
Liquor Control

MISSION STATEMENT

The mission of the Department of Liquor Control 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 FY13 Operating Budget for the Department of Liquor Control is \$50,698,380, an increase of \$3,745,100 or 8.0 percent from the FY12 Approved Budget of \$46,953,280. Personnel Costs comprise 49.6 percent of the budget for 246 full-time positions and 55 part-time positions for 324.02 FTEs. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 50.4 percent of the FY13 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 FY12 estimates reflect funding based on the FY12 approved budget. The FY13 and FY14 figures are performance targets based on the FY13 recommended budget and funding for comparable service levels in FY14.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***In FY13, Liquor Control will make an earnings transfer of \$19.4 million to the General Fund and will make \$8.1 million in debt service payments on Liquor Control Revenue Bonds for a total of \$27.5 million.***
- ❖ ***Liquor Control's total income for FY11 exceeded \$241.3 million dollars, an increase of 6.15% over the prior year.***
- ❖ ***Liquor Control completed the successful design and implementation of a new Point-of-Sale system for Retail Operations that has been audited by an external agency hired by the Office of Internal Audit and was deemed a success by that agency. The success of the implementation has been made into a case study by MicroSoft and IBM Corporations.***
- ❖ ***Liquor Control's Division of Licensure, Regulation and Education supports multi-agency education and enforcement efforts through grant writing and reporting. Grant programs include funding for a Cops-in-Shops program in downtown Silver Spring; ID Checking Calendars for retailers; a Responsible Hospitality Institute Night-time Economy Study of downtown Wheaton; a Responsible Retailing Over-service project in downtown Bethesda;***

hosting an Annual Maryland State Alcohol Beverage Forum; production and distribution of ID Checking tools such as black lights and educational keychain cards; and staff attendance at state and national conferences. Additionally, in kind materials from partners, such as over 3,000 ID books, "We Don't Serve Teens" materials and other educational resources were solicited and distributed in monthly educational trainings. These in-kind services are valued at over \$50,000.

- ❖ **Liquor Control released its "Alcohol Compliance Check Program Report" for FY11 that focuses on the results of efforts to reduce the availability of alcohol to anyone under 21 years of age. The report validates that outreach programs have proven successful and compliance rates in the county have remained steady the past several years. When tested, approximately eight out of ten licensed facilities refused service to the underage volunteer. The compliance check program is a collaborative effort between Liquor Control alcohol enforcement agents, the Police Department, Sheriff's Office, State's Attorney's Office and trained high school students. The team has an annual target to check at least 400 businesses a year.**
- ❖ **Liquor Control offers free alcohol regulatory education and regulation training (A.L.E.R.T.) twice a month as a resource for businesses licensed to sell alcohol. Stressing the importance of checking identification is an essential component of this educational effort. In FY11, Liquor Control trained over 900 people.**
- ❖ **Productivity Improvements**
 - **Liquor Control has leveraged the new software technology associated with the recently implemented Retail Operations Point-of-Sale systems to create an online, real-time web application (www.montgomerycountymd.gov/dlcsearch) that enables licensees and the public to view inventory at each of the County retail stores.**

PROGRAM CONTACTS

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Amy Wilson of the Office of Management and Budget at 240.777.2775 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 FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Inventory as a Percent of 'Cost of Goods Sold' (COGS)	16.4	16.4	16.4	16.4	16.4
Inventory as a Percent of DLC Sales	11.7	11.6	12	12	12
Satisfaction rating of wholesale customers based on the DLC customer survey results ¹	2.91	2.95	2.95	2.95	2.95

¹ Average score on a 1-4 scale

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	7,884,580	65.29
Increase Cost: ERP - Warehouse System	180,260	0.00
Increase Cost: Warehouse Night Security Services	37,900	0.00
Decrease Cost: DLC Relocation Costs	-150,000	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	438,464	0.90
FY13 CE Recommended	8,391,204	66.19

Delivery Operations

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

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	5,584,090	76.70
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	1,155,160	-2.70
FY13 CE Recommended	6,739,250	74.00

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 FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Retail sales as percentage of total sales	46	46	46	46	46
Satisfaction rating of retail customers based on the DLC customer survey results ¹	3.41	3.41	3.41	3.41	3.41

¹ Average score on a 1-4 scale

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	18,003,360	144.13
Enhance: Personnel Costs - Sunday Sales	895,000	0.00
Increase Cost: Retail Store Leases	173,190	0.00
Enhance: Retail Store Renovations	157,340	0.00
Enhance: Shift4 Processing Fees	86,900	0.00
Add: Point of Sale Systems (Phase 2)	20,000	0.00
Increase Cost: Point of Sale System (POS)	700	0.00
Decrease Cost: Negotiated rent savings at Leisure World store in FY13	-136,000	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	1,192,077	1.00
FY13 CE Recommended	20,392,567	145.13

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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	190,650	0.00
FY13 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 FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Annual alcohol compliance checks to minors (under 21) ¹	550	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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	1,266,830	13.00
Technical Adj: Division of Licensure, Regulation and Education reorganization	0	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	340,943	1.00
FY13 CE Recommended	1,607,773	15.00

Office of the Director

This program provides the overall direction for the Department.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Percentage of Annual Sales Growth	3.9	6.6	3.5	3.5	3.5
Gross profit margin of DLC retail and wholesale operations (percent)	28	28.3	28	28	28

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	2,896,780	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	-1,925,341	0.00
FY13 CE Recommended	971,439	3.20

Notes: Decrease is primarily due to the redistribution of OPEB funding from the Director's Office across all programs.

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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	11,126,990	20.68
Enhance: Debt Service Other	1,725,460	0.00
Decrease Cost: Peapod Payments	-458,660	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. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	11,707	-0.18
FY13 CE Recommended	12,405,497	20.50

BUDGET SUMMARY

	Actual FY11	Budget FY12	Estimated FY12	Recommended FY13	% Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	18,522,864	17,564,280	18,380,430	18,834,103	7.2%
Employee Benefits	5,938,996	5,247,720	5,848,250	6,293,297	19.9%
Liquor Control Personnel Costs	24,461,860	22,812,000	24,228,680	25,127,400	10.1%
Operating Expenses	12,287,212	17,332,140	17,774,795	17,384,410	0.3%
Debt Service Other	3,525,091	6,703,490	6,703,490	8,080,920	20.5%
Capital Outlay	0	105,650	0	105,650	—
Liquor Control Expenditures	40,274,163	46,953,280	48,706,965	50,698,380	8.0%
PERSONNEL					
Full-Time	248	245	245	246	0.4%
Part-Time	58	57	57	55	-3.5%
FTEs	312.90	323.00	323.00	324.02	0.3%
REVENUES					
Investment Income	5,483	30,000	10,000	20,000	-33.3%
Liquor Licenses	1,566,870	1,419,000	1,419,000	1,419,000	—
Liquor Sales	67,100,741	68,450,480	71,007,226	71,649,316	4.7%
Miscellaneous Revenues	-122,687	0	0	0	—
Other Charges/Fees	16,750	8,740	8,740	8,740	—
Other Fines/Forfeitures	248,113	220,560	220,560	220,560	—
Other Licenses/Permits	238,973	156,000	156,000	156,000	—
Liquor Control Revenues	69,054,243	70,284,780	72,821,526	73,473,616	4.5%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	5,625	0	0	0	—
Employee Benefits	373	0	0	0	—
Grant Fund MCG Personnel Costs	5,998	0	0	0	—
Operating Expenses	35,255	0	0	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	41,253	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	30,368	0	0	0	—
Other Intergovernmental	10,885	0	0	0	—
Grant Fund MCG Revenues	41,253	0	0	0	—
DEPARTMENT TOTALS					
Total Expenditures	40,315,416	46,953,280	48,706,965	50,698,380	8.0%
Total Full-Time Positions	248	245	245	246	0.4%
Total Part-Time Positions	58	57	57	55	-3.5%
Total FTEs	312.90	323.00	323.00	324.02	0.3%
Total Revenues	69,095,496	70,284,780	72,821,526	73,473,616	4.5%

FY13 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY12 ORIGINAL APPROPRIATION	46,953,280	323.00
<u>Changes (with service impacts)</u>		
Enhance: Debt Service Other [Administration]	1,725,460	0.00
Enhance: Personnel Costs - Sunday Sales [Retail Sales Operations]	895,000	0.00
Enhance: Retail Store Renovations [Retail Sales Operations]	157,340	0.00
Enhance: Shift4 Processing Fees [Retail Sales Operations]	86,900	0.00
Add: Point of Sale Systems (Phase 2) [Retail Sales Operations]	20,000	0.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Lump Sum Wage Adjustment	585,208	0.00
Increase Cost: Group Insurance Adjustment	494,512	0.00
Increase Cost: Retirement Adjustment	421,476	0.00
Increase Cost: ERP - Warehouse System [Warehouse Operations]	180,260	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	173,190	0.00
Increase Cost: Motor Pool Rate Adjustment	139,440	0.00
Increase Cost: Warehouse Night Security Services [Warehouse Operations]	37,900	0.00
Increase Cost: Risk Management Adjustment	30,230	0.00
Increase Cost: Longevity Adjustment	29,718	0.00
Increase Cost: Point of Sale System (POS) [Retail Sales Operations]	700	0.00
Technical Adj: Conversion of WYs to FTEs in the New Hyperion Budgeting System; FTEs are No Longer Measured for Overtime and Lapse	0	-1.18
Technical Adj: Division of Licensure, Regulation and Education reorganization [Licensure, Regulation, and Education]	0	1.00
Technical Adj: Reconcile FTEs in BASIS and Hyperion	0	1.40
Shift: Help Desk - Desk Side Support to the Desktop Computer Modernization NDA	-740	0.00
Decrease Cost: Printing and Mail Adjustment	-14,130	0.00
Shift: Remove Occupational Medical Services Chargeback from OHR	-48,274	-0.20
Decrease Cost: Negotiated rent savings at Leisure World store in FY13 [Retail Sales Operations]	-136,000	0.00
Decrease Cost: DLC Relocation Costs [Warehouse Operations]	-150,000	0.00
Decrease Cost: Retiree Health Insurance Pre-Funding	-151,050	0.00
Decrease Cost: Electricity Rate Savings	-273,380	0.00
Decrease Cost: Peapod Payments [Administration]	-458,660	0.00
FY13 RECOMMENDED:	50,698,380	324.02

PROGRAM SUMMARY

Program Name	FY12 Approved		FY13 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Warehouse Operations	7,884,580	65.29	8,391,204	66.19
Delivery Operations	5,584,090	76.70	6,739,250	74.00
Retail Sales Operations	18,003,360	144.13	20,392,567	145.13
Retail Contracted Operations	190,650	0.00	190,650	0.00
Licensure, Regulation, and Education	1,266,830	13.00	1,607,773	15.00
Office of the Director	2,896,780	3.20	971,439	3.20
Administration	11,126,990	20.68	12,405,497	20.50
Total	46,953,280	323.00	50,698,380	324.02

FUTURE FISCAL IMPACTS

Title	CE REC.			(\$000's)		
	FY13	FY14	FY15	FY16	FY17	FY18
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY13 Recommended	50,698	50,698	50,698	50,698	50,698	50,698
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Lump Sum Wage Adjustment	0	-585	-585	-585	-585	-585
This represents the elimination of the one-time lump sum wage increases paid in FY13.						
Debt Service Other	0	2,437	2,435	2,439	2,436	2,434
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	-426	-480	-480	-480	-480
These figures represent the debt service, maintenance costs, and personnel costs to implement and maintain the ERP warehouse system.						
Leisure World Store Rent Adjustment	0	136	136	136	136	136
One-time, negotiated, rent adjustment at the Leisure World store.						
Longevity Adjustment	0	2	2	2	2	2
This represents the annualization of longevity wage increments paid during FY13.						
Point of Sale System (POS)	0	1	2	2	3	4
These figures represent required maintenance of the POS System.						
Retail Store Leases	0	172	351	521	696	875
The leases for 23 retail stores based on CPI assumptions.						
Retiree Health Insurance Pre-Funding	0	-301	-777	-807	-817	-817
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	50,698	52,135	51,781	51,927	52,089	52,267

FY13-18 PUBLIC SERVICES PROGRAM: FISCAL PLAN			Department of Liquor Control				
FISCAL PROJECTIONS	FY12 ESTIMATE	FY13 REC	FY14 PROJECTION	FY15 PROJECTION	FY16 PROJECTION	FY17 PROJECTION	FY18 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	3.1%	2.7%	2.9%	2.9%	2.7%	2.7%	2.7%
Investment Income Yield	0.2%	0.3%	0.4%	0.9%	1.6%	2.4%	2.9%
BEGINNING FUND BALANCE	1,745,340	793,110	1,271,210	3,978,300	4,047,170	4,114,500	4,180,920
REVENUES							
Licenses & Permits	1,575,000	1,575,000	1,579,520	1,584,090	1,588,460	1,592,950	1,597,650
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	71,017,226	71,669,316	74,007,920	76,412,200	78,894,620	81,457,720	84,114,120
Subtotal Revenues	72,821,526	73,473,616	75,816,740	78,225,590	80,712,380	83,279,970	85,941,070
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(25,066,800)	(22,297,140)	(19,239,680)	(22,851,920)	(23,421,740)	(23,982,740)	(24,511,740)
Indirect Costs	(2,281,200)	(2,512,740)	(2,512,740)	(2,512,740)	(2,512,740)	(2,512,740)	(2,512,740)
Technology Modernization CIP	(373,990)	(384,400)	(280,940)	(231,180)	0	0	0
Earnings Transfer	(22,411,610)	(19,400,000)	(16,446,000)	(20,108,000)	(20,909,000)	(21,470,000)	(21,999,000)
TOTAL RESOURCES	49,500,066	51,969,586	57,848,270	59,351,970	61,337,810	63,411,730	65,610,250
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(42,351,500)	(42,617,460)	(44,352,850)	(46,141,060)	(47,913,740)	(49,759,100)	(51,705,080)
Debt Service: Other (Non-Tax Funds only)	(6,355,460)	(8,080,920)	(10,517,700)	(10,515,450)	(10,520,200)	(10,517,200)	(10,514,800)
Annualizations and One-Time	n/a	n/a	583,140	583,140	583,140	583,140	583,140
FFI Retiree Health Insurance Pre-Funding	n/a	n/a	301,170	777,440	807,180	817,450	817,450
FFI-ERP Warehouse			425,510	479,640	479,640	479,640	479,640
FFI-POS			(800)	(1,600)	(2,400)	(3,200)	(4,000)
FFI-Retail Store Leases			(308,440)	(486,910)	(656,930)	(831,541)	(1,010,870)
Subtotal PSP Oper Budget Approp / Exp's	(48,706,960)	(50,698,380)	(53,869,970)	(55,304,800)	(57,223,310)	(59,230,811)	(61,354,520)
TOTAL USE OF RESOURCES	(48,706,960)	(50,698,380)	(53,869,970)	(55,304,800)	(57,223,310)	(59,230,811)	(61,354,520)
YEAR END FUND BALANCE	793,110	1,271,210	3,978,300	4,047,170	4,114,500	4,180,920	4,255,730
END-OF-YEAR RESERVES AS A							
PERCENT OF RESOURCES	1.6%	2.4%	6.9%	6.8%	6.7%	6.6%	6.5%
<p>Assumptions:</p> <ol style="list-style-type: none"> 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 not assumed here. Fund Balance Policy equals one month's operating expenses, one payroll, and \$1,500,000 for inventory in cash balance. Operating budget expenditures grow with CPI. Net profit growth is estimated at 3.25% per year. 							