FY2013 Performance and Accountability Report

Montgomery County Department of Liquor Control

CountyStat

DLC Alignment to County Priority Objectives

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- **A Responsive and Accountable Government**
- Affordable Housing in an Inclusive Community
- An Effective Transportation Network
- Children Prepared to Live and Learn
- **Healthy and Sustainable Communities**
- **Safe Streets and Secure Neighborhoods**
- **A Strong and Vibrant Economy**
- Vital Living for All of Our Residents

DLC Headline Performance Dashboard

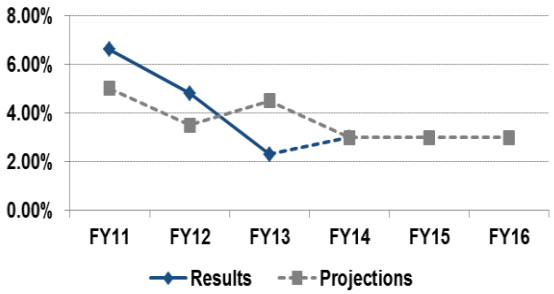
Headline Performance Measure	FY12 Results	FY13 Results	Performance Change
Annual growth in DLC retail and wholesale sales (percent)	4.8%	2.3%	↓
Gross profit margin of DLC retail and wholesale operations (percent)	30%	28.2%	↔
Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	3.20	TBD	↔
Wholesale customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	2.97	TBD	↔
Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.72	4.77	↔
Percent of licensees that fail compliance checks (Number of establishments that fail/Number of total compliance checks)	25.31%	27.7%	↔
Number of annual alcohol compliance checks for sales to minors (under 21)	403	400	↔
Inventory as a percent of 'Cost of Goods Sold' (COGS)	15.0%	14.2%	↔
Inventory as a percent of DLC sales	10.5%	10.1%	↔
Rating of licensees satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.69	4.69	↔

DLC At A Glance

What Department Does and for Whom	How Much/How Many
The Department of Liquor Control provides a wide selection of products at competitive prices to shoppers in Montgomery County while promoting moderation and responsible behavior.	**Total Operating Budget:** $50,696,632 **Total Work Years (WYs): 324.02** **Total Number of Retail Liquor Stores:** 23
Service Area 1 **Wholesale Operations**: Provides wholesale warehousing, distribution services and customer service to approximately 1,000 licensees and 23 retail stores supporting a business operation with annual sales in excess of $256 million. **Retail Operations**: Provides retail product availability, sales and customer service via retail stores to residents numbering one-million over a geographic area of approximately 500 miles.	Wholesale Operations **Total Operating Budget:** $15,130,454 **Total Work Years (WYs): 140.19** Retail Operations **Total Operating Budget:** $20,583,217 **Total Work Years (WYs): 145.13** **Total Number of Retail Liquor Stores**: 23
Service Area 2 **Licensure, Regulation and Education**: Issues beverage alcohol licenses; inspects and investigates licensed facilities to ensure compliance with all applicable laws, rules and regulations; serves as support staff and provides expert witness to the Board of License Commissioners; works in partnership with communities, organizations and other departments to define issues and strategies. Enforces State laws and County rules and regulations pertaining to youths' access to tobacco products using routine compliance checks to test age verification procedures utilized by retailers.	**Total Operating Budget:** $1,607,773 **Total Work Years (WYs): 15** Conducted 3,219 total alcohol inspections, 400 alcohol compliance checks, 40 sale to intoxicated investigations, 4 keg registration checks and 4 hotel/motel compliance checks. Conducted 200 tobacco compliance checks aimed at reducing tobacco sales to minors under the age of 18; and ensuring that sellers follow product placement laws.

Headline Performance Measure 1: Annual growth in DLC retail and wholesale sales (percent)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	6.6%	4.8%	2.3%	-	-	-
Projections	5.0%	3.5%	4.5%	3.0%	3.0%	3.0%

Factors Contributing to Current Performance

- High level of customer service satisfaction in retail stores and wholesale delivery operations
- Fair pricing and competitive sales
- Number of stores to serve the public

Factors Restricting Performance Improvement

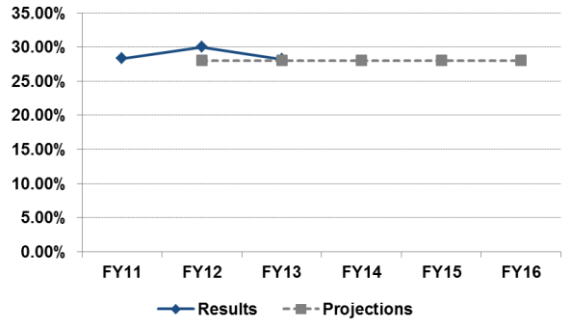
- Overall national trend indicating flattening consumption
- Limited advertising strategy that is a reflection of the County's role in this business operation
- Number of stores to serve the public

Performance Improvement Plan

In FY13, the Department moved the Montgomery Village store to Goshen Plaza and has signed leases and commenced to prepare two new stores (Seneca Meadows and Clarksburg) for opening in the 2nd quarter of FY14.

Headline Performance Measure 2: Gross profit margin of DLC retail and wholesale operations

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	28.3%	30.0%	28.2%	-	-	-
Projections	-	28.0%	28.0%	28.0%	28.0%	28.0%

Factors Contributing to Current Performance

- Solid product selection
- Inventory control
- Competitive pricing
- Knowledgeable, service-oriented staff
- Web based and print advertisements

Factors Restricting Performance Improvement

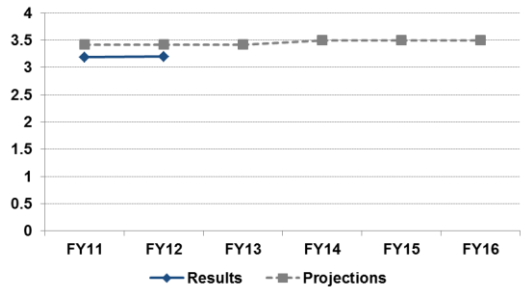
- Negotiated compensatory expenses (65% of operating costs)
- Lease escalation clauses
- Growth of utility and other operating costs

Performance Improvement Plan

In FY13, the Department continues to seek its gross profit margin (cost of goods sold to sales) target of 28%. A gross profit margin of 28% will ensure that the Department meets its cost of operations and transfers a predetermined amount of profit to the General Fund. The Department and the Office of Management and Budget jointly establish a profit transfer goal. Because markups and sale prices are standardized, the Department gets a standardized output. This measure is less of a plan than it is a broad measure to watch to ensure we are on track.

Headline Performance Measure 3: Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1 – 4 scale)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	3.19	3.20	TBD			
Projections	-	3.42	3.42	3.5	3.5	3.5

Factors Contributing to Current Performance

- Adequate product knowledge and customer service training for employees
- Comprehensive product choice
- Fair prices, competitive sales
- Safe, attractive stores
- Philosophical view of the County's role in beverage alcohol sales

Factors Restricting Performance Improvement

- Number of retail store locations
- Philosophical view of the County's role in beverage alcohol sales

Performance Improvement Plan

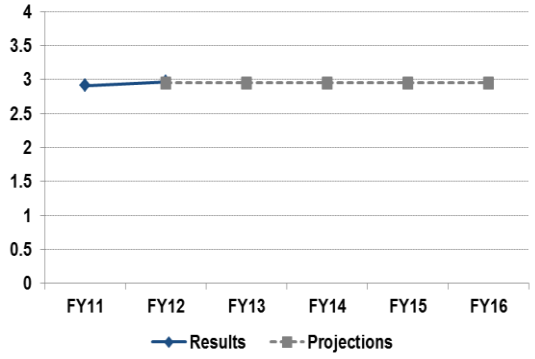
In FY13, the Department moved the Montgomery Village store to Goshen Plaza; and has signed leases and commenced to prepare two new stores (Seneca Meadows and Clarksburg) for opening in FY14.

The Product Management Committee continues to bring in new products.

Retail operations works in conjunction with the Purchasing Section to obtain limited-release allocated products for customers who are interested in specialty products.

Headline Performance Measure 4: Wholesale customer satisfaction rating based on the DLC customer survey results (average score on a 1 – 4 scale)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	2.91	2.97	TBD	-	-	-
Projections	-	2.95	2.95	2.95	2.95	2.95

Factors Contributing to Current Performance

- Product is available for sale
- Orders are shipped accurately and on time
- Delivery staff is training in customer service
- Philosophical view of the County's role in beverage alcohol sales

Factors Restricting Performance Improvement

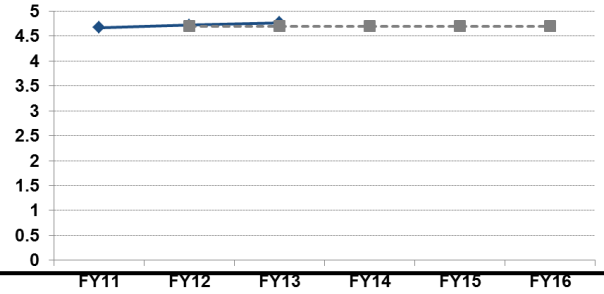
- Low survey response rate
- Philosophical view of the County's role in beverage alcohol sales

Performance Improvement Plan

The Department has undertaken the replacement of its APPX warehouse management system with ORACLE. FY13 and part of FY14 will see the design of a comprehensive system that includes purchasing, product receipt, sales, routing, delivery, driver settlement and inventory management.

Headline Performance Measure 5: Rating of licensees satisfied with the licensing application process (average score on a 1 – 5 scale)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	4.67	4.72	4.77	-	-	-
Projections	-	4.70	4.70	4.70	4.70	4.70

Factors Contributing to Current Performance

- Well-trained, customer oriented workforce
- Comprehensive on-line forms and information
- Fingerprinting offered at DLC location

Factors Restricting Performance Improvement

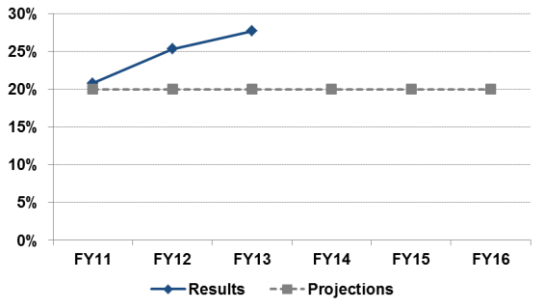
- Cost

Performance Improvement Plan

The Department has issued an Informal Solicitation and has selected a vendor to replace a non-compliant fingerprint machine with a new LiveScan portable system that can be taken to hearings and other locations if necessary as a customer convenience. The use of this machine provides the Department with a small revenue source that will pay for the machine in the first full year of use. As of the end of FY13 a vendor has been selected. The system is scheduled to be in use by the end of CY 13.

Headline Performance Measure 6: Percent of licensees that fail compliance checks (number of establishments that fail/number of total compliance checks)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	20.8%	25.3%	27.7%	-	-	-
Projections	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

Factors Contributing to Current Performance

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

Factors Restricting Performance Improvement

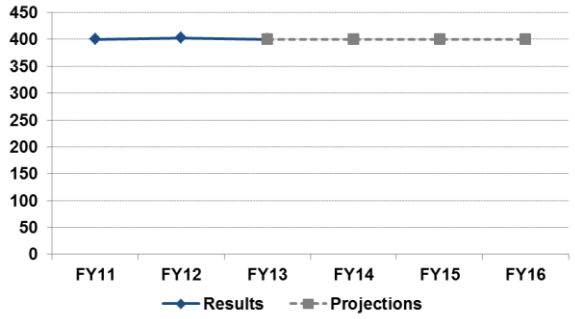
- High turnover rate of employees in licensed establishments requires constant training
- Licensees from other parts of the world do not realize importance of restrictions
- Profit motive tempts the sale

Performance Improvement Plan

The ultimate responsibility to be compliant with the law lies with the license-holder and their staff. The Department will continue to offer free twice-monthly ALERT trainings for current and prospective license holders, staff and others and will continue to be a resource to licensed establishments and the community. The Department will continue compliance checks and work in the community with the police, community leaders, businesses and others to establish and maintain safe, vibrant places to live.

Headline Performance Measure 7: Number of annual alcohol compliance checks for sales to minors (under 21)

Departmental Performance and Projections



	FY11	FY12	FY13	FY14	FY15	FY16
Results	400	403	400	-	-	-
Projections	-	-	400	400	400	400

Factors Contributing to Current Performance

- Compliance checks for sales to minors are a priority

Factors Restricting Performance Improvement

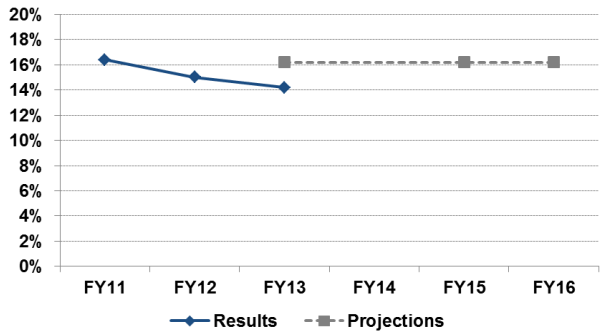
- Time

Performance Improvement Plan

The Department continues to perform compliance checks for sales to minors.

Headline Performance Measure 8: Inventory as a percentage of Cost of Goods Sold

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	16.4%	15.0%	14.2%	-	-	-
Projections	-	-	16.2%	16.2%	16.2%	16.2%

Factors Contributing to Current Performance

- Focus on product selection and regular review of product performance
- Careful evaluation of original and subsequent order quantities
- Periodic review of slow movers coupled with an effective sales strategy
- Focused product placement in stores

Factors Restricting Performance Improvement

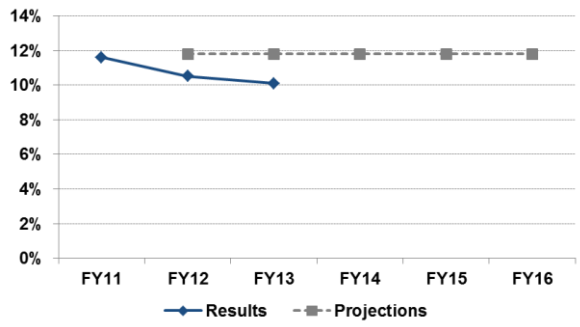
- Number of new products is growing exponentially
- Control model requires higher inventory levels

Performance Improvement Plan

The Department's goal is to ensure that productivity gains are being realized through effective inventory management. Inventory as a percentage of cost of goods sold is a measure to monitor efficient levels of inventory.

Headline Performance Measure 9: Inventory as a percentage of DLC sales

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY16
Results	11.6%	10.5%	10.1%	-	-	-
Projections	-	11.8%	11.8%	11.8%	11.8%	11.8%

Factors Contributing to Current Performance

- Focus on product selection and regular review of product performance
- Careful evaluation of original and subsequent order quantities
- Periodic review of slow movers coupled with an effective sales strategy

Factors Restricting Performance Improvement

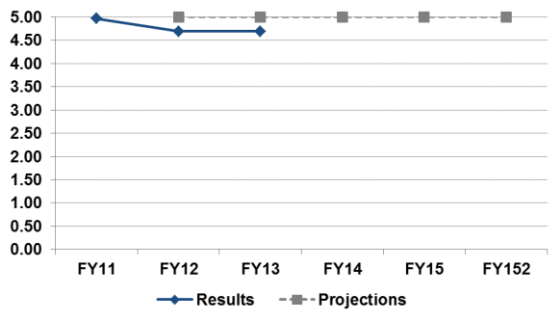
- Number of new products is growing exponentially
- Control model requires higher inventory levels

Performance Improvement Plan

The Department's goal is to ensure that productivity gains are being realized through effective inventory management. Inventory as a percentage of sales is a measure to monitor efficient levels of inventory. The Department monitor's the trend over time of inventory as a percentage of sales. We strive to be sure there is a continuing positive trend. Steady Inventory on-hand continues to support growing sales, which in turn tell us that inventory turns continue to remain acceptable or improve. ORACLE will assist in this effort as it will provide daily and monthly metrics to assist.

Headline Performance Measure 10: Rating of licensees satisfied with A.L.E.R.T. training (average score on a 1 – 5 scale)

Performance Trends



	FY11	FY12	FY13	FY14	FY15	FY15
Results	4.97	4.69	4.69	-	-	-
Projections	-	5.00	5.00	5.00	5.00	5.00

Factors Contributing to Current Performance

- The training is comprehensive yet presented in an understandable manner
- Training is offered in English and occasionally in Spanish
- Training is interactive and an enjoyable experience according to surveys

Factors Restricting Performance Improvement

- None

Performance Improvement Plan

The Department will continue to offer these free, enjoyable and valuable trainings for current and potential license-holders, staff and others. The training, which was developed by staff in the LRE Division, is often a required training for violators and mandated by judges. A number of other jurisdictions have adopted trainings that are modeled on Montgomery County's ALERT training.

Responsive and Sustainable Leadership:

Responsive and Sustainable Leadership has been the cornerstone of the County Executive's vision for Montgomery County government. To advance this vision, we have identified eight overarching goals for all County departments:

1) Effective and Productive Use of the Workforce/Resources:
Department actively works to effectively and productively use its workforce/resources, including, but not limited to, better management of overtime, implementation of productivity improvements, reduction of ongoing costs, and efficient use of other resources.

a) 48% decrease in average overtime hours used by all full-time, non-seasonal employees. (Source: CountyStat)*

b) 0.1 percentage point decrease in average Net Annual Work hours for all full-time, non-seasonal employees. (CountyStat)*

**Values are based on the employee's HR Organization and not assigned Cost Center(s)*

2) Internal Controls and Risk Management:
Department actively assesses its internal control strengths, weaknesses, and risks regarding compliance with laws, regulations policies and stewardship over County assets: Department reviews and implements Internal Audit recommendations in a systematic and timely manner, and proactively manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation

a) 93% of 15 *Audit report recommendations were fully implemented since issuance of the audit report. (Source: Internal Audit provided to CountyStat)*

b) 9% decrease in number of work-related injuries (from 64 in FY12 to 58 in FY13). (Source: Risk Management)

3) Succession Planning:
Department actively plans for changes in its workforce, in order to maintain continuity of services, develop staff capabilities, maintain and/or transfer knowledge, and enhance performance.

a) List all the key positions/functions in your department that require succession planning (Source: Department Survey).

- Retail Operations Manager
- Alcohol Beverage Purchasing Specialist
- Warehouse Operations Management
- Enforcement Manager
- Licensing Manager
- Pricing Manager
- Retail Store Sales Manager
- Credit Card Manager
- Claims Manager
- COOP Manager
- Newsletter Producer

b) 64% of those identified key position/functions have some developed and partially implemented long-term succession planning (7 out of 11 identified positions) The Department finds it difficult to perform true succession planning in a merit system/union environment. (Source: Department)

4) Mandatory Employee Training:
Department systematically monitors and actively enforces employees' mandatory and/or required

7% of 301 *DLC employees have fulfilled mandatory County/State/Federal training requirements (Source: Department)*

5) Workforce Diversity and MFD Procurement:

Department actively participates in the recruitment of a diverse workforce and enforcement of MFD procurement requirements.

Workforce Diversity: According to the Workforce Diversity Report, Liquor Control has consistently maintained significant diversity in its overall workforce. Currently 52% of its workforce consists of minority employees, with significant representation in all groups. Hispanic employees represent 16% of the workforce. The MLS-ranked employees provide data that is too small to be statistically significant. *(Source: ERP, Personnel Management Review Assignment Dashboard)*

	African Amer	Native Amer	White	Asian	Hispanic	Other
LIQUOR CONTROL	**30%**	**1%**	**46%**	**8%**	**14%**	**1%**

MFD Procurement: According to the MFD Participation Report, Liquor Control completed 17 actions with awards subject to MFD. That equals a total award dollar amount of $4,021,437, which a percentage of dollars of 36.7%. (*Source: Department provides and CountyStat validates)* (Link to report)

Total $ Subject to MFD: $10,966,916
MFD Utilization: $4,021,437
% of MFD Utilization: 36.67%
% of Total MDF $: 2.74%

6) <u>Innovations</u>:

Department actively seeks out and tests innovative new approaches, processes and technologies in a quantifiable, lean, entrepreneurial manner to improve performance and productivity.

a) Total number of innovative ideas/project currently in pipeline for your department, including the ones initiated in coordination with the Montgomery County Innovation Program.(Source: Department)

b) Expected (or achieved) return on investment for each of those innovative ideas/projects, quantified in terms of at least one of the following measures: increased effectiveness/efficiency, cost savings/avoidance, increased transparency/accountability, or increased customer satisfaction. (Source: Department)

1. Fingerprinting Service (in production)	Expected ROI:	Increased customer service Increased effectiveness Revenue generation
2. Customer intake system for LRE	Expected ROI:	Increased transparency/accountability
3. ALERT Training (in production)	Expected ROI:	Increased customer satisfaction
4. Implementation of ORACLE ERP warehouse Management system	Expected ROI:	Increased customer satisfaction Increased effectiveness

7) Collaborations and Partnerships:
Department actively participates in collaborations and partnerships with other departments to improve results beyond the scope of its own performance measures. Please only list accomplishments that had positive results for other department(s) as well.

a) Total $$ saved by through collaborations and partnerships with other departments: $75,000
b) List your accomplishments and/or expected results

DLC supports multi-agency efforts through grant writing and reporting. In FY13, grant funding totaled nearly $25,000 and include funding for a Cops in Shops® Program (done jointly with the Police), ID Checking Calendars for Retailers and the Sociable City Leadership Summit. Expected results are an increased understanding and awareness of responsibly beverage alcohol sales and service.

In FY 13 DLC obtained and distributed in-kind materials from numerous partners, such as over 3,000 ID books, "*We Don't Serve Teens"* materials and other educational resources that were solicited and distributed in monthly educational trainings. These in kind services are valued at over $50,000. Expect result: Increased understanding and awareness that sales and service of beverage alcohol to underage patrons is illegal and comes with consequences.

8) Environmental Stewardship:
Department actively makes appropriate changes to workplace operations, workflow, employee behavior, equipment use, and public interactions to increase energy-efficiency, reduce its environmental footprint, and implement other environmentally responsible practices.

a) 14% increase in print and mail expenditures (Source: CountyStat)
b) 15.0% decrease in paper purchases (measured in total sheets of paper) (Source: CountyStat)
c) List your accomplishments and/or expected results

- DLC is using BPA-free receipt paper in the retail stores.
- DLC has converted a number of FAX lines to eFax, which will allow for consolidating lines and eliminating the use of Fax machines, saving money on excess lines and machine upkeep.
- DLC is converting its current system to allow users to review reports on-screen and print only if necessary. This should reduce the need for different sizes of paper and enable the department to retire its large, legacy printers.