

# Montgomery County, Maryland - Disclosure For Fiscal Year 2012

**\$46,765,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Revenue Bonds**  
**(Department of Liquor Control)**  
**Series 2009A**

**\$34,360,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Revenue Bonds**  
**(Department of Liquor Control)**  
**Series 2011A**

## Wholesale Operations

### Wholesale Facility

The Department's principal wholesale facility is a warehouse (the "Existing Warehouse") owned by the Department and located on Crabbs Branch Way in Derwood, in the central part of the County. The Existing Warehouse has a total of approximately 151,000 square feet of storage space, of which approximately 10,000 square feet is an air-conditioned keg facility.

The Department uses the Existing Warehouse to store approximately 4,000 SKU's stock beer, wine and spirit products for resale to wholesale customers. Stock products are purchased in bulk and stored at the Existing Warehouse for wholesale customers to purchase, and for transfer to the 23 County retail stores. The Department also offers thousands of items as special order and will research any product a customer wants to ascertain price and availability. Special order items are usually not warehoused, but are obtained specifically for both wholesale and retail customers. The procurement process starts once the product is ordered. The Existing Warehouse also houses the Department's administrative activities.

### Wholesale Customer Base

The Department's wholesale customer base comprises every licensed seller of alcoholic beverages in the County. There are over 900 license holders in the County, including restaurants, carry-out stores, hotels, conference centers, caterers, clubs and lodges. The Department's ten largest wholesale customers in calendar year 2012 were:

<u>Customer</u>	<u>CY 2012 Sales</u>	<u>Percent of Total Wholesale Sales</u>
Shoppers Food Warehouse .....	\$ 3,468,453	2.6%
Rodman's Gourmet.....	2,212,168	1.7
Rodman's Party Boutique.....	2,068,031	1.6
Safeway.....	1,879,344	1.4
Balducci's .....	1,814,479	1.4
Giant Food Store.....	1,730,797	1.3
Georgetown Square Wine and Cheese.....	1,663,715	1.3
Long Branch Beer and Wine .....	1,500,176	1.1
Belby's Discount .....	1,454,926	1.1
Magruder's .....	1,421,609	1.1
Total.....	<u>\$19,213,698</u>	<u>14.6%</u>

Source: Department of Liquor Control

### Wholesale Suppliers

The Department is not subject to County procurement laws or regulations. The Department procures its stock from wholesale distributors and, in some instances, direct from breweries, wineries and distillers.

# Montgomery County, Maryland - Disclosure For Fiscal Year 2012

The Department's ten largest wholesale suppliers in calendar year 2012 were:

<u>Supplier</u>	<u>CY 2012 Purchases</u>	<u>Percent of Total Wholesale Purchases</u>
Diageo .....	\$14,948,633	8.70%
Miller Brewing Company .....	13,341,332	5.67
Anheuser Busch, Inc. ....	12,948,340	7.25
Crown Imports, LLC .....	10,923,906	6.52
E & J Gallo Winery .....	9,150,988	4.64
Heineken USA .....	8,396,237	5.07
Bacardi USA Inc. ....	5,957,155	3.61
Constellation Brands Inc. ....	5,886,814	4.31
Pernod Ricard USA, LLC.....	5,291,809	3.36
Premium Distributors .....	<u>4,409,876</u>	<u>2.81</u>
Total.....	<u>\$91,255,090</u>	<u>51.93%</u>

Source: Department of Liquor Control

## Retail Operations

### Retail Facilities

The Department operates 23 retail stores located throughout the County. These stores sell non-chilled beer, wine and liquor, plus ice, bottled water and certain mixers.

The stores vary in size, from approximately 2,100 square feet to over 7,400 square feet. The Department leases the stores. The inventory in each store varies according to sales patterns and available retail space. In fiscal year 2012, no single location accounted for more than 6.8 percent or less than 0.8 percent of total Department retail sales.

The Department regularly reviews the operating performance of each retail store. Occasionally, the Department relocates stores to more dynamic retail locations, such as the upcoming relocation of Montgomery Village to Goshen Plaza. During Fiscal Year 2012, the Department closed its Diamond Square store. This store's service area overlapped with two other Department retail stores and was economically inefficient to operate.

### Retail Sales

The distribution of sales across the Department's 23 retail facilities that were in operation in fiscal year 2012 was as follows:

<u>Retail Store</u>	<u>FY 2012 Sales</u>	<u>% of Total Retail Sales</u>
Burtonsville .....	\$ 3,810,547	3.1%
Cabin John.....	4,301,752	3.5
Chevy Chase.....	2,594,426	2.1
Cloverly .....	3,641,883	3.0
Darnestown.....	5,678,429	4.7
Diamond Square* .....	1,030,015	0.8
Fallsgrove .....	4,864,849	4.0
Flower Avenue .....	2,641,721	2.2
Hampden Lane.....	5,879,186	4.8
Kensington.....	5,670,560	4.7

## Montgomery County, Maryland - Disclosure For Fiscal Year 2012

Kingsview.....	4,597,848	3.8
Leisure World.....	4,401,104	3.6
Milestone .....	8,174,830	6.7
Montgomery Village.....	4,232,099	3.5
Montrose.....	8,200,742	6.8
Muddy Branch .....	6,637,387	5.5
Olney .....	6,085,011	5.0
Pike.....	6,125,117	5.1
Potomac .....	6,611,583	5.5
Silver Spring .....	5,288,963	4.4
Walnut Hill .....	4,448,605	3.7
Westwood .....	7,194,298	5.9
Wheaton.....	4,513,843	3.7
White Oak.....	<u>4,610,230</u>	<u>3.8</u>
Total:	<u>\$121,235,028</u>	<u>100.0%</u>

Source: Department of Liquor Control

\* Diamond Square closed during Fiscal Year 2012

There is one private retail facility in Takoma Park with authority to sell distilled spirits beverages for off-site consumption. In calendar year 2012, that facility purchased approximately \$216,752 of distilled spirits from the Department.

### Results of Operations

#### Annual Operating Results

The Department's annual operating results have consistently created significant net revenues for transfer to the County's general fund. The following chart shows the total operating expenses, total operating revenues and net revenues for fiscal year 2012:

#### Annual Operating Results

(dollars in thousands)

	<b>2012</b>
Sales, net	\$ 250,350
Other operating revenues	1,975
Total operating revenues	<u>252,325</u>
Non-operating revenues /(expenses)	(1,444)
Revenues	<u>250,881</u>
Less: Expenses	218,759
Net Income	<u><u>\$ 32,122</u></u>

# Montgomery County, Maryland - Disclosure For Fiscal Year 2012

## Sales Allocation

The Department's retail and wholesale sales for fiscal year 2012 are as follows:

<u>Fiscal Year</u>	<u>Retail Sales</u>	<u>Warehouse Beer Sales</u>	<u>Warehouse Wine/Liquor Sales</u>
2012 .....	\$119,975,750	\$77,613,273	\$52,761,724

Source: Department of Liquor Control

## Cases Sold from Warehouse

The Department's sales by category for fiscal year 2012 were as follows:

<u>Fiscal Year</u>	<u>Case Beer</u>	<u>Keg Beer</u>	<u>Wine</u>	<u>Liquor</u>
2012 .....	71%	2%	19%	8%

Source: Department of Liquor Control

## Transfers to the General Fund

By State law, the Department transfers its net revenues, after retention of a working capital reserve, to the County's general fund. The amount of the transfer is budgeted by the Department and the County and approved by the County Executive by March 15 for the fiscal year beginning on the ensuing July 1. Transfers are made on or before September 25, December 25, March 25 and June 25 in each fiscal year. The transfer amount for fiscal year 2012 was as follows:

<u>Fiscal Year</u>	<u>Amount of Transfer</u>
2012 .....	\$28,503,717

Source: County Comprehensive Annual Financial Report

## Working Capital Reserve

Pursuant to State law, the Department retains a working capital reserve in an amount determined by the Director of the Department and the Director of Finance of the County, subject to the approval of the County Executive. Beginning in fiscal year 2003, the amount of the working capital reserve has been set at the aggregate of (1) one month's operating expenses, (2) the amount of one payroll cycle (currently bi-weekly), (3) \$1.5 million for inventory purchase, and (4) major, near-future non-recurring expenses (such as start-up costs for new retail facilities).

The amount of the working capital reserve in fiscal year 2012 was as follows:

<u>Fiscal Year</u>	<u>Amount of Working Capital Reserve</u>
2012 .....	\$912,050*

## **Montgomery County, Maryland - Disclosure For Fiscal Year 2012**

\* Working Capital Reserve is lower in 2012 due to increased capital outlay primarily relating to the implementation of a new Point of Sale system and preliminary warehouse relocation costs. The Point of Sale replacement supports almost 50 percent of the revenues generated by the Department. The investment has paid dividends in enhancing customer service, improving sales data integrity and facilitates new revenue generating options such as gift cards.

Source: Department of Liquor Control

# Montgomery County, Maryland - Disclosure For Fiscal Year 2012

## Financial Results

The following chart shows the Department's financial results for fiscal year 2012:

	<u>2012</u>
<b>Operating Revenues</b>	
Sales, net	\$ 250,350,747
Other revenues	1,974,670
Total Operating Revenues	<u>252,325,417</u>
% Change from prior year	4.00%
<b>Operating Expenses</b>	
Cost of goods sold	177,547,640
Personnel costs	23,949,711
Contractual services	1,835,202
Rentals	6,395,422
Depreciation	1,504,449
Maintenance	426,314
Other expenses	7,100,074
Total Operating Expenses	<u>218,758,812</u>
% Change from prior year	2.14%
Gain/Loss on disposal of capital assets	(1,617)
Investment income	2,869
Interest Expense	(1,481,747)
Other revenue	36,384
Total Non-Operating Revenue (Expense)	<u>(1,444,111)</u>
<b>Net Revenues</b>	<u>32,122,494</u>
Add Back: Depreciation	1,504,449
Add Back: Interest Expense	1,481,747
Less: Retention of Working Capital	(912,050)
<b>Net Revenues Available for Debt Service</b>	<u><u>\$34,196,640</u></u>
Existing Debt Service	6,355,455
Debt Service Coverage	<u><u>5.38x</u></u>
Transfer to the General Fund	<u><u>28,503,717</u></u>
Ending Cash Position	<u><u>7,466,823</u></u>
Unrestricted Net Assets	<u><u>10,019,403</u></u>

Sources: County Comprehensive Annual Financial Report and  
Department of Liquor Control