



Montgomery County Government

MEMORANDUM

October 16, 1992

TO: County Council

FROM: Joan M. Pedersen, Program Evaluator
Office of Legislative Oversight

SUBJECT: Office of Legislative Oversight Memorandum Report: Activities and Progress of the Council's Liquor Control Task Force

I. PURPOSE

The purpose of this memorandum is to provide the County Council with a report on the progress of activities of the Liquor Control Task Force.

II. AUTHORITY

Council Resolution No. 12-452, adopted November 12, 1992, establishing a task force to consider privatization and contracting strategies for Department of Liquor Control (DLC) operations, and to monitor and evaluate a pilot test of contracting County retail liquor stores.

III. BACKGROUND

During FY92, the Office of Legislative Oversight (OLO) conducted a study jointly with KPMG Management Consultants to review alternate methods employed by other control jurisdictions to accomplish alcohol beverage warehousing, delivery, and retail activities similar to those performed directly by DLC. The study was designed as a first step to apprise the Council of the feasibility and applicability of contracting or privatization strategies for DLC operations. On September 24, 1992, Council released OLO Report No. 91-2, Feasibility of Contracting or Privatizing Elements of the Department of Liquor Control. The objective of the study was to identify those areas of DLC operations having potential for efficiencies through contracting or privatizing activities to generate cost savings which would translate into increased revenues for transfer to the County's General Fund.

The Council recognized that contracting of liquor stores represented a low-risk option as described by KPMG and chose that option on a test basis to determine whether control over retail sales could be accomplished with fewer public dollars being spent. Consequently, the Council adopted Resolution No. 12-452 requesting the Executive branch to design a pilot program to test contracting in two or more DLC stores and establishing an independent task force to (1) further consider other contracting and privatization options available to the County, and (2) monitor and evaluate the pilot test of contracting DLC stores (see ATTACHMENT A for copy of the resolution).

Office of Legislative Oversight

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Council staff has been directed to provide administrative support to the task force and OLO is providing technical assistance. In April 1992, the Council appointed the task force of fifteen voting members from a broad base of government, union, private business, and citizen representatives (see ATTACHMENT B for current membership list).

During the latter part of FY91, the Executive's Liquor Policy Committee performed cost-benefit and other appropriate analyses of the contracting option for County liquor stores; identified potential DLC stores for testing of the contracting option; established criteria whereby contracts would be awarded; and designed a draft contract. Over the summer, the Executive branch solicited proposals for contracting of the Kensington, Muddy Branch, and Pike liquor stores. As a result of these Executive branch activities, each of the three pilot liquor stores are expected to be converted to contract management by mid-November. The Kensington store is scheduled for conversion on Monday, October 19, and DLC currently anticipates the Pike store will be converted on October 26 and the Muddy Branch store on November 2, 1992.

IV. PROGRESS OF THE LIQUOR CONTROL TASK FORCE

A. Evaluation of the Pilot Test

As its first order of business, the task force concentrated its efforts on devising criteria for monitoring and evaluating the pilot test of contracting three DLC liquor stores. Three subcommittees were formed to determine criteria applicable to three areas for evaluation: Profitability, Facility and Inventory Management, and Responsibility.

The Profitability subcommittee has requested DLC to provide 1990 and 1991 monthly financial and sales-by-the-case data for each of the three pilot stores. This prior history data will be used in evaluating the sales and financial activity of each of the contracted stores. In addition, activities for each of the three pilot stores will be compared to the others, and to DLC-operated stores, using ratio analyses.

The Facility and Inventory Management subcommittee established criteria for evaluation of contractor performance as it relates to receipt, storage, transfer, and general management of inventory, including shelf and display management. The subcommittee recognized that DLC will have the major responsibility of monitoring contractor performance, and can gather data on behalf of the task force. DLC has been requested to report quarterly to the task force.

The Responsibility subcommittee has established criteria for evaluating how the contractors and DLC perform in relation to requirements specified in the Request for Proposals and the final contract documents. DLC has been requested to provide a history of any past citizen complaints relating to its liquor store operations, with particular emphasis on the pilot sites, and to inform the task force of any complaints received during the pilot period.

As part of the evaluation of customer relations, marketing students at Montgomery College are currently performing on-site customer surveys at the three proposed pilot sites and three control sites. After the pilot stores are converted to contract, customers will again be surveyed at each site. The survey instrument includes questions relating to store appearance, level of service received by the customer, courtesy extended by employees, and convenience of the hours of operation. Finally, the subcommittee inquired of the Police Department and Board of License Commissioners (BLC) regarding the history of any sales to minors violations by DLC liquor stores and requested monitoring of the contracted stores during the pilot period. The BLC has committed to test the pilot sites and a number of control sites for possible sales to minors violations during the pilot period.

B. Examination of Other Contracting or Privatization Options

The task force is now shifting its focus to consider efficiencies and economies to improve existing DLC operations, as well as full or partial privatization strategies for DLC warehousing, delivery, and retail activities. Strategies to be reviewed include: licensing or franchising of retail outlets, privatizing or contracting warehouse and delivery activities, and possible improvements and efficiencies which may be made to economize and improve on the existing DLC structure and operations. The task force is especially concerned with improving the profitability of DLC while maintaining control over the distribution and sale of alcoholic beverages.

The next task force meeting is scheduled for October 29, 1992. A major item on the agenda will be to determine whether reorganization of the subcommittee structure will be necessary to effectively address the various strategies identified for study.

V. OLO COMMENTS

Activities of the Council's Liquor Control Task Force will continue through the winter and spring. The group will be concentrating its efforts on review of contracting and privatization strategies or improvements for existing DLC operations, with a view to minimizing expenses, optimizing County revenues, and maintaining control over the sale and distribution of alcoholic beverages. The task force will consider the various options and strategies in relation to economic conditions and effects on existing personnel.

The task force expects to submit preliminary findings and recommendations on its evaluation of the pilot test to the Council in late March 1993. Conclusions and recommendations relating to possible improvements for existing DLC operations and full or partial privatization strategies for warehouse, delivery, or retail operations will be submitted in June 1993.

Attachments

Resolution No. 12-452
Introduced: November 5, 1991
Adopted: November 12, 1991

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmembers Krahnke, Ewing, Dacek

Subject: Establishment of a Task Force to Monitor and Evaluate a Pilot Test of Contracting Department of Liquor Control Retail Stores and to Consider Further Privatization and Contracting Strategies for Department of Liquor Control Operations

Background

1. Recognizing that Department of Liquor Control operations may not be currently operating at their most efficient or effective levels, the County Council wished to be advised of any potential for improvement through contracting or privatization strategies which might feasibly be implemented.
2. Consequently, the Council assigned the Office of Legislative Oversight to initiate a study to identify areas of DLC operations having potential for cost efficiencies or revenue enhancements through contracting or privatization strategies that would translate into additional surplus funds for transfer to the County's General Fund.
3. During consideration of various options identified by the Office of Legislative Oversight and KPMG Peat Marwick Management Consultants, the Council's Public Safety Committee determined that the subject of privatization and contracting should be further pursued while a pilot of the contracting option of retail operations is conducted in two or more of the Department of Liquor Control's retail stores.
4. The Council's Public Safety Committee identified a need for the Liquor Policy Committee to perform cost benefit and other appropriate analyses; identify potential retail stores for testing of the contracting option; establish criteria whereby contracts would be awarded; and design a draft contract.
5. The Council's Public Safety Committee also identified a need for the Liquor Policy Committee to review the listing/de-listing policies and procedures of the Department of Liquor Control's Product Committee and to specifically review the composition of that committee and the veto power of the department director.

6. In addition, the Public Safety Committee identified a need for an independent Task Force to further consider other contracting and privatization options available to the County, and to monitor and evaluate the pilot test of contracting Department of Liquor Control retail stores.
7. The County Council endorses the Public Safety Committee recommendations relating to the Liquor Policy Committee and recognizes a need to establish an independent Task Force to monitor and evaluate a pilot test of contracting Department of Liquor Control retail stores and to consider further privatization and contracting strategies for Department of Liquor Control operations.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

1. The County Council intends to consider pursuing options for privatizing or contracting some activities of the Department of Liquor Control to achieve efficiencies and economies of operations, while retaining appropriate control over the sale and distribution of alcoholic beverages.
2. The County Council requests that the County Executive's Liquor Policy Committee perform appropriate analyses of existing DLC retail stores, including the expected cost benefits of contracting, and identify potential DLC retail stores for contracting as a pilot test; to establish criteria whereby contractors could be selected and contracts awarded; to design a draft contract; and to finalize its findings and recommendations by March 15, 1992, for subsequent presentation to the County Executive and the County Council.
3. The County Council also requests that the County Executive's Liquor Policy Committee review the listing/de-listing policies and procedures of the Department of Liquor Control's Product Committee and to specifically review the composition of that committee and the veto power of the department director.
4. A task force is established through Fiscal Year 1993 to monitor and evaluate a pilot test of contracting Department of Liquor Control retail stores and report to the Council; and to advise the Council on further privatization and contracting strategies for Department of Liquor Control operations.

5. The task force will consist of no more than fifteen (15) voting members appointed by the County Council, and the Council will designate the chair and vice-chair of the committee. Five members will be selected by the County Council from the list of names submitted by the County Executive, one each representing the following five categories of membership:

- One representative of the Alcoholic Beverages Advisory Board
- One representative of the Board of License Commissioners
- One representative of the liquor store managers
- One representative of the Department of Liquor Control
- One representative of the Executive branch (non-DLC related)

The remaining ten members will be selected by the County Council from applicants to represent the following:

- One representative of the County's employee union, Local 400, who is a DLC employee
- One representative of licensees operating beer and wine stores
- One representative of licensees operating restaurants
- One representative of (non-alcohol related) local businesses
- One representative of the County Council
- One representative of the Montgomery County Chamber of Commerce
- One representative of the alcoholic beverages industry
- One professional associated with the prevention of alcohol abuse
- Two Montgomery County residents (not associated with any of the above categories).

6. The County Council will provide staff support to the Task Force. The Office of Legislative Oversight will provide technical assistance to both the Liquor Policy Committee and the Council's Task Force as appropriate.
7. The Task Force will be appointed in March, 1992, and is expected to report its preliminary findings and recommendations to the Council and Executive within six months of its appointment. In addition, the Task Force will report on its evaluation of the pilot test of contracting a portion of the retail operation within nine months of initiation of the pilot test.

This is a correct copy of Council action.



Kathleen A. Freedman, CMC
Secretary of the Council

ChairLicensees Operating Restaurants**Charles Berman**

The Restaurant Acquisitions &
Management Group, Inc.
17503 Redland Road
Rockville, Md. 20855

Professional Associated with the
Prevention of Alcohol Abuse**Larry N. Goodwin**

19509 Dubarry Drive
Brookeville, Md. 20833

Montgomery County Chamber of
Commerce**W. Edward (Willie) Gregory**

Pepsi Cola Company
1 Pepsi Place
Cheverly, Md. 20781

(Alcohol related) Local Business**William J. Haberlin**

Northgate Beer & Wine
13842 Georgia Avenue
Silver Spring, Md. 20906

County Council Representative**Councilmember Betty Ann Krahmke**

100 Maryland Avenue, 6th Floor
Rockville, Md. 20850

MCGEO Local 400**John J. Kukucka**

16650 Crabbs Branch Way
Rockville, Md. 20855

Alcoholic Beverages Industry**Lorraine Turgeon Sanna**

Grapevine Brokers, Inc.
13006 Twelve Hills Road
Clarksville, Md. 21029

County Resident**Lawrence A. Shulman**

Shulman, Rogers, Gandal, Pordy
and Ecker
11921 Rockville Pike, Ste. 300
Rockville, Md. 20852

(Non-alcohol related) Local Business**Anthony J. Street**

Giant Food, Inc.
6300 Sheriff Road
Landover, Md. 20785

Vice Chair**Charles S. Lapinski**

216 Colesville Manor Drive
Silver Spring, Md. 20904

County Executive DesigneesDept. of Liquor Control**Jerome I. Baylin**

16650 Crabbs Branch Way
Rockville, Md. 20855

Alcoholic Beverages Advisory Bd. Rep.**Walter J. Burns**

2418 Chilham Place
Potomac, Md. 20854

Bd. of License Commissioners Rep.**Howard L. Cook, Jr.**

P.O. Box 30279
Bethesda, Md. 20824-0279

Liquor Store Managers Rep.**Charles Eaton**

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Executive Branch Rep.**Deborah J. Snead**

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