

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 FY08 Operating Budget for the Department of Liquor Control is \$38,945,620, an increase of \$5,427,650 or 16.2 percent from the FY07 Approved Budget of \$33,517,970. Personnel Costs comprise 59.4 percent of the budget for 260 full-time positions and 60 part-time positions for 340.6 workyears. Operating Expenses and Capital Outlay account for the remaining 40.6 percent of the FY08 budget.

Not included in the above is a total of \$67,150 and 1.0 workyear that is charged to Health and Human Services, General Fund. The funding and workyears for this item are included in the receiving department's 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.

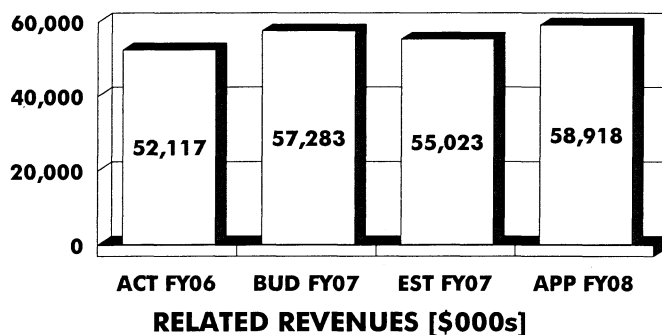
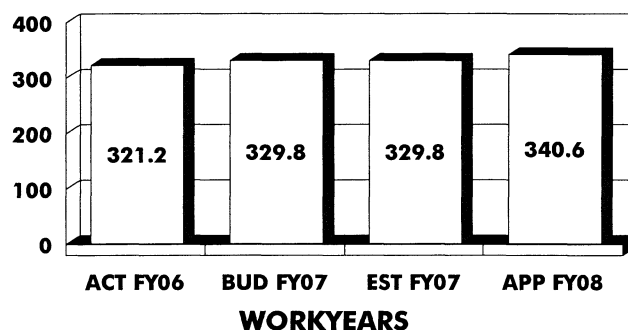
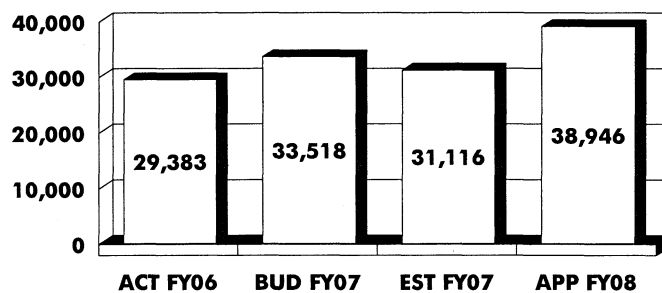
HIGHLIGHTS

- ❖ **Reorganized the Board of License Commissioners to become a division within the Department of Liquor Control called the Division of Licensure, Regulation, and Education in FY07. The Department plans to expand its alcohol and tobacco training to ensure all license-holders understand the laws and feel confident in what they can and cannot do.**
- ❖ **Transfer \$22,150,050 to the General Fund.**
- ❖ **Add a new liquor store to the UpCounty to accommodate the significant growth in population.**
- ❖ **PRODUCTIVITY ENHANCEMENTS**
 - Continue to design and implement an enterprise-wide IT system that will centralize all

Program Summary

| | Expenditures | WYs |
|--------------------------------------|-------------------|--------------|
| Warehouse Operations | 7,209,500 | 67.5 |
| Delivery Operations | 5,583,780 | 75.7 |
| Retail Sales Operations | 16,176,180 | 151.4 |
| Retail Contracted Operations | 190,650 | 0.0 |
| Accounting and Inventory Systems | 2,317,780 | 20.1 |
| Information Management | 1,819,060 | 9.1 |
| Licensure, Regulation, and Education | 1,584,660 | 14.3 |
| Administration | 4,064,010 | 2.5 |
| Totals | 38,945,620 | 340.6 |

Trends



business functions and improve customer service.

- **Continue to review product portfolios and work with suppliers to ensure comprehensive and fresh product offerings at fair prices.**

- **Continue to make operations more efficient and identify ways to improve customer service.**

- **Continue to speak locally, regionally, and nationally on beverage alcohol issues and the benefits of a controlled jurisdiction.**

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 14,000 different stock and special order items.

FY08 Changes

- **Add two Equipment Operators for a total of 15 to unload and load trucks, to move and rotate stock in the warehouses, and to accommodate the caseload, which has increased over 11 percent in the last 5 years.**

| | Expenditures | WYs |
|----------------------|------------------|-------------|
| FY07 Approved | 6,131,740 | 57.2 |
| FY08 Approved | 7,209,500 | 67.5 |

Delivery Operations

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

FY08 Changes

- **Continue the replacement schedule for the delivery truck fleet. Adhering to the schedule allows for maximum use of each vehicle, minimizes down-time and expensive repairs, and spreads the costs over time.**

| | Expenditures | WYs |
|----------------------|------------------|-------------|
| FY07 Approved | 6,258,720 | 84.0 |
| FY08 Approved | 5,583,780 | 75.7 |

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to off-sale retail customers through the operation of retail stores (24 County-staffed and operated and one contractor-operated) located throughout Montgomery County.

FY08 Changes

- **Add a new liquor store to the UpCounty to accommodate the significant growth in population.**

| | Expenditures | WYs |
|----------------------|-------------------|--------------|
| FY07 Approved | 15,350,990 | 150.6 |
| FY08 Approved | 16,176,180 | 151.4 |

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.

FY08 Changes

| | Expenditures | WYs |
|----------------------|----------------|------------|
| FY07 Approved | 190,650 | 0.0 |
| FY08 Approved | 190,650 | 0.0 |

Accounting and Inventory 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.

FY08 Changes

| | Expenditures | WYs |
|----------------------|------------------|-------------|
| FY07 Approved | 2,178,060 | 18.9 |
| FY08 Approved | 2,317,780 | 20.1 |

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 personal computer applications.

FY08 Changes

| | Expenditures | WYs |
|----------------------|------------------|-------------|
| FY07 Approved | 2,411,170 | 14.6 |
| FY08 Approved | 1,819,060 | 9.1 |

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 outreach 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.

FY08 Changes

- ❑ *Reorganized the Board of License Commissioners to become a division within the Department of Liquor Control called the Division of Licensure, Regulation, and Education in FY07. The Department plans to expand its alcohol and tobacco training to ensure all license-holders understand the laws and feel confident in what they can and cannot do.*
- ❑ *Effective FY08, the Community Outreach program will become a part of the Licensure, Regulation, and Education program.*

| | Expenditures | WYs |
|----------------------|------------------|-------------|
| FY07 Approved | 223,250 | 2.0 |
| FY08 Approved | 1,584,660 | 14.3 |

Administration

This program provides overall direction, administration, and supervision for the department.

FY08 Changes

- ❑ *GASB 45 retiree insurance costs are included in FY08 for \$445,260.*
- ❑ *Effective FY08, financing for State transportation projects is appropriated in the Department of Liquor Control for \$2,800,000.*

| | Expenditures | WYs |
|----------------------|------------------|------------|
| FY07 Approved | 773,390 | 2.5 |
| FY08 Approved | 4,064,010 | 2.5 |

BUDGET SUMMARY

| | Actual FY06 | Budget FY07 | Estimated FY07 | Approved FY08 | % Chg Bud/App |
|--|-------------------|-------------------|-------------------|-------------------|------------------|
| LIQUOR CONTROL | | | | | |
| EXPENDITURES | | | | | |
| Salaries and Wages | 14,392,487 | 15,730,220 | 15,273,840 | 17,185,330 | 9.3% |
| Employee Benefits | 4,689,453 | 5,725,630 | 4,962,220 | 5,944,570 | 3.8% |
| Liquor Control Personnel Costs | 19,081,940 | 21,455,850 | 20,236,060 | 23,129,900 | 7.8% |
| Operating Expenses | 8,627,165 | 10,947,520 | 10,406,260 | 14,351,120 | 31.1% |
| Capital Outlay | 1,673,642 | 1,114,600 | 473,900 | 1,464,600 | 31.4% |
| Liquor Control Expenditures | 29,382,747 | 33,517,970 | 31,116,220 | 38,945,620 | 16.2% |
| PERSONNEL | | | | | |
| Full-Time | 242 | 252 | 252 | 260 | 3.2% |
| Part-Time | 60 | 60 | 60 | 60 | — |
| Workyears | 321.2 | 329.8 | 329.8 | 340.6 | 3.3% |
| REVENUES | | | | | |
| Liquor Licenses | 0 | 0 | 0 | 1,300,000 | — |
| Miscellaneous/Investment Income | 64,430 | 53,000 | 53,000 | 66,000 | 24.5% |
| Operating Revenue | 52,053,030 | 57,230,000 | 54,969,900 | 57,168,700 | -0.1% |
| Liquor License Application Fees | 0 | 0 | 0 | 153,000 | — |
| Liquor Enforcement Fines | 0 | 0 | 0 | 200,000 | — |
| Tobacco Enforcement Fines | 0 | 0 | 0 | 20,000 | — |
| Publication Sales - Alcohol Regulation | 0 | 0 | 0 | 900 | — |
| Fingerprint Processing Fee | 0 | 0 | 0 | 9,000 | — |
| Liquor Control Revenues | 52,117,460 | 57,283,000 | 55,022,900 | 58,917,600 | 2.9% |

FY08 APPROVED CHANGES

| | Expenditures | WYs |
|--|-------------------|--------------|
| LIQUOR CONTROL | | |
| FY07 ORIGINAL APPROPRIATION | 33,517,970 | 329.8 |
| Changes (with service impacts) | | |
| Add: Financing: State Transportation Participation Projects [Administration] | 2,800,000 | 0.0 |
| Add: New Retail Store [Retail Sales Operations] | 415,000 | 0.0 |
| Enhance: Two Equipment Operator Positions Grade 13 [Warehouse Operations] | 94,000 | 2.0 |
| Other Adjustments (with no service impacts) | | |
| Replace: Reorganization of Office of the Board of License Commissioners into Liquor Control Division of Licensure Regulation and Education [Licensure, Regulation, and Education] | 1,043,060 | 12.3 |
| Increase Cost: General Wage and Service Increment Adjustments | 980,100 | 0.0 |
| Increase Cost: GASB 45 Retiree Insurance Costs [Administration] | 445,260 | 0.0 |
| Increase Cost: Labor Contracts [Administration] | 201,240 | 0.0 |
| Increase Cost: Store Leases [Retail Sales Operations] | 193,720 | 0.0 |
| Increase Cost: Annualization of FY07 Personnel Costs [Administration] | 137,840 | 2.0 |
| Increase Cost: Retirement Rate Adjustment | 88,050 | 0.0 |
| Increase Cost: Delivery Truck Replacement [Delivery Operations] | 75,000 | 0.0 |
| Increase Cost: Non-professional services [Warehouse Operations] | 53,500 | 0.0 |
| Increase Cost: Charges from Public Works and Transportation [Warehouse Operations] | 40,000 | 0.0 |
| Increase Cost: Minor Enhancements to Existing Stores [Retail Sales Operations] | 40,000 | 0.0 |
| Increase Cost: MLS Adjustment [Administration] | 23,580 | 0.0 |
| Increase Cost: Printing and Mail Adjustments | 19,310 | 0.0 |
| Increase Cost: Paper bags [Retail Sales Operations] | 19,000 | 0.0 |
| Increase Cost: Motor Pool Rate Adjustment | 8,450 | 0.0 |
| Decrease Cost: Occupational Medical Services (OMS) Adjustment | -5,800 | 0.0 |
| Decrease Cost: Convert 3 part-time Alcohol Tobacco Specialists to 1 full-time [Licensure, Regulation, and Education] | -14,400 | -0.5 |
| Decrease Cost: Risk Management Adjustment [Delivery Operations] | -16,470 | 0.0 |
| Decrease Cost: Advertising [Retail Sales Operations] | -75,000 | 0.0 |
| Decrease Cost: Group Insurance Rate Adjustment | -122,380 | 0.0 |
| Decrease Cost: Transfer IT position to DTS [Information Management] | -130,090 | -1.0 |
| Decrease Cost: Controlled Environment Warehouse - Debt Service Transfer [Warehouse Operations] | -190,000 | 0.0 |
| Decrease Cost: Elimination of One-Time Items Approved in FY07 [Administration] | -215,320 | 0.0 |

| | Expenditures | WYs |
|---|-------------------|--------------|
| Decrease Cost: Eliminate Four IT Positions [Information Management] | -480,000 | -4.0 |
| FY08 APPROVED: | 38,945,620 | 340.6 |