PS COMMITTEE #1
April 29, 2011
WORKSESSION

MEMORANDUM

April 27, 2011

TO: Public Safety Committee

FROM: Justina J. Ferber, Legislative Analyst

SUBJECT: Worksession - Executive's FY12 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
Sunil Pandya, Chief of Administration
Kathie Durbin, Chief of Licensure, Regulation and Education, DLC
Gus Montes de Oca, Chief of Operations, DLC
Alison Dollar, Management and Budget Specialist, OMB

The Executive's Recommended FY12 Operating Budget for the Department of Liquor Control (DLC) is on ©1.

For FY12, the Executive recommends total expenditures of $46,953,280 for the Department of Liquor Control, a 10.4% increase over the FY11 approved budget of $42,520,100. An additional $2,120,240 is budgeted for debt service for state transportation projects and warehouse relocation.

FY12 General Fund Transfer

The earnings fund transfer for FY12 is budgeted at $25,066,800 before chargebacks; down 20% from FY11. The transfer after chargebacks is budgeted at $22,411,610, down 21% from FY11.

Overview

Accomplishments and initiatives for DLC are listed on ©1-2.

The US Centers for Disease Control's (CDC) Task Force on Community Preventive Services announced the decision and rationale for recommending against further privatization of alcohol sales in settings with current government control of retail sale. See info on ©10.

Liquor Control	FY09 Actual	FY10 Actual	FY 11 Budget	FY12 CE Recommended	% Change FY11-FY12
Expenditures:					
Liquor Fund Expenditures	35,991,033	42,645,289	42,520,100	46,953,280	10.4%
Revenues	62,867,024	66,967,168	69,139,000	70,284,780	2.9%
Earnings Transfer	30,410,060	27,043,280	31,291,320	25,066,800	-20.00%
after deductions	27,452,610	23,878,180	28,412,620	22,411,610	-21.10%
Debt Service			4,583,250	6,703,490	54.80%
Positions:					
Full-time	264	257	248	245	-1.3%
Part-time	60	62	58	57	-1.8%

Major budget changes

For FY12 reductions with service impacts, 2.5 retail positions will be eliminated due to the closing of the Diamond/Gaithersburg store.

Reductions with Service Impacts	Workyears	Cost
Close Diamond retail store	-2.5	($238,810)

Major Operating Cost Increases	Workyears	Cost
Retiree Health Insurance Pre-Funding		$1,174,770
Enhance Point of Sale System		$282,010
Debt Service – Transportation Projects		$2,120,240
Retail Store Leases		$555,970
ERP – Warehouse System		$540,220
Relocation payment to Peapod		$458,660
Restore Cost of Furloughs	12.4	$264,550
Motor Pool Rate Adjustment		$166,210
Warehouse Relocation Costs		$150,000

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 Director of DLC are subject to the exclusive authority of the County Executive. 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.

Lapse

Lapse in the DLC is budgeted at $335,334 and -5.9 workyears for FY12. Due to the need for continuous sales personnel for retail and delivery operations, DLC has found that the traditional County formula for lapse is not useful.

Annual Report

A copy of the Department of Liquor Control Annual Report for 2010 is attached at ©14-31.

Debt Service

Additional debt service of $2,120,240 is budgeted for state transportation projects and warehouse relocation. According to the Fiscal Plan, $6,703,490 is the recommended for total debt service for FY12.

The chart below shows each debt installment (tranche) and how funds were used.

DLC Revenue Bonds (rounded)

1st Tranche	FY09	Transportation	$12,000,000
		Warehouse Acquisition	$34,000,000
			$46,000,000
2nd Tranche	FY11	Transporation	$21,000,000
		Glenmont Garage	$10,000,000
		Partial Warehouse Renovation	$5,000,000
			$36,000,000
3rd Tranche	FY12	TBD	$57,000,000
		Total Authorization	$138,000,000

FY12 EXPENDITURE ISSUES BY PROGRAM

A. Warehouse Operations, ©2

Warehouse Operations	
FY12 Expenditures $7,884,580	**FY12 65.3 Workyears**
FY11 Expenditures $7,752,190	**FY11 63.4 Workyears**
$150,000	New warehouse – Relocation Costs [Will be moving $17 million in inventory]
-$213,040	Omit Southlawn Warehouse lease payment [In FY13 and beyond, this should no longer appear in the DLC budget]
$195,430; 1.9 wy	Miscellaneous adjustments – restore furloughs, benefit changes, reorganization, etc.

Description: Management of the County's liquor warehouse including receipt and storage of over 10,000 different stock items and special orders by customers.

FY12 Discussion: Additional costs for relocation to the new warehouse are included.

B. Delivery Operations, ©2

Delivery Operations	
FY12 Expenditures $5,584,090	**FY12 76.7 Workyears**
FY11 Expenditures $5,481,680	**FY11 72.1 Workyears**
$84,850; -2.6 wy	Miscellaneous adjustments – restore furloughs, benefit changes, reorganization, etc.

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

FY12 Discussion: Replacement of delivery trucks continues to be delayed.

C. Retail Sales Operations, ©2-3

Retail Sales Operations	
FY12 Expenditures $18,003,360	**FY12 144.1 Workyears**
FY11 Expenditures $17,209,070	**FY11 143.0 Workyears**
$555,970	Increase cost for store leases/rentals [Many store lease costs have increased; also the lease account was underfunded in FY10 and FY11]
$15,560	Increase costs for parking permits [Cost of providing parking for customers and employees at 3 urban stores]
-$238,810; -2.5 wy	Close Diamond store; abolish 2.5 wy
$461,570; 3.6 wy	Miscellaneous adjustments – restore furloughs, benefit changes, reorganization, etc.

Description: Retail sales of distilled spirits, wine and beer are handled through 24 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 store is the only County-contracted retail store.

FY12 Discussion:

Supplier Gifts to Licensees Prohibited by State Law: During the Council's discussion with small business owners about the effects of the economy in Montgomery County, one restaurateur complained that the County does not allow licensees to accept gifts such as glassware from product suppliers. The following is an excerpt from the Maryland Code of Regulations which prohibits dealers from providing something of value to a licensed retailer in Maryland:

COMAR 03.02.05.11 - 11 Services to Retailers.

A. In General.

(1) Except as provided in COMAR 03.02.01 or this chapter, a brand owner, supplier, nonresident dealer permittee, or licensed wholesaler may not provide something of value to a licensed retailer as prohibited by provisions of Article 2B, Annotated Code of Maryland.

(2) A brand owner, supplier, nonresident dealer permittee, or licensed wholesaler may not provide a service or item of utilitarian value which would relieve a licensed retailer of an ordinary business expense.

Sunday Sales: The information below from DLC shows sales trends for County retail stores for the period of December 2010 to March 2011 since Sunday sales began in all stores.

November 30, 2010 (Benchmark)
YTD Trend +4.84% Stores (YTD means since July 1, 2010)
+5.72% Total DLC (includes stores and warehouse)

December 2010 (3 Sundays; 29 selling days vs 26 selling days the year before)
YTD Trend +5.70% Stores
+5.42% Total DLC

January 2011 (3 Sundays; 28 selling days vs 25 selling days the year before)
YTD Trend +5.82% Stores
+5.45% Total DLC

February 2011 (3 Sundays; 27 selling days vs 24 selling days the year before)
YTD Trend +5.60% Stores
+5.22% Total DLC

March 2011 (4 Sundays; 31 selling days vs 27 selling days the year before)
YTD Trend +5.64% Stores
+5.28% Total DLC

These figures relate to dollar sales. The wine sales to licensees in the 4-month period that County stores have opened on Sundays are down. Licensee wine sales of 147,866 cases decreased -1.3% for the same period.

Total DLC wine sales off-premise (including store sales) for Dec-March 2011 is 293,072 cases which is a 1.8% increase. Retail store wine sales of 145,206 cases increased 4.9%. Retails stores accounted for 49.5% of the total wine cases sold off-premise from the warehouse.

Discussion: It is difficult to determine whether the increase in sales is due to Sunday sales or to an improved economy. Sunday seems to have an effect on licensees as their wines sales have decreased.

Sales Tax: Please note that the sales tax on alcoholic beverages will increase from 6% to 9% in Maryland effective July 1. The increase in tax could affect alcoholic beverage sales.

D. Retail Contracted Operations, ©3

Retail Contracted Operations	
FY12 Expenditures $190,650	**FY12 0.0 Workyears**
FY11 Expenditures $190,650	**FY11 0.0 Workyears**

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.

FY12 Discussion: The store operator receives a percentage of sales and the $190,650 amount is for budgeting purposes. The only contracted store is the Flower Avenue store.

E. Accounting and Financial Systems, ©3

Accounting and Inventory Systems	
FY12 Expenditures $8,889,240	**FY12 13.6 Workyears**
FY11 Expenditures $6,478,230	**FY11 13.1 Workyears**
$2,120,240	Additional debt service for FY12 Debt service
$458,660	Relocation assistance to Peapod
0; 02 wy	Technical adjustment for workyears
-$167,890; 0.3 wy	Miscellaneous adjustments – restore furloughs, benefit changes, reorganization, etc

Description: Provides accounting and financial services for the department.

FY12 Discussion: Financing for some state transportation projects and for the new warehouse is appropriated through the Liquor Fund. $2,120,240 represents the FY12 additional debt service budgeted for these projects.

F. Information Management, ©3

Information Management	
FY12 Expenditures $2,237,750	**FY12 7.1 Workyears**
FY11 Expenditures $1,192,520	**FY11 6.7 Workyears**
$540,220	Increase cost of ERP at warehouse [For cost of maintenance, software enhancements, credit card transaction fees, etc.]
$282,010	Enhance Point of Sale System
$740	Increase cost of Help Desk support
$222,260; 0.4 wy	Miscellaneous adjustments – restore furloughs, benefit changes, reorganization, etc

Description: This program provides for the operation, maintenance and protection of all information technology initiatives in the department.

FY12 Discussion: The new point-of-sale system (POS) has been fully implemented.

G. Licensure, Regulation and Education, ©3-4

Licensure, Regulation and Education	
FY12 Expenditures $1,266,830	**FY12 13.0 Workyears**
FY11 Expenditures $1,232,210	**FY11 12.3 Workyears**
$34,620; 0.7 wy	Miscellaneous adjustments – restore furloughs, benefit changes, reorganization, etc

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, business, and County agencies to address alcohol control and education efforts.

FY12 Discussion: The division partners with the police, code enforcement, housing and HHS. The division continues to improve its enforcement efforts. In FY10 the website was updated to accept alcohol license applications online.

H. Office of the Director, ©4

Director's Office	
FY12 Expenditures $2,896,780	**FY12 3.2 Workyears**
FY11 Expenditures $2,983,550	**FY11 2.3 Workyears**
-$86,770; 0.9	Miscellaneous adjustments – restore furloughs, benefit changes, reorganization, etc

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

FY11 Discussion: The major increase in this division is $1,167,360 to pre-fund retiree health insurance.

ORC Recommendations

The Public Safety Committee discussed the Organizational Reform Commission's recommendations on the Department of Liquor Control on March 10.

Recommendation No. 17: Pursue options for the Department of Liquor Control to become an independent "revenue authority".

The Council approved the Committee's recommendation to support the Executive's recommendation to administratively move forward with operational efficiencies through signed "Memorandum of Understanding" agreements between DLC and County departments. Committee members agreed to continue to review the ORC recommendation to seek state legislation for a Liquor Authority and will make a recommendation to the Council later. Committee members surmised that operational efficiencies achieved by the MOU's may reduce the need for state legislation.

Recommendation No. 27: Expand contracting of warehouse night loading operations at the Department of Liquor Control to all warehouse operations and improve retail services.

The Council approved the Committee's recommendation to support the Executive's suggestion to engage the services of a qualified, independent consultant to provide validated estimates of potential costs savings and risks associated with contracted service delivery. Once the data is received, then the Council can determine whether it supports the ORC recommendation to expand contracting to all warehouse operations.

Recommendation No. 28: Contract out for a financial and performance audit of the Department of Liquor Control.

The Council approved the Committee's recommendation to support the ORC recommendation for a financial and performance audit to review the organization and structure of DLC operations. They supported the concept of an audit that would improve DLC operations and show how DLC could do things better. The Committee asked for a cost estimate for a performance audit. It was suggested that Recommendation 28 could be included with Recommendation 27 as part of the review of the organization and structure of DLC operations.

The Council supported ORC Recommendations 17 and 28, and agreed that further information is needed to determine potential cost savings with respect to Recommendation 27.

Discussion: Prior to submitting cost estimates for the performance audit and warehouse contracting study, DLC will need to develop a scope of services in order to provide parameters on which to base realistic cost estimates.

DLC BUDGET RECOMMENDATIONS

Based on the 1998 Maryland Attorney General's opinion, the Council has determined that 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

- **Ask DLC to provide cost estimates for the performance audit and warehouse contracting study by July 1.**

- **Ask DLC to provide an update by July 1 on its progress to administratively move forward with operational efficiencies through signed "Memorandum of Understanding" agreements between DLC and County departments.**

- **Approve the Department of Liquor Control budget as submitted.**

This packet contains:

F:\FERBER\12 Budget\FY 12 Operating Budget\DLC\DLC PS 4-29-11.doc

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 FY12 Operating Budget for the Department of Liquor Control is $46,953,280, an increase of $4,433,180 or 10.4 percent from the FY11 Approved Budget of $42,520,100. Personnel Costs comprise 48.6 percent of the budget for 245 full-time positions and 57 part-time positions for 323.0 workyears. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 51.4 percent of the FY12 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 FY11 estimates incorporate the effect of the FY11 savings plan. FY12 and FY13 targets assume the recommended FY12 budget and FY13 funding for comparable service levels.

ACCOMPLISHMENTS AND INITIATIVES

- ***Created and hosted a Statewide Alcohol Regulatory Forum each of the past three years for Maryland's jurisdictions to share solutions to alcohol issues.***
- ***Now offering fingerprinting at its warehouse location to accommodate potential and current license holders.***
- ***DLC's "Keeping It Safe" program, which is a comprehensive educational program aimed at both the hospitality industry and the community with the purpose of reducing under 21 alcohol use, has become a national model and received awards from both the National Association of Counties and the National Liquor Law Enforcement Association.***
- ***Released a report entitled "Alcohol Compliance Check Program for FY2010", which showed that alcohol compliance rates by Montgomery County licensed establishments rose from 71% to 80%.***
- ***Transfer $25,066,800 to the General Fund in FY12.***

1

- ***Productivity Improvements***

  - ***Designed and implemented a state-of-the-art retail point-of-sale system, which offers improved reporting capacity, the ability to achieve credit card industry compliance and with enhanced customer service features including system-wide product look-up; large sales monitors, and with gift cards coming in the near future.***

  - ***Streamlined the payment and recordation process significantly by posting directly to pertinent accounts by using the ERP system for alcohol beverage payments.***

  - ***Completed the automation of the pricing program, which enables vendors to enter liquor and wine price changes on the Internet and submit them electronically to the department's pricing specialist.***

  - ***Enhanced website to provide a searchable list of monthly and weekly specials for retail customers and more in depth reporting capabilities for suppliers.***

PROGRAM CONTACTS

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Alison Dollar of the Office of Management and Budget at 240.777.2781 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.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Percent of wholesale customers satisfied with DLC based on the DLC customer survey results[1]	2.95	2.91	2.95	2.95	2.95
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	18.0	16.4	16.4	16.4	16.4
Inventory as a Percent of DLC Sales	12.9	11.7	12	12	12

[1] On a rating of 1 to 4 with 4 being most satisfied and 1 being least satisfied.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**7,752,190**	**63.4**
Increase Cost: Estimated Warehouse relocation costs	150,000	0.0
Decrease Cost: Southlawn Warehouse Lease	-213,040	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	195,430	1.9
FY12 CE Recommended	**7,884,580**	**65.3**

Delivery Operations

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

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**5,481,680**	**72.1**
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	102,410	4.6
FY12 CE Recommended	**5,584,090**	**76.7**

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 23 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Retail sales as percentage of total sales	46	46	46	46	46
Percent of retail customers satisfied with DLC based on the DLC customer survey results[1]	3.22	3.41	3.41	3.41	3.41

[1] On a rating of 1 to 4 with 4 being most satisfied and 1 being least satisfied.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**17,209,070**	**143.0**
Increase Cost: Retail Store Leases	555,970	0.0
Increase Cost: Parking Permits	15,560	0.0
Eliminate: Close Diamond Store	-238,810	-2.5
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	461,570	3.6
FY12 CE Recommended	**18,003,360**	**144.1**

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.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**190,650**	**0.0**
FY12 CE Recommended	**190,650**	**0.0**

Accounting and Financial Systems

This program provides accounting and financial services for the department. Staff performs day-to-day accounting functions, special analysis and reporting, and the preparation and monitoring of the department's budget.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**6,478,230**	**13.1**
Increase Cost: Debt Service: State Transportation Projects and Warehouse Relocation	2,120,240	0.0
Increase Cost: Relocation payment to Peapod, LLC	458,660	0.0
Technical Adj: Workyears based on Approved Personnel Actions	0	0.2
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-167,890	0.3
FY12 CE Recommended	**8,889,240**	**13.6**

Information Management

This program provides for the design, operation, maintenance, and protection of all information technology initiatives of the Department. These initiatives include the warehouse inventory system, the retail point-of-sale system, and numerous other applications.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**1,192,520**	**6.7**
Increase Cost: ERP - Warehouse System	540,220	0.0
Enhance: Point of Sale System (POS)	282,010	0.0
Increase Cost: Help Desk - Desk Side Support	740	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	222,260	0.4
FY12 CE Recommended	**2,237,750**	**7.1**

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.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Annual alcohol compliance checks to minors (under 21)[1]	612	550	400	400	400

[1] DLC performs different types of inspections. This measure is under-age compliance checks, which comprise part of the total. For FY08, DLC performed 5,124 inspections (of all types). For FY09, DLC performed 5,267 inspections of all types. For FY10, DLC performed 4,829 inspections of all types. The number of inspections vary by type from year to year.

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**1,232,210**	**12.3**
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	34,620	0.7
FY12 CE Recommended	**1,266,830**	**13.0**

Office of the Director

This program provides the overall direction for the Department.

Program Performance Measures	Actual FY09	Actual FY10	Estimated FY11	Target FY12	Target FY13
Percentage of Annual Sales Growth	3.2	3.9	3.5	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	28	28	28	28	28

FY12 Recommended Changes	Expenditures	WYs
FY11 Approved	**2,983,550**	**2.3**
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-86,770	0.9
FY12 CE Recommended	**2,896,780**	**3.2**

BUDGET SUMMARY

	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	18,679,751	17,085,410	17,085,410	17,564,280	2.8%
Employee Benefits	5,978,772	6,148,800	6,148,800	5,247,720	-14.7%
Liquor Control Personnel Costs	***24,658,523***	***23,234,210***	***23,234,210***	***22,812,000***	***-1.8%***
Operating Expenses	13,259,995	14,596,990	14,694,960	17,332,140	18.7%
Debt Service Other	2,637,641	4,583,250	4,583,250	6,703,490	46.3%
Capital Outlay	2,089,130	105,650	0	105,650	—
Liquor Control Expenditures	***42,645,289***	***42,520,100***	***42,512,420***	***46,953,280***	***10.4%***
PERSONNEL					
Full-Time	257	248	248	245	-1.2%
Part-Time	62	58	58	57	-1.7%
Workyears	337.3	312.9	312.9	323.0	3.2%
REVENUES					
Vendor Registration Fee	17,355	0	0	0	—
Property Rentals	110,000	0	847,920	0	—
Liquor Licenses	1,437,105	1,419,000	1,419,000	1,419,000	—
Miscellaneous/Investment Income	12,524	30,000	30,000	30,000	—
Operating Revenue	64,967,034	66,456,780	66,456,780	68,450,480	3.0%
Liquor License Application Fees	159,305	156,000	156,000	156,000	—
Liquor Enforcement Fines	194,105	200,000	200,000	200,000	—
Tobacco Enforcement Fines	57,180	20,560	20,560	20,560	—
Publication Sales - Alcohol Regulation	594	0	0	0	—
Fingerprint Processing Fee	11,966	8,740	8,740	8,740	—
Liquor Control Revenues	***66,967,168***	***68,291,080***	***69,139,000***	***70,284,780***	***2.9%***
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	18,313	0	0	0	—
Employee Benefits	1,366	0	0	0	—
Grant Fund MCG Personnel Costs	***19,679***	***0***	***0***	***0***	—
Operating Expenses	30,861	0	0	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	***50,540***	***0***	***0***	***0***	—
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Town Hall Meeting Underage Drinking	500	0	0	0	—
COPS In Shops	34,100	0	0	0	—
NABCA	12,134	0	0	0	—
Latino Server Training Initiative Grant	3,806	0	0	0	—
Grant Fund MCG Revenues	***50,540***	***0***	***0***	***0***	—
DEPARTMENT TOTALS					
Total Expenditures	**42,695,829**	**42,520,100**	**42,512,420**	**46,953,280**	**10.4%**
Total Full-Time Positions	**257**	**248**	**248**	**245**	**-1.2%**
Total Part-Time Positions	**62**	**58**	**58**	**57**	**-1.7%**
Total Workyears	**337.3**	**312.9**	**312.9**	**323.0**	**3.2%**
Total Revenues	**67,017,708**	**68,291,080**	**69,139,000**	**70,284,780**	**2.9%**

FY12 RECOMMENDED CHANGES

	Expenditures	WYs
LIQUOR CONTROL		
FY11 ORIGINAL APPROPRIATION	**42,520,100**	**312.9**
Changes (with service impacts)		
Enhance: Point of Sale System (POS) [Information Management]	282,010	0.0
Eliminate: Close Diamond Store [Retail Sales Operations]	-238,810	-2.5
Other Adjustments (with no service impacts)		
Increase Cost: Debt Service: State Transportation Projects and Warehouse Relocation [Accounting and Financial Systems]	2,120,240	0.0
Increase Cost: Retiree Health Insurance Pre-Funding	1,174,770	0.0
Increase Cost: Retail Store Leases [Retail Sales Operations]	555,970	0.0
Increase Cost: ERP - Warehouse System [Information Management]	540,220	0.0
Increase Cost: Relocation payment to Peapod, LLC [Accounting and Financial Systems]	458,660	0.0
Increase Cost: Restore Personnel Costs - Furloughs	264,550	12.4
Increase Cost: Motor Pool Rate Adjustment	166,210	0.0
Increase Cost: Estimated Warehouse relocation costs [Warehouse Operations]	150,000	0.0
Increase Cost: Parking Permits [Retail Sales Operations]	15,560	0.0
Increase Cost: Printing and Mail Adjustment	12,620	0.0
Increase Cost: Help Desk - Desk Side Support [Information Management]	740	0.0
Technical Adj: Workyears based on Approved Personnel Actions [Accounting and Financial Systems]	0	0.2
Decrease Cost: Occupational Medical Services Adjustment	-7,380	0.0
Decrease Cost: Risk Management Adjustment	-99,810	0.0
Decrease Cost: Retirement Adjustment	-120,990	0.0
Decrease Cost: Verizon Replacements- T1 and Frame Relay	-129,310	0.0
Decrease Cost: Southlawn Warehouse Lease [Warehouse Operations]	-213,040	0.0
Decrease Cost: Group Insurance Adjustment	-499,030	0.0
FY12 RECOMMENDED:	**46,953,280**	**323.0**

PROGRAM SUMMARY

Program Name	FY11 Approved Expenditures	FY11 Approved WYs	FY12 Recommended Expenditures	FY12 Recommended WYs
Warehouse Operations	7,752,190	63.4	7,884,580	65.3
Delivery Operations	5,481,680	72.1	5,584,090	76.7
Retail Sales Operations	17,209,070	143.0	18,003,360	144.1
Retail Contracted Operations	190,650	0.0	190,650	0.0
Accounting and Financial Systems	6,478,230	13.1	8,889,240	13.6
Information Management	1,192,520	6.7	2,237,750	7.1
Licensure, Regulation, and Education	1,232,210	12.3	1,266,830	13.0
Office of the Director	2,983,550	2.3	2,896,780	3.2
Total	**42,520,100**	**312.9**	**46,953,280**	**323.0**

FUTURE FISCAL IMPACTS

Title	CE REC. FY12	FY13	FY14	($000's) FY15	FY16	FY17
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY12 Recommended	**46,953**	**46,953**	**46,953**	**46,953**	**46,953**	**46,953**
No inflation or compensation change is included in outyear projections.						
Debt Service Other	**0**	**4,207**	**4,209**	**4,206**	**4,210**	**4,215**
Financing for the State Transportation Participation CIP Project No. 500722, the Glenmont Metro Parking Expansion CIP Project No. 500552, and the warehouse relocation.						
DLC Liquor Warehouse	**0**	**1,924**	**1,924**	**1,924**	**1,924**	**1,924**
These figures represent the impacts on the Operating Budget (maintenance and utilities) of projects included in the FY11-16 Recommended Capital Improvements Program.						
ERP- Warehouse System	**0**	**180**	**-245**	**-299**	**-299**	**-299**
These figures represent the debt service, maintenance costs, and personnel costs to implement and maintain the ERP warehouse system.						

Title	CE REC. FY12	FY13	FY14	($000's) FY15	FY16	FY17
Point of Sale System (POS) These figures represent requiered maintenance of the POS System.	**0**	**1**	**2**	**2**	**3**	**3**
Retail Store Leases The leases for 24 retail stores based on CPI assumptions.	**0**	**156**	**173**	**185**	**196**	**208**
Retiree Health Insurance Pre-Funding These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.	**0**	**-151**	**-452**	**-928**	**-958**	**-969**
Utilities- Existing Warehouse These figures represent the utility budget savings as a result of moving to new warehouse.	**0**	**-1,000**	**-1,000**	**-1,000**	**-1,000**	**-1,000**
Subtotal Expenditures	***46,953***	***52,270***	***51,563***	***51,042***	***51,028***	***51,035***

FY12-17 PUBLIC SERVICES PROGRAM: FISCAL PLAN			Department of Liquor Control				
FISCAL PROJECTIONS	**FY11 ESTIMATE**	**FY12 REC**	**FY13 PROJECTION**	**FY14 PROJECTION**	**FY15 PROJECTION**	**FY16 PROJECTION**	**FY17 PROJECTION**
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.0%	2.4%	2.7%	3.0%	3.2%	3.4%	3.6%
Investment Income Yield	0.0014	0.004	0.009	0.02	0.0275	0.035	0.04
BEGINNING FUND BALANCE	8,264,780	3,600,040	1,864,740	3,877,380	3,877,380	3,877,380	3,877,380
REVENUES							
Licenses & Permits	1,575,000	1,575,000	1,617,520	1,666,050	1,719,360	1,777,820	1,841,820
Charges For Services	8,740	8,740	8,740	8,740	8,740	8,740	8,740
Fines & Forfeitures	220,560	220,560	226,520	233,310	240,780	248,960	257,930
Miscellaneous	67,334,700	68,480,480	71,218,500	74,066,040	77,027,480	80,107,380	83,310,480
Subtotal Revenues	69,139,000	70,284,780	73,071,280	75,974,140	78,996,360	82,142,900	85,418,970
INTERFUND TRANSFERS (Net Non-CIP)	(31,291,320)	(25,066,800)	(17,248,600)	(21,142,930)	(22,794,850)	(23,887,480)	(24,895,690)
Transfers To The General Fund	(31,291,320)	(25,066,800)	(17,248,600)	(21,142,930)	(22,794,850)	(23,887,480)	(24,895,690)
Indirect Costs	(2,287,260)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)
Technology Mondernization	(591,440)	(373,990)	0	0	0	0	0
Earnings Transfer	(28,412,620)	(22,411,610)	(14,967,400)	(18,861,730)	(20,513,650)	(21,606,280)	(22,614,490)
TOTAL RESOURCES	46,112,460	48,818,020	57,687,420	58,708,590	60,078,890	62,132,800	64,400,660
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(38,854,170)	(40,249,790)	(41,789,920)	(43,518,130)	(45,408,900)	(47,476,860)	(49,738,370)
Debt Service: Other (Non-Tax Funds only)	(3,658,250)	(6,703,490)	(10,910,800)	(10,912,350)	(10,909,930)	(10,913,280)	(10,918,350)
FFI- Retiree Health Insurance Pre-Funding	n/a	n/a	151,050	452,220	928,490	958,230	968,500
FFI- DLC Warehouse OBI's (new location)			(1,924,000)	(1,924,000)	(1,924,000)	(1,924,000)	(1,924,000)
FFI- ERP Warehouse			(180,290)	245,250	299,380	299,380	299,380
FFI- POS			(700)	(1,500)	(2,300)	(3,100)	(3,100)
FFI - Utility Savings Due to Warehouse Move			1,000,490	1,000,490	1,000,490	1,000,490	1,000,490
FFI - Retail Store Lease	n/a	n/a	(155,870)	(173,190)	(184,740)	(196,280)	(207,830)
Subtotal PSP Oper Budget Approp / Exp's	(42,512,420)	(46,953,280)	(53,810,040)	(54,831,210)	(56,201,510)	(58,255,420)	(60,523,280)
OTHER CLAIMS ON CASH BALANCE	0	0	0	0	0	0	0
TOTAL USE OF RESOURCES	(42,512,420)	(46,953,280)	(53,810,040)	(54,831,210)	(56,201,510)	(58,255,420)	(60,523,280)
YEAR END CASH BALANCE	3,600,040	1,864,740	3,877,380	3,877,380	3,877,380	3,877,380	3,877,380
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	7.8%	3.8%	6.7%	6.6%	6.5%	6.2%	6.0%

Assumptions:

1. Fund Balance Policy = One month's operating expenses, one payroll, and $1,000,000 for inventory in cash balance.
2. Net sales growth estimated at 4% per year.
3. Operating revenue growth estimated at 4% per year.
4. Operating budget expenditures grow with CPI.
5. The labor contract with the Municipal and County Government Employees Organizations, Local 1994 expires at the end of FY12.
6. Effective FY08, financing for State transportation projects is appropriated in the Department of Liquor Control.
7. Effective FY10, financing for the warehouse relocation is appropriated in the Department of Liquor Control.

FY12-17 PUBLIC SERVICES PROGRAM: FISCAL PLAN			Department of Liquor Control				
FISCAL PROJECTIONS	FY11 ESTIMATE	FY12 REC	FY13 PROJECTION	FY14 PROJECTION	FY15 PROJECTION	FY16 PROJECTION	FY17 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.0%	2.4%	2.7%	3.0%	3.2%	3.4%	3.6%
Investment Income Yield	0.14%	0.40%	0.90%	2.00%	2.75%	3.50%	4.00%
BEGINNING FUND BALANCE	**8,264,780**	**3,600,040**	**1,864,740**	**3,877,380**	**3,877,380**	**3,877,380**	**3,877,380**
REVENUES							
Licenses & Permits	1,575,000	1,575,000	1,617,520	1,666,050	1,719,360	1,777,820	1,841,820
Charges For Services	8,740	8,740	8,740	8,740	8,740	8,740	8,740
Fines & Forfeitures	220,560	220,560	226,520	233,310	240,780	248,960	257,930
Miscellaneous	67,334,700	68,480,480	71,218,500	74,066,040	77,027,480	80,107,380	83,310,480
Subtotal Revenues	**69,139,000**	**70,284,780**	**73,071,280**	**75,974,140**	**78,996,360**	**82,142,900**	**85,418,970**
INTERFUND TRANSFERS (Net Non-CIP)	**(31,291,320)**	**(25,066,800)**	**(17,248,600)**	**(21,142,930)**	**(22,794,850)**	**(23,887,480)**	**(24,895,690)**
Transfers To The General Fund	(31,291,320)	(25,066,800)	(17,248,600)	(21,142,930)	(22,794,850)	(23,887,480)	(24,895,690)
Indirect Costs	(2,287,260)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)
Technology Mondernization	(591,440)	(373,990)	0	0	0	0	0
Earnings Transfer	(28,412,620)	(22,411,610)	(14,967,400)	(18,861,730)	(20,513,650)	(21,606,280)	(22,614,490)
TOTAL RESOURCES	**46,112,460**	**48,818,020**	**57,687,420**	**58,708,590**	**60,078,890**	**62,132,800**	**64,400,660**
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(38,854,170)	(40,249,790)	(41,789,920)	(43,518,130)	(45,408,900)	(47,476,860)	(49,738,370)
Debt Service: Other (Non-Tax Funds only) 4,583,250	~~(3,658,250)~~	(6,703,490)	(10,910,800)	(10,912,350)	(10,909,930)	(10,913,280)	(10,918,350)
FFI- Retiree Health Insurance Pre-Funding	n/a	n/a	151,050	452,220	928,490	958,230	968,500
FFI- DLC Warehouse OBI's (new location)			(1,924,000)	(1,924,000)	(1,924,000)	(1,924,000)	(1,924,000)
FFI- ERP Warehouse			(180,290)	245,250	299,380	299,380	299,380
FFI- POS			(700)	(1,500)	(2,300)	(3,100)	(3,100)
FFI - Utility Savings Due to Warehouse Move			1,000,490	1,000,490	1,000,490	1,000,490	1,000,490
FFI - Retail Store Lease	n/a	n/a	(155,870)	(173,190)	(184,740)	(196,280)	(207,830)
Subtotal PSP Oper Budget Approp / Exp's	**(42,512,420)**	**(46,953,280)**	**(53,810,040)**	**(54,831,210)**	**(56,201,510)**	**(58,255,420)**	**(60,523,280)**
TOTAL USE OF RESOURCES	**(42,512,420)**	**(46,953,280)**	**(53,810,040)**	**(54,831,210)**	**(56,201,510)**	**(58,255,420)**	**(60,523,280)**
YEAR END CASH BALANCE	**3,600,040**	**1,864,740**	**3,877,380**	**3,877,380**	**3,877,380**	**3,877,380**	**3,877,380**
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	**7.8%**	**3.8%**	**6.7%**	**6.6%**	**6.5%**	**6.2%**	**6.0%**

Assumptions:

1. Fund Balance Policy = One month's operating expenses, one payroll, and $1,000,000 for inventory in cash balance.
2. Net sales growth estimated at 4% per year.
3. Operating revenue growth estimated at 4% per year.
4. Operating budget expenditures grow with CPI.
5. The labor contract with the Municipal and County Government Employees Organizations, Local 1994 expires at the end of FY12.
6. Effective FY08, financing for State transportation projects is appropriated in the Department of Liquor Control.
7. Effective FY10, financing for the warehouse relocation is appropriated in the Department of Liquor Control.

9

To: NABCA Daily News Update
Subject: SPECIAL NEWS ALERT: CDC Task Force Recommends Against Further Privatization of Alcohol Sales

CDC Task Force Recommends Against Further Privatization of Alcohol Sales

This morning the US Centers for Disease Control (CDC)'s Task Force on Community Preventive Services announced the decision and rationale for recommending against further privatization of alcohol sales. The website states, "Based on its charge to identify effective disease and injury prevention measures, the Task Force on Community Preventive Services recommends against the further privatization of alcohol sales in settings with current government control of retail sales, based on strong evidence that privatization results in increased per capita alcohol consumption, a well-established proxy for excessive consumption."

The Task Force finding, presented on the CDC website, was made in February 2011. It was based on a systematic review of all available studies, conducted on behalf of the Task Force by a team of specialists in systematic review methods, and in research, practice and policy related to excessive alcohol consumption.

The following link will take you to the statement and rationale for this decision.

http://www.thecommunityguide.org/alcohol/RRprivatization.html

The Community Guide
What works to promote health

The Community Guide

Preventing Excessive Alcohol Consumption: Privatization of Retail Alcohol Sales

Task Force Finding & Rationale Statement

Definition

The *privatization* of retail alcohol sales is the repeal of government (i.e., nation, state, county, city, or other geo-political unit) control over the retail sales of one or more types of alcoholic beverages, thus allowing commercial retailing of those beverages. States with government control of alcohol sales are referred to as *control* states, and states with privatized sale are referred to as *license* states. The privatization of retail alcohol sales generally applies only to *off-premises* alcohol outlets—retail locations, such as liquor stores, where alcoholic beverages are sold for consumption elsewhere. Privatization does not generally affect the retail sales of alcoholic beverages at *on-premises* alcohol outlets—locations such as bars and restaurants, where alcoholic beverages are sold for consumption on-site. *Re-monopolization* of retail alcohol sales is the re-establishment of government control over the retail sale of one or more types of alcoholic beverages.

Task Force Recommendations & Findings

Based on its charge to identify effective disease and injury prevention measures, the Task Force on Community Preventive Services recommends against the further privatization of alcohol sales in settings with current government control of retail sales, based on strong evidence that privatization results in increased per capita alcohol consumption, a well-established proxy for excessive consumption.

Rationale

The Task Force finding includes evidence from 21 studies that assessed the impact of privatizing alcohol sales on per capita consumption of the privatized beverage. Sixteen of the 21 studies also examined the effects of privatization on per capita consumption of alcoholic beverages that were not privatized. Following privatization, consumption of privatized beverages increased substantially (median relative increase of 48.2%; interquartile interval [IQI]: 0.0% to 136.7%), and there was little effect on per capita consumption of non-privatized beverages (median decrease of 2.0%; IQI: -5.0% to -0.4%), resulting in substantial net increases in per capita alcohol consumption. Most of the reviewed studies assessed the effect of privatization on per capita alcohol consumption as indicated by alcohol sales or tax data.

According to the Single Distribution Theory, patterns, or "distributions," of alcohol consumption are similar across many societies, such that most people drink a small or moderate amount and some people drink a large amount. Because of this pattern, when per capita—or average—consumption changes in a society, consumption changes across the board, but mostly among those who drink excessively. There is extensive evidence supporting the Single Distribution Theory, which allows the inference made in this review that when privatization results in substantial per capita increases in consumption, there are at the same time substantial increases in excessive consumption. One study in the body of evidence on privatization exemplifies the single distribution theory: a cohort study in Finland found that, following the privatization of medium-strength beer, there were increases in alcohol consumption at all levels, including excessive consumption.

Only two studies in the body of evidence on privatization assessed the effects of privatization on alcohol-related harms (i.e., cirrhosis mortality and motor vehicle fatalities). However, these studies had several methodological limitations (e.g., poor exposure measurement, short follow-up time, and weak proxy outcome measures) and yielded mixed, statistically non-significant results. The only available study of re-monopolization assessed the effects of this policy change on medium-strength beer consumption in Sweden and found statistically non-significant decreases in rates of hospitalization for a variety of alcohol-related harms.

Most of the evidence regarding the effects of privatization is from the Canada and multiple U.S. states. Although the specifics of privatization differ across U.S. states, consistent results across locations indicate that these findings are likely to apply broadly to U.S. control states.

The privatization of retail alcohol sales may lead to an increase in per capita alcohol consumption by several means. Privatization commonly results in increases in the number of off-premises outlets and of days and hours of sale, all of which have been shown in previous Community Guide reviews to lead to increases in excessive alcohol consumption and related harms. Increased alcohol outlet density is also associated with increases in social harms, including interpersonal violence and vandalism. Privatization may be associated with increased alcohol advertising, increases in the number of brands sold, and more lax enforcement of sales regulations, including enforcement of the minimum legal drinking age. In contrast, privatization also has generally been associated with an increase in the price of privatized beverages, which may be expected to lead to a decrease in consumption.

11

Barriers to maintaining government control of retail alcohol sales include commercial interests, consumer interest in greater choice and greater convenience with privatization, and the perception by governments that they may benefit economically from privatization (e.g., through sale of licenses), at least in the short term. We found no peer-reviewed studies evaluating the economic effects of this intervention, including its potential costs.

In the United States, as of 2010, two states (Utah and Pennsylvania) retained exclusive government control over off-premises wine retail sales. Those states and six others (Washington, Oregon, Montana, Alabama, North Carolina, and Vermont) retain exclusive government control of off-premises retail sales of distilled spirits. Some states (Idaho, Maine, New Hampshire, Ohio, and Virginia) retain government control of off-premises retail sales of distilled spirits above a specified level of alcohol content.

This Task Force finding is based solely on evidence related to the public health consequences of privatization, which may be one of several factors considered in making decisions on whether to privatize retail alcohol sales. The maintenance of government control of off-premises sale of alcoholic beverages is one of many effective strategies to prevent or reduce excessive consumption which is one of the leading causes of preventable death and disability.

Review Completed: February 2011

The data presented on this page are preliminary and are subject to change as the systematic review goes through the scientific peer review process.

- Page last reviewed: April 11, 2011
- Page last updated: April 11, 2011
- Content source: The Guide to Community Preventive Services

The Community Guide Branch, Epidemiology Analysis Program Office (EAPO), Office of Surveillance, Epidemiology, and Laboratory Services (OSELS), Centers for Disease Control and Prevention, 1600 Clifton Rd NE, Mailstop E-69, Atlanta, GA 30333, U.S.A. communityguide@cdc.gov

USA.gov Government Made Easy

(12)

Ferber, Justina

From: Falcon, Karen
Sent: Tuesday, April 26, 2011 9:29 AM
Subject: CDC Task Force Issues Report Recommending Against Privatization of Alcohol Sales

St/DLCprivatization.pr 11-137

For Immediate Release: April 26, 2011

CDC Task Force Issues Report
Recommending Against Privatization of Alcohol Sales

The U.S. Centers for Disease Control (CDC) Task Force on Community Preventive Services issued a report in February 2011, that "recommends against the further privatization of alcohol sales in settings with current government control of retail sales, based on strong evidence that privatization results in increased per capita alcohol consumption, a well-established proxy for excessive consumption." Montgomery County is a control jurisdiction and conducts the wholesale distribution of beverage alcohol.

"In addition to the substantial net profit generated from liquor sales each year, our residents benefit from having a department that is extremely proactive in its efforts to educate the business community about responsible hospitality practices," said County Executive Isiah Leggett. "I am delighted to see that this CDC study supports jurisdictional controls and recommends against further privatization. The Department of Liquor Control's high standards and commitment to its customers to consistently provide responsible liquor sales in the County contributes to Montgomery County's quality of life."

The Liquor Control Board and Board of License Commissioners was created in 1933 and controlled the sale and distribution of alcohol in the County for 18 years before the Department of Liquor Control (DLC) was created in 1951. Today, the department handles liquor distribution to more than 900 licensed establishments in the County and owns and operates 24 retail stores. These stores maintain exclusive rights to the sale of spirits for carryout. Wine and beer sales are shared with off-premise license-holders. DLC profits go to the County's general fund for use in paying for other County services such as police, fire and education.

For more information about the report and its findings, go to http://www.thecommunityguide.org/alcohol/RRprivatization.html.

# # #

Media Contact: Sue Tucker, 240-777-6507

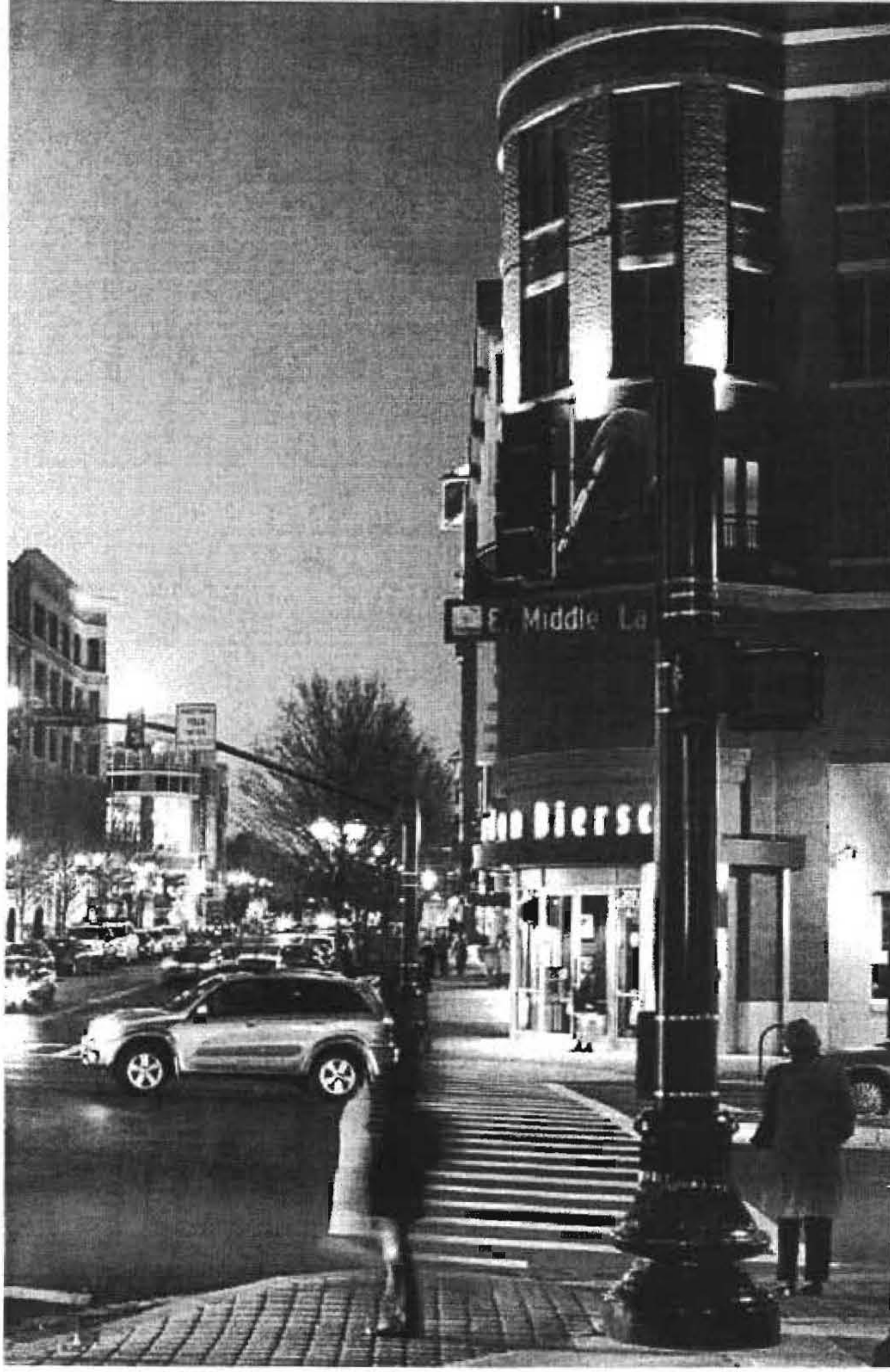
Office of Public Information
Montgomery County, Maryland
240-777-6507

13

Montgomery County

Department of Liquor Control

Annual Report FY 2010



MONTGOMERY COUNTY

17 76

MARYLAND

14

A note from the Honorable Isiah Leggett, Montgomery County Executive

We know that the sale and distribution of a controlled substance comes with a responsibility to educate and support the establishments that serve these products thus ensuring the safety of Montgomery County residents and the vitality of our licensed businesses.

That is why moderation and responsibility are the foundations for County policies regulating the sale and consumption of beverage alcohol products. These policies also reflect our continuing commitment to safe streets, secure neighborhoods and healthy, sustainable communities.

As always, the revenue generated through the sale of beverage alcohol products goes into the County's General Fund, which in turn benefits every County resident. Over the last 10 years, more than $223.3 million has gone into this fund, helping to fund a wide range of projects and services throughout the County.

With its innovative programs promoting responsible sales and services and its professional acumen in providing a vast and diverse list of product offerings, the Department of Liquor Control (DLC) makes a significant contribution to our quality of life here in Montgomery County. I am proud of the service DLC provides to our residents and commend the employees for the hard work and public outreach they perform on the job each and every day.

Isiah Leggett
Montgomery County Excecutive

Welcome to 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. In July 2009, Montgomery County had a total population of 971,600, up two (2) percent from 2008 and eleven (11) percent from 2000. Ninety-eight thousand (98,000) new households are expected between 2000 and 2040, a 27 percent increase.

The County's economic structure reveals a diversified economy with a strong service sector. The private sector (trade, information services, financial activities, professional services, education, health and hospitality) employed 82.8 percent of the total workforce in 2007, the latest available annual data. In January 2010, there were 510,000 jobs in Montgomery County. Montgomery County ranks first among large counties (250,000 or more residents) nationwide in educational attainment, with 29 percent of resident having earned an advanced degree.

Combine this with world-class performing art venues, fabulous restaurants, shopping, entertinament spots, and history, Montgomery County remains a very special place.

DEPARTMENT OVERVIEW

Montgomery County's Department of Liquor Control operates facilities for the wholesale and retail distribution of alcoholic beverages in Montgomery County, MD. The department controls the wholesale distribution of all beverage alcohol in the County, and (subject to one grandfathered exception) the retail sale of all distilled spirits for off-site consumption. The department shares the retail sale of beer and wine with approximately 950 licensed retailers.

$0

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

$30 Million

Over 30 million dollars were transferred to the General Fund in 2010 to pay for important services.

$223.3 Million

Over 223.3 million dollars were transferred to the General Fund in the last 10 years

Organizational Chart

Director
George F. Griffin

Chief of Operations
Gus Montes de Oca

Purchasing and Customer Service

Wholesale Operations (sales, warehousing and delivery)

Retail Operations (sales, promotions and marketing)

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 Administration
Sunil Pandya

Administration (budget, HR, facilities)

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

Information Technology (wholesale, retail, LRE and financial)

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.

Letter from the Director

The past year ending June 30, 2010 was the most difficult and challenging one in memory for those of us charged with directing public agencies here in Montgomery County. After meeting challenges of a tough prior year, we began the fiscal year with an austere operating budget and harsh economic landscape and were forced during the year to craft major savings plan reductions, including the elimination of twelve positions, even though as an enterprise fund agency we are not tax-supported. During this time we kept a wary eye on sales results to see if the marketplace would provide us with the revenue necessary to enable us to make our target contribution to the County's General Fund.

Improving sales figures in February 2010 signaled a relatively strong second half of the fiscal year and we did meet our projected gross sales figures. Gross sales totaled $227,335,338, representing a total sales increase of 3.82% over the previous year. Of this total, $106,247,721 was generated in our retail stores, which is an increase of nearly 6% over FY09. Total wholesale revenue, or sales to licensees, was $121,087,617, representing an increase of nearly 2% over FY09, and reflecting the nearly universal weakness experienced by the hospitality industry.

For the year ending June 30, 2010, the department made a contribution of $30,175,062 to the Montgomery County General Fund, which included debt service payments in the amount of $1,131,782, which covered the costs of the Montgomery County Liquor Control Revenue Bonds.

Operationally, we are on tract to successfully implement the deployment of our new retail point-of-sale system early in FY11 and are preparing for our relocation to our new warehouse facility in mid 2012. Our Licensure, Regulation and Education division continues to be a national leader in community-based alcohol educational and regulatory programs. Montgomery County was recently recognized by both the National Association of Counties (NACo) and the National Liquor Law Enforcement Association (NLLEA) for our Keeping it Safe program, citing it as a "Best Practice".

Being a control jurisdiction has enabled the department to contribute significantly to Montgomery County residents' quality of life through aggressive education programs and community partnering; vast product selection at fair prices and the continued significant contributions to the General Fund that pay for important resident services.

I hope you enjoy reading this year's annual report and that it helps the reader to get to know us better, understand our mission and see the result of the work done by the dedicated employees of Liquor Control.

George A. Griffin

George Griffin
Director, Montgomery County Department of Liquor Control

CONTROL JURISDICTION ADVANTAGE

Alcohol is a very special and sometimes controversial commercial product that deserves particular care. With the repeal of national prohibition in 1933, the method of beverage alcohol regulation fell to the citizens who decided by state, and sometimes by jurisdiction, how they could balance rights and responsibilities to best serve the community interest. For the individual who chose to drink responsibly, provision had to be made for the legal sale of beverage alcohol while, at the same time, the substantial social risks and economic costs of alcohol abuse had to be considered.

While a number of citizens chose to resume the legal sale of alcohol through licensed private sellers, 18 states and several local jurisdictions opted for a different course - control jurisdiction, where economic incentives for maximum sales were replaced with policies supporting moderate consumption. Seven decades later, those jurisdictions continue to use the control method, and such durability suggests that the wisdom of this method is sound.

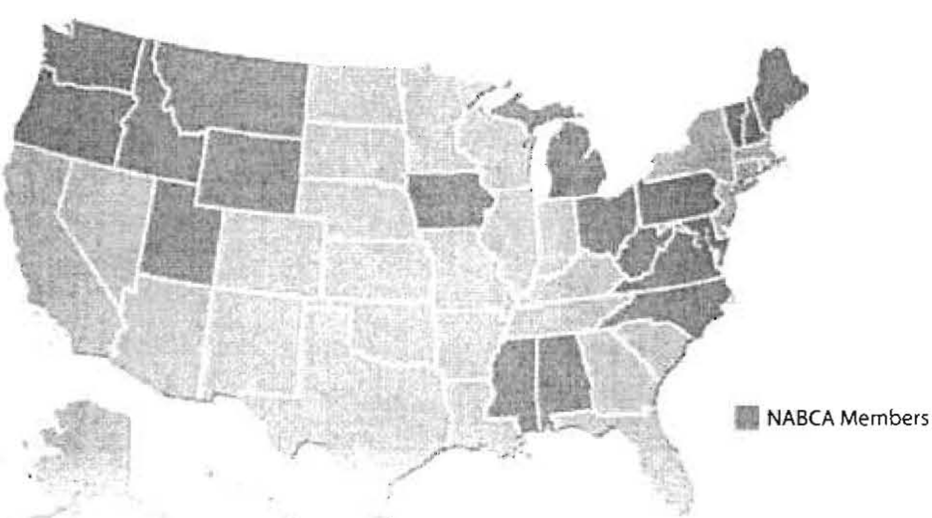
Montgomery County is proud to be one of those control jurisdictions and believes that is had successfully achieved the delicate balance of...

- providing high-quality products and services to customers;
- improving the overall safety of communities through education, regulation and enforcement; and
- generating revenue for transfer to the General Fund to pay for important resident services.

28 percent

Today, 28 percent of the total U.S. population operates under the control mode.

MEMBERS OF THE NATIONAL ALCOHOL BEVERAGE CONTROL ASSOCIATION



FOCUS: DEPARTMENT'S POINT OF SALE (POS)

In 2009, the County contracted with Systems Technology Group (STG) from Buffalo, New York to replace its antiquated point-of-sale (POS) system with a proven multi-location point-of-sale solution. STG offered Microsoft based software, IBM hardware and an integrated age verification software solution, as well as a secure solution for accepting credit cards. Moreover, STG possessed the proven experience in designing, installing and supporting the system that the County sought. IT manager Jhason Abuan and Retail Operations Manager Diane Wurdeman discuss the system:

What improvements were you looking for in purchasing the new system and did you get what you wanted?

Jhason: From an IT perspective, the "old" point-of-Sale (POS) system had served the County well but was obsolete - no system support, no hardware maintenance contract and no scale to grow. The new POS system consists of best of breed hardware components from IBM and software from Microsoft, specifically Microsoft's Dynamics Retail Management System. The contractor has worked well with the County to implement an integrated end-to-end customized solution specific to the department's needs. With the new system we now have the ability to add functionality as needed, we have enhanced reporting capability, strong software support, robust hardware and outstanding hardware support.

Diane: Operationally, one thing we desired was more granular reporting. We wanted a POS system that was built on a relational database, so that any user can build reports and manipulate existing reports. In the "old" system, there is no way to block data, cut and paste, or access functions or reports in any way familiar to most computer users in 2010. Overall, we wanted to provide a better experience for both the employee and the customer: a faster transaction, ease of finding products at other stores, ability to purchase gift cards, and most importantly, the ability to provide fast, safe, and secure credit card transactions.

What features do you especially like?

Diane: The customer-facing devices like the signature capture and the large customer screen, which shows the customer every line of their transaction as it happens are wonderful. Now the customer sees exactly what was scanned, how the system rang up the sale price, etc., and takes control of scanning their credit card. Features like these provide a richer, friendlier customer experience, and the presentation of the whole register system at the counter looks very professional and upscale.

Jhason: For support, we have a 7 x 24, 365 days a year four-hour onsite response time for IBM hardware related issues. For other issues, the Contract provides an acceptably rapid response time for software related problems depending on the severity of the issue.

Will the system grow with you in the future?

Diane: Absolutely! Because of the ability for ad-hoc reporting, we can always create new reports, or tweak existing reports, as needs change. Because of the greater memory and speed capabilities of the new system, all functions can be performed more quickly; and because it is a Windows-based product (versus our current DOS-based program), there is a lot more flexibility for change.

Jhason: One of our biggest challenges is Payment Card Industry (PCI) Compliance, which is an ever-evolving set of standards with the purpose of protecting sensitive credit card data. This solution utilizes the services of a third-party vendor that encrypts a customer's credit card information in real-time during a transaction and sends this data to a secure datacenter facility in another part of the Country. From there it is forwarded it to our credit card processor. This third-party acts as a gateway that protects data prior to transactions reaching the credit card processor. The advantage of this solution is that absolutely no sensitive credit card data or card security codes are stored in any of the department's systems. And it is a very cost effective solution to PCI compliance, since it will grow as the industry changes without the County needing to invest the significant amount of money that would be required to constantly evolve the highly secure credit card compliancy environment on its own.

The closing of FY10 finds the project well underway, with system design and programming concluded and the installation of a number of stores completed. Total completion of the project is targeted for October 2010.

Focus: Operations

• In Fiscal Year 2010, the Department of Liquor Control opened its' largest retail store (7,750 square feet). With a new updated layout and design, this store has been able to focus on having the largest wine and spirits selection along with over 600 square feet of display space.

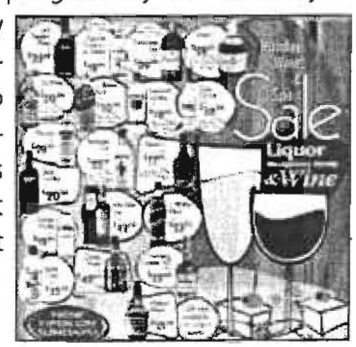
• The Inventory Listing Committee was formalized in Fiscal Year 2010 to facilitate the analysis of inventory turns and cost along with listing and delisting of products. This committee meets monthly for listing presentations and has proved very successful in identifying the needs of both the licensees and the suppliers.

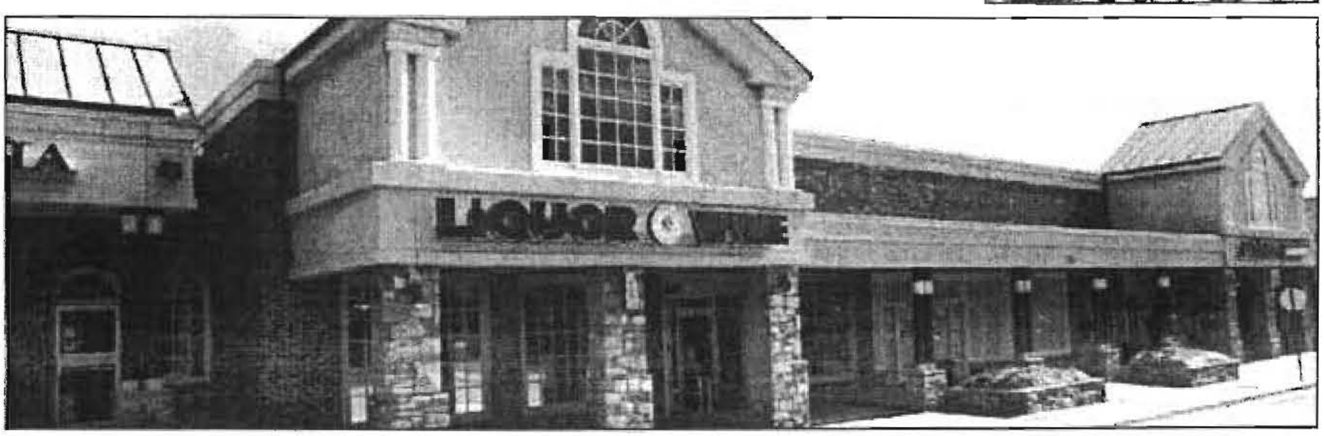
• Bethesda Magazine readers voted DLC Retail stores the Best Place to Buy Wine. This readers choice award was based on availability of products, selection, prices and customer service. This was the first award of this kind for DLC retail stores.

• The Department of Liquor Control has finished the design phase of the new warehouse with Capital Projects of the County and will submit for the bids in late 2010. The project is set to begin in July 2011 with a completion date of July 2012. The size of the new warehouse will be 220,000 square feet and will be totally climate controlled. The office space will boast three (3) conference rooms, one (1) large room for retail training and educational trainings and also a new hearing room for the Montgomery County Board of License Commissioners.

• The Warehouse Section completed in Fiscal Year 2010 the restructure of the Special Order section allowing a more efficient method to receive and store special order products.

• In Fiscal Year 2010 the Delivery Section implemented a licensee visit program by our delivery supervisors to not only evaluate delivery personell, but to also talk to the licensees about deliveries and other issues so DLC can learn what is working and what needs to be changed.





Licensure, Regulation and Education (LRE)

Overview of Division

The Montgomery County Department of Liquor Control (DLC), as a "control jurisdiction" facilitates the wholesale distribution of beer, wine and spirits to over 900 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.

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 (County Board). Licensure staff assist applicants throughout the application process from initial inquiry through license issuance and beyond, and provides staff support to the Board. The Licensure Office is also involved in issuing violation letters, collecting fines, and scheduling show-cause hearings before the Board.

Spotlight on the Montgomery County Board of License Commissioners

The Board of License Commissioners is charged with regulating the sale and distribution of alcohol in accordance with Article 2B of the Annotated Code of Maryland and has full power and authority to adopt such reasonable rules and regulations as the board deems necessary to enable it to effectively discharge the duties imposed upon it by Article 2B.

The Board of License Commissioners issues licenses for the sale of alcoholic beverages and may revoke or suspend licenses, or issue fines up to $20,000 for violations.

FY10 Board Members:

Dee Metz, Commissioner

Donald R. Gilchrist, Commissioner

Eugene M. Thirolf, Chair

Maria Peña-Faustino, Commissioner

Keith Um, Commissioner

Focus: On Customer Service

Alcohol Law Education and Regulatory Training

The LRE team at Liquor Control developed and provides a bi-weekly free-of-charge ALERT (Alcohol Law Education and Regulatory Training) program. 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 those businesses and/or individuals cited with alcohol violations.

In Fiscal Year 2010, there were a total of 450 individuals trained in ALERT by the LRE team.

Fingerprinting Now Available

Beginning in 2010, the Montgomery County Department of Liquor Control now offers fingerprinting to alcohol license applicants and managers. Fingerprinting is offered every Wednesday from 2:00 - 4:00 PM in the Licensure, Regulation and Education (LRE) Main Office. The cost is $15 per card.

'How to Apply' Brochure

The LRE division developed a new brochure "How to Apply for a New or Transfer Annual Alcoholic Beverage License in Montgomery County, Maryland." The brochure is available on the department's website or in hard copy from the licensing office, consolidating a great deal of information that helps applicants for new or transfer annual licenses as they go through the application process.

ALERT Evaluation Quotes from Atendees:

"Class was very helpful and full of vital information"

"Extemely Intersting!"

"Very Informative"

"Intructors were well informed, kept the class interesting, and were willing to answer any questions"

"Intructors very knowledgeable on all topics"

FOCUS: ON SAFETY

MONTGOMERY COUNTY KEEPING IT SAFE
FISCAL YEAR 2010 ALCOHOL AND TOBACCO COMPLIANCE CHECKS

Alcohol Regulation

Recognizing that alcohol licensed businesses are the first line in defense to reduce the availability of alcohol to youth under 21 years of age, intoxicated individuals, and to maintain keg registration a comprehensive compliance DLC developed a program. A compliance check involves youth under the age of 20, using their own 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.

Findings- While total alcohol *compliance rates fell (2%) from 80% in 2009 to 78% in 2010, primarily because of a spike in sales to intoxicated individuals, there was a positive (9%) rise in compliance for under 21 alcohol sales, from 71% in 2009 to 80% in 2010.
**there are other types of compliance checks*

Compliance Checks for Underage Alcohol Sales	Number Checked	Number Sold	Compliance Rate
	550	110	80%

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 (LRE) 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.

What We Are Seeing- Although they are the primary intention, underage sales and over service are not the only violations yielded from compliance checks. On occasion offenses such as tampering, unapproved source of alcohol, lack of alcohol awareness training and other violations are identified during compliance checks.

Tobacco Regulation

The Montgomery County Department of Liquor Control conducts annual tobacco compliance checks to reduce tobacco sales to minors under the age of 18; and to ensure product placement laws are followed. Tobacco sales were found to be higher among young female purchasers than among males. With 73 illegal tobacco buys made by 14 female under age volunteers; and 42 illegal tobacco purchases made by 17 male under age volunteers.

Compliance Checks for Underage Tobacco Sales	Number Checked	Number Sold	Compliance Rate
	400	115	71%

Compliance Team: Montgomery County Department of Liquor Control, Montgomery County Police Department, Montgomery County Sheriff's Office, and the Montgomery County State's Attorney's Office.

Focus: On Community

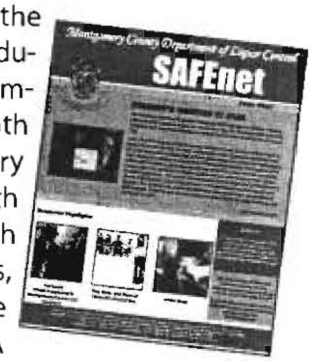
Along with the sale and distribution of a controlled substance comes a responsibility to educate and support the establishments served. The Community Outreach/Education Office consults with and assesses establishments to keep businesses on track. Helping communities flourish through the promotion of 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 addressing 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. Grants are applied to support business alliance efforts including enforcement overtime (police and inspectors) as well as community education and training on alcohol. Grant funding has also been allocated to program evaluation, educational resources and community education events. In the last two years, Community Outreach grant funding has totaled over $100,000. (Maryland Highway Safety Office, Washington Regional Highway Safety Office, NABCA Educational Award, Montgomery County Tobacco Use Prevention and Cessation Program, SAMSHA, Governor's Office of Crime Control and Prevention (GOCCP)- EUDL funds)

- Quarterly, the Outreach Office organizes Safety Alliance meetings where we serve as a liaison between businesses and county code enforcement. Quarterly, the Outreach Office hosts a meeting of county code enforcement agencies to network and share program information. The outreach office disseminates this essential public safety information to licensees.

- 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.



- Due to demand, a free tobacco retailer's course was developed focusing on local laws, ID checking and best practices.

- 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 including: ID Checking Calendars, Point of Sale Materials such as the "We Check ID's" stickers, and brochures on different alcohol topics.

Focus: On Collaboration

• The Division of Licensure, Regulation and Education stayed extremely active in Fiscal Year 2010 with the community by hosting national and statewide forums, speaking at local schools, and organizing community meetings. Some of the events include the 8th Annual Responsible Retailing Forum, Maryland Alcohol Licensing Association (MALA) Conference, Keeping it Safe Town Hall Meeting, St. Mary's School Presentation, Rockville Town Center Community and Business Meeting, Responsible Hospitality Institute (RHI) Nighttime Economy Forum, and the Maryland Statewide Alcohol Beverage Forum.

Focus: On Communication Enhancements

• Fiscal Year 2010, DLC re-vamped its website, www.montgomerycountymd.gov/dlc, to allow for better information flow. Highlights include:

• The LRE Divison has posted all applications on the DLC website as interactive forms to enable licensees to complete the forms online.

• Administration completed the automation of its pricing process, enabling vendors to electronically submit their product price changes and run pricing reports.

• Retail Operations reorganized sale pages into monthly and weekly specials and enhanced the product search capabilities.

• Wholesale Operations expanded its webpage capabilites to accommodate more operating systems and browsers for licensees who want to order online.

Focus: On Results

• In Fiscal Year 2010, DLC stepped up its media efforts. In response, DLC saw an increase in coverage in both tv, web/internet, and print media outlets including Fox 5, The Gazette, NABCA, the Sentinal, www.stopalcohlabuse.gov, and Resonsible Hospitality Institute.

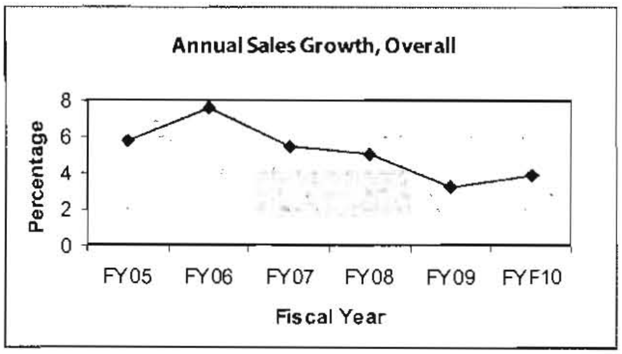
• DLC received the 2010 National Association of Counties (NACo) Achievement Award for its "Keeping It Safe" public education campaign program. This initiative is comprised of numerous awareness programs and tools, and is a model for the state of Maryland. Tools include training and distributing information to adults in the community, including identification checking calendars, point-of-sale signage, monthly bulletins promoting responsible hospitality and under 21 alcohol prevention information.

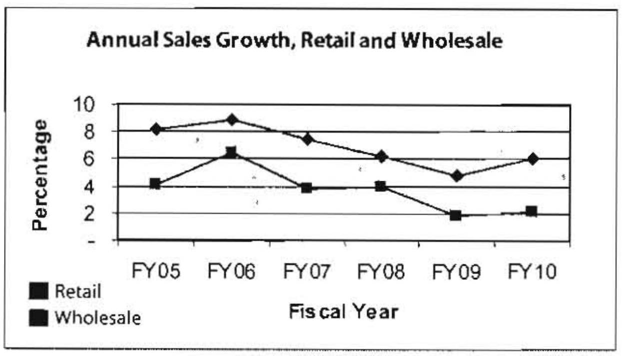
• The National Liquor Law Enforcement Association (NLLEA) presented the John W. Britt Community Service Award to the Keeping it Safe Coalition on Under 21 Alcohol Use Prevention for its proactive approach to working with the Department of Liquor Control, local law enforcement and other prevention agencies to increase awareness regarding laws prohibiting underage drinking.

Results: SYSTEMATIC PLANNING AND REVIEW

MANAGEMENT DISCUSSION

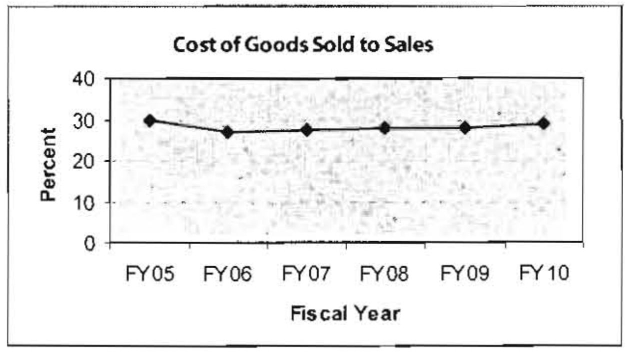
The department provides a wide selection of beverage alcohol products at competitive prices to shoppers in Montgomery County while promoting moderation and responsible consumption of the beverage alcohol products offered for sale. To gauge our success, the department monitors several headline measures:





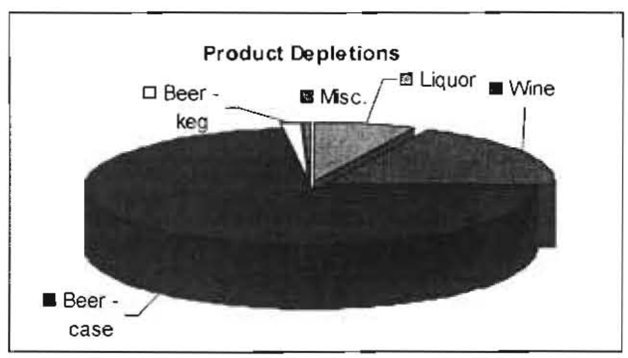
ANNUAL GROWTH SALE

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 modetly 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	3,714,115
Wine-Case	938,462
Liquor-Case	364,605
Beer-Keg	78,835
Miscellaneous-Case	23,527

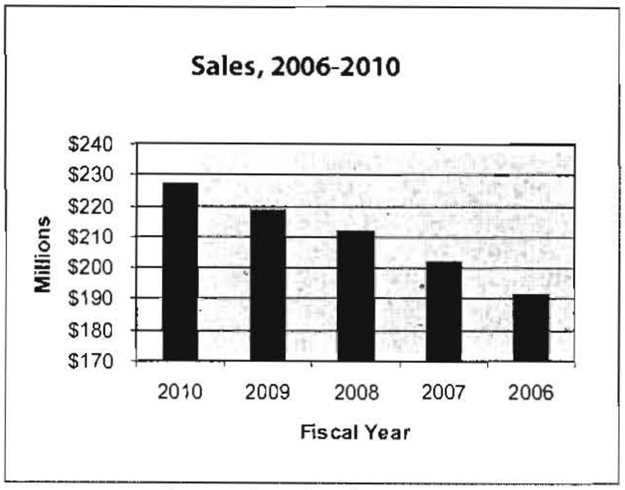
27

Results: FINANCIAL INFORMATION

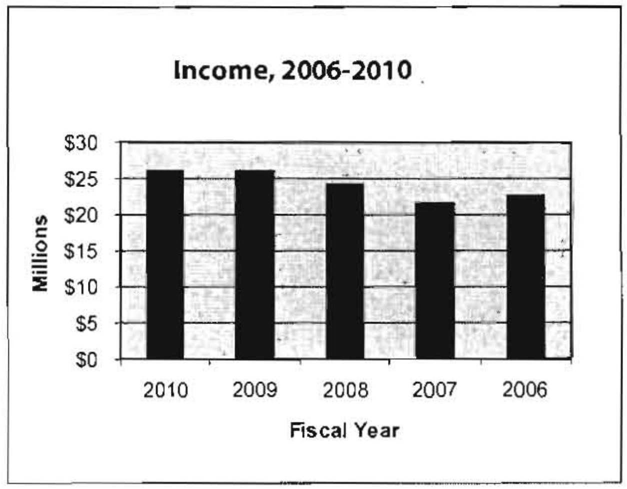
In the past 10 years, the Department has made a cumulative contribution of over $223.3 mmillion ($223,357,110) to the General Fund to help pay for important resident services such as education, infrastructure and police and fire services.

Contributing factors are a high level of customer service both wholesale and retail; competitive 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 departments limited advertising strategy, which reflects the County's role in this business operation.

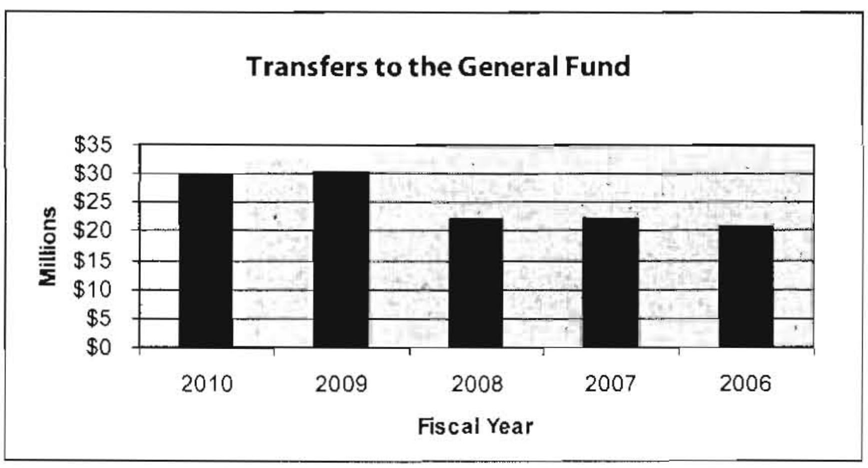
RESULTS OF OPERATION



Liquor Control's sales from continuing operations in FY 2010 were $227,335,338



Liquor Control's income in FY 2010 was $26,150,086



Liquor Control's transfer to the General Fund in FY 2010 was $30,175,062

Results: FINANCIAL INFORMATION

SALES IN TOTAL AND BY DIVISION, FY 2001-2010

Fiscal Year	Total Sales ($)	% Change	Retail Sales ($)	% Change	Warehouse Sales ($)	% Change	Warehouse Beer Sales ($)	% Change	Warehouse Liquor/ Wine Sales ($)	% Change
2010	227,335,338	3.82	106,247,721	5.99	121,087,617	1.98	71,884,734	1.70	49,242,883	2.4
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
2003	157,039,353	4.63	65,512,134	8.75	91,527,225	1.87	56,366,974	-0.21	35,160,251	5.40
2002	150,085,202	6.69	60,242,390	8.74	89,842,812	5.36	56,484,764	6.18	33,358,048	3.99
2001	140,675,770	6.74	55,400,821	10.12	85,274,949	4.66	53,197,445	5.02	32,077,504	4.08

Results: Financial Information

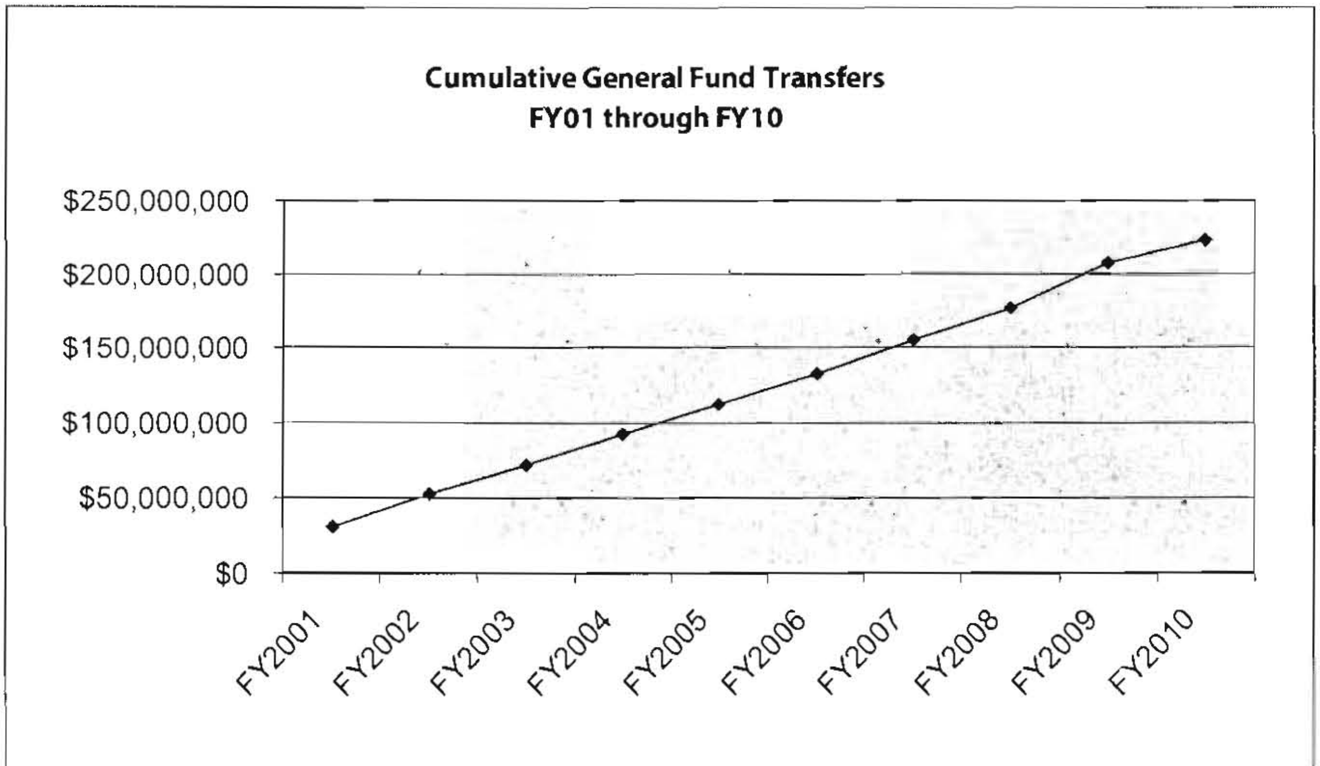
General Fund Transfers

Fiscal Year	Transfer	Cumulative Transfer
2010	$30,175,062	$223,357,110
2009	$30,410,060	$193,182,048
2008	$22,168,275	$162,771,988
2007	$22,149,050	$140,603,713
2006	$20,698,760	$118,454,663
2005	$20,503,510	$97,755,903
2004	$20,501,030	$77,252,393
2003	$18,985,890	$56,751,363
2002	$22,334,790	$37,765,473
2001	$15,430,683	$15,430,683

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 2010, Liquor Control transferred $30,175,062; the cumulative contribution in the last 10 years amounted to $223,357,110.

$223.3 Million

Liquor Control contributed over $223.3 million to the General Fund in the last 10 years.



Vision: Looking Toward the Future

Fiscal year 2011 brings an extremely lean budget, causing us to be mindful that the serious fundamental economic pressures of the past two years remain with us. In the new fiscal year, employees are required to participate in a furlough program to further reduce workforce-related overhead costs.

The total fiscal year 2011 Montgomery County Operating Budget is lower in real dollars (total actual spending) than was the fiscal year 2010 budget, which is the first actual decline in total annual spending in the Department's history.

While this has required us to defer or eliminate some plans for expansion and program enhancements, we are still on track to complete the successful implementation of our new point-of-sale retail system, and to prepare for our relocation to our new warehouse facility in early 2012.