
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 FY14 Operating Budget for the Department of Liquor Control is \$55,324,556, an increase of \$4,627,924 or 9.1 percent from the FY13 Approved Budget of \$50,696,632. Personnel Costs comprise 45.7 percent of the budget for 254 full-time positions and 63 part-time positions. A total of 338.82 FTEs includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 54.3 percent of the FY14 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 FY13 estimates reflect funding based on the FY13 approved budget. The FY14 and FY15 figures are performance targets based on the FY14 recommended budget and funding for comparable service levels in FY15.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***In FY14 Liquor Control will make an earnings transfer of \$18.1 million to the General Fund and will make \$11.2 million in debt service payments on Liquor Control Revenue Bonds for a total of \$29.3 million.***
- ❖ ***DLC will open two new locations in FY14 and relocate the current Montgomery Village store to Goshen Crossing. The relocation will occur in early summer of 2013. The new stores will be located in Seneca Meadows anchored by Wegman's with an estimated opening in late summer of 2013 and Clarksburg anchored by Harris Teeter with an opening planned for FY14.***
- ❖ ***The Department received a NACo award for conducting a comprehensive study to measure the rate of alcohol over-service in Montgomery County. Partnering with the national non-profit research organization, the Responsible Retailing Forum, the study measured the rate of over-service and will help steer state-wide regulatory and educational efforts for the future.***

- ❖ **DLC received a NACo award for developing an internet web application that allows residents to search for the availability of beverage alcohol products throughout the retail store system using real-time inventory and providing product and pricing details. The enhancement includes twenty-four seven availability of product information, user-friendly search features, tasting notes, food pairings, and allocation-aware features to determine the nearest store utilizing Google Maps.**
- ❖ **DLC has implemented the use of gift cards in stores answering a customer need as well as providing the opportunity for increased sales.**
- ❖ **The Retail Division and License, Regulation, and Education Division worked together to create an ALERT program specifically tailored for County retail stores, which was approved by the State as a certified alcohol education and server training course. All Retail employees are required to have state certification. The department has previously paid to use other training programs. This allows DLC to train employees without the extra cost of using an alternative program for materials and certification in addition to creating a more consistent message.**
- ❖ **Productivity Improvements**
 - **DLC has assumed the work of entering daily deposits into the ORACLE system from the Treasury Division of Finance relieving their personnel from manually entering individual deposits to different banks daily from Liquor Control created spreadsheets. DLC no longer creates spreadsheets, using that time to enter deposits into ORACLE resulting in more timely entry information. Treasury still oversees the reconciliation of accounts.**
 - **The Retail Division has leveraged a feature in the new point-of-sale system that has eliminated the need for one of the telephone lines in each store resulting in a savings of approximately \$550 per month.**
 - **DLC completed their move to the new warehouse in Edison Park. The warehouse is climate controlled to preserve product integrity, eliminates the need for storage at satellite locations, and has optimal track configuration for product safety.**

PROGRAM CONTACTS

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Dennis Hetman of the Office of Management and Budget at 240.777.2770 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 FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	16.4	15	16	16	16
Inventory as a Percent of DLC Sales	11.6	10.45	12	12	12
Satisfaction rating of wholesale customers based on the DLC customer survey results ¹	2.95	2.97	2.95	2.95	2.95

¹ Average score on a 1-4 scale

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	8,391,204	66.19
Increase Cost: Maintenance and Utilities at New Warehouse	333,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-806,053	1.83
FY14 CE Recommended	7,918,151	68.02

Delivery Operations

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

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	6,739,250	74.00
Increase Cost: Motor Pool Adjustment	34,420	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	280,830	-6.00
FY14 CE Recommended	7,054,500	68.00

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 22 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Retail sales as percentage of total sales	46	na	na	na	na
Satisfaction rating of retail customers based on the DLC customer survey results ¹	3.41	3.2	3.41	3.41	3.41

¹ Average score on a 1-4 scale

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	20,392,567	145.13
Enhance: New stores: Seneca Meadows and Clarksburg	1,597,069	14.80
Increase Cost: Retail store leases	308,440	0.00
Enhance: Montgomery Village store relocation to Goshen Crossing	148,004	0.00
Increase Cost: Point of Sale System (POS) maintenance costs	800	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-673,330	5.17
FY14 CE Recommended	21,773,550	165.10

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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	190,650	0.00
FY14 CE Recommended	190,650	0.00

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 FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Annual alcohol compliance checks to minors (under 21) ¹	400	403	400	400	400

¹ DLC performs different types of inspections. This measure is under-age compliance checks, which comprise part of the total. The number of inspections may vary by type from year to year.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	1,607,773	15.00
Increase Cost: License, Payment, Fine Intake system maintenance	15,000	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	36,031	-1.00
FY14 CE Recommended	1,658,804	14.00

Office of the Director

This program provides the overall direction for the Department.

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
Percentage of Annual Sales Growth	6.6	4.81	3.5	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	28.3	30	28	28	28

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	969,691	3.20
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-399,435	-1.20
FY14 CE Recommended	570,256	2.00

Administration

This program provides accounting, financial and information technology services for the department. Finance and accounting staff performs day-to-day accounting functions, special analysis and reporting, and the preparation and monitoring of the department's budget. Information and technology staff provide the design, operation, maintenance and protection of all information technology initiatives for the Department.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	12,405,497	20.50
Increase Cost: Printing and Mail Adjustment	9,086	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	3,744,062	1.20
FY14 CE Recommended	16,158,645	21.70

BUDGET SUMMARY

	Actual FY12	Budget FY13	Estimated FY13	Recommended FY14	% Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	18,190,982	18,832,347	18,856,857	18,425,077	-2.2%
Employee Benefits	5,689,015	6,293,305	6,268,795	6,869,434	9.2%
Liquor Control Personnel Costs	23,879,997	25,125,652	25,125,652	25,294,511	0.7%
Operating Expenses	17,144,523	17,384,410	17,167,860	18,761,995	7.9%
Debt Service Other	5,075,937	8,080,920	8,403,120	11,162,400	38.1%
Capital Outlay	0	105,650	0	105,650	—
Liquor Control Expenditures	46,100,457	50,696,632	50,696,632	55,324,556	9.1%
PERSONNEL					
Full-Time	245	246	246	254	3.3%
Part-Time	57	55	55	63	14.5%
FTEs	323.00	324.02	324.02	338.82	4.6%
REVENUES					
Bag Tax	3,690	0	0	0	—
Investment Income	2,869	20,000	0	0	—
Liquor Licenses	1,605,823	1,419,000	1,419,000	1,419,000	—
Liquor Sales	72,948,520	71,649,316	74,160,000	74,249,675	3.6%
Miscellaneous Revenues	-118,046	0	0	0	—
Property Rentals	20,000	0	0	0	—
Other Charges/Fees	13,711	8,740	8,740	8,740	—
Other Fines/Forfeitures	267,058	220,560	220,560	220,560	—
Other Licenses/Permits	71,788	156,000	156,000	156,000	—
Liquor Control Revenues	74,815,413	73,473,616	75,964,300	76,053,975	3.5%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	-677	0	0	0	—
Employee Benefits	-52	0	0	0	—
Grant Fund MCG Personnel Costs	-729	0	0	0	—
Operating Expenses	2,163	0	0	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	1,434	0	0	0	—
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	0.00	0.00	0.00	0.00	—
REVENUES					
Federal Grants	259	0	0	0	—
Other Intergovernmental	1,175	0	0	0	—
Grant Fund MCG Revenues	1,434	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	46,101,891	50,696,632	50,696,632	55,324,556	9.1%
Total Full-Time Positions	245	246	246	254	3.3%
Total Part-Time Positions	57	55	55	63	14.5%
Total FTEs	323.00	324.02	324.02	338.82	4.6%
Total Revenues	74,816,847	73,473,616	75,964,300	76,053,975	3.5%

FY14 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY13 ORIGINAL APPROPRIATION	50,696,632	324.02
Changes (with service impacts)		
Enhance: New stores: Seneca Meadows and Clarksburg [Retail Sales Operations]	1,597,069	14.80
Enhance: Montgomery Village store relocation to Goshen Crossing [Retail Sales Operations]	148,004	0.00
Other Adjustments (with no service impacts)		
Increase Cost: Debt service other	3,081,480	0.00
Increase Cost: FY14 Compensation Adjustment	749,809	0.00
Increase Cost: Maintenance and Utilities at New Warehouse [Warehouse Operations]	333,000	0.00
Increase Cost: Retail store leases [Retail Sales Operations]	308,440	0.00
Increase Cost: Group Insurance Adjustment	299,996	0.00
Increase Cost: Risk Management Adjustment	141,910	0.00
Increase Cost: Retirement Adjustment	97,318	0.00
Increase Cost: Motor Pool Adjustment [Delivery Operations]	34,420	0.00
Increase Cost: Other Labor Contract Costs	28,349	0.00
Increase Cost: License, Payment, Fine Intake system maintenance [Licensure, Regulation, and Education]	15,000	0.00
Increase Cost: Printing and Mail Adjustment [Administration]	9,086	0.00
Increase Cost: Point of Sale System (POS) maintenance costs [Retail Sales Operations]	800	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding	-497,680	0.00
Decrease Cost: Elimination of FY13 \$2,000 Lump Sum	-583,460	0.00
Increase Cost: Annualization of FY13 Personnel Costs	-1,135,617	0.00
FY14 RECOMMENDED:	55,324,556	338.82

PROGRAM SUMMARY

Program Name	FY13 Approved		FY14 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Warehouse Operations	8,391,204	66.19	7,918,151	68.02
Delivery Operations	6,739,250	74.00	7,054,500	68.00
Retail Sales Operations	20,392,567	145.13	21,773,550	165.10
Retail Contracted Operations	190,650	0.00	190,650	0.00
Licensure, Regulation, and Education	1,607,773	15.00	1,658,804	14.00
Office of the Director	969,691	3.20	570,256	2.00
Administration	12,405,497	20.50	16,158,645	21.70
Total	50,696,632	324.02	55,324,556	338.82

FUTURE FISCAL IMPACTS

Title	CE REC.			(\$000's)		
	FY14	FY15	FY16	FY17	FY18	FY19
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY14 Recommended	55,325	55,325	55,325	55,325	55,325	55,325
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Items Recommended in FY14	0	-425	-425	-425	-425	-425
Items recommended for one-time funding in FY14 including vacating costs of the old warehouse and operating expenses associated with new stores and relocations will be eliminated from the base in the outyears.						
Labor Contracts	0	1,080	1,412	1,412	1,412	1,412
These figures represent the estimated cost of general wage adjustments, new service increments, and associated benefits.						
Labor Contracts - Other	0	0	-17	-17	-17	-17
These figures represent other negotiated items included in the labor agreements.						
Debt Service Other	0	-2	2	-1	-3	-3
Financing for the State Transportation Participation CIP Project No. 500722, the Glenmont Metro Parking Expansion CIP Project No. 500552, and the warehouse relocation.						
ERP- Warehouse System	0	-480	-480	-480	-480	-480
These figures represent the debt service, maintenance costs, and personnel costs to implement and maintain the ERP warehouse system.						

Title	CE REC.					
	FY14	FY15	FY16	FY17	FY18	FY19
Point of Sale System (POS)	0	1	2	2	3	4
These figures represent required maintenance of the POS System.						
Retail Store Leases	0	196	384	577	775	979
The leases for 25 retail stores based on CPI assumptions including new locations in Goshen Crossing, Seneca Meadows, and Clarksburg.						
Retiree Health Insurance Pre-Funding	0	-57	-130	-195	-276	-390
These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.						
Subtotal Expenditures	55,325	55,638	56,072	56,199	56,314	56,405

FY14-19 PUBLIC SERVICES PROGRAM: FISCAL PLAN

Department of Liquor Control

FISCAL PROJECTIONS	FY13 ESTIMATE	FY14 REC	FY15 PROJECTION	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.3%	2.3%	2.4%	2.7%	3.2%	3.5%	3.7%
Investment Income Yield	0.16%	0.19%	0.36%	0.75%	1.35%	1.80%	2.15%
BEGINNING FUND BALANCE	215,825	3,186,353	3,024,478	4,070,162	4,133,253	4,204,833	4,283,530
REVENUES							
Licenses & Permits	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000	1,575,000
Charges For Services	8,740	8,740	8,740	8,740	8,740	8,740	8,740
Fines & Forfeitures	220,560	220,560	220,560	220,560	220,560	220,560	220,560
Miscellaneous	74,160,000	74,249,675	75,754,669	77,269,362	78,814,349	80,390,236	81,997,641
Subtotal Revenues	75,964,300	76,053,975	77,558,969	79,073,662	80,618,649	82,194,536	83,801,941
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(22,297,140)	(20,891,294)	(20,425,343)	(21,457,828)	(21,729,994)	(21,954,811)	(22,141,456)
Indirect Costs	(2,512,740)	(2,529,450)	(2,637,420)	(2,668,950)	(2,668,950)	(2,668,950)	(2,668,950)
Earnings Transfer	(19,400,000)	(18,085,880)	(17,560,838)	(18,788,878)	(19,061,044)	(19,285,861)	(19,472,506)
TOTAL RESOURCES	53,882,985	58,349,034	60,158,104	61,685,996	63,021,908	64,444,558	65,944,015
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(42,293,512)	(44,162,156)	(44,612,446)	(45,642,836)	(46,780,556)	(48,009,256)	(49,331,676)
Debt Service: Other (Non-Tax Funds only)	(8,403,120)	(11,162,400)	(11,160,400)	(11,164,400)	(11,161,400)	(11,159,400)	(11,159,400)
Labor Agreement	n/a	0	(1,079,710)	(1,394,952)	(1,394,952)	(1,394,952)	(1,394,952)
Annualizations and One-Time	n/a	n/a	425,000	425,000	425,000	425,000	425,000
FPI Retiree Health Insurance Pre-Funding	n/a	n/a	56,910	130,450	194,620	276,360	389,700
FPI ERP Warehouse			479,644	479,644	479,644	479,644	479,644
FPI POS			(800)	(1,600)	(2,400)	(3,200)	(4,000)
FPI Retail Store Leases	n/a	n/a	(196,140)	(384,049)	(577,031)	(775,224)	(978,768)
Subtotal PSP Oper Budget Approp / Exp's	(50,696,632)	(55,324,556)	(56,087,942)	(57,552,743)	(58,817,075)	(60,161,028)	(61,574,452)
TOTAL USE OF RESOURCES	(50,696,632)	(55,324,556)	(56,087,942)	(57,552,743)	(58,817,075)	(60,161,028)	(61,574,452)
YEAR END FUND BALANCE	3,186,353	3,024,478	4,070,162	4,133,253	4,204,833	4,283,530	4,369,563
END-OF-YEAR RESERVES AS A							
PERCENT OF RESOURCES	5.9%	5.2%	6.8%	6.7%	6.7%	6.6%	6.6%

Assumptions:

1. These projections are based on the Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes not assumed here to fee or tax rates, usage, inflation, future labor agreements, and other factors.
2. Fund Balance Policy equals one month's operating expenses, one payroll, and \$1,500,000 for inventory in cash balance.
3. Operating budget expenditures grow with CPI.
4. Net profit growth is estimated at 3.25% per year.