
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 approved FY16 Operating Budget for the Department of Liquor Control is \$59,332,248, an increase of \$3,063,507 or 5.4 percent from the FY15 Approved Budget of \$56,268,741. Personnel Costs comprise 52.5 percent of the budget for 294 full-time positions and 160 part-time positions, and a total of 426.72 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 47.5 percent of the FY16 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 FY15 estimates reflect funding based on the FY15 approved budget. The FY16 and FY17 figures are performance targets based on the FY16 approved budget and funding for comparable service levels in FY17.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***In FY16, Liquor Control will make a transfer of \$24.5 million to the General Fund and will make \$11 million in debt service payments on Liquor Control Revenue Bonds for a total of \$35.5 million.***
- ❖ ***DLC total sales for FY14 were \$266.6 million. This represents growth over the previous year of 3.8%. Montgomery County DLC-operated retail liquor and wine stores had sales of \$127.2 million – an annual increase of 3.9%. Warehouse/wholesale sales amounted to \$139.4 million. Sales to licensees (both on and off premise) were up nearly 3.7% over last year. The wholesale beer business grew by 5.1% -- fueled by the continuing robust interest in craft beers and micro-brews.***
- ❖ ***DLC opened two new stores in Clarksburg and Seneca Meadows to serve the rapidly growing Clarksburg and Germantown areas and relocated the Montgomery Village store to a more desirable location.***

- ❖ **The County Executive created a “Nighttime Economy Task Force” to develop specific recommendations for facilitating responsible growth in this area. Several legislative initiatives resulted from the work of the task force, and DLC was actively involved in drafting and promoting these changes. The laws adopted by the Maryland General Assembly took effect on July 1st, and include:**
 - longer hours of operation for some licensees
 - new license categories such as the performing arts license
 - modified residency requirements for license applicants
 - update to the food to alcohol ratios
 - the ability of salons, art galleries and other non-traditional licensed retailers to serve alcohol
 - increased flexibility and expanded self-distribution rights for local micro-breweries and wineries

- ❖ **In FY16, DLC will open three new retail stores in currently underserved areas of the County generating at least \$1.8 million in additional net profit.**

- ❖ **Productivity Improvements**
 - **DLC continued through the year to develop its much-anticipated Oracle ERP system, which went live on February 1, 2015. Once fully operational, this system will dramatically improve many of the department's business processes and operational practices as it offers tighter inventory controls, County-approved inventory valuation methodology, and enhanced reporting capabilities which enable customers, suppliers and employees access to more valuable information.**

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 FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Inventory as a percent of Cost of Goods Sold (COGS)	14.2%	16.6%	16.0%	16.0%	16.0%
Inventory as a Percent of DLC Sales	10.10%	11.87%	12.00%	12.00%	12.00%
Satisfaction rating of wholesale customers based on the DLC customer survey results	2.91	2.53	2.95	2.95	2.95

FY16 Approved Changes	Expenditures	FTEs
FY15 Approved	8,714,906	63.96
Decrease Cost: ERP - Warehouse System cost reductions	-180,000	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.	-218,377	7.50
FY16 Approved	8,316,529	71.46

Delivery Operations

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

FY16 Approved Changes	Expenditures	FTEs
FY15 Approved	6,218,682	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.	444,938	7.80
FY16 Approved	6,663,620	75.80

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores that are located throughout Montgomery County.

Program Performance Measures	Actual FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	3.23	3.14	3.20	3.20	3.20

FY16 Approved Changes	Expenditures	FTEs
FY15 Approved	24,559,120	170.16
Increase Cost: Retail Store Leases	208,787	0.00
Increase Cost: staffing to convert Flower Avenue store from contractor to DLC operated	166,355	8.00
Decrease Cost: Point of Sale System cost reduction	-371,534	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.	2,179,959	64.71
FY16 Approved	26,742,687	242.87

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 FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Annual alcohol compliance checks to minors (under 21)	400	400	400	400	400
Percent of licensees that fail compliance checks (Number of establishments that fail/Number of total compliance checks)	27.7%	19.0%	20.0%	20.0%	20.0%
Rating of licensees satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.69	4.86	4.86	4.86	4.86
Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.77	4.82	4.80	4.80	4.80

FY16 Approved Changes	Expenditures	FTEs
FY15 Approved	1,633,225	12.00
Add: Program Manager II position for Licensure, Regulation, and Education	97,500	1.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	146,273	-1.61
FY16 Approved	1,876,998	11.39

Office of the Director

This program provides the overall direction for the Department.

Program Performance Measures	Actual FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
Annual growth in DLC retail and wholesale sales (percent)	2.30%	3.79%	3.00%	3.00%	3.00%
Gross profit margin of DLC retail and wholesale operations (percent)	28.2%	28.0%	28.0%	28.0%	28.0%

FY16 Approved Changes	Expenditures	FTEs
FY15 Approved	512,058	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.	42,165	0.00
FY16 Approved	554,223	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.

FY16 Approved Changes	Expenditures	FTEs
FY15 Approved	14,630,750	20.70
Increase Cost: Debt Service	879,600	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.	-332,159	2.50
FY16 Approved	15,178,191	23.20

BUDGET SUMMARY

	Actual FY14	Budget FY15	Estimated FY15	Approved FY16	% Chg Bud/App
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	20,328,439	20,985,210	20,976,074	22,147,818	5.5%
Employee Benefits	6,779,938	7,105,943	8,046,703	9,009,104	26.8%
Liquor Control Personnel Costs	27,108,377	28,091,153	29,022,777	31,156,922	10.9%
Operating Expenses	14,940,800	17,948,938	18,011,324	17,067,076	-4.9%
Debt Service Other	7,914,065	10,123,000	10,123,000	11,002,600	8.7%
Capital Outlay	0	105,650	0	105,650	—
Liquor Control Expenditures	49,963,242	56,268,741	57,157,101	59,332,248	5.4%
PERSONNEL					
Full-Time	254	255	255	294	15.3%
Part-Time	63	155	155	160	3.2%
FTEs	338.82	336.82	336.82	426.72	26.7%
REVENUES					
Bag Tax	7,520	0	0	0	—
Investment Income	5,756	680	7,730	30,060	4320.6%
Liquor Licenses	1,647,016	1,570,197	1,570,197	1,570,197	—
Liquor Sales	75,756,503	77,033,671	77,650,416	81,463,676	5.8%
Miscellaneous Revenues	71,407	0	0	0	—
Other Charges/Fees	19,756	8,740	8,740	8,740	—
Other Fines/Forfeitures	216,243	220,560	220,560	220,560	—
Other Licenses/Permits	80,600	156,000	156,000	156,000	—
Liquor Control Revenues	77,804,801	78,989,848	79,613,643	83,449,233	5.6%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	3,357	0	0	0	—
Employee Benefits	888	0	0	0	—
Grant Fund MCG Personnel Costs	4,245	0	0	0	—
Operating Expenses	2,994	0	0	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	7,239	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	6,600	0	0	0	—
Grant Fund MCG Revenues	6,600	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	49,970,481	56,268,741	57,157,101	59,332,248	5.4%
Total Full-Time Positions	254	255	255	294	15.3%
Total Part-Time Positions	63	155	155	160	3.2%
Total FTEs	338.82	336.82	336.82	426.72	26.7%
Total Revenues	77,811,401	78,989,848	79,613,643	83,449,233	5.6%

FY16 APPROVED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY15 ORIGINAL APPROPRIATION	56,268,741	336.82
<u>Changes (with service impacts)</u>		
Enhance: Three new retail stores (budget assumes stores open January 2016)	1,309,500	22.20
Add: Program Manager II position for Licensure, Regulation, and Education [Licensure, Regulation, and Education]	97,500	1.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: FY16 Compensation Adjustment	1,079,712	0.00
Increase Cost: Debt Service [Administration]	879,600	0.00
Increase Cost: Retiree Health Insurance Pre-funding Adjustment	637,390	0.00
Increase Cost: Annualization of FY15 Personnel Costs	597,899	49.70
Increase Cost: Chargeback from Department of Technology Services for ERP contractor expenses	542,000	0.00
Increase Cost: Annualization of FY15 Lapsed Positions	371,000	0.00
Increase Cost: Five truck drivers to improve warehouse operations and four positions to support the new Oracle ERP system	264,001	9.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	208,787	0.00
Increase Cost: staffing to convert Flower Avenue store from contractor to DLC operated [Retail Sales Operations]	166,355	8.00
Increase Cost: Retirement Adjustment	161,941	0.00
Increase Cost: Group Insurance Adjustment	124,111	0.00
Increase Cost: Solid Waster Services System Benefit Charge	6,656	0.00
Decrease Cost: Printing and Mail	-25,308	0.00
Decrease Cost: Motor Pool Rate Adjustment	-36,138	0.00
Decrease Cost: Risk Management Adjustment	-67,774	0.00
Decrease Cost: ERP - Warehouse System cost reductions [Warehouse Operations]	-180,000	0.00
Decrease Cost: Facilities services	-318,580	0.00
Decrease Cost: Reduction in Contractual Services	-332,373	0.00
Decrease Cost: Point of Sale System cost reduction [Retail Sales Operations]	-371,534	0.00
Decrease Cost: Reduction in professional computer services spending	-668,370	0.00
Decrease Cost: Increase Lapse	-673,750	0.00
Decrease Cost: Defer Store improvements	-709,118	0.00
FY16 APPROVED:	59,332,248	426.72

PROGRAM SUMMARY

Program Name	FY15 Approved		FY16 Approved	
	Expenditures	FTEs	Expenditures	FTEs
Warehouse Operations	8,714,906	63.96	8,316,529	71.46
Delivery Operations	6,218,682	68.00	6,663,620	75.80
Retail Sales Operations	24,559,120	170.16	26,742,687	242.87
Licensure, Regulation, and Education	1,633,225	12.00	1,876,998	11.39
Office of the Director	512,058	2.00	554,223	2.00
Administration	14,630,750	20.70	15,178,191	23.20
Total	56,268,741	336.82	59,332,248	426.72

FUTURE FISCAL IMPACTS

Title	APPR. FY16	FY17	FY18	(\$000's) FY19	FY20	FY21
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY16 Approved No inflation or compensation change is included in outyear projections.	59,332	59,332	59,332	59,332	59,332	59,332
Labor Contracts These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.	0	258	258	258	258	258
Point of Sale System (POS) These figures represent cost savings realized from the POS System.	0	-36	78	-84	-34	-34
Retail Store Leases The leases for 25 retail stores based on CPI assumptions.	0	215	437	665	900	900
Retiree Health Insurance Pre-funding These figures represent the estimated cost of pre-funding retiree health insurance costs for the County's workforce.	0	0	-73	-155	-198	-243
Subtotal Expenditures	59,332	59,770	60,032	60,017	60,259	60,213