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# 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 FY12 Operating Budget for the Department of Liquor Control is \$46,953,280, an increase of \$4,433,180 or 10.4 percent from the FY11 Approved Budget of \$42,520,100. Personnel Costs comprise 48.6 percent of the budget for 245 full-time positions and 57 part-time positions for 323.0 workyears. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 51.4 percent of the FY12 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 FY11 estimates incorporate the effect of the FY11 savings plan. FY12 and FY13 targets assume the recommended FY12 budget and FY13 funding for comparable service levels.

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***Created and hosted a Statewide Alcohol Regulatory Forum each of the past three years for Maryland's jurisdictions to share solutions to alcohol issues.***
- ❖ ***Now offering fingerprinting at its warehouse location to accommodate potential and current license holders.***
- ❖ ***DLC's "Keeping it Safe" program, which is a comprehensive educational program aimed at both the hospitality industry and the community with the purpose of reducing under 21 alcohol use, has become a national model and received awards from both the National Association of Counties and the National Liquor Law Enforcement Association.***
- ❖ ***Released a report entitled "Alcohol Compliance Check Program for FY2010", which showed that alcohol compliance rates by Montgomery County licensed establishments rose from 71% to 80%.***
- ❖ ***Transfer \$25,066,800 to the General Fund in FY12.***

❖ **Productivity Improvements**

- **Designed and implemented a state-of-the-art retail point-of-sale system, which offers improved reporting capacity, the ability to achieve credit card industry compliance and with enhanced customer service features including system-wide product look-up; large sales monitors, and with gift cards coming in the near future.**
- **Streamlined the payment and recordation process significantly by posting directly to pertinent accounts by using the ERP system for alcohol beverage payments.**
- **Completed the automation of the pricing program, which enables vendors to enter liquor and wine price changes on the Internet and submit them electronically to the department's pricing specialist.**
- **Enhanced website to provide a searchable list of monthly and weekly specials for retail customers and more in depth reporting capabilities for suppliers.**

**PROGRAM CONTACTS**

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Alison Dollar of the Office of Management and Budget at 240.777.2781 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.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Percent of wholesale customers satisfied with DLC based on the DLC customer survey results <sup>1</sup>	2.95	2.91	2.95	2.95	2.95
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	18.0	16.4	16.4	16.4	16.4
Inventory as a Percent of DLC Sales	12.9	11.7	12	12	12

<sup>1</sup> On a rating of 1 to 4 with 4 being most satisfied and 1 being least satisfied.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>7,752,190</b>	<b>63.4</b>
Increase Cost: Estimated Warehouse relocation costs	150,000	0.0
Decrease Cost: Southlawn Warehouse Lease	-213,040	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	195,430	1.9
<b>FY12 CE Recommended</b>	<b>7,884,580</b>	<b>65.3</b>

**Delivery Operations**

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

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>5,481,680</b>	<b>72.1</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	102,410	4.6
<b>FY12 CE Recommended</b>	<b>5,584,090</b>	<b>76.7</b>

**Retail Sales Operations**

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores (currently 23 County-staffed and operated and one contractor-operated) that are located throughout Montgomery County.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Retail sales as percentage of total sales	46	46	46	46	46
Percent of retail customers satisfied with DLC based on the DLC customer survey results <sup>1</sup>	3.22	3.41	3.41	3.41	3.41

<sup>1</sup> On a rating of 1 to 4 with 4 being most satisfied and 1 being least satisfied.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>17,209,070</b>	<b>143.0</b>
Increase Cost: Retail Store Leases	555,970	0.0
Increase Cost: Parking Permits	15,560	0.0
Eliminate: Close Diamond Store	-238,810	-2.5
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	461,570	3.6
<b>FY12 CE Recommended</b>	<b>18,003,360</b>	<b>144.1</b>

### **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.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>190,650</b>	<b>0.0</b>
<b>FY12 CE Recommended</b>	<b>190,650</b>	<b>0.0</b>

### **Accounting and Financial Systems**

This program provides accounting and financial services for the department. Staff performs day-to-day accounting functions, special analysis and reporting, and the preparation and monitoring of the department's budget.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>6,478,230</b>	<b>13.1</b>
Increase Cost: Debt Service: State Transportation Projects and Warehouse Relocation	2,120,240	0.0
Increase Cost: Relocation payment to Peapod, LLC	458,660	0.0
Technical Adj: Workyears based on Approved Personnel Actions	0	0.2
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-167,890	0.3
<b>FY12 CE Recommended</b>	<b>8,889,240</b>	<b>13.6</b>

### **Information Management**

This program provides for the design, operation, maintenance, and protection of all information technology initiatives of the Department. These initiatives include the warehouse inventory system, the retail point-of-sale system, and numerous other applications.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>1,192,520</b>	<b>6.7</b>
Increase Cost: ERP - Warehouse System	540,220	0.0
Enhance: Point of Sale System (POS)	282,010	0.0
Increase Cost: Help Desk - Desk Side Support	740	0.0
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	222,260	0.4
<b>FY12 CE Recommended</b>	<b>2,237,750</b>	<b>7.1</b>

### **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.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Annual alcohol compliance checks to minors (under 21) <sup>1</sup>	612	550	400	400	400

<sup>1</sup> DLC performs different types of inspections. This measure is under-age compliance checks, which comprise part of the total. For FY08, DLC performed 5,124 inspections (of all types). For FY09, DLC performed 5,267 inspections of all types. For FY10, DLC performed 4,829 inspections of all types. The number of inspections vary by type from year to year.

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>1,232,210</b>	<b>12.3</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	34,620	0.7
<b>FY12 CE Recommended</b>	<b>1,266,830</b>	<b>13.0</b>

## **Office of the Director**

This program provides the overall direction for the Department.

<b>Program Performance Measures</b>	<b>Actual FY09</b>	<b>Actual FY10</b>	<b>Estimated FY11</b>	<b>Target FY12</b>	<b>Target FY13</b>
Percentage of Annual Sales Growth	3.2	3.9	3.5	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	28	28	28	28	28

<b>FY12 Recommended Changes</b>	<b>Expenditures</b>	<b>WYs</b>
<b>FY11 Approved</b>	<b>2,983,550</b>	<b>2.3</b>
Miscellaneous adjustments, including restoration of employee furloughs, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-86,770	0.9
<b>FY12 CE Recommended</b>	<b>2,896,780</b>	<b>3.2</b>

# BUDGET SUMMARY

	Actual FY10	Budget FY11	Estimated FY11	Recommended FY12	% Chg Bud/Rec
<b>LIQUOR CONTROL</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	18,679,751	17,085,410	17,085,410	17,564,280	2.8%
Employee Benefits	5,978,772	6,148,800	6,148,800	5,247,720	-14.7%
<b>Liquor Control Personnel Costs</b>	<b>24,658,523</b>	<b>23,234,210</b>	<b>23,234,210</b>	<b>22,812,000</b>	<b>-1.8%</b>
Operating Expenses	13,259,995	14,596,990	14,694,960	17,332,140	18.7%
Debt Service Other	2,637,641	4,583,250	4,583,250	6,703,490	46.3%
Capital Outlay	2,089,130	105,650	0	105,650	—
<b>Liquor Control Expenditures</b>	<b>42,645,289</b>	<b>42,520,100</b>	<b>42,512,420</b>	<b>46,953,280</b>	<b>10.4%</b>
<b>PERSONNEL</b>					
Full-Time	257	248	248	245	-1.2%
Part-Time	62	58	58	57	-1.7%
Workyears	337.3	312.9	312.9	323.0	3.2%
<b>REVENUES</b>					
Vendor Registration Fee	17,355	0	0	0	—
Property Rentals	110,000	0	847,920	0	—
Liquor Licenses	1,437,105	1,419,000	1,419,000	1,419,000	—
Miscellaneous/Investment Income	12,524	30,000	30,000	30,000	—
Operating Revenue	64,967,034	66,456,780	66,456,780	68,450,480	3.0%
Liquor License Application Fees	159,305	156,000	156,000	156,000	—
Liquor Enforcement Fines	194,105	200,000	200,000	200,000	—
Tobacco Enforcement Fines	57,180	20,560	20,560	20,560	—
Publication Sales - Alcohol Regulation	594	0	0	0	—
Fingerprint Processing Fee	11,966	8,740	8,740	8,740	—
<b>Liquor Control Revenues</b>	<b>66,967,168</b>	<b>68,291,080</b>	<b>69,139,000</b>	<b>70,284,780</b>	<b>2.9%</b>
<b>GRANT FUND MCG</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	18,313	0	0	0	—
Employee Benefits	1,366	0	0	0	—
<b>Grant Fund MCG Personnel Costs</b>	<b>19,679</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	30,861	0	0	0	—
Capital Outlay	0	0	0	0	—
<b>Grant Fund MCG Expenditures</b>	<b>50,540</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>REVENUES</b>					
Town Hall Meeting Underage Drinking	500	0	0	0	—
COPS In Shops	34,100	0	0	0	—
NABCA	12,134	0	0	0	—
Latino Server Training Initiative Grant	3,806	0	0	0	—
<b>Grant Fund MCG Revenues</b>	<b>50,540</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>42,695,829</b>	<b>42,520,100</b>	<b>42,512,420</b>	<b>46,953,280</b>	<b>10.4%</b>
<b>Total Full-Time Positions</b>	<b>257</b>	<b>248</b>	<b>248</b>	<b>245</b>	<b>-1.2%</b>
<b>Total Part-Time Positions</b>	<b>62</b>	<b>58</b>	<b>58</b>	<b>57</b>	<b>-1.7%</b>
<b>Total Workyears</b>	<b>337.3</b>	<b>312.9</b>	<b>312.9</b>	<b>323.0</b>	<b>3.2%</b>
<b>Total Revenues</b>	<b>67,017,708</b>	<b>68,291,080</b>	<b>69,139,000</b>	<b>70,284,780</b>	<b>2.9%</b>

# FY12 RECOMMENDED CHANGES

	Expenditures	WYs
<b>LIQUOR CONTROL</b>		
<b>FY11 ORIGINAL APPROPRIATION</b>	<b>42,520,100</b>	<b>312.9</b>
<b>Changes (with service impacts)</b>		
Enhance: Point of Sale System (POS) [Information Management]	282,010	0.0
Eliminate: Close Diamond Store [Retail Sales Operations]	-238,810	-2.5
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: Debt Service: State Transportation Projects and Warehouse Relocation [Accounting and Financial Systems]	2,120,240	0.0
Increase Cost: Retiree Health Insurance Pre-Funding	1,174,770	0.0
Increase Cost: Retail Store Leases [Retail Sales Operations]	555,970	0.0
Increase Cost: ERP - Warehouse System [Information Management]	540,220	0.0
Increase Cost: Relocation payment to Peapod, LLC [Accounting and Financial Systems]	458,660	0.0
Increase Cost: Restore Personnel Costs - Furloughs	264,550	12.4
Increase Cost: Motor Pool Rate Adjustment	166,210	0.0
Increase Cost: Estimated Warehouse relocation costs [Warehouse Operations]	150,000	0.0
Increase Cost: Parking Permits [Retail Sales Operations]	15,560	0.0
Increase Cost: Printing and Mail Adjustment	12,620	0.0
Increase Cost: Help Desk - Desk Side Support [Information Management]	740	0.0
Technical Adj: Workyears based on Approved Personnel Actions [Accounting and Financial Systems]	0	0.2
Decrease Cost: Occupational Medical Services Adjustment	-7,380	0.0
Decrease Cost: Risk Management Adjustment	-99,810	0.0
Decrease Cost: Retirement Adjustment	-120,990	0.0
Decrease Cost: Verizon Replacements- T1 and Frame Relay	-129,310	0.0
Decrease Cost: Southlawn Warehouse Lease [Warehouse Operations]	-213,040	0.0
Decrease Cost: Group Insurance Adjustment	-499,030	0.0
<b>FY12 RECOMMENDED:</b>	<b>46,953,280</b>	<b>323.0</b>

## PROGRAM SUMMARY

Program Name	FY11 Approved		FY12 Recommended	
	Expenditures	WYs	Expenditures	WYs
Warehouse Operations	7,752,190	63.4	7,884,580	65.3
Delivery Operations	5,481,680	72.1	5,584,090	76.7
Retail Sales Operations	17,209,070	143.0	18,003,360	144.1
Retail Contracted Operations	190,650	0.0	190,650	0.0
Accounting and Financial Systems	6,478,230	13.1	8,889,240	13.6
Information Management	1,192,520	6.7	2,237,750	7.1
Licensure, Regulation, and Education	1,232,210	12.3	1,266,830	13.0
Office of the Director	2,983,550	2.3	2,896,780	3.2
<b>Total</b>	<b>42,520,100</b>	<b>312.9</b>	<b>46,953,280</b>	<b>323.0</b>

## FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY12	FY13	FY14	FY15	FY16	FY17
<b>(5000's)</b>						
<b>This table is intended to present significant future fiscal impacts of the department's programs.</b>						
<b>LIQUOR CONTROL</b>						
<b>Expenditures</b>						
<b>FY12 Recommended</b>	<b>46,953</b>	<b>46,953</b>	<b>46,953</b>	<b>46,953</b>	<b>46,953</b>	<b>46,953</b>
No inflation or compensation change is included in outyear projections.						
<b>Debt Service Other</b>	<b>0</b>	<b>4,207</b>	<b>4,209</b>	<b>4,206</b>	<b>4,210</b>	<b>4,215</b>
Financing for the State Transportation Participation CIP Project No. 500722, the Glenmont Metro Parking Expansion CIP Project No. 500552, and the warehouse relocation.						
<b>DLC Liquor Warehouse</b>	<b>0</b>	<b>1,924</b>	<b>1,924</b>	<b>1,924</b>	<b>1,924</b>	<b>1,924</b>
These figures represent the impacts on the Operating Budget (maintenance and utilities) of projects included in the FY11-16 Recommended Capital Improvements Program.						
<b>ERP- Warehouse System</b>	<b>0</b>	<b>180</b>	<b>-245</b>	<b>-299</b>	<b>-299</b>	<b>-299</b>
These figures represent the debt service, maintenance costs, and personnel costs to implement and maintain the ERP warehouse system.						

Title	CE REC.	(\$000's)				
	FY12	FY13	FY14	FY15	FY16	FY17
<b>Point of Sale System (POS)</b> These figures represent required maintenance of the POS System.	0	1	2	2	3	3
<b>Retail Store Leases</b> The leases for 24 retail stores based on CPI assumptions.	0	156	173	185	196	208
<b>Retiree Health Insurance Pre-Funding</b> These figures represent the estimated cost of the multi-year plan to pre-fund retiree health insurance costs for the County's workforce.	0	-151	-452	-928	-958	-969
<b>Utilities- Existing Warehouse</b> These figures represent the utility budget savings as a result of moving to new warehouse.	0	-1,000	-1,000	-1,000	-1,000	-1,000
<b>Subtotal Expenditures</b>	<b>46,953</b>	<b>52,270</b>	<b>51,563</b>	<b>51,042</b>	<b>51,028</b>	<b>51,035</b>

**FY12-17 PUBLIC SERVICES PROGRAM: FISCAL PLAN**

**Department of Liquor Control**

<b>FISCAL PROJECTIONS</b>	<b>FY11 ESTIMATE</b>	<b>FY12 REC</b>	<b>FY13 PROJECTION</b>	<b>FY14 PROJECTION</b>	<b>FY15 PROJECTION</b>	<b>FY16 PROJECTION</b>	<b>FY17 PROJECTION</b>
<b>ASSUMPTIONS</b>							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.0%	2.4%	2.7%	3.0%	3.2%	3.4%	3.6%
Investment Income Yield	0.0014	0.004	0.009	0.02	0.0275	0.035	0.04
<b>BEGINNING FUND BALANCE</b>	<b>8,264,780</b>	<b>3,600,040</b>	<b>1,864,740</b>	<b>3,877,380</b>	<b>3,877,380</b>	<b>3,877,380</b>	<b>3,877,380</b>
<b>REVENUES</b>							
Licenses & Permits	1,575,000	1,575,000	1,617,520	1,666,050	1,719,360	1,777,820	1,841,820
Charges For Services	8,740	8,740	8,740	8,740	8,740	8,740	8,740
Fines & Forfeitures	220,560	220,560	226,520	233,310	240,780	248,960	257,930
Miscellaneous	67,334,700	68,480,480	71,218,500	74,066,040	77,027,480	80,107,380	83,310,480
<b>Subtotal Revenues</b>	<b>69,139,000</b>	<b>70,284,780</b>	<b>73,071,280</b>	<b>75,974,140</b>	<b>78,996,360</b>	<b>82,142,900</b>	<b>85,418,970</b>
<b>INTERFUND TRANSFERS (Net Non-CIP)</b>							
Transfers To The General Fund	(31,291,320)	(25,066,800)	(17,248,600)	(21,142,930)	(22,794,850)	(23,887,480)	(24,895,690)
Indirect Costs	(2,287,260)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)	(2,281,200)
Technology Modernization	(591,440)	(373,990)	0	0	0	0	0
Earnings Transfer	(28,412,620)	(22,411,610)	(14,967,400)	(18,861,730)	(20,513,650)	(21,606,280)	(22,614,490)
<b>TOTAL RESOURCES</b>	<b>46,112,460</b>	<b>48,818,020</b>	<b>57,687,420</b>	<b>58,708,590</b>	<b>60,078,890</b>	<b>62,132,800</b>	<b>64,400,660</b>
<b>PSP OPER. BUDGET APPROP/ EXP'S.</b>							
Operating Budget	(38,854,170)	(40,249,790)	(41,789,920)	(43,518,130)	(45,408,900)	(47,476,860)	(49,738,370)
Debt Service: Other (Non-Tax Funds only)	(3,658,250)	(6,703,490)	(10,910,800)	(10,912,350)	(10,909,930)	(10,913,280)	(10,918,350)
FFI- Retiree Health Insurance Pre-Funding	n/a	n/a	151,050	452,220	928,490	958,230	968,500
FFI- DLC Warehouse OBl's (new location)			(1,924,000)	(1,924,000)	(1,924,000)	(1,924,000)	(1,924,000)
FFI- ERP Warehouse			(180,290)	245,250	299,380	299,380	299,380
FFI- POS			(700)	(1,500)	(2,300)	(3,100)	(3,100)
FFI - Utility Savings Due to Warehouse Move			1,000,490	1,000,490	1,000,490	1,000,490	1,000,490
FFI - Retail Store Lease	n/a	n/a	(155,870)	(173,190)	(184,740)	(196,280)	(207,830)
<b>Subtotal PSP Oper Budget Approp / Exp's</b>	<b>(42,512,420)</b>	<b>(46,953,280)</b>	<b>(53,810,040)</b>	<b>(54,831,210)</b>	<b>(56,201,510)</b>	<b>(58,255,420)</b>	<b>(60,523,280)</b>
<b>OTHER CLAIMS ON CASH BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL USE OF RESOURCES</b>	<b>(42,512,420)</b>	<b>(46,953,280)</b>	<b>(53,810,040)</b>	<b>(54,831,210)</b>	<b>(56,201,510)</b>	<b>(58,255,420)</b>	<b>(60,523,280)</b>
<b>YEAR END CASH BALANCE</b>	<b>3,600,040</b>	<b>1,864,740</b>	<b>3,877,380</b>	<b>3,877,380</b>	<b>3,877,380</b>	<b>3,877,380</b>	<b>3,877,380</b>
<b>END-OF-YEAR RESERVES AS A</b>							
<b>PERCENT OF RESOURCES</b>	<b>7.8%</b>	<b>3.8%</b>	<b>6.7%</b>	<b>6.6%</b>	<b>6.5%</b>	<b>6.2%</b>	<b>6.0%</b>

**Assumptions:**

1. Fund Balance Policy = One month's operating expenses, one payroll, and \$1,000,000 for inventory in cash balance.
2. Net sales growth estimated at 4% per year.
3. Operating revenue growth estimated at 4% per year.
4. Operating budget expenditures grow with CPI.
5. The labor contract with the Municipal and County Government Employees Organizations, Local 1994 expires at the end of FY12.
6. Effective FY08, financing for State transportation projects is appropriated in the Department of Liquor Control.
7. Effective FY10, financing for the warehouse relocation is appropriated in the Department of Liquor Control.