



Liquor Control

RECOMMENDED FY20 BUDGET

\$64,195,876

FULL TIME EQUIVALENTS

427.70

 ROBERT DORFMAN, DIRECTOR

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. The Department strives to provide its customers with the added benefits inherent with the oversight provided by the Montgomery County Government.

BUDGET OVERVIEW

The total recommended FY20 Operating Budget for the Department of Liquor Control is \$64,195,876, an increase of \$205,425 or 0.32 percent from the FY19 Approved Budget of \$63,990,451. Personnel Costs comprise 56.48 percent of the budget for 302 full-time position(s) and 138 part-time position(s), and a total of 427.70 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 43.52 percent of the FY20 budget.

In FY20, DLC will transfer \$28.4 million to the General Fund and make \$9.3 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$37.7 million.

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.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:






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-  **Effective, Sustainable Government**
 -  **Safe Neighborhoods**
 -  **A Growing Economy**

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below (where applicable), with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY19 estimates reflect funding based on the FY19 Approved Budget. The FY20 and FY21 figures are performance targets based on the FY20 Recommended Budget and funding for comparable service levels in FY21.



INITIATIVES

-  In FY20, DLC will transfer \$28.4 million to the General Fund and make \$9.3 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$37.7 million.
-  Expand marketing and outreach efforts to promote many of the existing features of DLC services.
-  Enhance store operations by renovating select stores, piloting new store concepts, and implementing a retail training program.

ACCOMPLISHMENTS

- Hired a Chief of Retail Operations with a strong record of retail management experience as well as a diverse background in building sales, improving customer experiences, and staff development and training.
- Completed County retail store resets to provide customized product selection and shelf placement.
- Awarded the NACo Achievement Awards during FY18 for four programs including:
 - "I Take it Personally Campaign" in the category of Public Safety
 - "Pre-Licensing Program" in the category of Economic Development
 - "Automated Lottery Program for Allocated Spirits" in the category of Information Technology
 - "Online Special Event Licenses" in the category of Information Technology
- Awarded the 2018 National Best Practices Award from trade magazine *StateWays* for the "Best Alcohol Distribution Innovation" within control states in the U.S. and Canada.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

-  Implemented software to improve reporting, data analysis, and decision making capabilities.
-  Implemented scanning and voice picking software to improve speed and accuracy in the DLC warehouse.

COLLABORATION AND PARTNERSHIPS

 "I Take it Personally" Campaign

DLC and Police launched a public awareness campaign to prevent drunk driving and patron over-consumption.
Partners
Department of Police

PROGRAM CONTACTS

Contact Courtney Orsini of the Department of Liquor Control at 240.777.1921 or Jennifer Nordin of the Office of Management and Budget at 240.777.2779 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Administration

This program provides accounting, financial, personnel, and information technology services for the department. Finance and accounting staff perform special analyses, reporting, and 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.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	15,568,948	22.70
Increase Cost: IT Systems and Point of Sale (POS)	67,297	0.00
Decrease Cost: Finance Chargebacks	(204,510)	(1.50)
Decrease Cost: Debt Service	(2,110,600)	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.	386,811	0.00
FY20 Recommended	13,707,946	21.20

Warehouse Operations

This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 35,000 different stock and special order items.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Inventory as a percent of Cost of Goods Sold (COGS)	15.6	15.0	15.0	15.0	15.0
Inventory as a Percent of DLC Sales	11.4	10.5	10.5	10.0	10.0

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	8,890,200	96.23
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	871,501	1.00
FY20 Recommended	9,761,701	97.23

☀ Delivery Operations

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

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	7,312,044	83.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(118,934)	0.00
FY20 Recommended	7,193,110	83.00

☀ 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.

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	29,001,691	224.88
Decrease Cost: Retail Store Leases	(48,717)	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY19	(440,000)	0.00
Decrease Cost: Annualized Savings from Store Consolidation	(589,068)	(16.00)
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	2,264,629	2.00
FY20 Recommended	30,188,535	210.88

☀ Licensure, Regulation and Education

This program includes issuance of beverage alcohol licenses; inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules, 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 partnerships 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 FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.7	4.5	5.0	5.0	5.0
Annual alcohol compliance checks to minors (under 21)	400	400	400	400	400
Rating of Licensed Businesses satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.7	4.6	5.0	5.0	5.0

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	1,819,312	10.39
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	124,014	1.00
FY20 Recommended	1,943,326	11.39

This program provides the overall direction for the Department and leads the marketing and public relations efforts.

Program Performance Measures	Actual FY17	Actual FY18	Estimated FY19	Target FY20	Target FY21
Annual growth in DLC retail and wholesale sales (percent)	1.3	-0.4	1.0	1.0	1.0
Gross profit margin of DLC retail and wholesale operations (percent)	27.1	30.2	29.7	30.0	30.0

FY20 Recommended Changes	Expenditures	FTEs
FY19 Approved	1,398,256	5.00
Decrease Cost: Abolish Manager I (Deputy Director)	(268,203)	(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.	271,205	0.00
FY20 Recommended	1,401,258	4.00

BUDGET SUMMARY

	Actual FY18	Budget FY19	Estimate FY19	Recommended FY20	%Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	27,035,265	25,293,311	25,990,290	26,252,497	3.8 %
Employee Benefits	8,993,213	9,663,233	9,227,332	10,006,689	3.6 %
Liquor Control Personnel Costs	36,028,478	34,956,544	35,217,622	36,259,186	3.7 %
Operating Expenses	21,064,981	17,136,826	17,495,557	17,235,209	0.6 %
Capital Outlay	969,455	521,681	162,281	1,436,681	175.4 %
Debt Service Other	9,914,805	11,375,400	10,829,500	9,264,800	-18.6 %
Liquor Control Expenditures	67,977,719	63,990,451	63,704,960	64,195,876	0.3 %
PERSONNEL					
Full-Time	305	307	307	302	-1.6 %
Part-Time	143	148	148	138	-6.8 %
FTEs	438.20	442.20	442.20	427.70	-3.3 %
REVENUES					
Bag Tax	7,213	0	0	0	—
Investment Income	50,539	183,160	38,870	41,410	-77.4 %
Liquor Licenses	1,706,715	1,570,197	1,669,222	1,732,993	10.4 %
Liquor Sales	88,700,748	89,558,487	86,069,396	90,446,885	1.0 %
Miscellaneous Revenues	232,643	0	0	0	—
Other Charges/Fees	22,091	8,740	22,959	23,418	167.9 %
Other Fines/Forfeitures	225,926	220,560	316,916	316,916	43.7 %
Other Licenses/Permits	72,000	156,000	156,000	159,229	2.1 %
Liquor Control Revenues	91,017,875	91,697,144	88,273,363	92,720,851	1.1 %

GRANT FUND - MCG

BUDGET SUMMARY

	Actual FY18	Budget FY19	Estimate FY19	Recommended FY20	%Chg Bud/Rec
EXPENDITURES					
Salaries and Wages	5,557	0	0	0	—
Employee Benefits	860	0	0	0	—
Grant Fund - MCG Personnel Costs	6,417	0	0	0	—
Operating Expenses	77,036	0	0	0	—
Grant Fund - MCG Expenditures	83,453	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					
Miscellaneous Revenues	76,699	0	0	0	—
Other Intergovernmental	(125)	0	0	0	—
State Grants	10,000	0	0	0	—
Grant Fund - MCG Revenues	86,574	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	68,061,172	63,990,451	63,704,960	64,195,876	0.3 %
Total Full-Time Positions	305	307	307	302	-1.6 %
Total Part-Time Positions	143	148	148	138	-6.8 %
Total FTEs	438.20	442.20	442.20	427.70	-3.3 %
Total Revenues	91,104,449	91,697,144	88,273,363	92,720,851	1.1 %

FY20 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
	FY19 ORIGINAL APPROPRIATION	63,990,451 442.20
<u>Changes (with service impacts)</u>		
Enhance: Operational Improvements	2,110,600	4.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: FY20 Compensation Adjustment	1,342,769	0.00
Increase Cost: Restore One-Time Lapse Increase	458,116	0.00
Increase Cost: Restore One-Time Reduction in Operating Expenses	250,000	0.00
Increase Cost: Annualization of FY19 Personnel Costs	225,850	0.00
Increase Cost: Risk Management Adjustment	86,144	0.00
Increase Cost: IT Systems and Point of Sale (POS) [Administration]	67,297	0.00
Increase Cost: Retirement Adjustment	59,541	0.00
Decrease Cost: Retail Store Leases [Retail Sales Operations]	(48,717)	0.00

FY20 RECOMMENDED CHANGES

	Expenditures	FTEs
Decrease Cost: Motor Pool Adjustment	(190,994)	0.00
Decrease Cost: Finance Chargebacks [Administration]	(204,510)	(1.50)
Decrease Cost: Abolish Manager I (Deputy Director) [Office of the Director]	(268,203)	(1.00)
Decrease Cost: Elimination of One-Time Items Approved in FY19 [Retail Sales Operations]	(440,000)	0.00
Decrease Cost: OPEB Adjustment	(542,800)	0.00
Decrease Cost: Annualized Savings from Store Consolidation [Retail Sales Operations]	(589,068)	(16.00)
Decrease Cost: Debt Service [Administration]	(2,110,600)	0.00
FY20 RECOMMENDED	64,195,876	427.70

PROGRAM SUMMARY

Program Name	FY19 APPR Expenditures	FY19 APPR FTEs	FY20 REC Expenditures	FY20 REC FTEs
Administration	15,568,948	22.70	13,707,946	21.20
Warehouse Operations	8,890,200	96.23	9,761,701	97.23
Delivery Operations	7,312,044	83.00	7,193,110	83.00
Retail Sales Operations	29,001,691	224.88	30,188,535	210.88
Licensure, Regulation and Education	1,819,312	10.39	1,943,326	11.39
Office of the Director	1,398,256	5.00	1,401,258	4.00
Total	63,990,451	442.20	64,195,876	427.70

FUTURE FISCAL IMPACTS

CE RECOMMENDED (\$000S)

Title	FY20	FY21	FY22	FY23	FY24	FY25
LIQUOR CONTROL						
EXPENDITURES						
FY20 Recommended	64,196	64,196	64,196	64,196	64,196	64,196
No inflation or compensation change is included in outyear projections.						
Annualization of Positions Recommended in FY20	0	70	70	70	70	70
New positions in the FY20 budget are generally assumed to be filled at least two months after the fiscal year begins. Therefore, the above amounts reflect annualization of these positions in the outyears.						
Debt Service	0	912	1,590	1,216	1,006	946
Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system.						
Retail Store Leases	0	279	423	570	719	907
The leases for retail stores based on average annual increases per lease agreements (3.0%).						
Retiree Health Insurance Pre-funding	0	(7)	(22)	(155)	(248)	(315)
Labor Contracts	0	464	464	464	464	464

FUTURE FISCAL IMPACTS

CE RECOMMENDED (\$000S)

Title	FY20	FY21	FY22	FY23	FY24	FY25
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	64,196	65,914	66,721	66,361	66,207	66,268

ANNUALIZATION OF PERSONNEL COSTS AND FTES

	FY20 Recommended		FY21 Annualized	
	Expenditures	FTEs	Expenditures	FTEs
Staffing Changes	278,147	4.00	347,684	4.00
Total	278,147	4.00	347,684	4.00

FY20-26 PUBLIC SERVICES PROGRAM: FISCAL PLAN

Liquor Control

FISCAL PROJECTIONS	FY19 ESTIMATE	FY20 REC	FY21 PROJECTION	FY22 PROJECTION	FY23 PROJECTION	FY24 PROJECTION	FY25 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.2%	2.3%	2.5%	2.7%	2.7%	2.7%	2.7%
Investment Income Yield	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
BEGINNING FUND BALANCE	6,366,749	2,386,036	2,142,459	3,798,376	4,725,394	6,070,991	6,785,858
REVENUES							
Licenses & Permits	1,825,222	1,892,222	1,940,095	1,992,478	2,046,275	2,101,524	2,158,265
Charges For Services	22,959	23,418	24,010	24,658	25,324	26,008	26,710
Fines & Forfeitures	316,916	316,916	324,934	333,707	342,717	351,970	361,473
Miscellaneous	88,108,286	90,488,295	95,128,541	98,202,593	101,354,126	103,343,028	105,356,998
Subtotal Revenues	88,273,363	92,720,851	97,417,580	100,553,436	103,768,442	105,822,530	107,903,444
INTERFUND TRANSFERS (Net Non-CIP)							
Indirect Costs	(28,171,463)	(28,400,899)	(28,671,780)	(29,671,780)	(30,671,780)	(31,671,780)	(32,671,780)
Earnings Transfer	(3,495,654)	(3,625,919)	(3,671,780)	(3,671,780)	(3,671,780)	(3,671,780)	(3,671,780)
Telecommunications NDA	(24,506,777)	(24,774,980)	(25,000,000)	(26,000,000)	(27,000,000)	(28,000,000)	(29,000,000)
	(169,032)	0	0	0	0	0	0
TOTAL RESOURCES	66,458,649	66,705,988	70,888,269	74,890,032	77,822,056	80,221,741	82,017,522
PSP OPER. BUDGET APPROP/ EXPS.							
Operating Budget	(52,875,460)	(54,931,076)	(57,009,667)	(59,268,168)	(61,623,284)	(64,079,290)	(65,203,975)
Debt Service: Other (Non-Tax Funds only)	(10,829,500)	(9,264,800)	(9,264,800)	(9,264,800)	(9,264,800)	(9,264,800)	(9,264,800)
Labor Agreement	n/a	0	(458,609)	(458,609)	(458,609)	(458,609)	(458,609)
Labor Contracts Other	n/a	0	(4,981)	(4,981)	(4,981)	(4,981)	(4,981)
FPI Efficiencies	n/a	n/a	1,200,000	1,400,000	1,600,000	1,850,000	2,000,000
FPI Debt Service	n/a	n/a	(912,300)	(1,589,600)	(1,216,450)	(1,006,300)	(945,700)
FPI Retail Store Leases	n/a	n/a	(279,263)	(423,097)	(569,808)	(719,453)	(906,511)
FPI Retiree Health Insurance Pre Funding	n/a	n/a	7,390	22,270	154,520	247,550	315,060
Subtotal PSP Oper Budget Approp / Exp's	(63,704,960)	(64,195,876)	(66,722,230)	(69,586,985)	(71,383,412)	(73,435,883)	(74,469,516)
OTHER CLAIMS ON FUND BALANCE	(367,653)	(367,653)	(367,653)	(367,653)	(367,653)	0	0
TOTAL USE OF RESOURCES	(64,072,613)	(64,563,529)	(67,089,883)	(69,954,638)	(71,751,065)	(73,435,883)	(74,469,516)
YEAR END FUND BALANCE	2,386,036	2,142,459	3,798,376	4,725,394	6,070,991	6,785,858	7,548,006
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	3.6%	3.2%	5.4%	6.3%	7.8%	8.5%	9.2%

Assumptions

- These projections are based on the Executive's recommended 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.
- Fund balance policy equals one month's operating expenses, one payroll, and \$1,500,000 for inventory in cash balance.
- Operating expenditures grow with CPI. Revenues projections reflect DLC gross profit forecasts.
- OPEB Liability 5 year allocation is shown as a claim on fund balance in FY19-FY23.
- Debt service reflects estimated savings from bond refunding in FY19, FY20, and FY21.
- Beginning in FY20 telecommunication costs are captured within indirect costs.

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