
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 FY15 Operating Budget for the Department of Liquor Control is \$56,268,741, an increase of \$944,185 or 1.7 percent from the FY14 Approved Budget of \$55,324,556. Personnel Costs comprise 49.9 percent of the budget for 255 full-time positions and 155 part-time positions, and a total of 336.82 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 50.1 percent of the FY15 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 FY14 estimates reflect funding based on the FY14 approved budget. The FY15 and FY16 figures are performance targets based on the FY15 recommended budget and funding for comparable service levels in FY16.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***In FY15, Liquor Control will make an earnings transfer of \$24 million to the General Fund and will make \$10.1 million in debt service payments on Liquor Control Revenue Bonds for a total of \$34.1 million.***
- ❖ ***The department relocated its warehouse and offices to 201 Edison Park Drive in Gaithersburg. The new location includes climate control, additional space, and updated accommodations.***
- ❖ ***The department hosted a Nighttime Economy Forum in 2013 that focused on developing a healthy balance of safety and nightlife vibrancy to support the social experience of the County's residents and visitors alike.***
- ❖ ***Representatives from the department joined with the Responsible Hospitality Institute (RHI) to host a Sociable City Leadership Summit. Experts and practitioners came together to review best practices to aid in planning, managing, and measuring dining and entertainment districts.***

- ❖ **Representatives from the department, Montgomery County Police, and the Keeping It Safe Under 21 Alcohol Use Coalition hosted an "Ask the Experts" presentation. Students in grades 5 – 8 and their parents were given the opportunity to "ask the experts" questions, voice concerns, or suggest ideas for preventing young people from using alcohol. Attendees came away from this event feeling empowered to start the conversation at home.**
- ❖ **The Division of Licensing, Regulation and Education (LRE) developed the Alcohol Law Education and Regulatory Training (ALERT) in 2006, offering free education and best practices to alcohol license holders and their staff. Since that time, ALERT has become a national model, and in 2013 LRE staff trained 650 individuals.**
- ❖ **The department joined industry leaders to develop and print ID checking calendars for alcohol retailers in Montgomery County at no cost to the County or to county businesses. The calendars contain monthly regulatory tips, important licensing dates, and training schedules. The calendars were distributed to every licensed establishment in Montgomery County.**
- ❖ **DLC partnered with industry giant Anheuser-Busch to launch an educational effort aimed at alcohol retailers to prevent underage drinking in Montgomery County during graduation season and into the summer months. Retailer-focused materials, provided by Montgomery Eagle and Anheuser-Busch, were distributed by DLC as an expansion of the award-winning "Keeping It Safe" public education campaign, which is designed specifically to educate businesses and the community on alcohol laws and social host responsibility. The retailer-focused materials include ID checking guides, clocks, clerk buttons and posters featured at the point of purchase reminding retailers to be vigilant about checking IDs.**
- ❖ **Working with the Department of Technology Services (DTS), DLC is implementing GovDelivery, an Enterprise marketing solution that offers customers and licensees a subscription to DLC marketing material. Material includes promotions, specials, weekly and monthly flyers, courses, classes and training which are delivered via email to subscribers.**
- ❖ **The department moved the Montgomery Village store to a new location at Goshen Plaza. The design was done in-house and the relocated store is already showing positive results.**
- ❖ **The department opened two new retail stores in Clarksburg and Seneca Meadows in FY14.**
- ❖ **Productivity Improvements**
 - **Five full-time alcohol inspectors manage nearly 1,000 establishments with a total of about four thousand inspections done annually. Six types of inspection forms were previously used daily by inspectors, which were difficult to read, provided no tracking, and made data collection impossible. As a cost effective, green alternative, the department adopted the use of tablet computers with an electronic form. Both efforts eliminate paper, provide easy tracking of businesses checked and inspection details, and create usable data summaries. The department won a NACo Award for its iForm Builder project.**
 - **The department developed a required alcohol awareness training for all retail store personnel. This state-accredited, classroom style training, focuses on preventing sales of alcohol to minors, recognizing the signs of intoxication, and reviewing County-specific policies. This training results in a better understanding of laws and policies by County employees and is an important step to keeping neighborhoods healthy and safe.**
 - **Working with DTS, DLC is transitioning to a new supplier to provide network connectivity from the retail stores back to the County data center. This will result in better response time to network outages, which translates to reduced system downtimes, improved customer service, and a better use of resources.**
 - **The department is transitioning to MetroFax to provide fax services at the stores resulting in a more efficient and cost effective method to receive faxes.**

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 FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	15	14.2	16	16	16
Inventory as a Percent of DLC Sales	10.45	10.1	12	12	12
Satisfaction rating of wholesale customers based on the DLC customer survey results ¹	2.97	TBD	2.95	2.95	2.95

¹ Average score on a 1-4 scale

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	7,918,151	68.02
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	796,755	-4.06
FY15 CE Recommended	8,714,906	63.96

Delivery Operations

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

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	7,054,500	68.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-835,818	0.00
FY15 CE Recommended	6,218,682	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 FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Retail sales as percentage of total sales	na	na	na	na	na
Satisfaction rating of retail customers based on the DLC customer survey results ¹	3.2	TBD	3.41	3.41	3.41

¹ Average score on a 1-4 scale

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	21,773,550	165.10
Increase Cost: Point of Sale System (POS)	484,022	0.00
Increase Cost: Retail Store Leases	196,140	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.	2,105,408	5.06
FY15 CE Recommended	24,559,120	170.16

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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	190,650	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.	-190,650	0.00
FY15 CE Recommended	0	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 FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Annual alcohol compliance checks to minors (under 21) ¹	403	400	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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	1,658,804	14.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-25,579	-2.00
FY15 CE Recommended	1,633,225	12.00

Office of the Director

This program provides the overall direction for the Department.

Program Performance Measures	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Percentage of Annual Sales Growth	4.81	2.3	3.5	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	30	28.2	28	28	28

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	570,256	2.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-58,198	0.00
FY15 CE Recommended	512,058	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.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	16,158,645	21.70
Increase Cost: Preparation of Annual Financial Statements	39,300	0.00
Decrease Cost: ERP-Warehouse System Personnel Costs	-183,000	-2.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	-1,384,195	1.00
FY15 CE Recommended	14,630,750	20.70

BUDGET SUMMARY

	Actual FY13	Budget FY14	Estimated FY14	Recommended FY15	% Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	18,987,259	18,425,077	18,425,078	20,985,210	13.9%
Employee Benefits	6,224,051	6,869,434	6,869,433	7,105,943	3.4%
Liquor Control Personnel Costs	25,211,310	25,294,511	25,294,511	28,091,153	11.1%
Operating Expenses	17,936,073	18,761,995	18,867,645	17,948,938	-4.3%
Debt Service Other	5,025,176	11,162,400	9,691,500	10,123,000	-9.3%
Capital Outlay	0	105,650	0	105,650	—
Liquor Control Expenditures	48,172,559	55,324,556	53,853,656	56,268,741	1.7%
PERSONNEL					
Full-Time	246	254	254	255	0.4%
Part-Time	55	63	63	155	146.0%
FTEs	324.02	338.82	338.82	336.82	-0.6%
REVENUES					
Bag Tax	7,334	0	0	0	—
Investment Income	278	0	350	680	—
Liquor Licenses	1,659,217	1,419,000	1,570,197	1,570,197	10.7%
Liquor Sales	75,154,801	74,249,675	75,154,801	77,033,671	3.7%
Miscellaneous Revenues	-176,524	0	0	0	—
Other Charges/Fees	17,165	8,740	8,740	8,740	—
Other Fines/Forfeitures	232,499	220,560	220,560	220,560	—
Other Licenses/Permits	66,980	156,000	156,000	156,000	—
Liquor Control Revenues	76,961,750	76,053,975	77,110,648	78,989,848	3.9%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	3,412	0	0	0	—
Employee Benefits	580	0	0	0	—
Grant Fund MCG Personnel Costs	3,992	0	0	0	—
Operating Expenses	819	0	0	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	4,811	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					
State Grants	4,811	0	0	0	—
Grant Fund MCG Revenues	4,811	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	48,177,370	55,324,556	53,853,656	56,268,741	1.7%
Total Full-Time Positions	246	254	254	255	0.4%
Total Part-Time Positions	55	63	63	155	146.0%
Total FTEs	324.02	338.82	338.82	336.82	-0.6%
Total Revenues	76,966,561	76,053,975	77,110,648	78,989,848	3.9%

FY15 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY14 ORIGINAL APPROPRIATION	55,324,556	338.82
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Conversion of 95 Temporary Employees to Permanent Merit Positions	1,744,678	0.00
Increase Cost: FY15 Compensation Adjustment	1,119,935	0.00
Increase Cost: Point of Sale System (POS) [Retail Sales Operations]	484,022	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	196,140	0.00
Increase Cost: Group Insurance Adjustment	59,850	0.00
Increase Cost: Retirement Adjustment	55,179	0.00
Increase Cost: Preparation of Annual Financial Statements [Administration]	39,300	0.00
Increase Cost: Motor Pool Rate Adjustment	15,795	0.00
Increase Cost: Printing and Mail	10,538	0.00
Decrease Cost: Risk Management Adjustment	-77,232	0.00
Decrease Cost: ERP-Warehouse System Personnel Costs [Administration]	-183,000	-2.00
Decrease Cost: Elimination of One-Time Items Approved in FY14	-425,000	0.00
Decrease Cost: Debt Service	-1,039,400	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding Adjustment	-1,056,620	0.00
FY15 RECOMMENDED:	56,268,741	336.82

PROGRAM SUMMARY

Program Name	FY14 Approved		FY15 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Warehouse Operations	7,918,151	68.02	8,714,906	63.96
Delivery Operations	7,054,500	68.00	6,218,682	68.00
Retail Sales Operations	21,773,550	165.10	24,559,120	170.16
Retail Contracted Operations	190,650	0.00	0	0.00
Licensure, Regulation, and Education	1,658,804	14.00	1,633,225	12.00
Office of the Director	570,256	2.00	512,058	2.00
Administration	16,158,645	21.70	14,630,750	20.70
Total	55,324,556	338.82	56,268,741	336.82

FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY15	FY16	FY17	FY18	FY19	FY20
(\$000's)						
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY15 Recommended	56,269	56,269	56,269	56,269	56,269	56,269
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	333	333	333	333	333
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
Labor Contracts - Other	0	-17	-17	-17	-17	-17
These figures represent other negotiated items included in the labor agreements.						
ERP- Warehouse System	0	-180	-180	-180	-180	-180
These figures represent cost savings through the use of the ERP warehouse system.						
Point of Sale System (POS)	0	-458	-458	-296	-458	-458
These figures represent cost savings realized from the POS System.						
Retail Store Leases	0	188	381	579	783	992
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	-60	-147	-217	-306	-392
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	56,269	56,074	56,180	56,471	56,423	56,546

FY15-20 PUBLIC SERVICES PROGRAM: FISCAL PLAN

Liquor Control

FISCAL PROJECTIONS	FY14 ESTIMATE	FY15 REC	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	1.6%	2.0%	2.2%	2.5%	2.6%	2.4%	2.3%
Investment Income Yield	0.19%	0.35%	0.95%	1.55%	2.15%	2.85%	3.45%
BEGINNING FUND BALANCE	5,133,136	7,498,834	3,054,025	4,150,660	4,239,890	4,335,398	4,428,832
REVENUES							
Licenses & Permits	1,726,197	1,726,197	1,764,519	1,808,984	1,856,561	1,901,675	1,945,033
Charges For Services	8,740	8,740	8,934	9,159	9,400	9,628	9,848
Fines & Forfeitures	220,560	220,560	225,456	231,138	237,217	242,981	248,521
Miscellaneous	75,155,151	77,034,351	78,961,453	80,936,831	82,961,708	85,037,559	87,165,198
Subtotal Revenues	77,110,648	78,989,848	80,960,362	82,986,112	85,064,886	87,191,844	89,368,601
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(20,891,294)	(27,165,916)	(20,616,356)	(19,972,050)	(17,931,374)	(16,330,301)	(14,656,693)
Indirect Costs	(2,529,450)	(2,809,120)	(2,840,640)	(2,840,640)	(2,840,640)	(2,840,640)	(2,840,640)
Technology Modernization	(275,964)	(335,383)	0	0	0	0	0
Earnings Transfer	(18,085,880)	(24,021,413)	(17,775,716)	(17,131,410)	(15,090,734)	(13,489,661)	(11,816,053)
TOTAL RESOURCES	61,352,490	59,322,766	63,398,031	67,164,722	71,373,402	75,196,941	79,140,739
PSP OPER. BUDGET APPROP/ EXPS.							
Operating Budget	(44,162,156)	(46,145,741)	(47,729,661)	(49,515,311)	(51,426,791)	(53,314,231)	(55,196,091)
Debt Service: Other (Non-Tax Funds only)	(9,691,500)	(10,123,000)	(11,712,820)	(13,497,970)	(15,409,450)	(17,299,790)	(19,146,550)
Labor Agreement	n/a	0	(315,242)	(315,242)	(315,242)	(315,242)	(315,242)
FPI Retiree Health Insurance Pre-Funding	n/a	n/a	60,360	146,690	216,520	305,890	392,150
FPI ERP Warehouse	n/a	n/a	180,000	180,000	180,000	180,000	180,000
FPI POS	n/a	n/a	457,892	457,892	296,043	457,892	457,892
FPI Retail Store Leases	n/a	n/a	(187,900)	(380,891)	(579,084)	(782,628)	(991,668)
Subtotal PSP Oper Budget Approp / Exp's	(53,853,656)	(56,268,741)	(59,247,371)	(62,924,832)	(67,038,004)	(70,768,109)	(74,619,509)
TOTAL USE OF RESOURCES	(53,853,656)	(56,268,741)	(59,247,371)	(62,924,832)	(67,038,004)	(70,768,109)	(74,619,509)
YEAR END FUND BALANCE	7,498,834	3,054,025	4,150,660	4,239,890	4,335,398	4,428,832	4,521,230
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	12.2%	5.1%	6.5%	6.3%	6.1%	5.9%	5.7%

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 2.5% per year.