



ALCOHOLIC BEVERAGES ADVISORY BOARD

Marc Elrich
County Executive

Meeting
Tuesday, March 12, 2019
Department of Liquor Control Meeting Room
201 Edison Park Drive, 1st Floor, Gaithersburg, MD 20878

Minutes

Members and Staff Present: John Gaughan, Chair; Lt. Michael Ruane, Montgomery County Police Department; Susan Heltemes, BLC; Alicia Sparks, ABAB Member, Robert M. Dorfman, Director, DLC; Edgar Gonzalez, Deputy Director, DLC; Evelin Chavez, Senior Administrative Assistant, DLC; and Kent Massie, Chief of Retail Operations, DLC.

Absent: Vernon Ricks, ABAB Member

John Gaughan called the meeting to order at 9:09 am. A motion was made to approve the January meeting minutes by Ms. Heltemes, seconded by Ms. Sparks, and unanimously approved by the members present.

Evelin Chavez, ABAB Update:

Ms. Chavez reported that the Alcoholic Beverages Advisory Board currently has two vacancies available. Four (4) applicants will be interviewed within the next few weeks.

General Discussion:

N/A

Ms. Heltemes, BLC Update:

Ms. Heltemes believes the name change should include “a Department of Montgomery County”, and not “a Business of Montgomery County.” She also informed the members that she attended the DLC forum with Council Member, Craig Rice last month. Ms. Heltemes expressed her concern with the number of compliance checks and informed the group that the BLC will be meeting later this month to discuss possible ways on strengthening compliance checks. BLC has changed the questions for licensees in efforts of trying to enforce the rules and regulations.

Ms. Heltemes reported that at present the compliance rate is down to about 70%. The Board of Licensing Commissioners is very concerned about the sale of alcohol to minors. The BLC has issued a number of suspensions and perhaps may become more aggressive in the way they handle these situations. BLC has considered the possibility of looking into the history of each restaurant. Ms. Heltemes provided the example of an establishment that failed 3 out of 3

compliance checks. This establishment even considered taking the board to court in regard to the penalties they received.

Ms. Heltemes reported that she had a conversation with the County Executive about her concern with the compliance checks and discussed possible ways on how compliance checks can be improved. Compliance checks are not just about money. Licenses are issued to businesses every day; however, the 70% compliance rate is a major concern. When 4 out of 8 business fail compliance checks in one night, that's very bad. The percentage failing is going down but there should be more than 400 compliance checks to ensure businesses are abiding by the rules and regulations. Ms. Heltemes would like for Bob to join a BLC hearing to get a better understanding of how important compliance checks are. Card readers may also help business identify under age IDs.

John Gaughan, Chair Update:

Mr. Gaughan asked for clarification on the new policy of store charges to licensees. Mr. Dorfman explained that often times licensees are opting to purchase beer, wine, and spirits from DLC retail stores as opposed to having product delivered directly from the warehouse to their business. These purchases are occurring at the same price they pay when buying directly from the warehouse and this practice has created several issues. In regard to the compliance check issue brought up by Ms. Heltemes, Mr. Gaughan explained that he has no idea how many compliance checks need to be done but that he was fully supportive on raising the number of checks based on data.

Mr. Gaughan asked Mr. Dorfman about the County Executive's move to reorganize staffing, to save \$750,000. He received a press release that explains the County Executive plans on eliminating four merit positions in the departments of finance, liquor control, human resources and procurement. Mr. Dorfman directed the question to Mr. Gonzalez who explained that his position would be eliminated at the end of the fiscal year and that his last day with the department will be June 30th. Mr. Gonzalez is currently exploring his options but is grateful for having the opportunity to work with DLC.

Mr. Gaughan let the members know that Mr. Gonzalez has been a member of the board since he was transferred to DLC and took charge in making sure he completed the 18 milestones and several hundred actions in the Improvement Action Plan. Although Mr. Gaughan is disappointed with Mr. Gonzalez's departure, he took a minute to acknowledged Mr. Gonzalez for an outstanding job while working for DLC.

Robert M. Dorfman, DLC Update:

Mr. Dorfman gave an update on the possibility of opening a "Spirits-Only" store. He explained that is would be fairer and less disruptive to existing licensees, that the Department open "Spirits-Only" stores (rather than giving a license to one licensee) in areas of the County that may be underserved, to provide better convenience to residents. He reminded the group that the Agency Bill was an enabling bill that allowed DLC to make the choice of deciding what to do and has concluded that this option would avoid any detriment to nearby licensees who may not be awarded a contract to sell distilled spirits. Initially, there was some confusion on the information given on the previous bill about on-site consumption. We can now have growlers in our stores. That was clarified, and that bill amendment was passed. At this time, DLC is in the

process of finalizing the lease in Poolesville and other locations. The department is in the process of extending a few leases and negotiating with landlords to lower the rent.

The department's name change will take effect on July 1, 2019. The new name will be Alcohol Beverage Services (ABS) with a signature like TBD. Currently the department is thinking about the signature line being "a Business of Montgomery County" or "a Department of Montgomery County." Mr. Dorfman explained that DLC is trying its best to act like good business people with the continuous goal of taking care of the licensees. DLC's prices are set to be competitive, but not to be any lower than any licensee.

Peter Franchot has not been a supporter of DLC. He was invited to DLC and had the opportunity to visit last year. Mr. Franchot acknowledged how far we have come along. Yet, he firmly believes the sale of beer, wine, and spirits should not be a part of the county and does not support the department. Mr. Dorfman is proud of the work that DLC has done and the safety measures we have taken to protect the residents in the community.

Mr. Dorfman introduced Kent Massie, Chief of Retail Operations. Mr. Dorfman provided background on the work that Mr. Massie has done and his ability to build great teams. Very smart about the product we sell. Great promoter. The department is currently looking at how we can be more successful and is in the process of making changes to our staffing model. This decision has been presented to the union and they are fully supportive. Ideally the department would like to have certified wine, spirits, and beer experts that can help customers when they visit the retail stores. The idea is that DLC will train these individuals. We will not have 32 hour employees at a future time.

Mr. Dorfman also explained the new retail policy. Licensees will now be charged a bottle fee. This new policy will go into effect on March 25th.

- All beer purchased by a licensee through a Montgomery County DLC retail store will be
 1. 10%-off the retail shelf price, or
 2. The retail sale price, whichever is lowest
- Licensees buying wines and spirits through a Montgomery County DLC retail store will pay the wholesale price plus an \$0.80 per bottle surcharge.

DLC's goal is to hold managers accountable for the performance at their store. Retail stores are not receiving any credit for the sales when licensees purchase at the stores. The retail stores have the ability to allocate products to the best of their ability, and in order to do so, we want to ensure we sell the limited products fairly. Mr. Dorfman explained that the new policy ensures the County recovers the additional labor and handling costs caused by selling to licensees in our retail stores – yet, still offers you the convenience of purchasing small quantities of products when not ordering through the warehouse. He added that this model is consistent with industry standards and many other jurisdictions throughout the U.S. follow this practice, either by adding a broken case charge through the warehouse or electing to charge a bottle fee in their retail stores. This new policy has been discussed with the County Executive and he is fully supportive of the decision. A letter detailing the policy was sent to all licensees via electronic mail and ALERT training staff are also being trained to inform licensees on the of the new fees.

In response to Ms. Heltemes' concern about compliance checks, Mr. Dorfman informed the group that he would ask DLC's Licensing, Regulation and Education Chief, Kathie Durbin, to attend the next ABAB meeting to help explore options on trying to increase compliance checks.

Mrs. Durbin can also help answer questions about the possibility of mandating ALERT training to all Licensees and their staff. Mr. Dorfman knows ALERT training is mandatory for all licensee holders but not their staff.

Mr. Dorfman briefly touched base on the transition documents given to the new administration.

- An internal audit report was conducted, and recommendations were made;
- DLC is working on trying to transfer back the Account Receivable (A/R) responsibilities;
- One (1) additional new fleet truck was added;
- Consideration of converting the DLC to an Authority; and
- Store renovations.

At this point, DLC is working with consultants to minimize the cost involved with the name change. The department is trying to change as minimal as possible. The plan is to change little by little, one store at a time. Retail stores will not have any changes until they are up for renewal.

Alicia Sparks, ABAB Update:

Alicia Sparks – we do not have the ability to do as many compliance checks. Suspensions and revocations are found to be most effective. There are reports out there that show what penalties should be given on the first, second, third, etc. violations.

Kent Massie, DLC Update:

Mr. Massie explained that a recent survey issued to licensees resulted in making changes on our retail store prices. We want to be competitive with the prices. It makes no sense to sale at a price where no money is being made. Mr. Massie also discussed the idea of opening a “spirits” only store which he believes would be very profitable to the department. If the plan performs well he would recommend that more “spirits” only stores be open.

Mr. Gaughan asked Mr. Massie to discuss the challenges he faced upon joining DLC and how he feels about trying to narrow the gap between licensees and DLC retail store. Mr. Massie explained that he did lots of research before joining the department and discovered that there were 25 different businesses when he walked into our DLC retail stores. He knew lots of work had to be done with our retail stores, but he also felt that the department would benefit from partnering with our licensees. He would like to work with breweries and other business partners to help them to succeed too. Mr. Massie is currently working on trying to reorganize the current staffing model in our retail stores.

Ms. Heltemes asked Mr. Massie if he finds more sales in beer and wine, or by licensees. Mr. Massie reported that Liquor makes up 64% of the sales, 27% in wine and 8% in beer.

Mr. Massie explained that he has been working hard to ensure our stores are being held accountable for selling to minors. For union employees, there is a five (5) day suspension without pay for the first offense, a two (2) week suspension without pay for the second offense, and termination for the third offense. Temporary employees are automatically terminated on

their first offense. The store managers as well as the district field supervisors are being held accountable for the training provided to the staff in their store(s).

Lt. Michael Ruane, MCPD Update:

The police department is still working on determining the best way to handle the use of recreational marijuana usages. He also discussed that vaping at local schools has become a problem and noticed a number of health issues as a result of vaping. At this time all compliance checks have been completed and two positions from that unit are open as one individual retired and the other individual transferred to another position.

Next Meeting:

The next meeting of the ABAB is scheduled for Tuesday, May 14, 2019 at 9:00 a.m. Bob requested that Kathie attend the next meeting to discuss compliance checks.

Adjournment:

There being no other business before the Board, the meeting was adjourned at 11:42 a.m.