and legislative branches of the county government or in any other position specifically so designated by law.” Most of the positions that were converted were retail clerks and warehouse workers.

**Executive’s Working Capital Plan**

The County Executive invites the Council’s input for final County Executive decisions on the determination of adequate working capital within and use of resources in the Liquor Control Fund and net proceeds to be deposited to the General Fund. The DLC Working Capital Plan is the Executive’s Recommended Operating Budget for DLC.

The Attorney General has written an opinion that states policy decisions of the DLC Director are subject to exclusive authority of the County Executive. The DLC is subject to the same requirements and procedures as applicable under County law to any other County department except to the extent that ordinary County requirements or procedures would be inconsistent with the General Assembly’s own decisions about DLC. Under state law, the DLC Director and the Finance Director -- with approval of the County Executive -- are authorized to determine the portion of DLC’s “net profits” that are needed for working capital, after payment of debt service.

**Debt Service**

The Fiscal Plan at ©7 establishes debt service for FY15 at \$10,123,000. Debt service is related to County transportation projects.

**Annual Report**

A copy of the Department of Liquor Control Annual Report for 2013 is attached at ©8. The report shows sales for FY04 to FY13 by division, general fund transfers over the last 10 years, and spotlights the Licensure, Regulation and Education Division.

**CountyStat**

CountyStat continues to work with DLC on the following issues: overtime, leave use, sales rates, licensee compliance, customer satisfactions, risk management and other issues. The following charts from CountyStat DLC Performance Review of February 19, 2014, are included in the packet:

- Follow-Up Items (one is leasing options in lieu of purchasing delivery fleet) ©25
- Percentage of Licenses that Fail Compliance Checks ©26
- Number of Annual Alcohol Compliance Checks for Sales to Minors ©27
- Comparative Store Sales FY11 to FY13 ©28
- Retail Customer Satisfaction Survey Results FY13 ©30
- Retail Customer Overall Satisfaction Rating by Store 2011 to 2013 ©31
- Wholesale Customer Satisfaction Survey Results ©32

**FY15 EXPENDITURE ISSUES BY PROGRAM**

**A. Warehouse Operations, ©2-3**

<b>Warehouse Operations</b>	
<b>FY14 Expenditures \$7,918,151</b>	<b>FY14 68.02 FTEs</b>
<b>FY15 Expenditures \$8,714,906</b>	<b>FY15 63.96 FTEs</b>
\$796,755; -4.06 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

**Description:** Management of the County's liquor warehouse including purchase, receipt and storage of over 20,000 different stock items and special orders by customers.

**FY15 Discussion:** DLC completed its move to the new warehouse at Edison Park.

**B. Delivery Operations, ©3**

<b>Delivery Operations</b>	
<b>FY14 Expenditures \$7,054,500</b>	<b>FY14 68.0 FTEs</b>
<b>FY15 Expenditures \$6,218,682</b>	<b>FY15 68.0 FTEs</b>
-\$835,818; 0.0 FTEs	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

**Description:** Distribution of distilled spirits, wine and beer to licensees and County stores.

**FY15 Discussion:** DLC completed an RFP to contract with a PFM (Public Financial Management) to update its strategic business plan. As you will recall, this issue was discussed

by the Committee in FY14 budget deliberations with DLC. Several RFP solicitations were conducted by the Office of Procurement before a contract with PFM was awarded. This caused a delay. The study will include an analysis of lease vs. purchase of the delivery trucks and recommendations for management of the fleet. It should be available for the new fiscal year and FY16 budget recommendations.

The Alcoholic Beverages Advisory Board wrote a letter to the County Executive urging improvements to the DLC truck delivery fleet (see ©33). The Committee should discuss with the DLC Director plans for remedying defects in delivery trucks while waiting for the PFM report. The Committee may also want to discuss the elements of the PFM contract and request a PS Committee meeting this fall to be briefed on the PFM report.

**C. Retail Sales Operations, ©3**

<b>Retail Sales Operations</b>	
<b>FY14 Expenditures \$21,773,550</b>	<b>FY14 165.10 FTEs</b>
<b>FY15 Expenditures \$24,559,120</b>	<b>FY15 170.16 FTEs</b>
\$196,140; 0 FTE	Increase cost for retail store leases
\$484,022; 0 FTE	Increase costs for Point of Sales System to improve and upgrade credit card compliance
\$2,105,408; 5.06 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

**Description:** Retail sales of distilled spirits, wine and beer are handled through 25 County-operated outlets. In 1997 a bill was adopted by the State Legislature limiting County contracting of DLC retail operations to four stores that were under contract at that time: Flower Avenue, Kensington, Muddy Branch, and Pike. The Kensington store reverted back to the County in December, 2001. The Muddy Branch and Pike stores reverted back to the County in 2005. The Flower Avenue contracted store is closed.

**FY15 Discussion:** The Flower Avenue store was the only County-contracted retail store and was closed on January 31, 2014. The DLC will open and operate a new retail store in the Flower Avenue area near the old store by the end of FY14.

The following stores will be renovated, expanded or relocated in FY15: Leisure World, Kingsview and Flower Avenue. The Cabin John and White Oak stores are scheduled to receive new floors and counter tops.

**D. Retail Contracted Operations, ©3**

<b>Retail Contracted Operations</b>	
<b>FY14 Expenditures \$190,650</b>	<b>FY14 0.0 FTEs</b>
<b>FY15 Expenditures \$0</b>	<b>FY15 0.0 FTEs</b>

**Description:** State Legislation permits the DLC Director to contract the operation of retail outlets with only those persons who had a contract in effect on January 1, 1997.

**FY15 Discussion:** The final contract with the Flower Avenue store operator has expired and the store has closed. There are no contracted stores in DLC Retail Operations.

**E. Licensure, Regulation and Education, (LRE) ©4**

<b>Licensure, Regulation and Education</b>	
<b>FY14 Expenditures \$1,658,804</b>	<b>FY14 14.0 FTEs</b>
<b>FY15 Expenditures \$1,633,225</b>	<b>FY15 12.0 FTEs</b>
-\$25,579; -2.0	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

**Description:** This program issues beverage alcohol licenses; inspects and investigates licensed facilities to ensure compliance with laws, rules and regulations. This program works with the public, businesses, and County agencies to address alcohol control and education efforts. The LRE Division has adopted the use of tablet computers with electronic forms which saves paper and provides easy tracking of business checks and inspection details.

**FY15 Discussion:** The DLC staff will discuss with the Committee what they are working on in order to strengthen the compliance program. Inspectors are close to completing the targeted 400 individual licensee compliance checks for underage sales for FY14. The compliance rates are trending closer to the traditional 80%, rather than the 72% experienced last year.

The Committee will discuss the Office of Inspector General Report Number 14-003 dated January 13, 2014, as a separate item.

There has been no reduction in staffing in LRE just a macro adjustment by OMB that changes the number of FTEs. There are still five inspectors in this division.

**F. Administration, ©4**

<b>Administration</b>	
<b>FY14 Expenditures \$16,158,645</b>	<b>FY14 21.70 FTEs</b>
<b>FY15 Expenditures \$14,630,750</b>	<b>FY15 20.70 FTEs</b>
\$39,300	Increase cost for preparation of Annual Financial Statements
-\$183,000; -2.0 FTE	Decrease cost for ERP-Warehouse System Personnel
-\$1,384,195; 1.00 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

**Description:** Provides accounting, financial and information technology services for the department.

**FY15 Discussion:** Financing for some state transportation projects is appropriated through the Liquor Fund and the debt service budgeted for these projects is included in this budget.

**G. Office of the Director, ©4**

Director's Office	
FY14 Expenditures \$570,256	FY14 2.0 FTEs
FY15 Expenditures \$512,058	FY15 2.0 FTEs
-\$58,198; -0 FTE	Multi-program adjustments including compensation and benefit changes, staffing changes and other budget changes

**Description:** This program provides the administration and supervision for the department.

**DLC BUDGET RECOMMENDATIONS**

Based on the 1998 Maryland Attorney General's opinion, the Council has determined it is more effective to provide general comments on the DLC budget (Working Capital Plan) rather than recommending increases, decreases or deferring particular line items.

**Staff Recommendations**

- Approve the Department of Liquor Control FY14 operating budget as submitted by the County Executive for \$56,268,741.
- Request a briefing in the fall on the results of the contract with PFM (Public Financial Management) to update DLC's strategic business plan.

This packet contains:	<u>Circle #</u>
Department of Liquor Control Budget	1
Department of Liquor Control Fiscal Plan FY15-20	7
Department of Liquor Control Annual Report FY13	8
Department of Liquor Control Performance Review – 2/19/14–CountyStat	25
Letter to County Executive from ABAB	33

---

# 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 FY15 Operating Budget for the Department of Liquor Control is \$56,268,741, an increase of \$944,185 or 1.7 percent from the FY14 Approved Budget of \$55,324,556. Personnel Costs comprise 49.9 percent of the budget for 255 full-time positions and 155 part-time positions, and a total of 336.82 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 50.1 percent of the FY15 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 FY14 estimates reflect funding based on the FY14 approved budget. The FY15 and FY16 figures are performance targets based on the FY15 recommended budget and funding for comparable service levels in FY16.

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***In FY15, Liquor Control will make an earnings transfer of \$24 million to the General Fund and will make \$10.1 million in debt service payments on Liquor Control Revenue Bonds for a total of \$34.1 million.***
- ❖ ***The department relocated its warehouse and offices to 201 Edison Park Drive in Gaithersburg. The new location includes climate control, additional space, and updated accommodations.***
- ❖ ***The department hosted a Nighttime Economy Forum in 2013 that focused on developing a healthy balance of safety and nightlife vibrancy to support the social experience of the County's residents and visitors alike.***
- ❖ ***Representatives from the department joined with the Responsible Hospitality Institute (RHI) to host a Sociable City Leadership Summit. Experts and practitioners came together to review best practices to aid in planning, managing, and measuring dining and entertainment districts.***

- ❖ **Representatives from the department, Montgomery County Police, and the Keeping It Safe Under 21 Alcohol Use Coalition hosted an "Ask the Experts" presentation. Students in grades 5 – 8 and their parents were given the opportunity to "ask the experts" questions, voice concerns, or suggest ideas for preventing young people from using alcohol. Attendees came away from this event feeling empowered to start the conversation at home.**
- ❖ **The Division of Licensing, Regulation and Education (LRE) developed the Alcohol Law Education and Regulatory Training (ALERT) in 2006, offering free education and best practices to alcohol license holders and their staff. Since that time, ALERT has become a national model, and in 2013 LRE staff trained 650 individuals.**
- ❖ **The department joined industry leaders to develop and print ID checking calendars for alcohol retailers in Montgomery County at no cost to the County or to county businesses. The calendars contain monthly regulatory tips, important licensing dates, and training schedules. The calendars were distributed to every licensed establishment in Montgomery County.**
- ❖ **DLC partnered with industry giant Anheuser-Busch to launch an educational effort aimed at alcohol retailers to prevent underage drinking in Montgomery County during graduation season and into the summer months. Retailer-focused materials, provided by Montgomery Eagle and Anheuser-Busch, were distributed by DLC as an expansion of the award-winning "Keeping It Safe" public education campaign, which is designed specifically to educate businesses and the community on alcohol laws and social host responsibility. The retailer-focused materials include ID checking guides, clocks, clerk buttons and posters featured at the point of purchase reminding retailers to be vigilant about checking IDs.**
- ❖ **Working with the Department of Technology Services (DTS), DLC is implementing GovDelivery, an Enterprise marketing solution that offers customers and licensees a subscription to DLC marketing material. Material includes promotions, specials, weekly and monthly flyers, courses, classes and training which are delivered via email to subscribers.**
- ❖ **The department moved the Montgomery Village store to a new location at Goshen Plaza. The design was done in-house and the relocated store is already showing positive results.**
- ❖ **The department opened two new retail stores in Clarksburg and Seneca Meadows in FY14.**
- ❖ **Productivity Improvements**
  - **Five full-time alcohol inspectors manage nearly 1,000 establishments with a total of about four thousand inspections done annually. Six types of inspection forms were previously used daily by inspectors, which were difficult to read, provided no tracking, and made data collection impossible. As a cost effective, green alternative, the department adopted the use of tablet computers with an electronic form. Both efforts eliminate paper, provide easy tracking of businesses checked and inspection details, and create usable data summaries. The department won a NACo Award for its iForm Builder project.**
  - **The department developed a required alcohol awareness training for all retail store personnel. This state-accredited, classroom style training, focuses on preventing sales of alcohol to minors, recognizing the signs of intoxication, and reviewing County-specific policies. This training results in a better understanding of laws and policies by County employees and is an important step to keeping neighborhoods healthy and safe.**
  - **Working with DTS, DLC is transitioning to a new supplier to provide network connectivity from the retail stores back to the County data center. This will result in better response time to network outages, which translates to reduced system downtimes, improved customer service, and a better use of resources.**
  - **The department is transitioning to MetroFax to provide fax services at the stores resulting in a more efficient and cost effective method to receive faxes.**

## **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.

<i>Program Performance Measures</i>	<i>Actual FY12</i>	<i>Actual FY13</i>	<i>Estimated FY14</i>	<i>Target FY15</i>	<i>Target FY16</i>
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	15	14.2	16	16	16
Inventory as a Percent of DLC Sales	10.45	10.1	12	12	12
Satisfaction rating of wholesale customers based on the DLC customer survey results <sup>1</sup>	2.97	TBD	2.95	2.95	2.95

<sup>1</sup> Average score on a 1-4 scale

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>7,918,151</b>	<b>68.02</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	796,755	-4.06
<b>FY15 CE Recommended</b>	<b>8,714,906</b>	<b>63.96</b>

## **Delivery Operations**

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

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>7,054,500</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.	-835,818	0.00
<b>FY15 CE Recommended</b>	<b>6,218,682</b>	<b>68.00</b>

## **Retail Sales Operations**

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 22 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.

<i>Program Performance Measures</i>	<i>Actual FY12</i>	<i>Actual FY13</i>	<i>Estimated FY14</i>	<i>Target FY15</i>	<i>Target FY16</i>
Retail sales as percentage of total sales	na	na	na	na	na
Satisfaction rating of retail customers based on the DLC customer survey results <sup>1</sup>	3.2	TBD	3.41	3.41	3.41

<sup>1</sup> Average score on a 1-4 scale

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>21,773,550</b>	<b>165.10</b>
Increase Cost: Point of Sale System (POS)	484,022	0.00
Increase Cost: Retail Store Leases	196,140	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.	2,105,408	5.06
<b>FY15 CE Recommended</b>	<b>24,559,120</b>	<b>170.16</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.

<i>FY15 Recommended Changes</i>	<i>Expenditures</i>	<i>FTEs</i>
<b>FY14 Approved</b>	<b>190,650</b>	<b>0.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-190,650	0.00
<b>FY15 CE Recommended</b>	<b>0</b>	<b>0.00</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 FY12</b>	<b>Actual FY13</b>	<b>Estimated FY14</b>	<b>Target FY15</b>	<b>Target FY16</b>
Annual alcohol compliance checks to minors (under 21) <sup>1</sup>	403	400	400	400	400

<sup>1</sup> DLC performs different types of inspections. This measure is under-age compliance checks, which comprise part of the total. The number of inspections may vary by type from year to year.

<b>FY15 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY14 Approved</b>	<b>1,658,804</b>	<b>14.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-25,579	-2.00
<b>FY15 CE Recommended</b>	<b>1,633,225</b>	<b>12.00</b>

## Office of the Director

This program provides the overall direction for the Department.

<b>Program Performance Measures</b>	<b>Actual FY12</b>	<b>Actual FY13</b>	<b>Estimated FY14</b>	<b>Target FY15</b>	<b>Target FY16</b>
Percentage of Annual Sales Growth	4.81	2.3	3.5	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	30	28.2	28	28	28

<b>FY15 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY14 Approved</b>	<b>570,256</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.	-58,198	0.00
<b>FY15 CE Recommended</b>	<b>512,058</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>FY15 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY14 Approved</b>	<b>16,158,645</b>	<b>21.70</b>
Increase Cost: Preparation of Annual Financial Statements	39,300	0.00
Decrease Cost: ERP-Warehouse System Personnel Costs	-183,000	-2.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-1,384,195	1.00
<b>FY15 CE Recommended</b>	<b>14,630,750</b>	<b>20.70</b>

# BUDGET SUMMARY

	Actual FY13	Budget FY14	Estimated FY14	Recommended FY15	% Chg Bud/Rec
<b>LIQUOR CONTROL</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	18,987,259	18,425,077	18,425,078	20,985,210	13.9%
Employee Benefits	6,224,051	6,869,434	6,869,433	7,105,943	3.4%
<b>Liquor Control Personnel Costs</b>	<b>25,211,310</b>	<b>25,294,511</b>	<b>25,294,511</b>	<b>28,091,153</b>	<b>11.1%</b>
Operating Expenses	17,936,073	18,761,995	18,867,645	17,948,938	-4.3%
Debt Service Other	5,025,176	11,162,400	9,691,500	10,123,000	-9.3%
Capital Outlay	0	105,650	0	105,650	---
<b>Liquor Control Expenditures</b>	<b>48,172,559</b>	<b>55,324,556</b>	<b>53,853,656</b>	<b>56,268,741</b>	<b>1.7%</b>
<b>PERSONNEL</b>					
Full-Time	246	254	254	255	0.4%
Part-Time	55	63	63	155	146.0%
FTEs	324.02	338.82	338.82	336.82	-0.6%
<b>REVENUES</b>					
Bag Tax	7,334	0	0	0	---
Investment Income	278	0	350	680	---
Liquor Licenses	1,659,217	1,419,000	1,570,197	1,570,197	10.7%
Liquor Sales	75,154,801	74,249,675	75,154,801	77,033,671	3.7%
Miscellaneous Revenues	-176,524	0	0	0	---
Other Charges/Fees	17,165	8,740	8,740	8,740	---
Other Fines/Forfeitures	232,499	220,560	220,560	220,560	---
Other Licenses/Permits	66,980	156,000	156,000	156,000	---
<b>Liquor Control Revenues</b>	<b>76,961,750</b>	<b>76,053,975</b>	<b>77,110,648</b>	<b>78,989,848</b>	<b>3.9%</b>
<b>GRANT FUND MCG</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	3,412	0	0	0	---
Employee Benefits	580	0	0	0	---
<b>Grant Fund MCG Personnel Costs</b>	<b>3,992</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>---</b>
Operating Expenses	819	0	0	0	---
Capital Outlay	0	0	0	0	---
<b>Grant Fund MCG Expenditures</b>	<b>4,811</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>					
State Grants	4,811	0	0	0	---
<b>Grant Fund MCG Revenues</b>	<b>4,811</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>---</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>48,177,370</b>	<b>55,324,556</b>	<b>53,853,656</b>	<b>56,268,741</b>	<b>1.7%</b>
<b>Total Full-Time Positions</b>	<b>246</b>	<b>254</b>	<b>254</b>	<b>255</b>	<b>0.4%</b>
<b>Total Part-Time Positions</b>	<b>55</b>	<b>63</b>	<b>63</b>	<b>155</b>	<b>146.0%</b>
<b>Total FTEs</b>	<b>324.02</b>	<b>338.82</b>	<b>338.82</b>	<b>336.82</b>	<b>-0.6%</b>
<b>Total Revenues</b>	<b>76,966,561</b>	<b>76,053,975</b>	<b>77,110,648</b>	<b>78,989,848</b>	<b>3.9%</b>

## FY15 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>LIQUOR CONTROL</b>		
<b>FY14 ORIGINAL APPROPRIATION</b>	<b>55,324,556</b>	<b>338.82</b>
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: Conversion of 95 Temporary Employees to Permanent Merit Positions	1,744,678	0.00
Increase Cost: FY15 Compensation Adjustment	1,119,935	0.00
Increase Cost: Point of Sale System (POS) [Retail Sales Operations]	484,022	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	196,140	0.00
Increase Cost: Group Insurance Adjustment	59,850	0.00
Increase Cost: Retirement Adjustment	55,179	0.00
Increase Cost: Preparation of Annual Financial Statements [Administration]	39,300	0.00
Increase Cost: Motor Pool Rate Adjustment	15,795	0.00
Increase Cost: Printing and Mail	10,538	0.00
Decrease Cost: Risk Management Adjustment	-77,232	0.00
Decrease Cost: ERP-Warehouse System Personnel Costs [Administration]	-183,000	-2.00
Decrease Cost: Elimination of One-Time Items Approved in FY14	-425,000	0.00
Decrease Cost: Debt Service	-1,039,400	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding Adjustment	-1,056,620	0.00
<b>FY15 RECOMMENDED:</b>	<b>56,268,741</b>	<b>336.82</b>

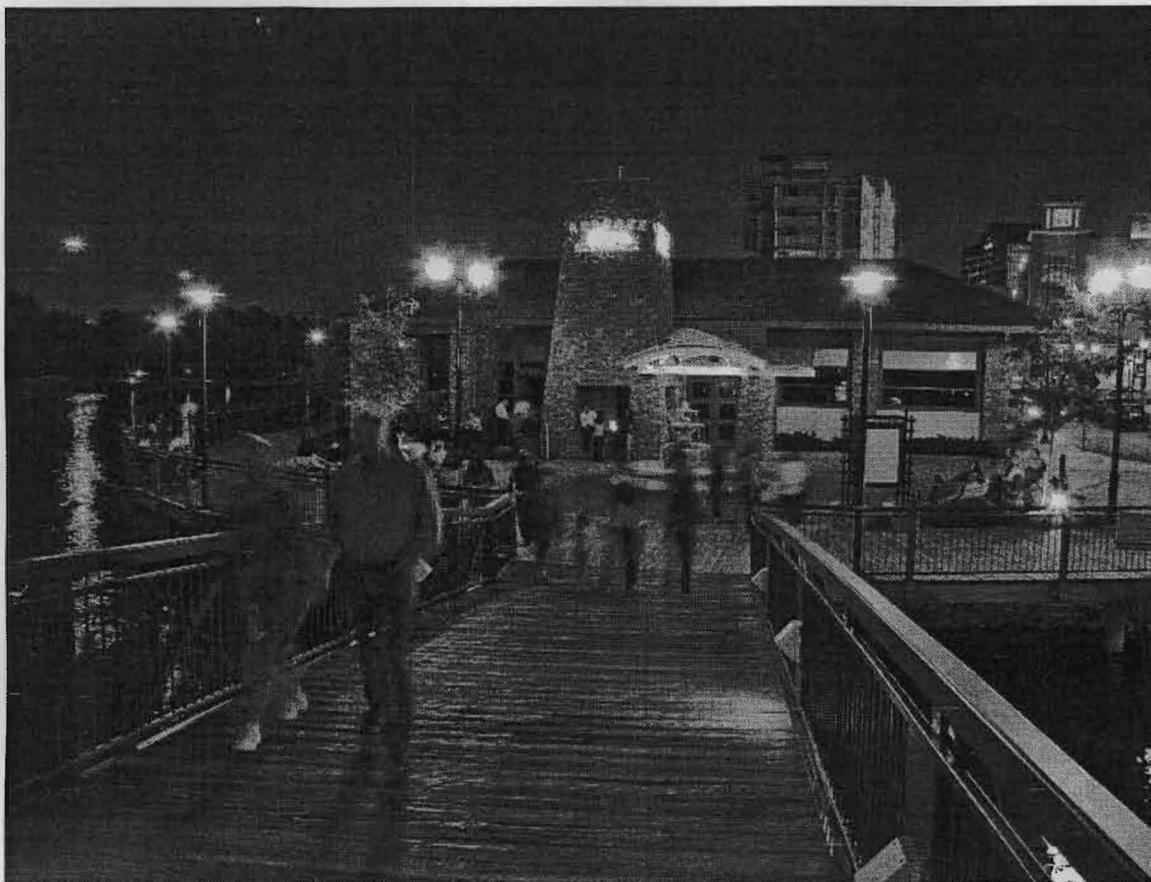
## PROGRAM SUMMARY

Program Name	FY14 Approved		FY15 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Warehouse Operations	7,918,151	68.02	8,714,906	63.96
Delivery Operations	7,054,500	68.00	6,218,682	68.00
Retail Sales Operations	21,773,550	165.10	24,559,120	170.16
Retail Contracted Operations	190,650	0.00	0	0.00
Licensure, Regulation, and Education	1,658,804	14.00	1,633,225	12.00
Office of the Director	570,256	2.00	512,058	2.00
Administration	16,158,645	21.70	14,630,750	20.70
<b>Total</b>	<b>55,324,556</b>	<b>338.82</b>	<b>56,268,741</b>	<b>336.82</b>

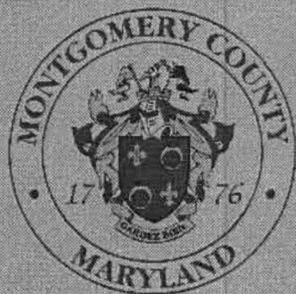
## FUTURE FISCAL IMPACTS

Title	CE REC.			(\$000's)		
	FY15	FY16	FY17	FY18	FY19	FY20
<b>This table is intended to present significant future fiscal impacts of the department's programs.</b>						
<b>LIQUOR CONTROL</b>						
<b>Expenditures</b>						
<b>FY15 Recommended</b>	<b>56,269</b>	<b>56,269</b>	<b>56,269</b>	<b>56,269</b>	<b>56,269</b>	<b>56,269</b>
No inflation or compensation change is included in outyear projections.						
<b>Labor Contracts</b>	<b>0</b>	<b>333</b>	<b>333</b>	<b>333</b>	<b>333</b>	<b>333</b>
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
<b>Labor Contracts - Other</b>	<b>0</b>	<b>-17</b>	<b>-17</b>	<b>-17</b>	<b>-17</b>	<b>-17</b>
These figures represent other negotiated items included in the labor agreements.						
<b>ERP- Warehouse System</b>	<b>0</b>	<b>-180</b>	<b>-180</b>	<b>-180</b>	<b>-180</b>	<b>-180</b>
These figures represent cost savings through the use of the ERP warehouse system.						
<b>Point of Sale System (POS)</b>	<b>0</b>	<b>-458</b>	<b>-458</b>	<b>-296</b>	<b>-458</b>	<b>-458</b>
These figures represent cost savings realized from the POS System.						
<b>Retail Store Leases</b>	<b>0</b>	<b>188</b>	<b>381</b>	<b>579</b>	<b>783</b>	<b>992</b>
The leases for 25 retail stores based on CPI assumptions including new locations in Goshen Crossing, Seneca Meadows, and Clarksburg.						
<b>Retiree Health Insurance Pre-Funding</b>	<b>0</b>	<b>-60</b>	<b>-147</b>	<b>-217</b>	<b>-306</b>	<b>-392</b>
These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.						
<b>Subtotal Expenditures</b>	<b>56,269</b>	<b>56,074</b>	<b>56,180</b>	<b>56,471</b>	<b>56,423</b>	<b>56,546</b>

FY15-20 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Liquor Control					
FISCAL PROJECTIONS	FY14 ESTIMATE	FY15 REC	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION
<b>ASSUMPTIONS</b>							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	1.6%	2.0%	2.2%	2.5%	2.6%	2.4%	2.3%
Investment Income Yield	0.19%	0.35%	0.95%	1.55%	2.15%	2.85%	3.45%
<b>BEGINNING FUND BALANCE</b>	<b>5,133,136</b>	<b>7,498,834</b>	<b>3,054,025</b>	<b>4,150,660</b>	<b>4,239,890</b>	<b>4,335,398</b>	<b>4,428,832</b>
<b>REVENUES</b>							
Licenses & Permits	1,726,197	1,726,197	1,764,519	1,808,984	1,856,561	1,901,675	1,945,033
Charges For Services	8,740	8,740	8,934	9,159	9,400	9,628	9,848
Fines & Forfeitures	220,560	220,560	225,456	231,138	237,217	242,981	248,521
Miscellaneous	75,155,151	77,034,351	78,961,453	80,936,831	82,961,708	85,037,559	87,165,198
Subtotal Revenues	77,110,648	78,989,848	80,960,362	82,986,112	85,064,886	87,191,844	89,368,601
<b>INTERFUND TRANSFERS (Net Non-CIP)</b>							
Transfers To The General Fund	(20,891,294)	(27,165,916)	(20,616,356)	(19,972,050)	(17,931,374)	(16,330,301)	(14,656,693)
Indirect Costs	(2,529,450)	(2,809,120)	(2,840,640)	(2,840,640)	(2,840,640)	(2,840,640)	(2,840,640)
Technology Modernization	(275,964)	(335,383)	0	0	0	0	0
Earnings Transfer	(18,085,880)	(24,021,413)	(17,775,716)	(17,131,410)	(15,090,734)	(13,489,661)	(11,816,053)
<b>TOTAL RESOURCES</b>	<b>61,352,490</b>	<b>59,322,766</b>	<b>63,398,031</b>	<b>67,164,722</b>	<b>71,373,402</b>	<b>75,196,941</b>	<b>79,140,739</b>
<b>PSP OPER. BUDGET APPROP/ EXPS.</b>							
Operating Budget	(44,162,156)	(46,145,741)	(47,729,661)	(49,515,311)	(51,426,791)	(53,314,231)	(55,196,091)
Debt Service: Other (Non-Tax Funds only)	(9,691,500)	(10,123,000)	(11,712,820)	(13,497,970)	(15,409,450)	(17,299,790)	(19,146,550)
Labor Agreement	n/a	0	(315,242)	(315,242)	(315,242)	(315,242)	(315,242)
PFI Retiree Health Insurance Pre-Funding	n/a	n/a	60,360	146,690	216,520	305,890	392,150
PFI ERP Warehouse	n/a	n/a	180,000	180,000	180,000	180,000	180,000
PFI POS	n/a	n/a	457,892	457,892	296,043	457,892	457,892
PFI Retail Store Leases	n/a	n/a	(187,900)	(380,891)	(579,084)	(782,628)	(991,668)
Subtotal PSP Oper Budget Approp / Exp's	(53,853,656)	(56,268,741)	(59,247,371)	(62,924,832)	(67,038,004)	(70,768,109)	(74,619,509)
<b>TOTAL USE OF RESOURCES</b>	<b>(53,853,656)</b>	<b>(56,268,741)</b>	<b>(59,247,371)</b>	<b>(62,924,832)</b>	<b>(67,038,004)</b>	<b>(70,768,109)</b>	<b>(74,619,509)</b>
<b>YEAR END FUND BALANCE</b>	<b>7,498,834</b>	<b>3,054,025</b>	<b>4,150,660</b>	<b>4,239,890</b>	<b>4,335,398</b>	<b>4,428,832</b>	<b>4,521,230</b>
<b>END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES</b>	<b>12.2%</b>	<b>5.1%</b>	<b>6.5%</b>	<b>6.3%</b>	<b>6.1%</b>	<b>5.9%</b>	<b>5.7%</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.							



# ANNUAL REPORT FISCAL YEAR 2013

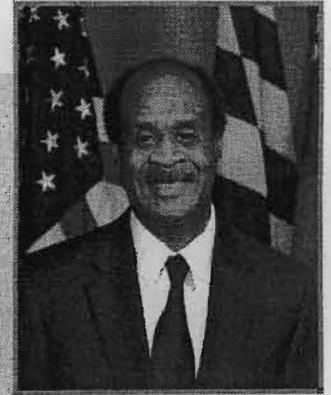


Montgomery County Department of Liquor Control  
201 Edison Park Drive  
Gaithersburg, MD 20878  
240-777-1900

[www.montgomerycountymd.gov/dlc](http://www.montgomerycountymd.gov/dlc)

MESSAGE FROM THE

# Honorable Isiah Leggett, Montgomery County Executive



It is with pleasure that I present the 2013 Annual Report of Montgomery County's Department of Liquor Control (DLC).

Nationally recognized for its innovative programs that promote responsible sales and service, the department continues its mission of being proactive in dealing with the issue of underage drinking.

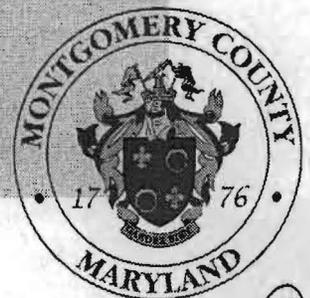
Over the last decade our Department of Liquor Control has contributed more than \$239 million to the County's General Fund. These monies help pay for teacher, police and firefighter salaries and benefits; protection of the environment; important health initiatives; and much more.

This past year has seen a major change for the department when it moved its office and warehouse operations to the Edison Park building on Route 28 in Rockville as part of my Smart Growth Initiative. This move was aimed not only at improving operations, but providing the department with much-needed, additional storage space.

Our DLC staff takes the responsibility of selling beverage alcohol products very seriously and continues to promote moderation and responsible behavior. I remain extremely proud of the work performed by our staff as they provide a valuable service in an innovative and responsible manner.

A handwritten signature in cursive script that reads "Isiah Leggett".

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.

## 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.

## Department Highlights:

**\$0**

No property, state or local taxes are used to support the department.

**\$25.7 Million**

Over 25 million dollars were transferred to the General Fund in 2013 to pay for important services.

**\$245.9 Million**

Over 245 million dollars were transferred to the General Fund in the last 10 years.

# Organizational Chart



Director  
George F. Griffin



Chief of Administration  
Sunil Pandya

Administration (budget, HR, facilities)

Finance (A/P, A/R, pricing, financial reporting)

Information Technology (wholesale, retail, LRE and financial)



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 Operations  
Gus Montes de Oca

Purchasing and Customer Service

Wholesale Operations (sales, warehousing and delivery)

Retail Operations (sales, promotions and marketing)



I am pleased to report the Montgomery County MD Department of Liquor Control had another strong year in FY 2013, and on a number of fronts. We experienced modest sales growth; accomplished our long-term goal of relocating to a new warehouse and headquarters facility; and continued to improve our operations and community outreach efforts without increasing our workforce.

For the fiscal year ending June 30, 2013, DLC saw a 2.42% increase in total sales over the previous year. Our network of County-owned and operated retail stores reported sales of \$122,158,306. This represents a 2.54% increase over FY12. Our wholesale operations had sales of \$134,537,542 – which was a 2.32% increase over the previous year. Our gross sales revenue was \$256,695,848. Our department controls the distribution of all beverage alcohol in Montgomery County: beer, wine and liquor. Among these segments of the drinks industry, distilled spirits was the category that easily set the pace for increasing sales and revenues. The number of actual distilled spirits cases sold throughout our system this year jumped by nearly four percent (3.97%) over FY12.

We are also achieved a long-anticipated strategic improvement in our operations by relocating to a new facility. Our new 210,000 sq. ft. warehouse is a tremendous improvement – for both our employees and our inventory – compared to our old facility, where we operated for nearly 40 years. Our new larger warehouse is completely climate-controlled, allowing for proper storage conditions for all types of products, including fine wines. We relocated our entire inventory, as well as all our warehouse and office staff, to the new property during June and July. DLC personnel planned and performed the entire relocation in-house using our own DLC crews and staff for all aspects of the move. Of course, this major undertaking was accomplished while we simultaneously continued our normal demanding day-to-day operations. I am very proud of the way our dedicated employees were able to perform well above and beyond their normal duties and accomplish this “once in a career” project in such an efficient manner. (Our new address: Montgomery County Department of Liquor Control, 201 Edison Park Drive, Gaithersburg, MD 20878)

I am also proud to report that we recently issued another \$47 Million in “Montgomery County Liquor Control Revenue Bonds” through the national financial markets. This latest issuance brings the total amount of DLC bonds issued to \$129 Million. It is very gratifying to have our history of strong performance and sound management and financial practices validated by expert third party analysts. The S&P published summary stated: “Standard & Poor’s Rating Services raised its underlying rating on Montgomery County, MD’s Department of Liquor Control (DLC) revenue bonds one notch to ‘AA’ from ‘AA-’, based on the county’s history of maintaining very strong debt service coverage from pledged revenue, and strong sales growth despite the national recession. At the same time, S&P assigned its ‘AA’ long-term rating to the county’s 2013 revenue bonds. The outlook is stable.” The rating summary further stated: “The DLC has consistently generated positive operating results and has contributed more than \$244 Million to the county’s general fund in the past ten years.....Total sales of alcoholic beverages in the county have grown every year since 2001.”

Lastly, I am very pleased to report that Montgomery County DLC, again this year, was honored by the National Association of Counties (NACo) with two of its’ prestigious “NACo Achievement Awards.” The first award recognized our “I Pad/I Form Alcohol Inspection Project.” This project greatly improved the way our alcohol inspectors conduct field regulatory inspections. Six different types of carboned inspection forms were previously used daily by inspectors. The carbon copies were often difficult to read, there was no tracking available and data collection was impossible to compile. As a cost effective, green alternative, DLC adopted a user-friendly device (the I Pad), and application (I Forms), that allow for an elimination of paper, tracking of businesses checked, inspection details and creates usable data summaries. The system also has the ability to integrate with a case management system for future use.

The second NACo Award recognized the Montgomery County DLC “Nighttime Economy Forum” held in July, 2012. The forum was convened to consider strategies for developing a healthy balance of safety and nightlife vibrancy, and to support the social experiences in the County. The award stated: “The Forum focused on ways to grow community services, reduce crime through safety coordination, revitalize business districts by driving foot traffic and enhance the quality of life for residents and visitors. Integrating potential social interaction into revitalization and development planning can result in a stronger and more vibrant social economy, with less impact on city and county resources for management. The forum brought together experts and development leaders to implement pro-business solutions to areas within Montgomery County. Seeking solutions as a group has encouraged County agencies to work as a ‘Concierge Government’, working to grow businesses and ensure safety plans, alcohol policies and serving as a resource by educating on best practices.”

*George Griffin*  
George Griffin, Director  
Montgomery County Department of Liquor Control

12



## 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 the Ipad/Iformbuilder Alcohol Inspection Project.**

The Montgomery County Department of Liquor Control licenses county businesses to sell and serve alcohol. Along with the sale and distribution of alcohol comes the responsibility to regulate the sale of alcohol to ensure public safety. Five full time alcohol inspectors manage nearly 1,000 establishments with a total of about four thousand inspections done annually. Six types of carbon copy inspection forms were previously used daily by inspectors. The carbon copies were often difficult to read, there was no tracking available and data collection was impossible to compile. As a cost effective, green alternative, the Department adopted a user friendly device, the Ipad and application, Iformbuilder, that allow for an elimination of paper, tracking of businesses checked, inspection details and creates usable data summaries. The system also has the ability to integrate with a case management system for future use.

The Ipad and Iformbuilder system allow for tracking and file sharing. It enhances work flow and reduces errors through auto populate features. The device can be used with or without an internet connection and is secure.

Accessible, user friendly information allows for an expedited process and increases accountability.

This green program increases the rate of alcohol inspections done, tracks outcomes, work flow and manages funds. Using technology to streamline the alcohol inspection process has modernized the way the inspection process is conducted allowing for quick access, user friendly forms, live tracking of inspections, and increased accountability. The ability to integrate with a case management system allows for future advancement of technology and the promise of a more effective system of recordkeeping.

Program outcomes also include;

- Less paper usage;
- Live tracking of inspections as they occur;
- An intuitive, easy to use portable system;
- Data collection;
- Reduction of error due to self populating forms;
- Secure applications that can be shared electronically; and
- Enhanced enforcement staff productivity; allowing inspections to be recorded faster.



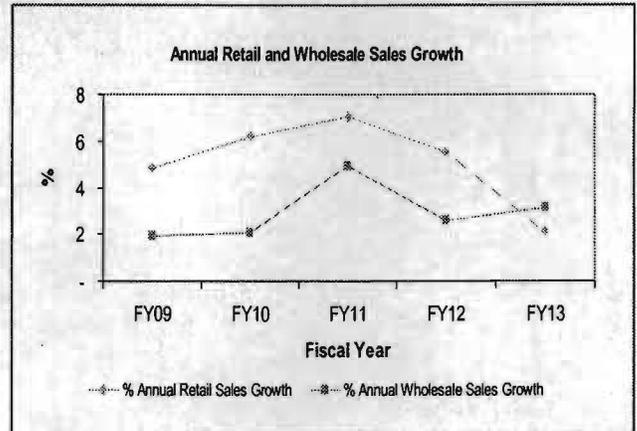
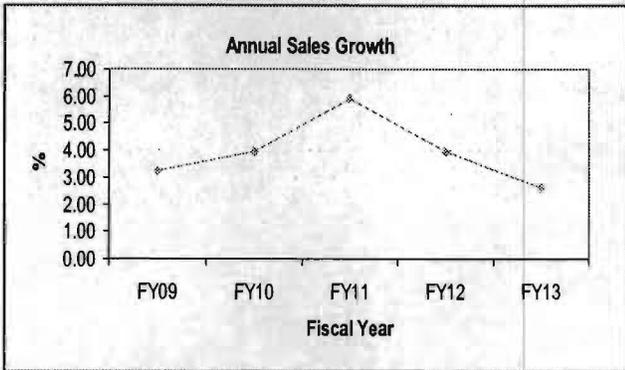
### **The Department won a NACo Award for its Nighttime Economy Forum.**

The Division of Licensure, Regulation and Education within the Montgomery County Department of Liquor Control hosted a Nighttime Economy Forum in July of 2012, focusing on developing a healthy balance of safety and nightlife vibrancy, to support the social experience of the County's residents and visitors alike.

The forum focused on ways to grow city services, reduce crime through safety coordination, revitalize business districts by driving foot traffic and enhance the quality of life for residents and visitors. Integrating potential social interaction into revitalization and development planning can result in a stronger and more vibrant social economy, with less impact on city and county resources for management. The forum brought together experts and development leaders to discuss ways to implement pro-business solutions to areas within Montgomery County.

## 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.

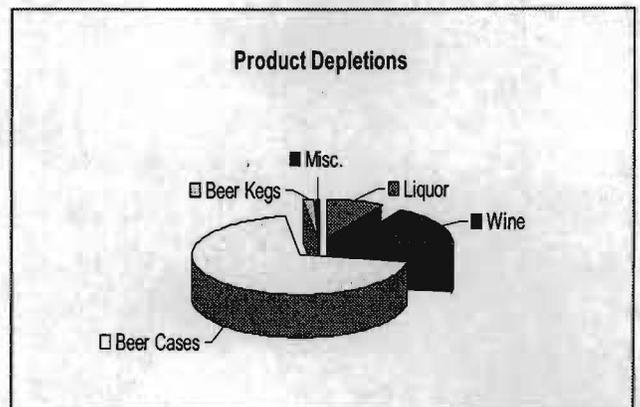


### Cost of Goods Sold to Sales

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.

### Product Depletions

Beer-Case	3,628,629
Wine-Case	998,086
Liquor-Case	425,215
Beer-Keg	86,120
Miscellaneous-Case	24,910

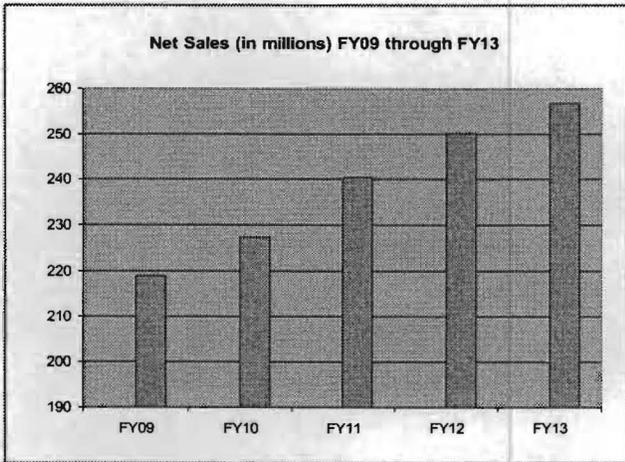


# Results: Financial Information

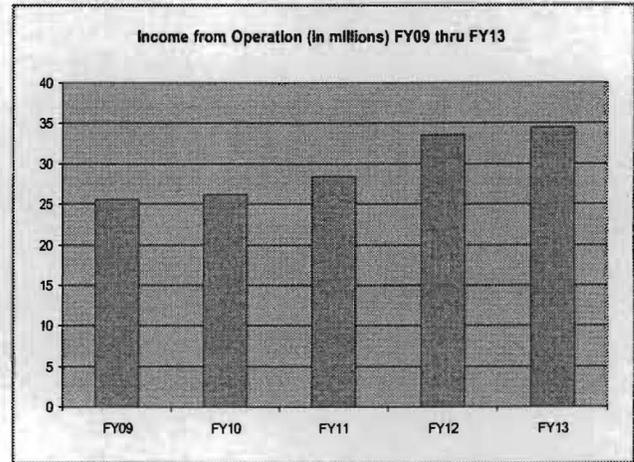
In the past 10 years, the department has made a cumulative contribution of over \$245 million (\$245,913,315) to the General Fund to help pay for important resident services such as education, infrastructure and police and fire services.

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.

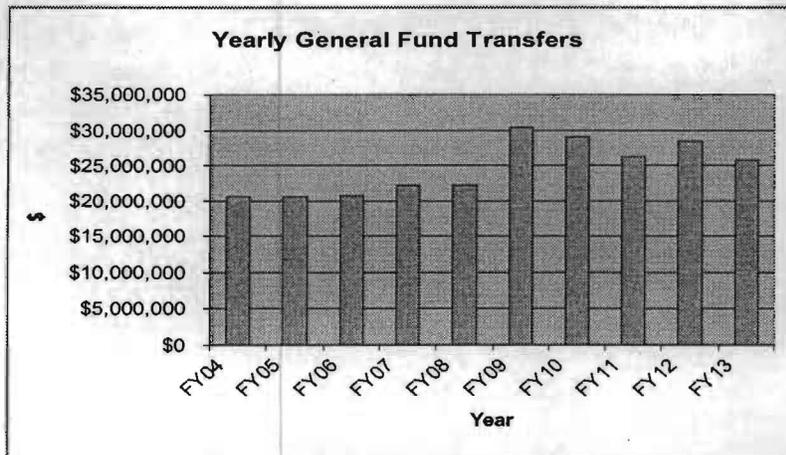
## Results of Operation



Liquor Control's sales from continuing operations in FY 2013 were \$256.8 million



Liquor Control's income in FY 2013 was \$34.5 million

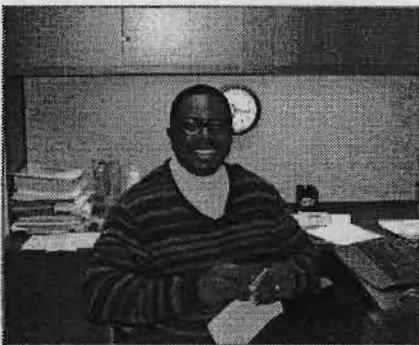


Liquor Control's transfer to the General Fund in FY 2013 was \$25,729,463

## Results: Financial Information

### Sales in Total and by Division, FY 2004-2013

Fiscal Year	Total Sales (\$)	% Change	Retail Sales (\$)	%	Warehouse Sales (\$)	% Change	Warehouse Beer Sales (\$)	% Change	Warehouse Liquor/Wine Sales (\$)	% Change
2013	256,880,993	2.61	122,447,676	2.06	134,433,317	3.11	77,470,324	-0.18	56,962,993	7.96
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



### Top 10 Spirit Brands

1. Smirnoff
2. Bacardi
3. Jack Daniels
4. Grey Goose
5. Absolut
6. Aristocrat
7. Captain Morgan's
8. Johnnie Walker
9. Gilbey's
10. Burnett's

### Top 10 Wine Brands

1. Barefoot
2. Sutter Home
3. Yellow Tail
4. Woodbridge
5. Beringer
6. Franzia
7. Concho y Toro
8. Carlo Rossi
9. Lindeman's
10. Kendall Jackson

### Top 10 Beer Brands

- |                    |                     |
|--------------------|---------------------|
| 1. Corona          | 6. Coors Light      |
| 2. Heineken        | 7. Budweiser        |
| 3. Miller Lite     | 8. Milwaukee's Best |
| 4. Bud Light       | 9. Yuengling        |
| 5. Modelo Especial | 10. Sam Adams       |

## Results: Financial Information

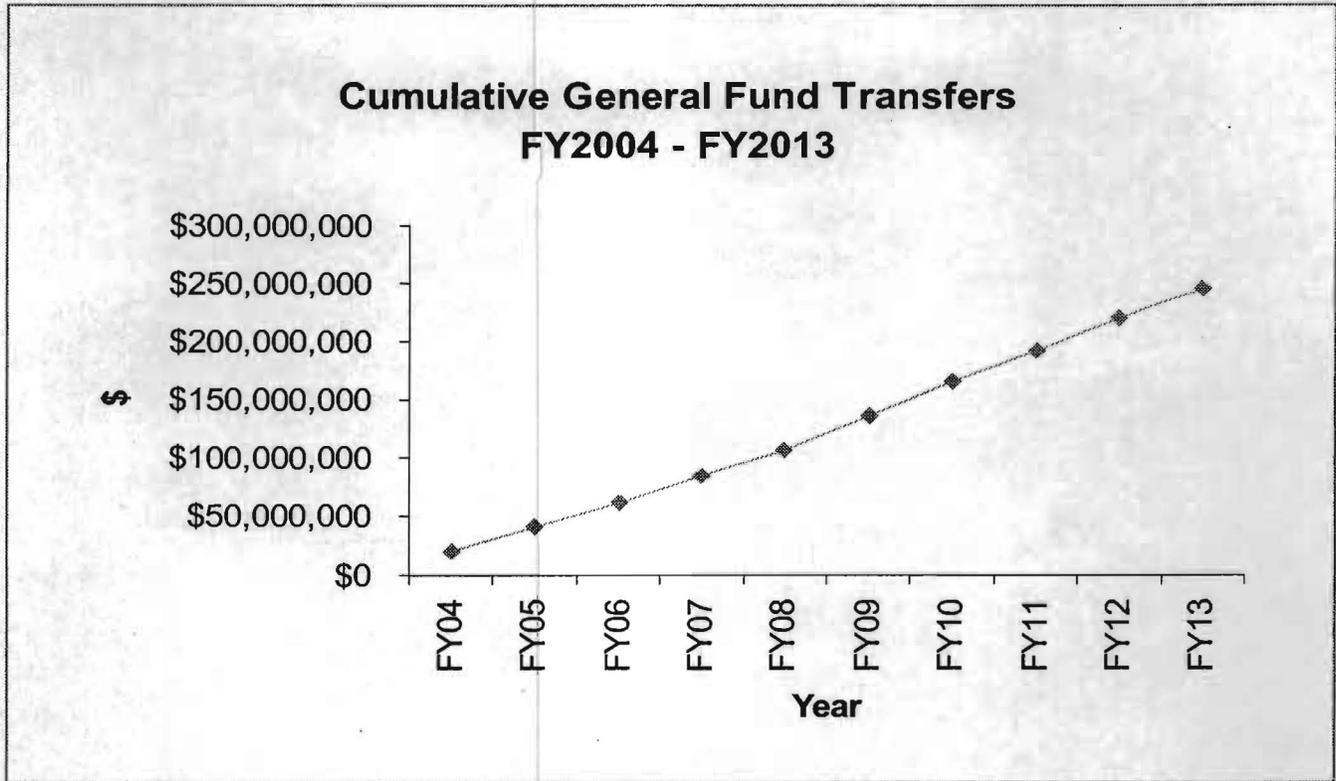
### General Fund Transfers

Fiscal Year	Transfer	Cumulative Transfer
2013	\$25,729,463	\$245,913,315
2012	\$28,503,717	\$220,183,852
2011	\$26,206,170	\$191,680,135
2010	\$29,043,280	\$165,473,965
2009	\$30,410,060	\$136,430,685
2008	\$22,168,275	\$106,020,625
2007	\$22,149,050	\$83,852,350
2006	\$20,698,760	\$61,703,300
2005	\$20,503,510	\$41,004,540
2004	\$20,501,030	\$20,504,030

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 2013, Liquor Control transferred \$25,729,463, the cumulative contribution of the last 10 years amounted to \$245,913,315.

**\$245.9 Million**

Liquor Control contributed over \$245 million to the General Fund in the last 10 years.



# Spotlight: Licensure, Regulation and Education (LRE)

## Division Overview

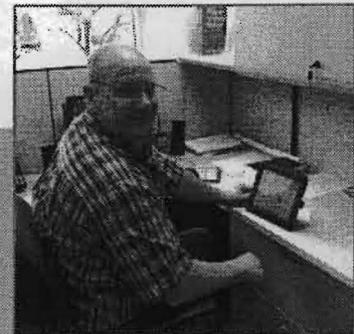
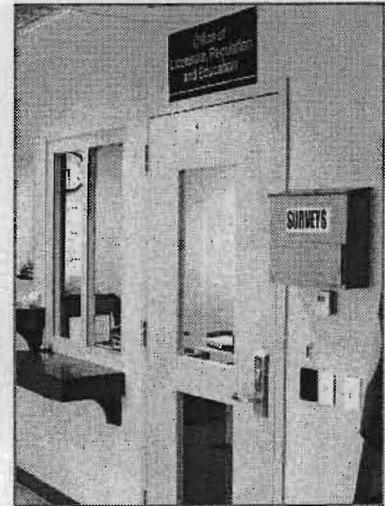
The Montgomery County Department of Liquor Control (DLC), as a “control jurisdiction” facilitates the wholesale distribution of beer, wine and spirits to approximately 1000 licensed establishments in the County. Along with the sale and distribution of a controlled substance comes a responsibility to 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 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

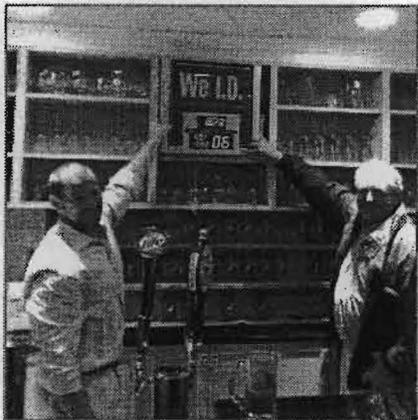
The Licensure Office processes alcoholic beverage license applications (new, transfer, one-day, renewals) in compliance with Article 2B of Maryland state law and the Rules and Regulations of the Board of License Commissioners (BLC). Licensure staff assists applicants throughout the application process 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 provided a free-of-charge ALERT (Alcohol Law Education and Regulatory Training) program in English and Spanish. 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 individuals cited with alcohol violations. In Fiscal Year 2013, 650 individuals were trained in ALERT by the LRE team.



### Social Media

In Fiscal Year 2013, DLC stepped up efforts on social media in an effort to increase and enhance the sharing of information related to DLC. Facebook and Twitter are the preferred communication for personal use and has now become a main communication outlet for business (government, private companies, news, sports, etc.)



### '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.



New York J&P Pizza. First approved alcohol licensed establishment in Damascus, Maryland

### 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 2013. Some of the events/conferences included the 11th 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, and the Maryland Statewide Alcohol Beverage Forum.

The Department of Liquor Control thanks industry partners for their support in fiscal year 2013, Sydney Frank, Diageo, Anheuser Busch, and Reliable Churchill



Harold Hindin, Diageo, Kathie Durbin, Department of Liquor Control, Joe Giardina, Reliable Churchill, Gus Montes de Oca, Department of Liquor Control

## Spotlight: On Safety

### Montgomery County Is Keeping it SAFE Fiscal Year 2013 Alcohol and Tobacco Compliance Checks

Alcohol Regulation

Recognizing that alcohol licensed businesses are the first line of defense in reducing 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 vertical 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 2013, 200 inspections were conducted. Out of those 200, 71 locations sold tobacco products to the UV, 41 of those locations checked the UV's identification and still made the sale, with the remaining 30 locations not checking the UV's identification.

Compliance Checks for Underage Alcohol Sales

Number Checked	404
Number Sold	113
Compliance Rate	72%



Compliance Checks for Underage Tobacco Sales

Number Checked	200
Number Sold	71
Compliance Rate	65%

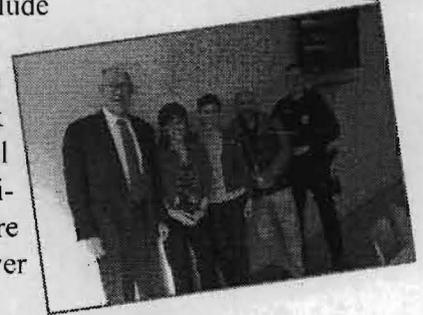
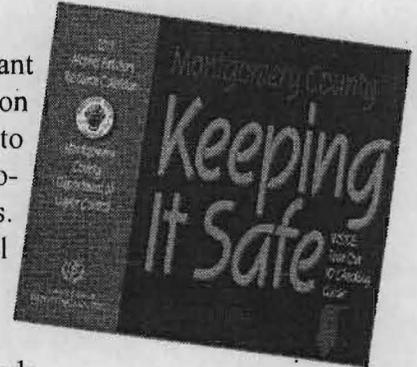
Compliance Team:

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 2013, 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 Nighttime Economy Summit, 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 ID books, age verification clocks, We Don't Serve Teens materials and other educational resources were distributed in monthly educational trainings. These in kind services are valued at over \$50,000.
- The Department of Liquor Control has developed a Safety Alliance Team to work with businesses licensed to sell/serve alcohol in the County. This informational network of regulatory and code compliance agencies, related organizations and licensees are concerned with the impact of dining, entertainment and special events on public health, safety and quality of life. The Safety Alliance shares resources to assist businesses in the licensing process and, once established, helps them become better informed about their roles and responsibilities. This is accomplished through the review and creation of licensing process flows and information dissemination. Additionally, the Alliance provides a mechanism to monitor complaints and violations of existing businesses. The meetings also serve as a networking opportunity.
- 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, and brochures on different alcohol topics.



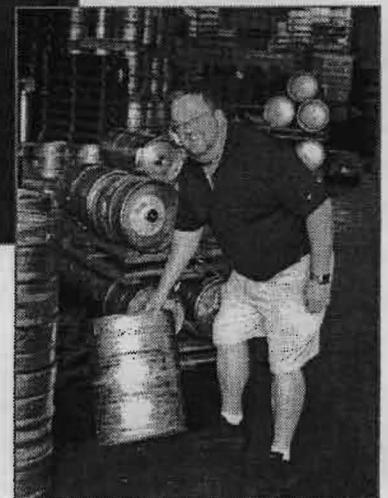
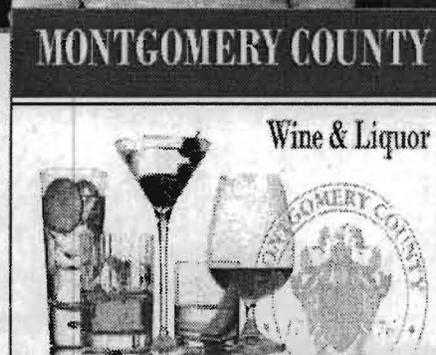
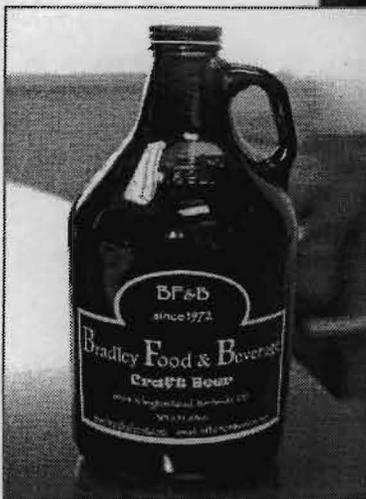
## Vision: Looking Toward the Future

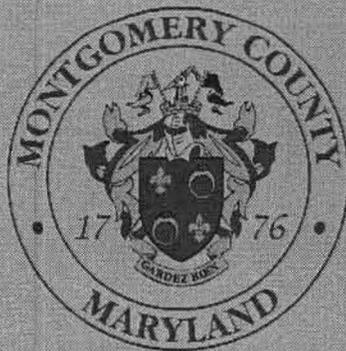
Montgomery County Department of Liquor Control looks to the future with great optimism and enthusiasm. As promised this year's report is coming to you from our new warehouse location. We now have an efficient climate controlled warehouse, which will give us the space we need for years to come as well as the environment our products require to maintain their integrity.

We continue to leverage technology advances to streamline our operations, having completed "Phase II" of our point-of-sale system installation that has given us the ability to offer gift cards, which are popular year around.

Year end finds us immersed in completing the design of an ERP warehouse management system, which will modernize all warehouse processes including pricing, purchasing, ordering, receiving and storage of inventory, routing and delivery. Using the same ORACLE platform as the remainder of the County, we will be able to integrate these functions with A/P and will have greatly enhanced reporting capabilities.

We completed the move of our Montgomery Village store to a new shopping center in Goshen Plaza and will be presenting our up-County customers two new stores in FY14 – one in Seneca Meadows and one in Clarksburg. These up-and-coming areas have been underserved and these beautiful new stores in shopping centers anchored by popular grocery chains go far to rectify that situation. As always, we shall 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  
201 Edison Park Drive  
Gaithersburg, MD 20878  
240-777-1900

[www.montgomerycountymd.gov/dlc](http://www.montgomerycountymd.gov/dlc)

## Follow-ups

Original Meeting Date	Due Date	Item Description	Status
2/27/2013		Install GPS on delivery trucks to help with strategic planning in its routes and maximize efficiency (time, fuel, etc.)	Complete
10/23/2013	12/31/2013	DLC will work with DOT to understand what, if any, risk management practices/strategies are transferrable	In Progress
10/23/2013	11/15/2013	Devise strategy to specifically address your department's top two injury categories with the goal of proactively reducing them	In Progress
2/10/2012	10/10/2013	CountyStat will work with DLC to evaluate leasing options in lieu of purchasing the delivery fleet	In Progress
2/10/2012	10/10/2012	DLC will seek professional assistance to evaluate e-marketing methods and other strategies to modernize marketing and improve customer communications	In Progress
10/25/2012	10/24/2012	Benchmark measurements against available national or major trade association data	In Progress



# Headline Measure 6: Percentage of Licensees That Fail Compliance Checks

## Factors contributing to current performance:

- Customers have a resource in the LRE staff
- The Department offers free twice-monthly ALERT trainings and has information online and in brochures
- The Department works in the community

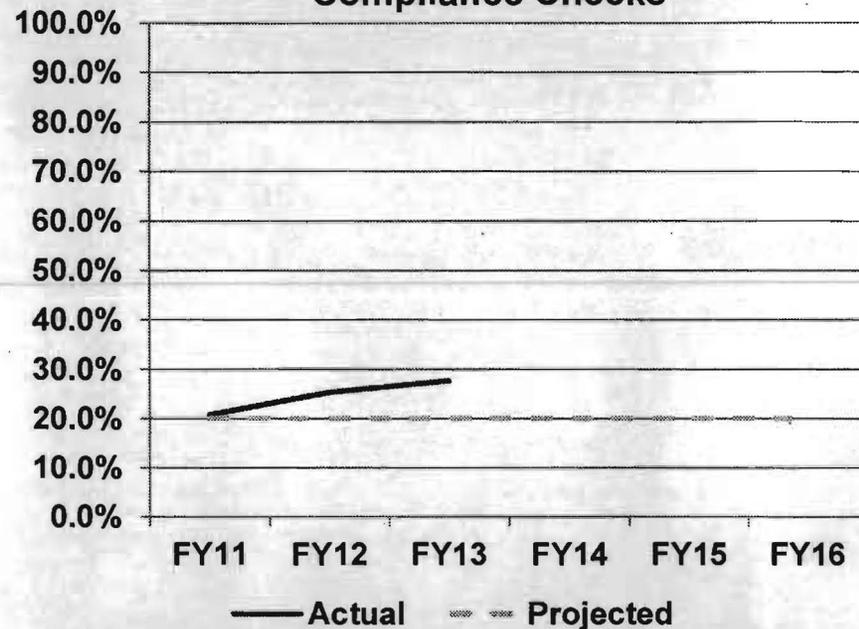
## Factors restricting improvement:

- High turnover rate of employees in licensed establishments requires constant training
- Licensees from other parts of the world do not realize importance of restrictions
- Profit motive tempts the sale

## Performance improvement plan:

- The ultimate responsibility lies with the license holder and their staff. The Department will continue to offer its trainings and will continue to provide resources to licensees and the community. Collaboration with community leaders, police and businesses will continue.

Percentage of Licensees Failing Compliance Checks



	FY11	FY12	FY13	FY14	FY15	FY16
Actual	20.8%	25.3%	27.7%	—	—	—
Projection	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

Performance in this area is diverging from projections. The percentage of licensees failing compliance checks is growing.



# Headline Measure 7: Number of Annual Alcohol Compliance Checks for Sales to Minors (Under 21)

**Factors contributing to current performance:**

- Compliance checks for sales to minors are a priority

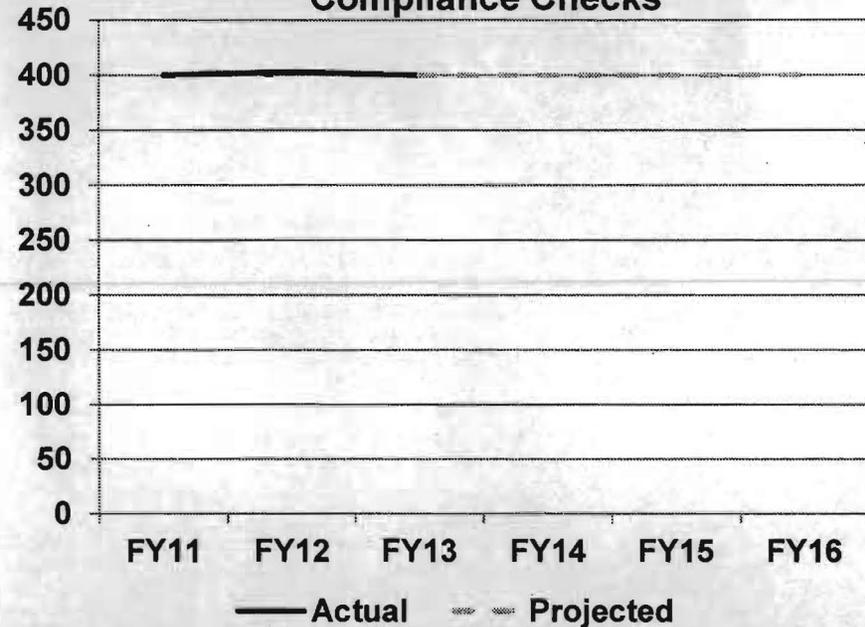
**Factors restricting improvement:**

- Time

**Performance improvement plan:**

- The department continues to conduct compliance checks for sales to minors

Percentage of Licensees Failing Compliance Checks



	FY11	FY12	FY13	FY14	FY15	FY16
Actual	400	403	400	--	--	--
Projection	-	-	400	400	400	400

Performance in this area remains satisfactory.



## Comparative Store Sales FY11 – FY13

	FY11	FY12	FY13	Sales Growth (FY11-FY13)
Burtonsville	\$1,508,608.00	\$2,685,458.00	\$3,294,685.00	118%
Kingsview	\$4,324,287.00	\$5,668,955.00	\$6,082,948.00	41%
Darnestown	\$4,957,589.00	\$5,640,637.00	\$6,167,965.00	24%
Hampden Ln	\$5,306,254.00	\$5,900,155.00	\$6,428,528.00	21%
Muddy Branch	\$6,075,918.00	\$6,598,710.00	\$7,213,510.00	19%
Silver Spring	\$4,878,252.00	\$5,415,012.00	\$5,786,302.00	19%
Kensington	\$5,275,004.00	\$5,668,955.00	\$6,082,948.00	15%
Walnut Hill	\$4,236,712.00	\$4,470,425.00	\$4,811,528.00	14%
Flower	\$2,526,168.00	\$2,704,317.00	\$2,806,634.00	11%
Pike	\$5,984,049.00	\$6,173,661.00	\$6,588,724.00	10%
Potomac	\$6,147,488.00	\$6,566,688.00	\$6,633,882.00	8%
White Oak	\$4,419,123.00	\$4,638,038.00	\$4,766,146.00	8%

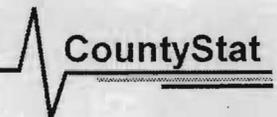


Source: DLC Comparative Sales Analysis Report (Unaudited)

DLC Performance  
Review

30

2/19/2014



## Comparative Store Sales FY11 – FY13

	FY11	FY12	FY13	Sales Growth (FY11-FY13)
Wheaton	\$4,199,136.00	\$4,522,576.00	\$4,494,677.00	7%
Westwood	\$6,842,891.00	\$7,218,858.00	\$7,260,261.00	6%
Cabin John	\$4,139,281.00	\$4,306,864.00	\$4,341,245.00	5%
Mont. Village/Goshen*	\$3,903,243.00	\$4,242,576.00	\$4,015,953.00	3%
Leisure World	\$4,290,209.00	\$4,396,649.00	\$4,395,726.00	2%
Falls Grove	\$4,650,727.00	\$4,814,286.00	\$4,753,970.00	2%
Milestone	\$7,928,374.00	\$8,187,946.00	\$8,086,919.00	2%
Montrose	\$7,843,494.00	\$8,149,584.00	\$7,946,381.00	1%
Chevy Chase	\$2,472,259.00	\$2,534,192.00	\$2,347,368.00	-5%
Cloverly	\$3,765,480.00	\$3,614,014.00	\$3,519,708.00	-7%
Olney	\$6,029,068.00	\$6,072,632.00	\$5,491,662.00	-9%
Diamond Square**	\$1,929,002.00	-	-	-

\*Montgomery Village store moved to Goshen in FY13

\*\*Diamond Square is no longer operational

**Chevy Chase, Cloverly and Olney have experienced contractions in sales since FY11.**



Does not include two new stores: Seneca Meadows and Clarksburg  
Source: DLC Comparative Sales Analysis Report (Unaudited)

DLC Performance  
Review

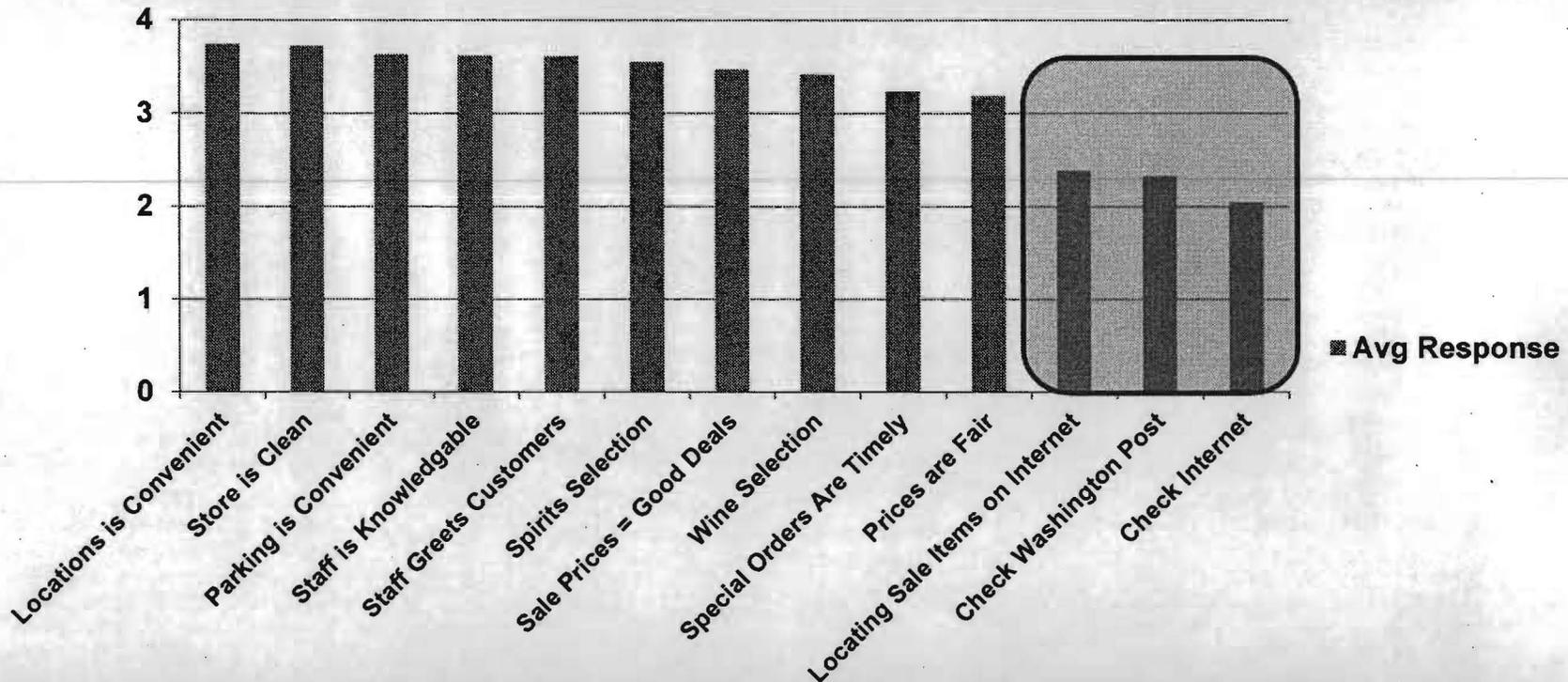
31

2/19/2014



# Retail Customer Satisfaction Survey Results

Number of respondents: 979  
 Total Number of Stores Participating: 23 (out of 25)\*  
 Overall average rating: 3.23



The FY13 overall average rating was 3.23.\*\* The inclusion of communications related questions in the average score drives performance down.

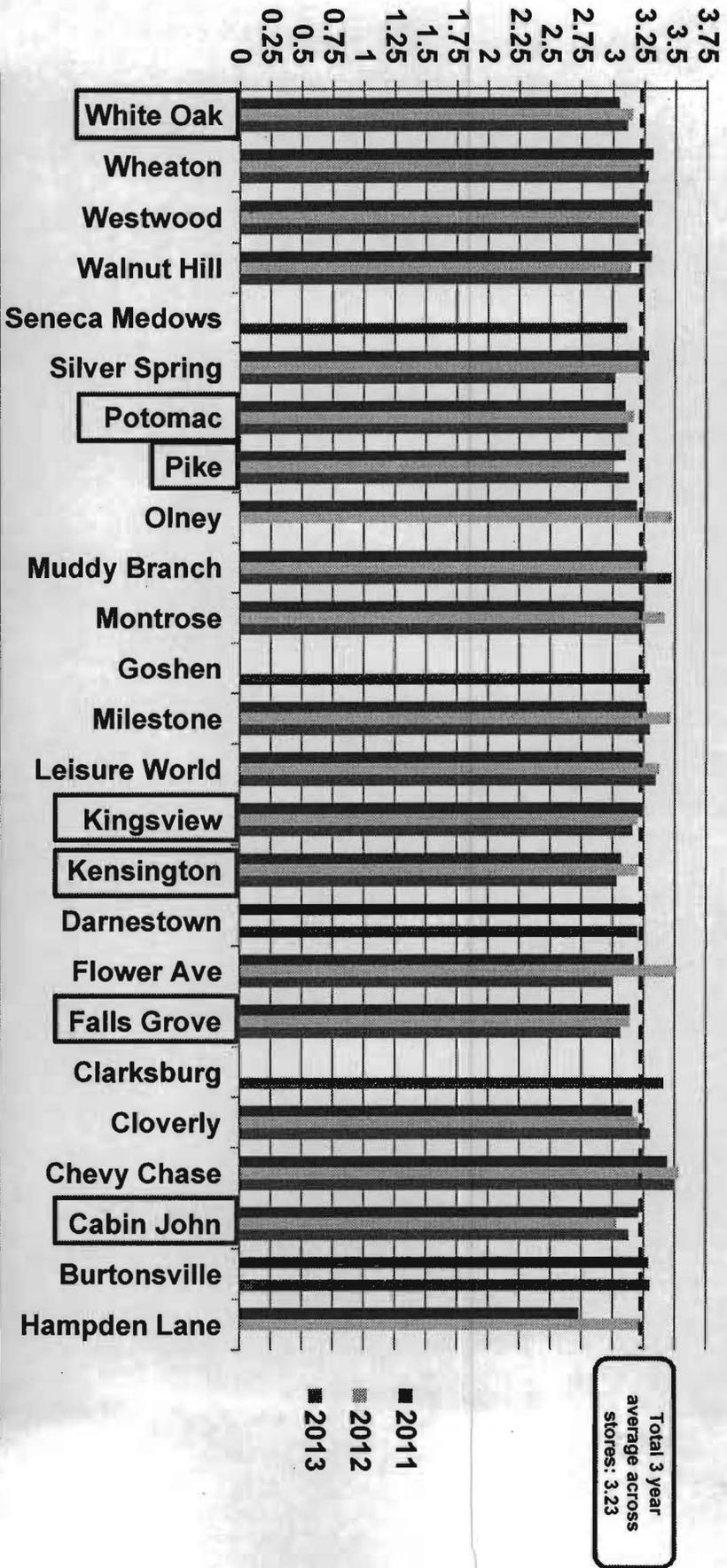


\*CountyStat and DLC did not receive results from Hampden Ln. and Olney.

\*\*Scale: 1 = Strongly Disagree; 2 = Disagree; 3 = Agree; 4 = Strongly Disagree; Answers of N/A are removed for statistical calculations.

Source: DLC Retail Customer Satisfaction Survey

# Retail Customer Overall Satisfaction Rating by Store: 2011 - 2013



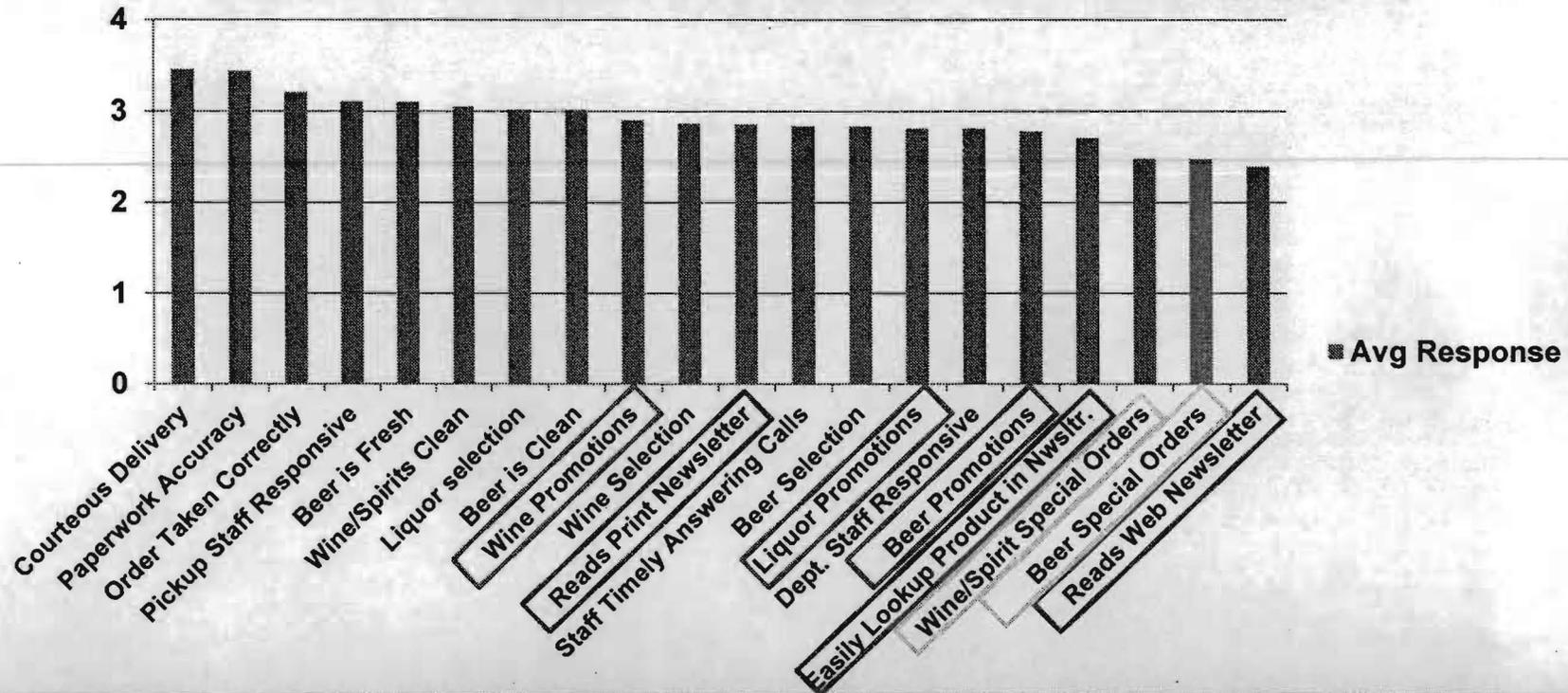
Stores outlined in red have fallen below the three year retail average each year from 2011 to 2013. The store with the lowest three year average is Pike (3.07), followed by Kensington (3.10). White Oak (3.11), and Falls Grove (3.11). Chevy Chase was the highest performing store.

\*Scale: 1 = Strongly Disagree; 2 = Disagree; 3 = Agree; 4 = Strongly Disagree; Answers of N/A are removed for statistical calculations.  
Source: DLC Retail Customer Satisfaction Survey



# Wholesale Customer Satisfaction Survey Results (1/2)

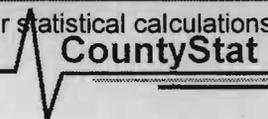
Number of respondents: 198  
 Overall average rating: 2.91  
 Approximate number of licensees: 1,000



While performance improved from FY12 to FY13, the overall average remains below 3.\* Communications, special orders and promotions may be areas for focused improvement. Again, CountyStat recommends that communications questions be omitted from the calculation of the Wholesale Customer Satisfaction Score.



\*Scale: 1 = Strongly Disagree; 2 = Disagree; 3 = Agree; 4 = Strongly Agree; Answers of N/A are removed for statistical calculations  
 Source: DLC Wholesale Customer Satisfaction Survey





## ALCOHOLIC BEVERAGES ADVISORY BOARD

**Isiah Leggett**  
*County Executive*

February 24, 2014

The Honorable Isiah Leggett  
County Executive  
Montgomery County Maryland  
101 Monroe Street  
Rockville, MD 20850

Re: Delivery Trucks for the DLC

Dear Mr. Leggett:

On behalf of the Alcoholic Beverages Advisory Board (ABAB), I write to urge support for improvement in the quality of delivery trucks used by the Montgomery County Department of Liquor Control (DLC) to deliver alcohol beverages to licensed retailers in Montgomery County. We encourage you to consider either an increase in the DLC's budget to provide for structural improvements to the existing fleet of trucks, or grant DLC the ability to enter into a lease agreement for new trucks.

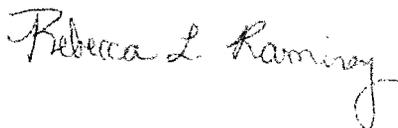
For over a year now, some of our licensee retailers who serve on the ABAB have documented and provided information regarding the poor quality of the delivery trucks. The main issue is that that trucks are not weatherproof, and when it rains, they often receive deliveries that have extensive water damage to the product packaging and products. If they cannot accept the products for sale in the condition in which they arrive, they are forced to return the products to the DLC, and in the case of seasonal products, often miss the opportunity to sell the products as a new delivery does not arrive in time or there is limited inventory to begin. Attached to this letter are a few photos that highlight some of the issues with the delivery trucks.

It is our understanding that DLC trucks are currently owned by the County, and the current budget only allows for two trucks a year to be replaced or upgraded. At this rate, it will take 20 years to completely replace the current truck fleet that the DLC uses for its daily deliveries to businesses within our County.

We value the control system for alcoholic beverages in Montgomery County, and we must ensure that both our customers in our retail stores as well as private retailers receive a high quality of service from both the distribution and retail side of the business. With our new warehouse, we are becoming state-of-the-art in the control and distribution of alcoholic beverages, and we should not allow leaky delivery trucks to detract from our professional standards and customer service.

We hope these comments are helpful to you and will encourage your office to support either an increase in the DLC budget to make appropriate repairs to the delivery trucks or preferably the implementation of a mechanism by which the trucking fleet can be replaced quickly and efficiently over the next year.

Sincerely,

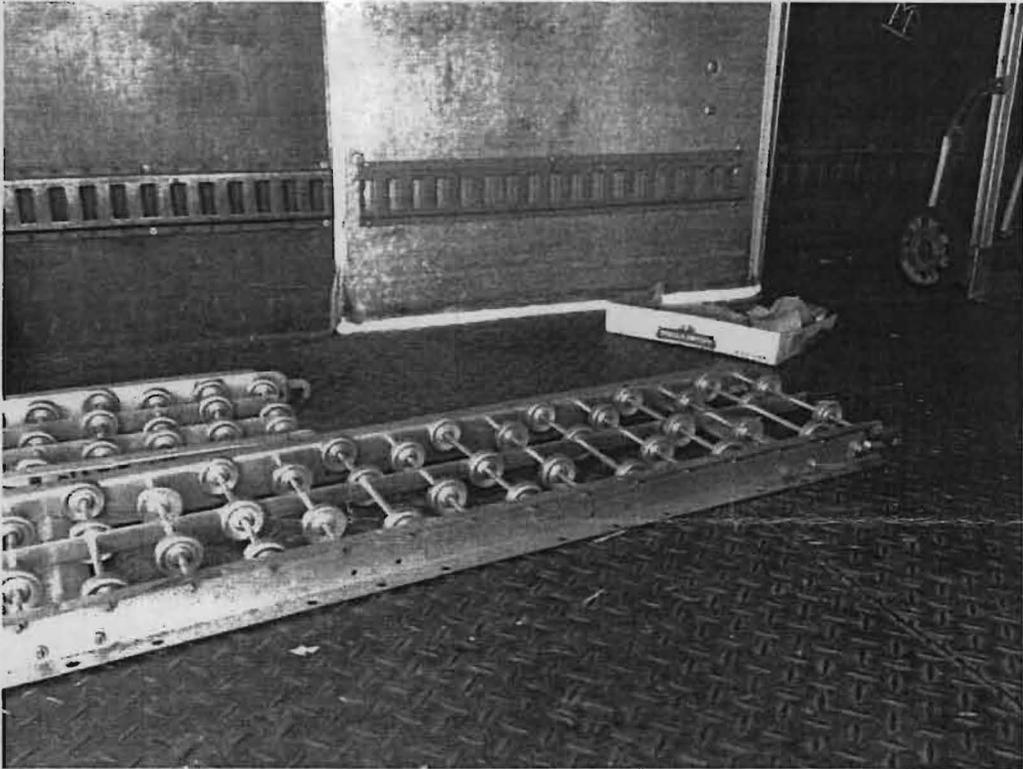


Rebecca L. Ramirez, Chairperson  
Alcoholic Beverages Advisory Board

Enclosure: Photos of conditions of delivery trucks

Cc: Councilmember Phil Andrews  
Councilmember Roger Berliner ✓  
Councilmember Cherri Branson  
Councilmember Marc Elrich  
Councilmember Nancy Floreen  
Councilmember George Leventhal  
Councilmember Nancy Navarro  
Councilmember Craig Rice  
Councilmember Hans Riemer

Enclosure: Photos of delivery trucks and merchandise



Delivery truck with gap between the door and the floor



Delivered merchandise with extensive water damage

Enclosure: Photos of delivery trucks and merchandise



Delivery truck with rusted back door where water can enter