

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 FY10 Operating Budget for the Department of Liquor Control is \$44,495,260, an increase of \$5,267,260 or 13.4 percent from the FY09 Approved Budget of \$39,228,000. Personnel Costs comprise 54.5 percent of the budget for 257 full-time positions and 62 part-time positions for 337.3 workyears. Operating Expenses, Capital Outlay, and Debt Service account for the remaining 45.5 percent of the FY10 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

This table presents the department's headline measures or submeasures that relate to multiple programs including projections from FY09 through FY11. These estimates reflect funding based on the FY09 savings plan, the FY10 budget, and funding for comparable service levels in FY11.

Measure	Actual FY07	Actual FY08	Estimated FY09	Approved FY10	Projected FY11
Headline Measures					
Percentage of annual sales growth	5.5	5	5	5	5
Percentage of gross profit margin on sales	27.5	28	28	28	28
Percentage of retail customer satisfaction ¹	97	97	97	97	97
Wholesale customer satisfaction (rated on scale of 1-4) ²	NA	2.9	3.0	3.5	3.5
Retail sales as percentage of total sales	44	45	46	46	46
Sales per retail associate (\$ thousands)	600	630	660	660	660
Percentage of compliance checks that are failed ³	13	11	12	12	12
Number of annual alcohol compliance checks ⁴	393	600	600	600	600

¹ Rated satisfied and above

² Rated satisfied and above. A survey was not conducted in FY07 in order to undergo CountyStat review and to incorporate their recommendations. In FY08, surveys were distributed via mail to each of the Department's 940 wholesale customers and 178 were returned.

³ FY07 is the baseline year for this measure.

⁴ DLC has established a target of 600 compliance checks in partnership with Montgomery County Police Department. In total, DLC performed 5,124 inspections in FY08.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Achieved targeted sales growth of 5 percent and targeted transfer of \$22 million to the General Fund in FY08.*
- ❖ *Hosted a state-wide alcohol regulatory forum for members of the various alcohol boards, inspectors, and administrators to share resources and trend information, and build a state-wide consensus of operating procedures and protocol.*
- ❖ *Developed and implemented several education campaigns aimed at business owners, potential business owners, and the general public to explain responsibility under the law and provide avenues for future assistance.*
- ❖ *Transfer \$26,375,850 to the General Fund in FY10.*
- ❖ **Productivity Improvements**
 - *Added more features to DLC's website, such as a web-accessed price change notification sheet, quick access to monthly sales, depletion information for vendors, and easy access to weekly and monthly sales.*
 - *Reengineered a number of processes to increase efficiency, such as the refining of the Escrow process to ensure deposits reflect 45 days worth of purchases and account replenishments occurs in a timely manner, and scanning licensing and accounts payable information for easy storage and retrieval.*
 - *Obtained grant funding from a variety of sources, which has allowed for the development and implementation of a number of education campaigns promoting safe sales and service of beverage alcohol.*

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.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	7,508,210	66.4
Increase Cost: Southlawn Warehouse Lease Payment	730,140	0.0
Increase Cost: Utilities	85,180	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-335,090	0.5
FY10 Approved	7,988,440	66.9

Delivery Operations

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

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	5,822,320	75.3
Increase Cost: Uniforms	5,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	42,890	0.4
FY10 Approved	5,870,210	75.7

Retail Sales Operations

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

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Approved FY10	Projected FY11
Retail sales as percentage of total sales	44	45	46	46	46
Sales per retail associate (\$ thousands)	600	630	660	660	660

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	17,504,260	151.9
Increase Cost: Space Rentals for Retail Stores	736,090	0.0
Add: Staffing for Darnestown Store	137,770	3.1
Decrease Cost: Retail Store Improvements	-652,950	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	246,570	-1.5
FY10 Approved	17,971,740	153.5

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.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	190,650	0.0
FY10 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.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	2,979,290	23.6
Increase Cost: Debt Service: State Transportation Projects	5,300,000	0.0
Decrease Cost: Administration - Abolish Fiscal Assistant in Bill Payment and Office Service Coordinator in Customer Service	-123,080	-2.0
Decrease Cost: Administration - Abolish Program Manager II, Administrative Specialist II, Office Service Coordinator, Principal Administrative Aide	-279,770	-4.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	46,950	0.0
FY10 Approved	7,923,390	17.6

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.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	1,888,860	9.1
Decrease Cost: Computer Equipment and Accessories	-34,240	0.0
Decrease Cost: Administration - Abolish IT Expert, IT Technician	-284,600	-2.0
Decrease Cost: Professional Computer Services	-285,180	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	160,060	0.0
FY10 Approved	1,444,900	7.1

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 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 FY07	Actual FY08	Estimated FY09	Approved FY10	Projected FY11
Percentage of compliance checks that are failed ¹	13	11	12	12	12
Number of annual alcohol compliance checks ²	393	600	600	600	600

¹ FY07 is the baseline year for this measure.

² DLC has established a target of 600 compliance checks in partnership with Montgomery County Police Department. In total, DLC performed 5,124 inspections in FY08.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	1,592,470	15.0
Technical Adj: Eliminate Grant Funded Tobacco Specialist Charged to Department of Health and Human Services	0	-1.0
Decrease Cost: Licensure, Regulation, and Education - Abolish Inspection and Enforcement Field Inspector Position	-123,210	-1.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-92,720	1.0
FY10 Approved	1,376,540	14.0

Office of the Director

Formally entitled "Administration", this program provides overall direction, administration, and supervision for the Department.

Program Performance Measures	Actual FY07	Actual FY08	Estimated FY09	Approved FY10	Projected FY11
Percentage of annual sales growth	5.5	5	5	5	5
Percentage of gross profit margin on sales	27.5	28	28	28	28
Percentage of retail customer satisfaction ¹	97	97	97	97	97
Wholesale customer satisfaction (rated on scale of 1-4) ²	NA	2.9	3.0	3.5	3.5

¹ Rated satisfied and above

² Rated satisfied and above. A survey was not conducted in FY07 in order to undergo CountyStat review and to incorporate their recommendations. In FY08, surveys were distributed via mail to each of the Department's 940 wholesale customers and 178 were returned.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	1,741,940	2.5
Decrease Cost: Central Duplicating - Printing	-3,470	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-9,080	0.0
FY10 Approved	1,729,390	2.5

BUDGET SUMMARY

	Actual FY08	Budget FY09	Estimated FY09	Approved FY10	% Chg Bud/App
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	17,431,770	18,319,530	18,312,110	18,040,540	-1.5%
Employee Benefits	5,606,815	6,469,190	5,740,150	6,204,500	-4.1%
Liquor Control Personnel Costs	23,038,585	24,788,720	24,052,260	24,245,040	-2.2%
Operating Expenses	11,466,504	12,549,680	13,209,320	13,713,570	9.3%
Debt Service Other	436,331	500,000	0	5,800,000	1060.0%
Capital Outlay	763,270	1,389,600	731,020	736,650	-47.0%
Liquor Control Expenditures	35,704,690	39,228,000	37,992,600	44,495,260	13.4%
PERSONNEL					
Full-Time	260	264	264	257	-2.7%
Part-Time	60	60	60	62	3.3%
Workyears	340.6	343.8	343.8	337.3	-1.9%
REVENUES					
Vendor Registration Fee	13,110	0	0	0	—
Liquor Licenses	1,415,489	1,350,000	1,350,000	1,350,000	—
Miscellaneous/Investment Income	-75,548	100,000	100,000	100,000	—
Operating Revenue	59,637,113	61,501,980	61,501,980	64,549,570	5.0%
Liquor License Application Fees	158,800	160,000	160,000	160,000	—
Liquor Enforcement Fines	135,104	150,000	150,000	150,000	—
Tobacco Enforcement Fines	20,615	20,000	20,000	20,000	—
Publication Sales - Alcohol Regulation	729	0	0	0	—
Fingerprint Processing Fee	11,685	8,500	8,500	8,500	—
Liquor Control Revenues	61,317,097	63,290,480	63,290,480	66,338,070	4.8%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	9,410	0	9,480	0	—
Employee Benefits	670	0	770	0	—
Grant Fund MCG Personnel Costs	10,080	0	10,250	0	—
Operating Expenses	23,208	0	25,150	0	—
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	33,288	0	35,400	0	—
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Under 21 Alcohol Compliance Checks	0	0	10,000	0	—
Coasters - Alcohol Awareness	0	0	4,000	0	—
COPS In Shops	0	0	4,200	0	—
NABCA	5,840	0	10,000	0	—
Latino Server Training Initiative Grant	27,448	0	7,200	0	—
Grant Fund MCG Revenues	33,288	0	35,400	0	—
DEPARTMENT TOTALS					
Total Expenditures	35,737,978	39,228,000	38,028,000	44,495,260	13.4%
Total Full-Time Positions	260	264	264	257	-2.7%
Total Part-Time Positions	60	60	60	62	3.3%
Total Workyears	340.6	343.8	343.8	337.3	-1.9%
Total Revenues	61,350,385	63,290,480	63,325,880	66,338,070	4.8%

FY10 APPROVED CHANGES

	Expenditures	WYs
LIQUOR CONTROL		
FY09 ORIGINAL APPROPRIATION	39,228,000	343.8
<u>Changes (with service impacts)</u>		
Add: Staffing for Darnestown Store [Retail Sales Operations]	137,770	3.1
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Debt Service: State Transportation Projects [Accounting and Inventory Systems]	5,300,000	0.0
Increase Cost: Space Rentals for Retail Stores [Retail Sales Operations]	736,090	0.0
Increase Cost: Southlawn Warehouse Lease Payment [Warehouse Operations]	730,140	0.0
Increase Cost: Service Increment	242,850	0.0
Increase Cost: Group Insurance Adjustment	91,060	0.0
Increase Cost: Utilities [Warehouse Operations]	85,180	0.0
Increase Cost: Retirement Adjustment	84,190	0.0
Increase Cost: Annualization of FY09 Personnel Costs	78,630	0.0
Increase Cost: Risk Management Adjustment	42,460	0.0
Increase Cost: Printing and Mail Adjustment	7,520	0.0
Increase Cost: Uniforms [Delivery Operations]	5,000	0.0
Technical Adj: Eliminate Grant Funded Tobacco Specialist Charged to Department of Health and Human Services [Licensure, Regulation, and Education]	0	-1.0
Technical Adj: Workyears based on Approved Personnel Actions	0	1.4
Decrease Cost: Central Duplicating - Printing [Office of the Director]	-3,470	0.0
Decrease Cost: Professional Meetings Hosted	-5,000	0.0
Decrease Cost: Occupational Medical Services Adjustment	-12,170	0.0
Decrease Cost: Motor Pool Rate Adjustment	-32,440	0.0
Decrease Cost: Computer Equipment and Accessories [Information Management]	-34,240	0.0
Decrease Cost: Miscellaneous Operating Expenses	-70,000	0.0
Decrease Cost: Administration - Abolish Fiscal Assistant in Bill Payment and Office Service Coordinator in Customer Service [Accounting and Inventory Systems]	-123,080	-2.0
Decrease Cost: Licensure, Regulation, and Education - Abolish Inspection and Enforcement Field Inspector Position [Licensure, Regulation, and Education]	-123,210	-1.0
Decrease Cost: Administration - Abolish Program Manager II, Administrative Specialist II, Office Service Coordinator, Principal Administrative Aide [Accounting and Inventory Systems]	-279,770	-4.0
Decrease Cost: Administration - Abolish IT Expert, IT Technician [Information Management]	-284,600	-2.0
Decrease Cost: Professional Computer Services [Information Management]	-285,180	0.0
Decrease Cost: Retirement Incentive Program (RIP) Savings	-367,520	-1.0
Decrease Cost: Retail Store Improvements [Retail Sales Operations]	-652,950	0.0
FY10 APPROVED:	44,495,260	337.3

PROGRAM SUMMARY

Program Name	FY09 Approved		FY10 Approved	
	Expenditures	WYs	Expenditures	WYs
Warehouse Operations	7,508,210	66.4	7,988,440	66.9
Delivery Operations	5,822,320	75.3	5,870,210	75.7
Retail Sales Operations	17,504,260	151.9	17,971,740	153.5
Retail Contracted Operations	190,650	0.0	190,650	0.0
Accounting and Inventory Systems	2,979,290	23.6	7,923,390	17.6
Information Management	1,888,860	9.1	1,444,900	7.1
Licensure, Regulation, and Education	1,592,470	15.0	1,376,540	14.0
Office of the Director	1,741,940	2.5	1,729,390	2.5
Total	39,228,000	343.8	44,495,260	337.3

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY09		FY10	
		Total\$	WYs	Total\$	WYs
LIQUOR CONTROL					
Health and Human Services	Grant Fund MCG	72,130	1.0	0	0.0