

Department of Liquor Control Performance Review

George Griffin, Director
27 February 2013

CountyStat Principles

- **Require Data-Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



Agenda

- **Welcome and Introductions**
- **Status of Follow-Up Items**
- **Status of Internal Audit Recommendations**
- **Update on DLC Overtime Usage**
- **Focused Performance Analysis**
 - Annual growth in DLC retail and wholesale sales
 - Percent of licensees that fail compliance checks
- **Annual Headline Measure Performance Update**
- **Wrap Up and Follow Up Items**



Meeting Goals and Tracking Our Progress

■ Meeting Goals:

- Determine the impact of DLC programs and activities on headline measures and establish new performance expectations and goals
- Review existing DLC overtime generation and determine methods for lowering associated costs

■ How will we measure success

- Updated performance plan is finalized and published
- Ongoing monitoring of performance through Montgomery County Performance Dashboard
- Decreasing overtime utilization



Status of Follow-Up Items

- DLC will seek professional assistance to evaluate e-marketing methods and other strategies to modernize marketing and improve customer communications.

DLC Update:

- DLC has created an in-house communications committee and as a result we are on Facebook and Twitter and are working with Homeland Security for a place on Alert Montgomery.
 - DLC is preparing an Informal Solicitation to hire a company to update our business plan, which will include but not be limited to developing marketing strategies (including retail store placement)
- CountyStat will work with DLC to evaluate leasing options in lieu of purchasing the delivery fleet.

DLC Update:

- DLC recently entered into a lease purchase plan for warehouse equipment.
- DLC is preparing an Informal Solicitation to hire a company to update our business plan, which will include lease Vs purchase of the delivery fleet.



Sample of Liquor Control Jurisdictions Marketing Initiatives

Of the 18 liquor control states, local jurisdictions with best practices include Pennsylvania and Virginia.

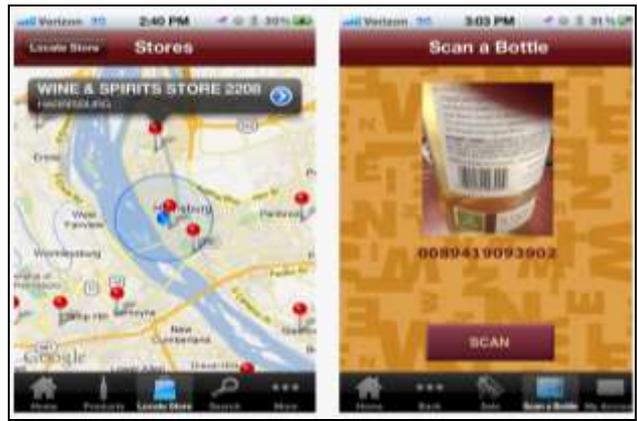
	Online Licensee Ordering	Social Media	Mobile App	Online Permit Application Submission	Product Listings	Sales and Specials	Store Locator	Customer Email Notifications
Pennsylvania	X		X	X	X	X	X	X
Virginia	X	X		X	X	X	X	
Montgomery	X	X			X	X	X	



PA Dedicated Consumer Website



Current DLC Website



PA Mobile App



Status of Internal Audit Recommendations

Report Name: DLC Point of Sale System

Date Issued: 6/30/2011

Recommendations: 15

Update On Outstanding Audit Recommendations

#'s 7, 8, 9, and 10: these refer to the Warehouse Management System replacement.

- **DLC Update:** DLC has three dedicated people working with the ERP team to implement ORACLE's warehouse management system with a target date of February 2014.

#11: Conduct and document periodic due diligence reviews of the vendors Shift4 and Elavon using SSAE16 (previously SAS 70) reports.

- **DLC Update:** We may not be able to get an SSAE 16 report from Shift 4 and/or Elavon as these vendors are not required to prepare the report.

#14: Work with the Director of Finance to set in place a specific plan and target date for bringing Finance's reconciliation of the DLC PNC Bank reconciliation certification process to up to date.

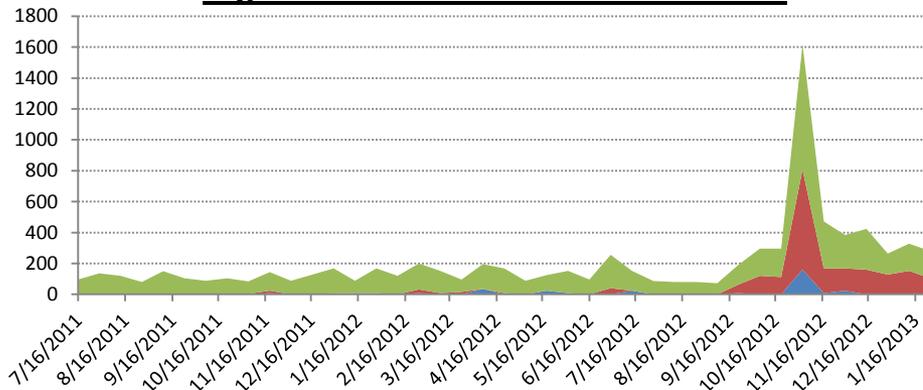
- **DLC Update:** The Department of Finance will determine necessary actions



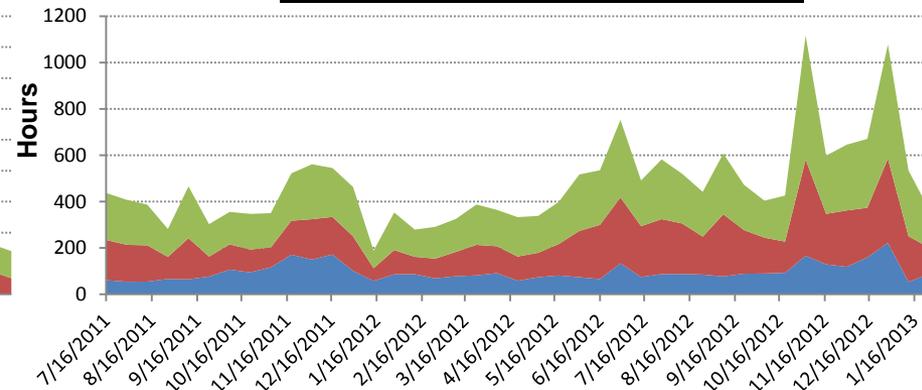
Overview of DLC Overtime and Workforce Availability Analysis Findings

- Comparison of FY13 Year-to-Date (YTD) to the same period FY12 reveals increasing use of administrative leave and overtime, while worker availability is decreasing
- In FY13, DLC is currently generating 38% more overtime hours and 33% more overtime cost than FY12 during the same time period
- Positions based in warehouse operations accounted for 72% of all DLC overtime in FY12 and 73% in FY13 YTD
- Despite this overtime creation, warehouse operations display a similar workforce availability than non-warehouse staff
- Warehouse positions Supply Technician II, Truck Driver Helper/Warehouse Worker, and Truck Driver/Warehouse Worker are experiencing the highest levels of overtime in FY13

High Volume Warehouse Admin Leave



High Volume Warehouse Overtime



■ Supply Technician II
■ Truck Driver Helper/Warehouse Worker
■ Truck Driver/Warehouse Worker



DLC Overtime Usage FY12 v. FY13

Pay Period End Date	Hours	Amount (\$)
7/16/2011	620.88	18,170.79
7/30/2011	628.31	19,017.88
8/13/2011	537.81	16,736.36
8/27/2011	452.52	12,974.18
9/10/2011	675.28	20,900.76
9/24/2011	515.79	15,174.41
10/8/2011	607.70	18,452.12
10/22/2011	565.23	17,694.99
11/5/2011	616.07	19,304.17
11/19/2011	946.70	30,219.78
12/3/2011	1,735.73	55,148.42
12/17/2011	1,108.99	34,754.75
12/31/2011	2,906.40	96,074.04
1/14/2012	368.02	11,949.00
1/28/2012	499.90	14,982.04
FY12 YTD	12,785.33	\$ 401,553.69
2/11/2012	442.39	13,524.45
2/25/2012	456.14	14,274.59
3/10/2012	511.96	16,006.94
3/24/2012	602.28	18,164.92
4/7/2012	520.52	15,739.47
4/21/2012	516.96	15,275.98
5/5/2012	546.52	16,208.94
5/19/2012	643.91	19,029.51
6/2/2012	792.67	23,742.20
6/16/2012	828.76	25,052.28
6/30/2012	1,307.30	40,947.60
FY12 Total	21,071.90	\$ 656,156.11

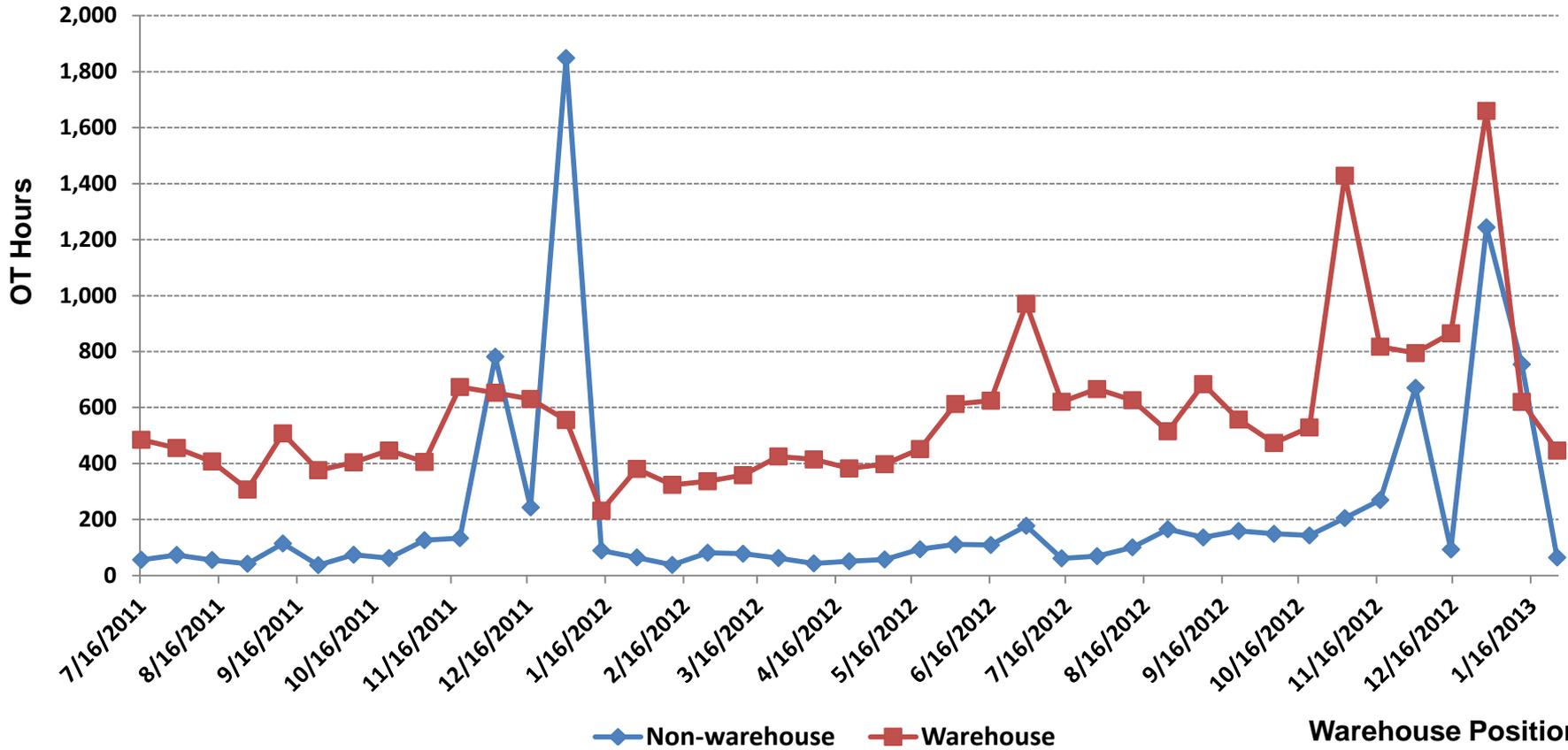
Pay Period End Date	Hours	Amount (\$)
7/14/2012	754.82	22,367.53
7/28/2012	873.82	25,051.50
8/11/2012	838.32	24,535.28
8/25/2012	782.09	22,928.96
9/8/2012	860.57	26,073.92
9/22/2012	803.03	24,431.45
10/6/2012	727.27	21,659.61
10/20/2012	807.10	23,692.68
11/3/2012	1,743.07	52,989.09
11/17/2012	1,255.29	37,561.28
12/1/2012	1,627.02	51,442.65
12/15/2012	1,146.20	35,286.99
12/29/2012	3,345.50	102,515.34
1/12/2013	1,473.97	47,882.30
1/26/2013	554.34	16,796.58
FY13 YTD	17,592.41	\$ 535,215.16

In FY13, DLC is currently generating 38% more overtime hours and 33% more overtime cost than FY12*

*Period of analysis:
 FY12 Pay period ending 7/16/11 through 1/28/12
 FY13 Pay period ending 7/14/12 through 1/26/13



DLC Warehouse Overtime FY12 – FY13 YTD



Positions based in warehouse operations accounted for 72% of all DLC overtime in FY12 and 73% in FY13 YTD.

- Warehouse Positions**
- Senior Supply Technician
 - Supply Technician II
 - Truck Driver Helper/Warehouse Worker
 - Truck Driver/Warehouse Worker
 - Warehouse Assistant Supervisor
 - Warehouse Equipment Operator
 - Warehouse Worker
 - Work Force Leader II



DLC Warehouse Average Workforce Availability Per Person FY12

	Overtime Hours	Admin Leave Hours	Sick Leave Hours	Annual Leave Hours	Personal Leave Hours	Workforce Availability
Senior Supply Technician	44.0	0.0	41.5	117.5	28.0	91%
Supply Technician II	194.4	33.2	76.6	145.5	25.6	86%
Truck Driver Helper/Warehouse Worker	106.3	20.7	90.0	123.4	25.7	88%
Truck Driver/Warehouse Worker	116.3	67.5	95.5	147.6	26.9	84%
Warehouse Assistant Supervisor	144.3	0.0	78.5	67.8	20.0	92%
Warehouse Equipment Operator	37.7	24.0	83.8	125.5	18.0	88%
Warehouse Worker	17.9	16.0	62.3	92.2	26.3	91%
Work Force Leader II	65.1	24.0	20.1	202.4	18.7	87%
Total Warehouse Average	100.2	45.4	83.8	133.8	24.7	86%
Total Non-Warehouse Average	35.1	30.7	89.4	139.9	23.3	86%
Total Departmental Average	66.1	36.0	87.2	137.4	23.9	86%

All values are based on MCTime payroll data from 7/01/11 to 6/30/12
 Averages are based on the number of permanent employees to record any regular pay during period
 Workforce Availability based on 2080 hours
 Overtime data generated via Oracle dashboard



DLC Warehouse Average Workforce Availability Per Person FY12 (July-January)

	Overtime Hours	Admin Leave Hours	Sick Leave Hours	Annual Leave Hours	Personal Leave Hours	Workforce Availability
Senior Supply Technician	31.8	0.0	25.3	72.0	16.0	91%
Supply Technician II	143.7	24.0	46.3	71.9	17.0	87%
Truck Driver Helper/Warehouse Worker	60.4	9.3	50.5	84.2	19.8	86%
Truck Driver/Warehouse Worker	66.7	32.8	51.3	93.6	16.3	84%
Warehouse Assistant Supervisor	78.7	0.0	27.0	48.3	8.0	93%
Warehouse Equipment Operator	33.3	0.0	54.1	74.1	14.4	88%
Warehouse Worker	10.3	0.0	50.7	52.6	20.6	90%
Work Force Leader II	35.9	0.0	14.0	127.9	8.0	88%
Total Warehouse Average	58.7	26.2	48.7	83.6	17.3	85%
Total Non-Warehouse Average	29.7	18.0	56.4	90.7	16.4	85%
Total Departmental Average	43.6	20.7	53.3	87.8	16.8	85%

All values are based MCTime payroll data from 7/01/11 through 1/28/12
Averages are based on the number of permanent employees to record any regular pay during period
Workforce Availability based on 1200 hours
Overtime data generated via Oracle dashboard



DLC Warehouse Average Workforce Availability Per Person FY13 YTD (July-January)

	Overtime Hours	Admin Leave Hours	Sick Leave Hours	Annual Leave Hours	Personal Leave Hours	Workforce Availability
Senior Supply Technician	46.0	16.0	21.3	60.0	32.0	89%
Supply Technician II	147.8	22.5	56.6	82.0	19.0	85%
Truck Driver Helper/Warehouse Worker	107.9	47.7	38.9	84.5	17.4	84%
Truck Driver/Warehouse Worker	104.8	57.8	53.4	92.0	16.0	82%
Warehouse Assistant Supervisor	98.8	32.0	29.2	93.3	12.0	86%
Warehouse Equipment Operator	52.0	16.5	43.9	82.9	18.4	87%
Warehouse Worker	73.0	16.0	36.4	82.6	18.4	87%
Work Force Leader II	74.9	16.0	36.8	107.2	12.0	86%
Total Warehouse Average	98.3	39.2	45.4	87.2	17.5	84%
Total Non-Warehouse Average	33.2	19.2	54.7	89.5	16.8	85%
Total Departmental Average	63.9	27.5	50.9	88.6	17.1	85%

Workforce values are based MCTime payroll data from 7/01/12 to 1/26/13
Averages are based on the number of permanent employees to record any regular pay during period
Workforce Availability based on 1200 hours
Overtime data generated via Oracle dashboard



Percent Change FY12 to FY13 (July-January)

	Overtime Hours	Admin Leave Hours	Sick Leave Hours	Annual Leave Hours	Personal Leave Hours	Workforce Availability
Senior Supply Technician	45%	No FY12 Use	-16%	-17%	100%	-2%
Supply Technician II	3%	-6%	22%	14%	12%	-2%
Truck Driver Helper/Warehouse Worker	79%	413%	-23%	0%	-12%	-2%
Truck Driver/Warehouse Worker	57%	76%	4%	-2%	-2%	-2%
Warehouse Assistant Supervisor	26%	No FY12 Use	8%	93%	50%	-8%
Warehouse Equipment Operator	56%	No FY12 Use	-19%	12%	28%	-1%
Warehouse Worker	609%	No FY12 Use	-28%	57%	-11%	-3%
Work Force Leader II	109%	No FY12 Use	163%	-16%	50%	-2%
Total Warehouse Average	67%	50%	-7%	4%	1%	-1%
Total Non-Warehouse Average	12%	7%	-3%	-1%	2%	0%
Total Departmental Average	47%	33%	-5%	1%	2%	0%

All values are based on MCTime payroll data from 7/01/11 through 1/28/12 and 7/01/12 to 1/26/13
 Averages are based on the number of permanent employees to record any regular pay during period
 Workforce Availability based on 1200 hours
 Overtime data generated via Oracle dashboard



FY12 DLC Headline Measure Performance

Area of focused analysis



Area of focused analysis



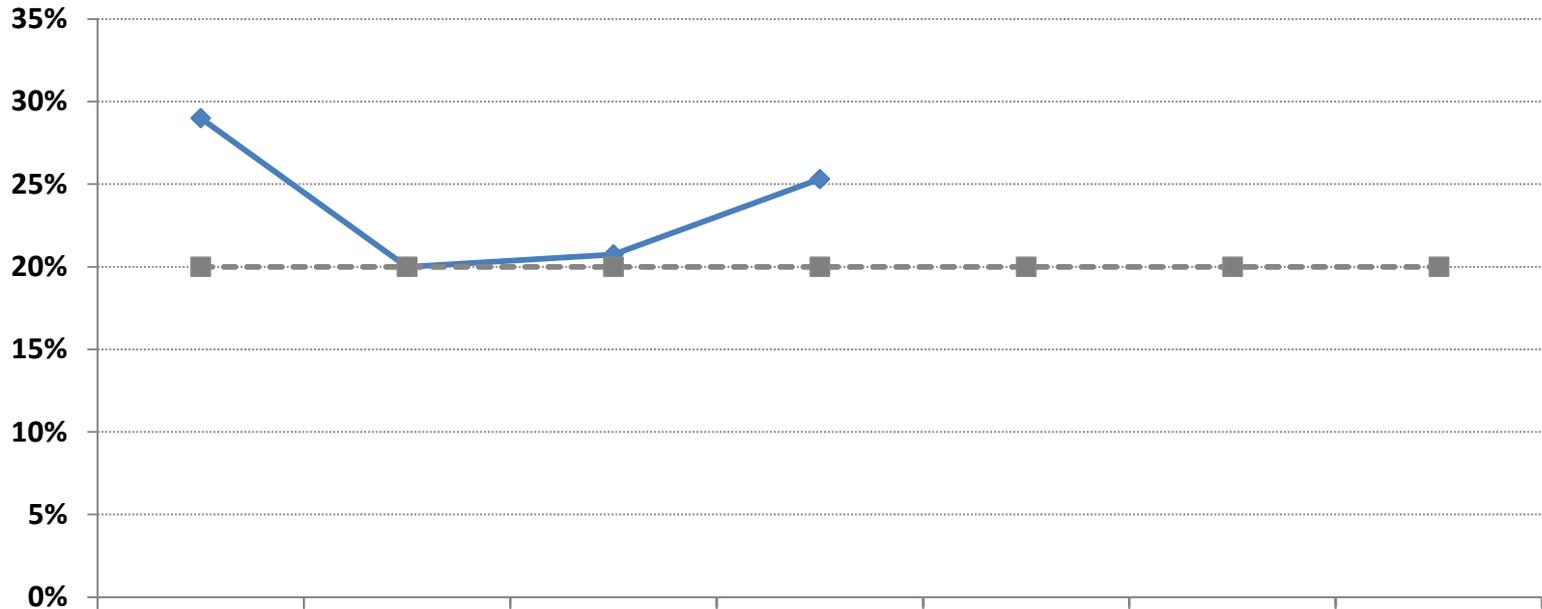
Area of focused analysis



<u>Headline Performance Measure</u>	<u>FY11 Results</u>	<u>FY12 Results</u>	<u>Performance Change</u>
Annual growth in DLC retail and wholesale sales (percent)	6.6%	4.81%	
Gross profit margin of DLC retail and wholesale operations (percent)	28.3%	30%	
Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	3.19	3.20	
Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.67	4.72	
Percent of licensees that fail compliance checks (Number of establishments that fail/Number of total compliance checks)	20.75%	25.31%	
Number of annual alcohol compliance checks for sales to minors (under 21)	400	403	
Inventory as a percent of 'Cost of Goods Sold' (COGS)	16.4%	15.0%	
Inventory as a percent of DLC sales	11.6%	10.45%	
Rating of licensees satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.97	4.69	
Wholesale customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	2.91	2.97	



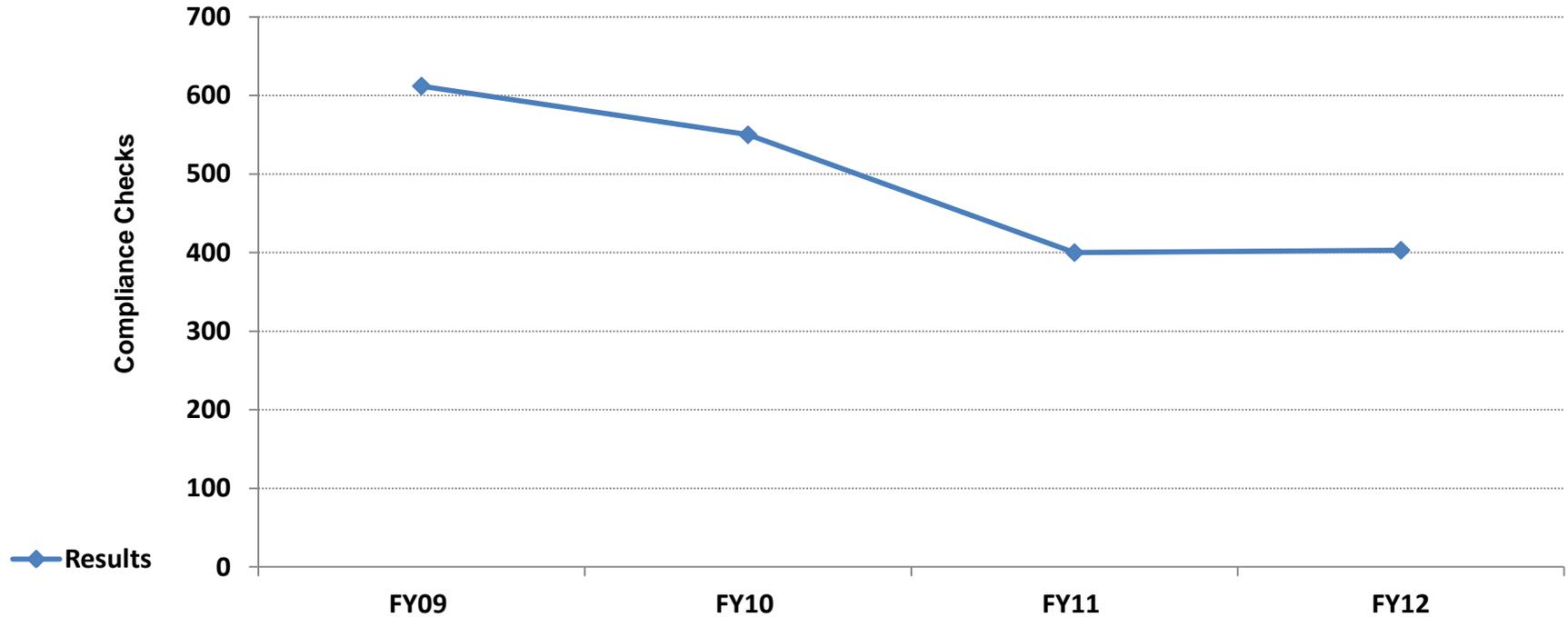
Percent Of Licensees That Fail Compliance Checks



	FY09	FY10	FY11	FY12	Projection FY13	Projection FY14	Projection FY15
Results	29%	20%	20.75%	25.31%			
Projections	20%	20%	20%	20%	20%	20%	20%



Number Of Annual Alcohol Compliance Checks For Sales To Minors (Under 21)



	FY09	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	612	550	400	403			



Focused Analysis: Percent Of Licensees That Fail Compliance Checks

Currently, the Department of Liquor Control has an annual target of 400 compliance checks to be completed without perpetual overlap. These checks are separate from semi-annual state-mandated inspections.

Types of Compliance Checks:

1. A compliance check involving youth under the age of 20 using their own ID, attempting to purchase alcohol at a licensed establishment
2. A compliance check involving youth under the age of 20 using their own ID, attempting to purchase alcohol through room service at a hotel or motel
3. A compliance check involving enforcement specialists in plain clothes within a facility conducting surveillance for sales to visibly intoxicated patrons
4. A compliance check involving an enforcement specialist in plain clothes using their own ID, attempting to purchase a keg in order to witness the clerks keg registration policies

Department of Liquor Control Alcohol Inspectors and Police Officers conduct all compliance checks in tandem delivering both an administrative citation against the liquor licensee and a criminal citation to the individual seller for failed compliance.



Focused Analysis: Historical Licensees Compliance Rate

Compliance Checks for Underage Sales

Year	Checked	Violation	Compliance Rate
2008	548	113	79%
2009	406	120	70%
2010	550	110	80%
2011	400	83	79%
2012	404	102	75%

Complaint Compliance Checks for Sales to Intoxicated Individuals

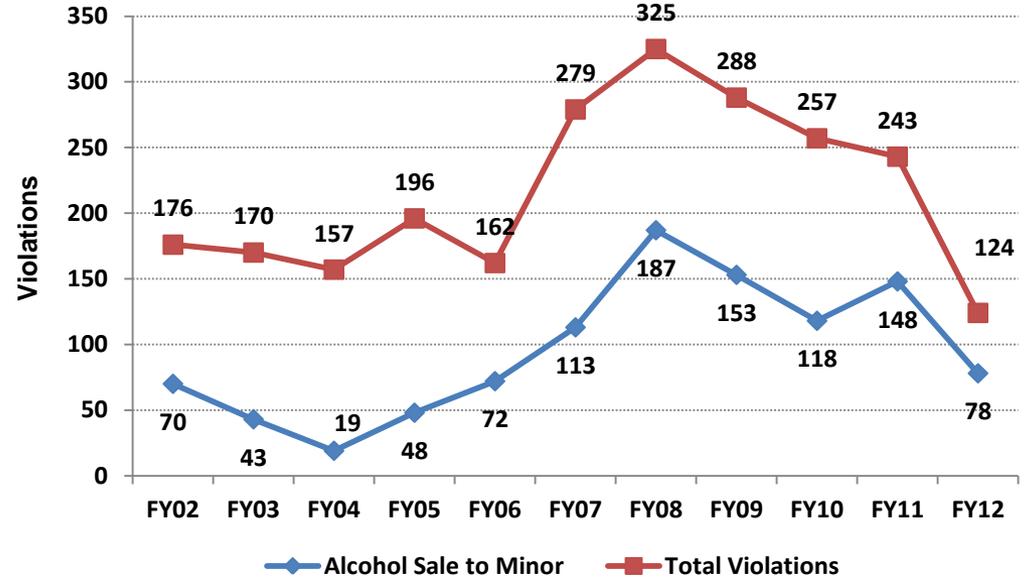
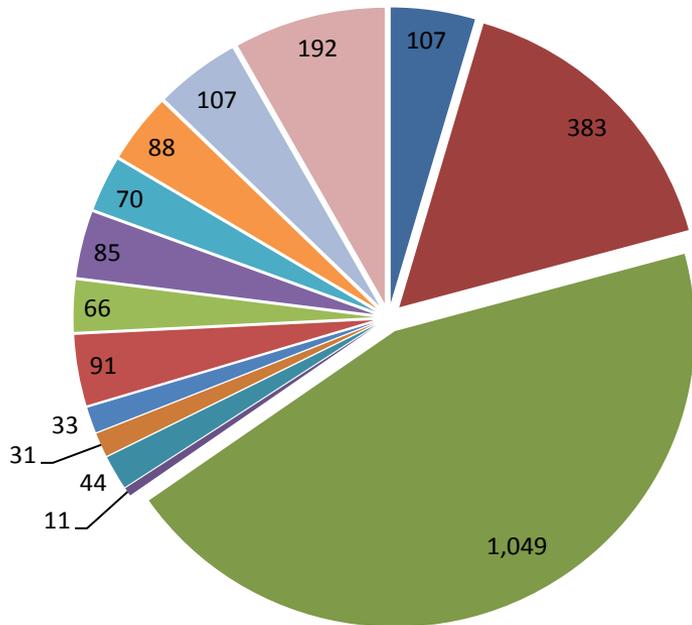
Year	Checked	Violation	Compliance Rate
2008	24	7	71%
2009	20	2	90%
2010	42	22	48%
2011	44	14	68%
2012	14	5	64%

Compliance Checks for Keg Registration

Year	Checked	Violation	Compliance Rate
2008	28	4	86%
2009	186	1	99%
2010	8	1	88%
2011	10	0	100%
2012	8	1	88%



Focused Analysis: Violation Type Trends

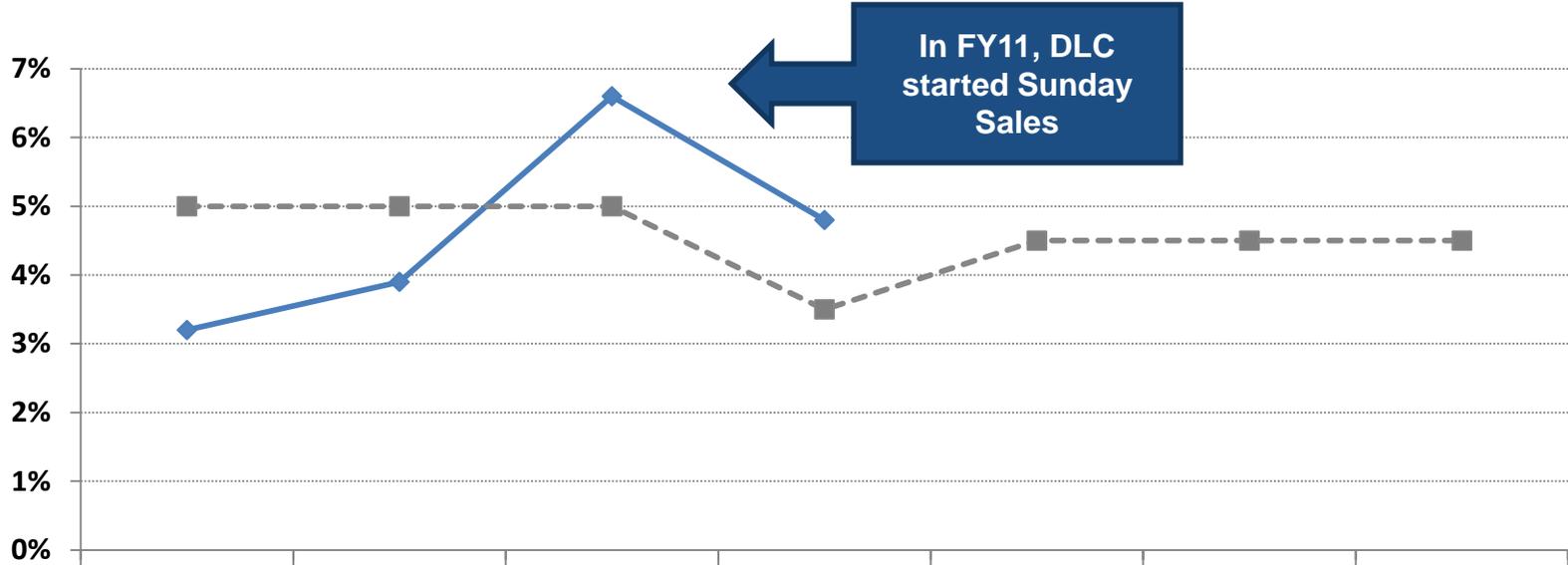


- After Hours Violation
- Alcohol Awareness Cert.
- Alcohol Sale to Minor
- Gambling On Premises
- License Display Violation
- No Food Available
- Open Container Violation
- Ratio Violation
- Records Employee Violation
- Records Invoice Violation
- Refill Bottle Violation
- Sale To Intoxicated
- Other
- Unapproved Source Alcohol

DLC conducts between 1,800 and 2,000 routine inspections per year



Annual Growth In DLC Retail And Wholesale Sales



	FY09	FY10	FY11	FY12	Projection FY13	Projection FY14	Projection FY15
Results	3.2%	3.9%	6.6%	4.8%			
Projections	5%	5%	5%	3.5%	4.5%	4.5%	4.5%

	FY09	FY10	FY11	FY12
Annual Retail Sales Growth	4.85%	6.20%	7.02%	5.51%
Annual Wholesale Sales Growth	1.90%	2.07%	4.92%	2.56%



Focused Analysis: Annual Growth In DLC Retail And Wholesale Sales By Product Type

Comparative Product Case Depletion FY09-FY12

	2009	2010	2011	2012	Percent Change FY09-FY12
LIQUOR CASES					
LICENSEES	29,879	29,813	30,615	33,822	13%
COUNTY STORES	331,422	334,792	369,581	375,159	13%
TOTAL	361,301	364,605	400,196	408,981	13%
WINE CASES					
LICENSEES	545,686	556,291	579,695	581,679	6.6%
COUNTY STORES	372,421	382,171	409,128	410,209	10%
TOTAL	918,107	938,462	988,823	991,888	8.0%
BEER CASES					
LICENSEES	3,419,364	3,422,291	3,430,336	3,389,019	-0.9%
COUNTY STORES	270,612	291,824	309,925	297,635	10%
TOTAL	3,689,976	3,714,115	3,740,261	3,686,654	-0.1%
BEER KEGS					
LICENSEES	79,916	78,835	85,329	84,304	5.5%
NON-ALCOHOLIC BEVERAGES					
LICENSEES	17,920	17,510	16,615	15,750	-12%
COUNTY STORES	5,009	6,017	8,068	10,551	111%
TOTAL	22,929	23,527	24,683	26,301	15%
GRAND TOTAL	5,072,229	5,119,544	5,239,292	5,198,128	2.5%

Net Sales FY09-FY12

	2009	2010	2011	2012
Retail Sales	\$ 100,241,632	\$ 106,247,721	\$ 113,632,616	\$ 120,258,459
Beer Warehouse	\$ 70,643,269	\$ 71,917,422	\$ 74,880,245	\$ 76,977,329
Liquor/Wine Warehouse	\$ 48,088,564	\$ 49,242,883	\$ 51,687,323	\$ 54,507,832
TOTAL	\$ 218,973,465	\$ 227,408,026	\$ 240,200,184	\$ 251,743,620



Focused Analysis: Annual Growth In DLC Retail Sales By Store Location

Store	2009	2010	2011	2012	Percent Change FY09-FY12*
Burtonsville (FY10-12)	\$ 255,464	\$ 757,822	\$ 1,508,608	\$ 2,685,458	254%
Darnestown (FY10-12)	\$ 550,479	\$ 4,001,994	\$ 4,957,589	\$ 5,640,637	41%
Chevy Chase Center	\$ 1,920,308	\$ 2,208,047	\$ 2,472,259	\$ 2,534,192	32%
Montgomery Village	\$ 3,307,284	\$ 3,683,832	\$ 3,903,243	\$ 4,242,576	28%
Silver Spring	\$ 4,232,266	\$ 4,528,872	\$ 4,878,252	\$ 5,415,012	28%
Hampden Lane	\$ 1,466,084	\$ 4,661,328	\$ 5,306,254	\$ 5,900,155	27%
Pike	\$ 4,905,387	\$ 5,009,751	\$ 5,984,049	\$ 6,173,661	26%
Wheaton	\$ 3,635,797	\$ 3,820,995	\$ 4,199,136	\$ 4,522,576	24%
Walnut Hill	\$ 3,636,687	\$ 4,132,501	\$ 4,236,712	\$ 4,470,425	23%
Kensington	\$ 4,636,194	\$ 4,866,579	\$ 5,275,004	\$ 5,668,955	22%
Flower	\$ 2,216,786	\$ 2,281,471	\$ 2,526,168	\$ 2,704,317	22%
Montrose	\$ 6,735,261	\$ 6,463,898	\$ 7,843,494	\$ 8,149,584	21%
Milestone	\$ 6,956,538	\$ 8,019,639	\$ 7,928,374	\$ 8,187,946	18%
Potomac	\$ 5,636,996	\$ 5,630,451	\$ 6,147,488	\$ 6,566,688	16%
Westwood	\$ 6,215,128	\$ 6,511,129	\$ 6,842,891	\$ 7,218,858	16%
White Oak	\$ 4,080,937	\$ 4,092,818	\$ 4,419,123	\$ 4,638,038	14%
Leisure World	\$ 3,901,530	\$ 4,092,259	\$ 4,290,209	\$ 4,396,649	13%
Olney	\$ 5,404,428	\$ 5,682,132	\$ 6,029,068	\$ 6,072,632	12%
Muddy Branch	\$ 5,986,371	\$ 5,487,373	\$ 6,075,918	\$ 6,598,710	10%
Fallsgrove	\$ 4,373,376	\$ 4,380,168	\$ 4,650,727	\$ 4,814,286	10%
Kingsview	\$ 4,195,655	\$ 4,205,801	\$ 4,324,287	\$ 4,615,231	10%
Diamond Square (FY09-11)	\$ 1,826,721	\$ 1,795,395	\$ 1,929,002	\$ 1,120,995	6%
Cabin John	\$ 4,092,546	\$ 4,221,952	\$ 4,139,281	\$ 4,306,864	5%
Cloverly	\$ 3,644,684	\$ 3,718,874	\$ 3,765,480	\$ 3,614,014	-1%

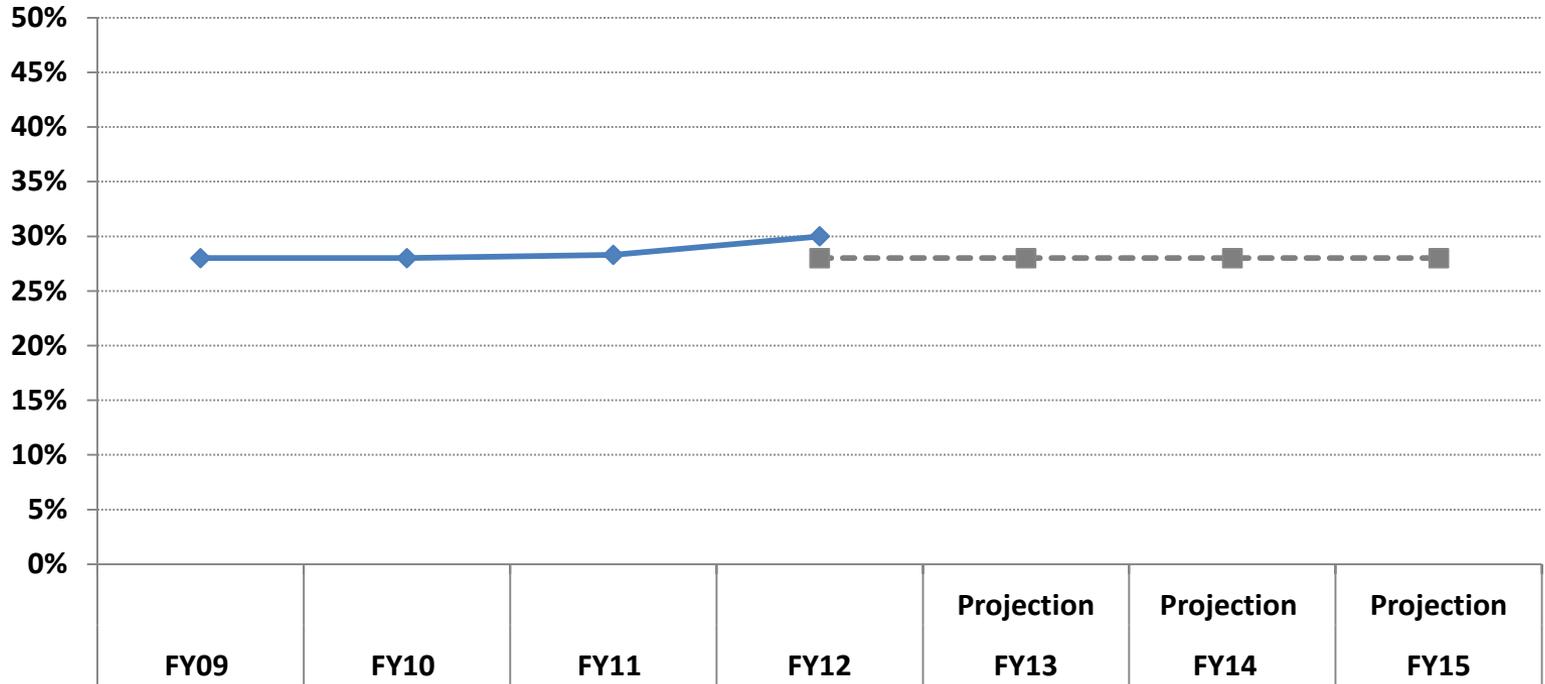
* Percent Change FY09 and FY12 unless noted



Additional DLC Headline Performance Measures



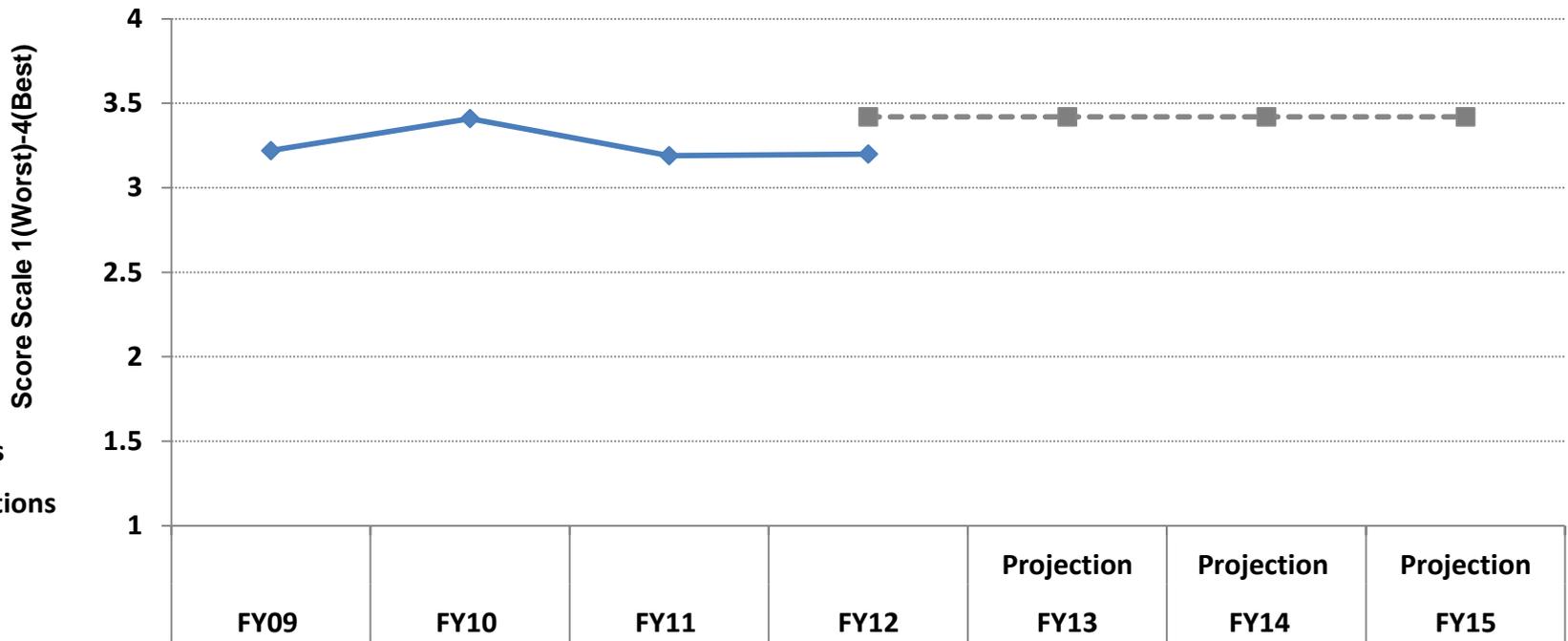
Gross Profit Margin Of DLC Retail And Wholesale Operations



	FY09	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	28%	28%	28.3%	30%			
Projections				28%	28%	28%	28%



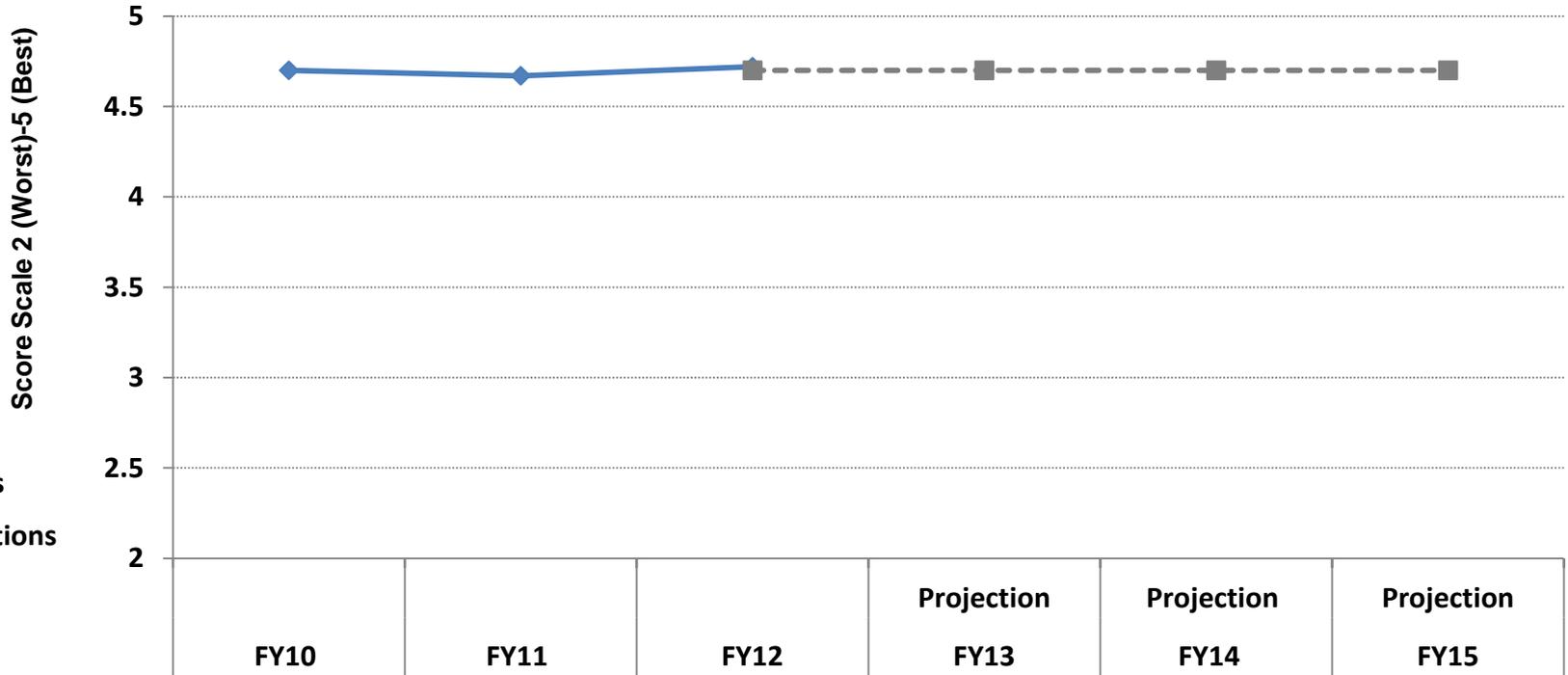
Retail Customer Satisfaction Rating Based On The DLC Customer Survey Results



	FY09	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	3.22	3.41	3.19	3.2			
Projections				3.42	3.42	3.42	3.42



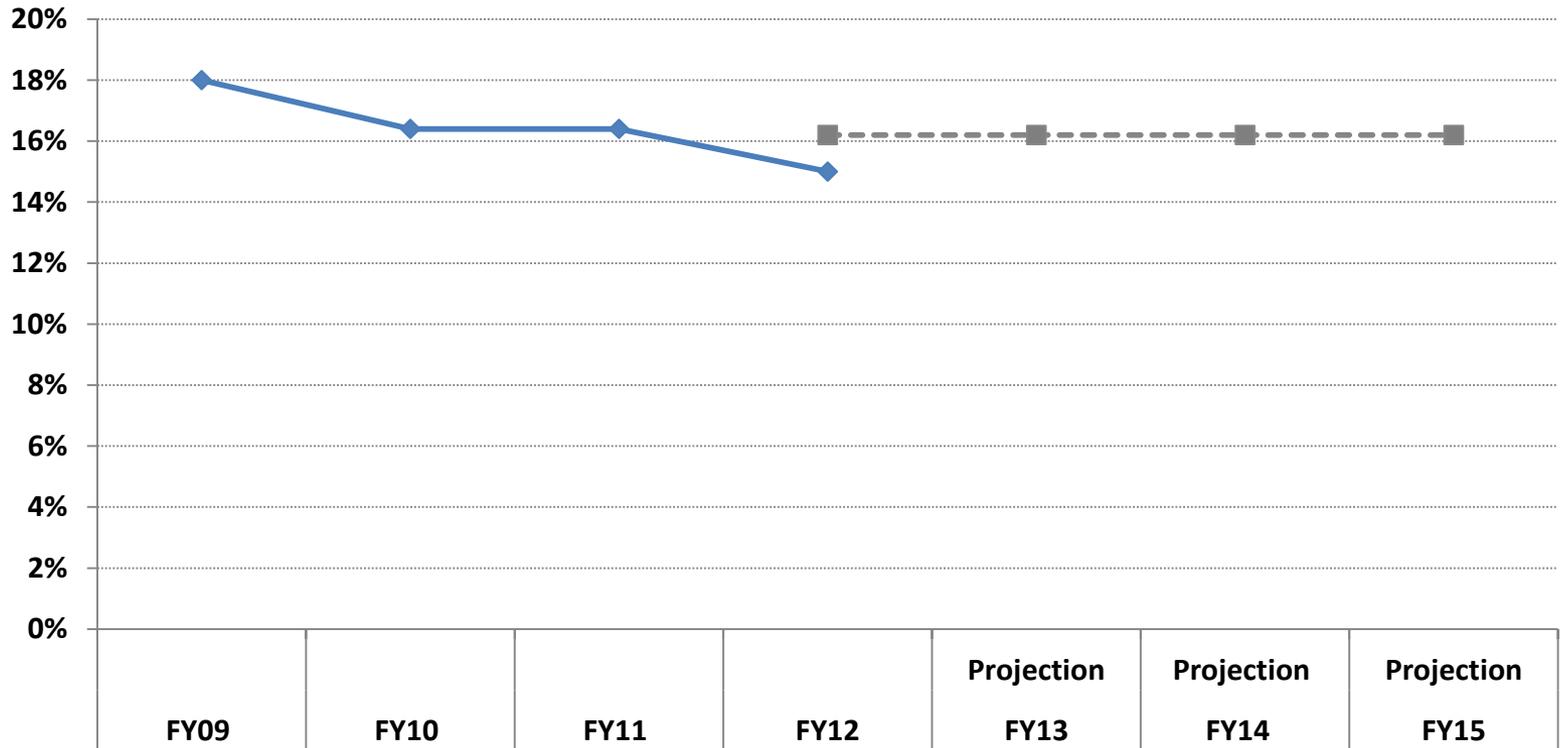
Rating Of Licensees Satisfied With Licensing Application Process



	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	4.7	4.67	4.72			
Projections			4.7	4.7	4.7	4.7



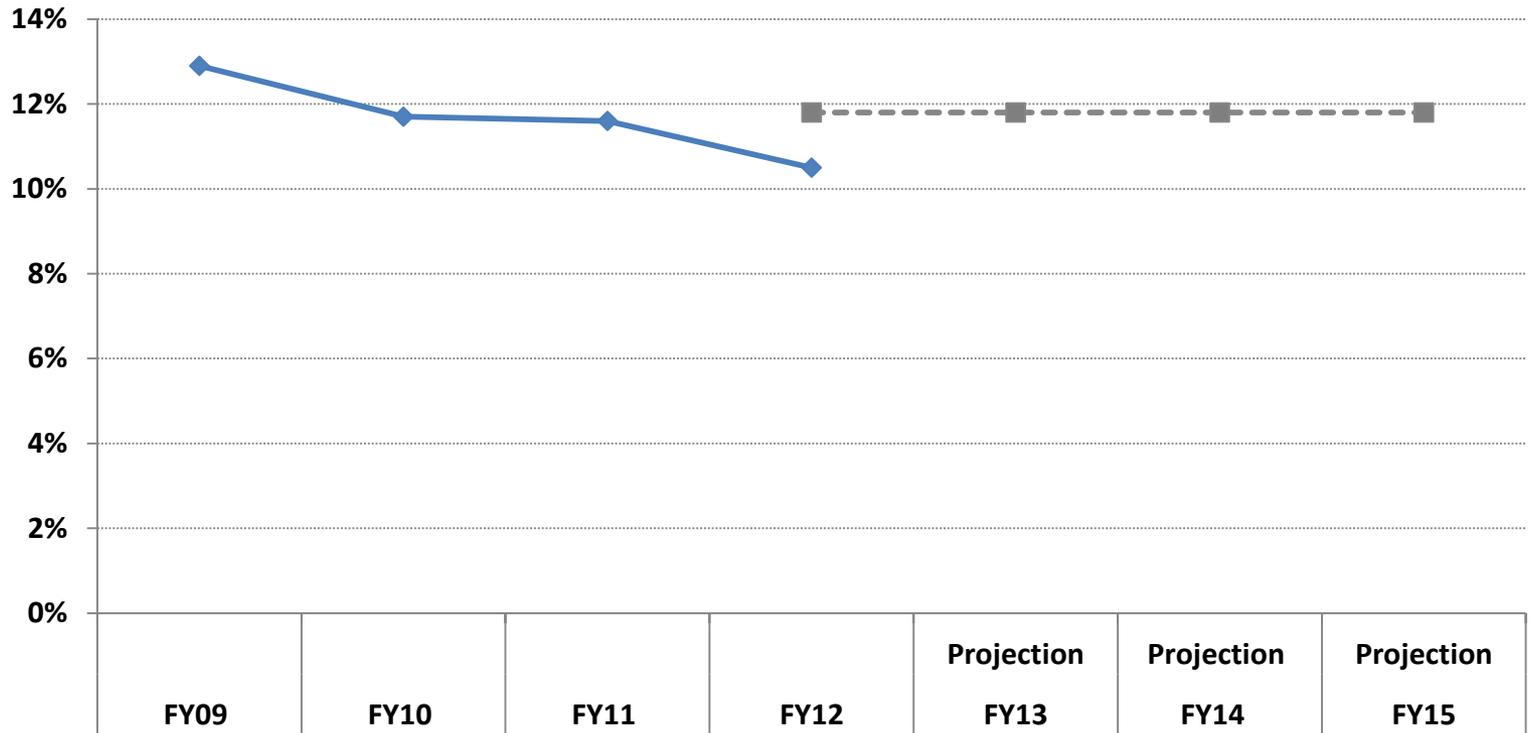
Inventory As A Percent Of 'Cost Of Goods Sold'



	FY09	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	18%	16.4%	16.4%	15%			
Projections				16.2%	16.2%	16.2%	16.2%



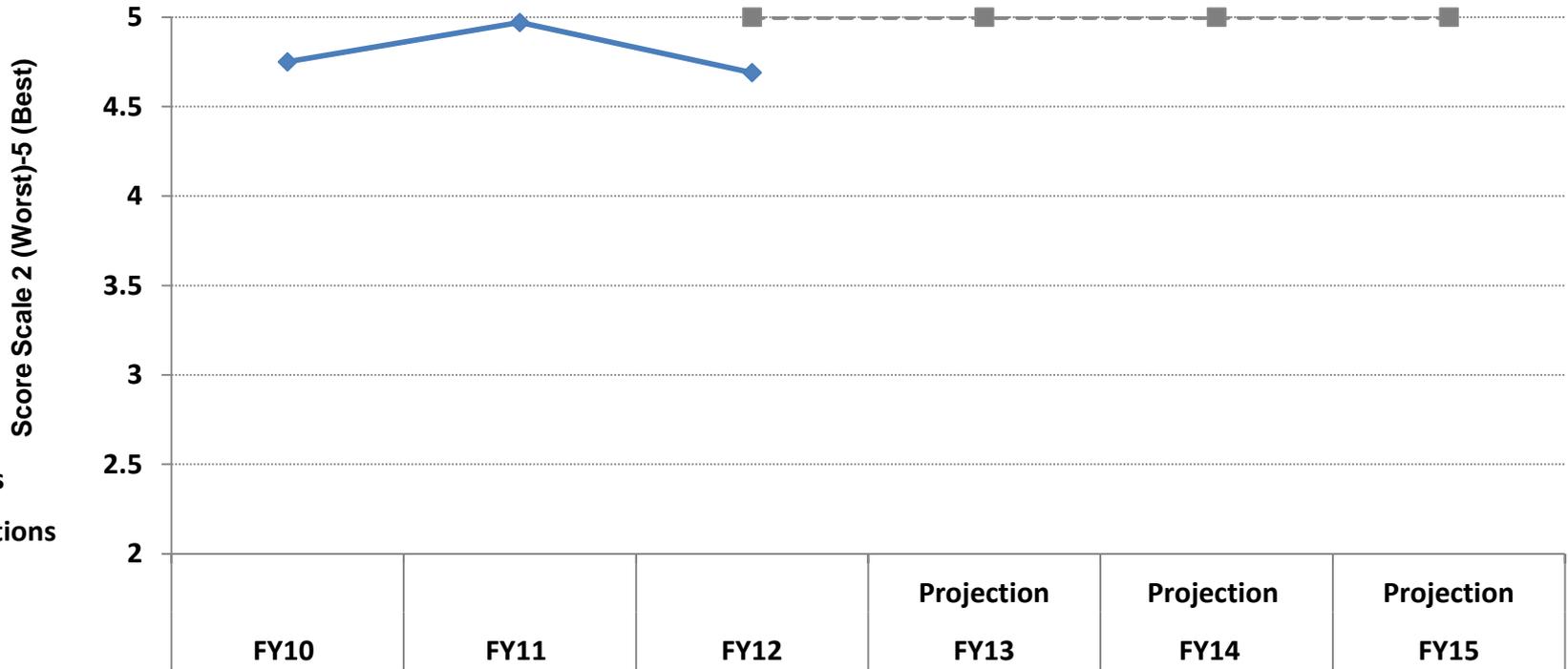
Inventory As A Percent Of DLC Sales



	FY09	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	12.9%	11.7%	11.6%	10.5%			
Projections				11.8%	11.8%	11.8%	11.8%



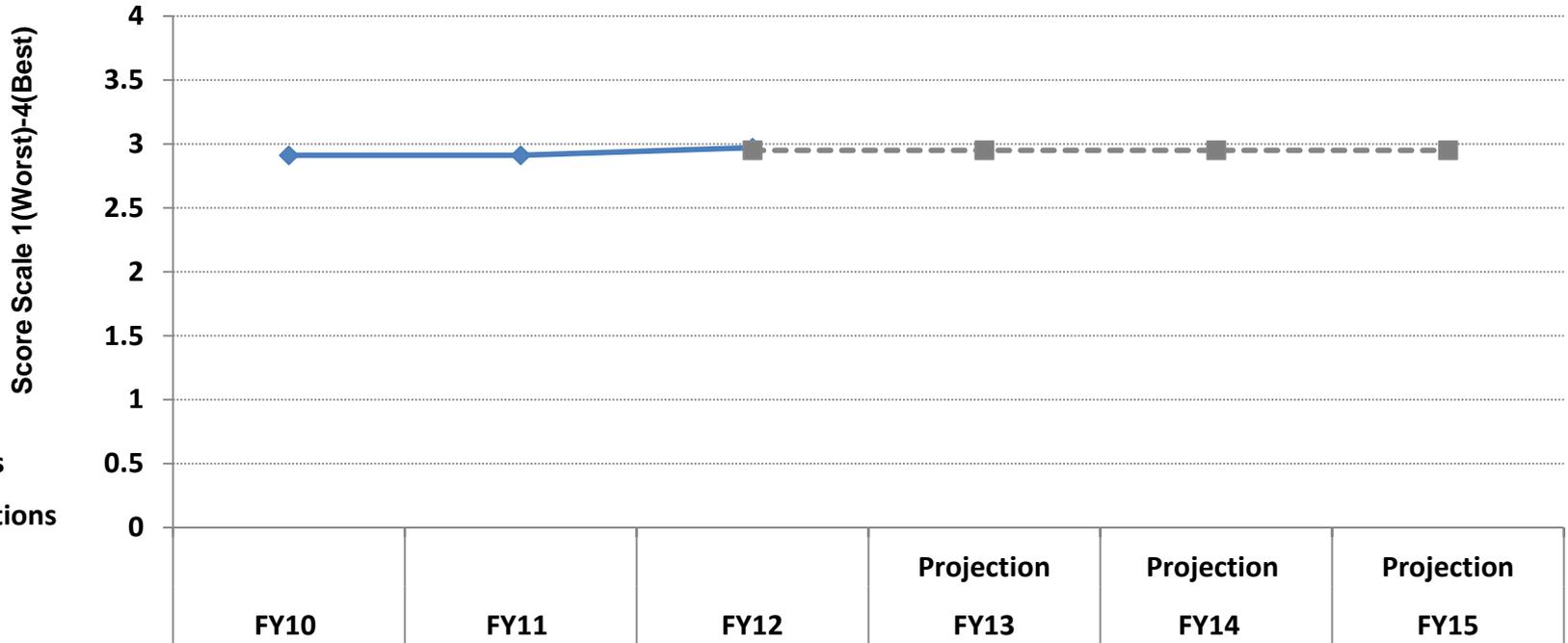
Rating Of Licensees Satisfied With ALERT Training



	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	4.75	4.97	4.69			
Projections			5.0	5.0	5.0	5.0



Wholesale Customer Satisfaction Rating Based On The DLC Customer Survey Results



	FY10	FY11	FY12	FY13 Projection	FY14 Projection	FY15 Projection
Results	2.91	2.91	2.97			
Projections				2.95	2.95	2.95



Wrap Up and Follow Up Items

