

MEMORANDUM

April 30, 2018

TO: Public Safety Committee

FROM: Craig Howard, Senior Legislative Analyst ^{CH}

SUBJECT: **Worksession – FY19 Recommended Operating Budget, Department of Liquor Control (DLC)**

PURPOSE: Review and Make Recommendations for Council Consideration

Expected Participants:

- Robert Dorfman, Director, Department of Liquor Control (DLC)
- Edgar Gonzalez, Deputy Director, DLC
- John Utermohle, Chief of Administrative Services, DLC
- Jennifer Nordin, Office of Management and Budget

FY19 Budget Summary:

- Total operating budget for FY19 is \$64.0 million.
- Earnings transfer to the General Fund of \$28.2 million, with \$24.5 million of that total unrestricted. The unrestricted transfer is an increase of nearly 29% over the FY18 budget.
- Debt service payments of \$11.4 million.
- Increase in anticipated sales revenue of 4%.
- Near completion of all tasks on DLC Improvement Action Plan.
- Replace contracted warehouse operations with DLC staff to achieve costs savings, operational efficiencies, and improve internal controls.

Council Staff Recommendation:

- Review the budget and recent actions of the DLC and provide comments to the County Executive.

I. FY19 Budget Overview

The table below provides a general overview of DLC revenue, expenditures, and staffing from FY17 to the Executive's FY19 recommendation (©1). Budget details by program area begin on page 4.

DLC Budget Summary	FY17 Actual	FY18 Approved	FY19 CE Rec.	% Change, FY18-FY19
Expenditures	\$68,734,031	\$65,161,319	\$63,990,451	-1.8%
Personnel Costs	\$34,054,293	\$34,959,512	\$34,956,544	0.0%
Operating Costs	\$21,209,193	\$18,470,926	\$17,136,826	-7.2%
Capital Outlay	\$3,561,174	\$738,281	\$521,681	-29.3%
Debt Service	\$9,909,371	\$10,992,600	\$11,375,400	3.5%
Revenue	\$82,699,130	\$88,196,702	\$91,697,144	4.0%
Liquor Sales	\$80,282,178	\$86,212,495	\$89,558,487	3.9%
Other	\$2,416,952	\$1,984,207	\$2,138,657	7.8%
Earnings Transfer	\$20,712,444	\$22,676,698	\$28,171,463	24.2%
Unrestricted	\$17,185,388	\$19,011,715	\$24,506,777	28.9%
Chargebacks/Indirect Costs	\$3,527,056	\$3,664,983	\$3,664,686	0.0%
Total FTE's	432.4	438.2	442.20	0.9%
Personnel Costs per FTE	\$78,756	\$79,780	\$79,051	-0.9%
Positions	456	448	455	1.6%
Full-Time	296	305	307	0.7%
Part-Time	160	143	148	3.5%

The Executive's recommendation of \$64.0 million in FY19 expenditures represents a decrease of \$1.2 million or 1.8% from the FY18 approved budget. Of particular note:

- The Executive's recommendation projects FY19 revenue of \$91.7 million. This represents an increase of \$3.5 million or 4.0% compared to the FY18 budget, and \$9.0 million or 10.9% compared to FY17 actuals.
- The unrestricted earnings transfer for FY19 is \$24.5 million, an increase of \$5.5 million or 24.2% over the FY18 budget and \$7.5 million or 36.0% over FY17 actuals. The current estimated unrestricted transfer for FY18 is \$21.2 million.

Executive's Working Capital Plan

The County Executive invites the Council's input for final County Executive decisions on the determination of adequate working capital and use of resources in the Liquor Control Fund and net proceeds to be deposited to the General Fund. The DLC Working Capital Plan is the Executive's Recommended Operating Budget for DLC.

The Attorney General has written an opinion that states policy decisions of the DLC Director are subject to exclusive authority of the County Executive. The DLC is subject to the same requirements and procedures as applicable under County law to any other County department except to the extent that ordinary County requirements or procedures would be inconsistent with the General Assembly's own decisions about DLC. Under State law, the DLC Director and Finance Director – with the approval of the County Executive – are authorized to determine the portion of DLC's net profits that are needed for working capital, after payment of debt service.

II. DLC Budget/Performance/Operational Issues

This section highlights several budget, performance, and/or operations issues that the Committee may want to discuss with DLC staff. These include both enhancements DLC plans to make in FY19 and the status of other issues the Committee has reviewed in recent years.

- **Improvement Action Plan.** DLC's Improvement Action Plan was initiated in 2015 to facilitate and track DLC's improvement across six categories: customer service; warehouse operations; special orders; retail operations; delivery and fleet; and financial controls and general operations. The Action Plan includes 18 key milestones, with multiple action items under each milestone. DLC reports that it has completed nearly all of the 300 action items in the improvement plan. There are approximately 15 items remaining within the Financial Controls and General Operations category, and DLC is coordinating these items with the Department of Finance.¹
- **Warehouse improvements.** DLC notes that a large number of special order products are now stock products. This change resulted from installation of "flow racking", which increased DLC's warehouse space, and a policy change that lowered the volume requirements for a product to be considered stock. DLC also notes that flow racking has increased efficiency in picking products ready to be shipped. Finally, DLC reports that "voice picking" technology has improved DLC's accuracy and speed. The most recent DLC performance data from CountyStat indicate that 98% of DLC items were shipped on-time and intact in FY17. For special order items, the percent shipped on-time and intact increased from 85% in FY16 to 89% in FY17. For stock items, the percent shipped on-time and intact increased from 98% in FY16 to 99% in FY17.
- **Change in beer loading from contractors to DLC staff.** For many years, DLC had used contractors to load beer distribution trucks, while DLC staff loaded liquor/wine delivery trucks. DLC is switching to using DLC staff to load all delivery trucks in order to achieve cost savings, increase operational efficiencies by consolidating the warehouse loading activities, and improve internal controls. DLC notes that this action was first discussed in the 2014 Comprehensive Long-Range Strategic Business Plan for the department. **Even with an increase of 14 FTEs from this action, DLC's will achieve \$551,036 in FY19 savings compared to the contract costs.**
- **Delivery improvements.** DLC has replaced over one-half (22 out of 42) of its delivery truck fleet over the past three years, and reduced fleet maintenance costs by eliminating the oldest and most costly vehicles to maintain. DLC also plans to implement a "proof of delivery" invoicing system in the Fall of 2018 to improve the delivery process and record keeping.
- **Status of stores.** DLC plans to close two stores during FY18, the Rockville Pike store and the Milestone store in Germantown, reducing the total number of stores to 25. DLC notes that the stores are near other DLC store locations and that they expect the consolidation to improve DLC's financial performance. Additionally, staff will be reallocated to other stores. DLC continues to explore the strategy of opening a "superstore", and is also examining the possibility of opening up smaller "boutique" stores that could operate near private beer and wine stores. As discussed by the Committee during the FY18 savings plan worksessions, DLC achieved savings by postponing planned retail store upgrades. DLC does plan to use the savings from closing the two stores to fund store upgrades in FY19.

¹ <http://www.montgomerycountymd.gov/dlc/resources/files/dlc-improvement-action-plan.pdf>

- **Agency store bill implementation.** DLC provided the following update on the status of the agency store bill implementation: *“DLC has held advisory committee meetings in coordination with licensees, manufacturers, distributors, and health officials. The advisory committee has provided input on a selection process and identified factors to consider including: distance from existing retail stores, shelf space, limiting the number of agency stores, licensees’ business size and financial conditions, regulatory compliance records, and possible impact of County boutique (liquor only) stores. A timeline for implementation of agency stores is not available at this time.”*
- **iStore enhancements.** DLC completed several enhancements to the iStore website during FY18. These enhancements included: improving the general appearance of the site, displaying quantity discounts, improved search functions, and reducing the number of time the iStore is not available due to ERP maintenance. DLC also held a focus group with several licensees and received feedback on additional enhancements such as creating a printer-friendly output for orders and including additional product details on the site (such as vintage information for wine). DLC will continue to make enhancements to the iStore through the Summer of 2018.
- **DLC licensee feedback survey.** In January 2018, CountyStat conducted a DLC licensee customer satisfaction survey. The complete survey summary is attached at ©10. Of particular note, 54% of respondents indicated that they are satisfied with the services DLC provides while 39% indicated that they were dissatisfied. While the data show that there is still room for improvement, the results show progress compared to a similar question from a licensee survey conducted by the Office of Legislative Oversight in 2015.² In that survey, only 28% of respondents indicated satisfaction with DLC’s services and 54% indicated dissatisfaction.

One area that shows less progress is “product selection and availability.” The 2018 CountyStat survey shows 44% of respondents indicated satisfaction with DLC’s product selection and availability and 45% indicated dissatisfaction. On the same question in the 2015 OLO survey, 37% of respondents indicated satisfaction and 40% indicated dissatisfaction.

- **Customer service and outreach.** DLC has developed customer service training modules for employees, and plans to provide customer service kiosks in County stores and DLC offices. DLC also hired a Senior Marketing Officer to lead the Department’s sales and communication efforts.

III. FY19 Expenditures by Program

A. Warehouse Operations

DLC’s warehouse operations program involves management of the County’s beverage alcohol warehouse and the purchasing, receiving, and storing of over 35,000 different stock or special order items. All alcoholic beverage products must pass through DLC’s warehouse, except for some beer and wine from small producers that can “self-distribute” their product directly to licensees under State law. This program also includes the DLC Communication Center that takes customer orders, provides assistance and problem solving, connects customers with DLC experts, provides proactive outreach on order status and product availability, and response to general customer inquiries.

² The Council’s Ad Hoc Committee on Liquor Control reviewed the results of that survey on March 27, 2015: http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2015/150327/20150327_LiquorControl1-2.pdf

In FY19, the warehouse operations program represents about 14% of DLC's recommended operating expenditures and 22% of DLC's personnel complement. The County Executive recommends a 9.5% decrease in expenditures and a 21.5% increase in FTE's for this program in FY19. The staffing changes in FY19 relate to replacing the beer loading contract positions with County staff, and re-aligning the purchasing staff from the delivery operations program.

Warehouse Operations	FY18 Approved	FY19 CE Rec.	% Change, FY18-FY19
Expenditures	\$9,819,676	\$8,890,200	-9.5%
FTEs	79.23	96.23	21.5%

B. Delivery Operations

DLC's delivery operations program includes the distribution of distilled spirits, wine, and beer to licensed establishments and County retail stores. In FY19, the delivery operations program represents about 11% of DLC's recommended operating expenditures and 19% of DLC's personnel complement. The County Executive recommends a 12.3% decrease in expenditures and a 10.8% decrease in FTE's for this program in FY19. These changes primary result from re-aligning the purchasing staff into the warehouse operations program.

Delivery Operations	FY18 Approved	FY19 CE Rec.	% Change, FY18-FY19
Expenditures	\$8,337,710	\$7,312,044	-12.3%
FTEs	93.00	83.00	-10.8%

C. Retail Sales Operations

DLC's retail sales operations program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of 27 stores located throughout the County. As noted above, DLC plans to close two stores prior to the end of FY18. DLC stores have the exclusive right to sell liquor for off-site consumption in the County, and sell wine and non-chilled beer. In FY19, the retail sales operations program represents about 45% of DLC's recommended operating expenditures and 51% of DLC's personnel complement. The County Executive recommends a 2.2% increase in expenditures and a 1.3% decrease in FTE's for this program in FY19.

Retail Sales Operations	FY18 Approved	FY19 CE Rec.	% Change, FY18-FY19
Expenditures	\$28,379,069	\$29,001,691	2.2%
FTEs	227.88	224.88	-1.3%

D. Licensure, Regulation, and Education

DLC's licensure, regulation, and education program encompasses several different elements, listed below:

- Processing alcoholic beverage license applications in compliance with State law and the rules and regulations of the County Board of License Commissioners.
- Inspecting and investigating facilities licensed to sell alcoholic beverages or tobacco products to ensure compliance with all applicable laws, rules, and regulations.

- Working with businesses, individuals, community groups, and government agencies to provide and coordinate programs, increase awareness of alcohol laws, and promote responsible hospitality practices among County licensees.

In FY19, the LRE program represents about 3% of DLC's recommended operating expenditures and 2% of DLC's personnel complement. The County Executive recommends a 6.2% decrease in expenditures and a 10.6% increase in FTE's for this program in FY19.

Licensure, Regulation, and Education	FY18 Approved	FY19 CE Rec.	% Change, FY18-FY19
Expenditures	\$1,939,863	\$1,819,312	-6.2%
FTEs	9.39	10.39	10.6%

E. Administration

DLC's administration program provides accounting, financial, and information technology services for the department. Finance and accounting staff perform special analyses, reporting, and prepare and monitor the department's budget. Information technology staff provide the design, operation, maintenance, and protection of all information technology initiatives for the department. In FY19, the administration program represents about 24% of DLC's recommended operating expenditures and 5% of DLC's personnel complement. The County Executive recommends a 1.9% decrease in expenditures and a 11.7% decrease in FTE's for this program in FY19.

Administration	FY18 Approved	FY19 CE Rec.	% Change, FY18-FY19
Expenditures	\$15,975,135	\$15,668,948	-1.9%
FTEs	25.70	22.70	-11.7%

F. Office of the Director

This program provides the overall direction for DLC. In FY19, the office of the director program represents about 2% of DLC's recommended operating expenditures and 1% of DLC's personnel complement. The County Executive recommends increases in both expenditures and FTE's for this program in FY19.

Office of the Director	FY18 Approved	FY19 CE Rec.	% Change, FY18-FY19
Expenditures	\$709,866	\$1,398,256	97.0%
FTEs	3.00	5.00	66.7%

IV. DLC Budget Recommendations

Based on the 1998 Maryland Attorney General's opinion, the Council traditionally provides general comments on the DLC budget (Working Capital Plan) rather than recommending increases, decreases, or deferral of particular line items.

Council staff recommends approval of the Department of Liquor Control FY19 Operating Budget as submitted by the County Executive with \$63,990,451 in expenditures and a \$28,171,463 earnings transfer to the General Fund.



Liquor Control

RECOMMENDED FY19 BUDGET
\$63,990,451

FULL TIME EQUIVALENTS
442.20

 **ROBERT DORFMAN, DIRECTOR**

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. The Department strives to provide its customers with the added benefits inherent with the oversight provided by the Montgomery County Government.

BUDGET OVERVIEW

The total recommended FY19 Operating Budget for the Department of Liquor Control is \$63,990,451, a decrease of \$1,170,868 or 1.80 percent from the FY18 Approved Budget of \$65,161,319. Personnel Costs comprise 54.63 percent of the budget for 307 full-time position(s) and 148 part-time position(s), and a total of 442.20 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 45.37 percent of the FY19 budget.

The Department of Liquor Control began an organization-wide improvement effort in 2015 focused on customer service, retail, delivery, and warehouse operations. The recommended FY19 Operating Budget reflects a continued commitment to creating a customer focused and efficient operation.

In FY19, the Department of Liquor Control will transfer \$28.2 million to the General Fund and make \$11.4 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$39.6 million.

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:

- ◆ **Healthy and Sustainable Neighborhoods**
- ◆ **A Responsive, Accountable County Government**
- ◆ **Safe Streets and Secure Neighborhoods**
- ◆ **Strong and Vibrant Economy**

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below (where applicable), with multi-program measures displayed at the front of this section and program-specific measures shown with the relevant program. The FY18 estimates reflect funding based on the FY18 approved budget. The FY19 and FY20 figures are performance targets based on the FY19 recommended budget and funding for comparable service levels in FY20.

INITIATIVES

- ★ In FY19, DLC will transfer \$28.2 million to the General Fund and make \$11.4 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$39.6 million.
- ★ Establish training programs for new employees.
- ★ Enhance the iStore website to improve the user experience.
- ★ Improve retail operations by consolidating and renovating select stores.

ACCOMPLISHMENTS

- ☑ Net sales for FY17 were \$296.2 million. This represents growth over the previous year of \$3.7 million or 1.3 percent.
- ☑ Hired a Director with private sector experience; a Senior Marketing Officer to build a customer focused culture and improve retail programming; a Pricing Team to improve accuracy and competitiveness; and an Administrative Team to improve oversight and analysis.
- ☑ Completed the DLC Improvement Action Plan in 2017. Progress and results were tracked through accountability meetings led by the Chief Administrative Officer and the County Executive's CountyStat Office.
- ☑ The DLC Legislative Outreach Program received the 2017 National StateWays Best Practices Award.
- ☑ The Licensing, Regulation, and Education Division received the 2017 National Regulator of the Year Award.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ✦ Installed software to improve reporting capabilities in the Licensing, Regulation, and Education Division.
- ✦ Implemented scanning and voice picking software to improve speed and accuracy in the DLC warehouse.
- ✦ Replaced 16 delivery trucks to improve delivery operations and lower fleet maintenance costs.
- ✦ Replaced contracted warehouse operations with County staff to improve internal controls.

COLLABORATION AND PARTNERSHIPS

* "I Take It Personally" Campaign

DLC and Police launched a public awareness campaign to prevent drunk driving and patron over-consumption.

Partners

Department of Police

PROGRAM CONTACTS

Contact Courtney Orsini of the Department of Liquor Control at 240.777.1921 or Jennifer Nordin of the Office of Management and Budget at 240.777.2779 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

* Administration

This program provides accounting, financial, and information technology services for the department. Finance and accounting staff perform special analyses, reporting, and 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.

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	15,975,135	25.70
Increase Cost: Debt Service	382,800	0.00
Technical Adj: Finance Chargeback	0	(1.00)
Decrease Cost: Contract Savings	(87,000)	0.00
Decrease Cost: Lapse Sr. IT Specialist Position	(116,970)	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.	(585,017)	(2.00)
FY19 Recommended	15,568,948	22.70

* Warehouse Operations

This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 35,000 different stock and special order items.

Program Performance Measures	Actual FY16	Actual FY17	Estimated FY18	Target FY19	Target FY20
Inventory as a percent of Cost of Goods Sold (COGS)	14.6	15.6	15.5	15.5	15.5
Inventory as a Percent of DLC Sales	10.7	11.4	11.5	11.5	11.5

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	9,819,676	79.23
Decrease Cost: Warehouse Division Overtime	(42,010)	0.00

FY19 Recommended Changes	Expenditures	FTEs
Decrease Cost: Eliminate Full-Time Warehouse Worker Position	(56,998)	(1.00)
Decrease Cost: Utilities Savings	(140,000)	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.	(690,468)	18.00
FY19 Recommended	8,890,200	96.23

Delivery Operations

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

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	8,337,710	93.00
Decrease Cost: Delivery Division Overtime	(65,640)	0.00
Decrease Cost: Fleet Maintenance Savings	(100,000)	0.00
Re-align: Fleet Replacement Strategy	(576,000)	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.	(284,026)	(10.00)
FY19 Recommended	7,312,044	83.00

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to retail customers through the operation of retail stores that are located throughout Montgomery County.

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	28,379,069	227.88
Technical Adj: Credit Card Fees	2,200,000	0.00
Enhance: Retail Store Renovations	440,000	0.00
Decrease Cost: Retail Division Overtime	(107,650)	0.00
Decrease Cost: Eliminate Assistant Store Manager Position and Lapse Five Part-Time Clerk Positions	(321,634)	(1.00)
Eliminate: Consolidate Two Retail Stores	(1,225,106)	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.	(362,988)	(2.00)
FY19 Recommended	29,001,691	224.88

Licensure, Regulation and Education

This program includes issuance of beverage alcohol licenses, inspecting, and investigating licensed facilities to ensure compliance with all applicable laws, rules, 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 partnerships 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	Actual	Estimated	Target	Target
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	FY16	FY17	FY18	FY19	FY20
Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.7	4.7	5	5	5
Annual alcohol compliance checks to minors (under 21)	400	400	400	400	400
Rating of Licensed Businesses satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.7	4.7	5	5	5

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	1,939,863	9.39
Decrease Cost: Operating Expenses	(20,000)	0.00
Decrease Cost: Lapse Program Specialist I Position	(78,301)	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.	(22,250)	1.00
FY19 Recommended	1,819,312	10.39

Office of the Director

This program provides the overall direction for the Department.

Program Performance Measures	Actual FY16	Actual FY17	Estimated FY18	Target FY19	Target FY20
Annual growth in DLC retail and wholesale sales (percent)	5.6	1.3	1.8	1.2	0.9
Gross profit margin of DLC retail and wholesale operations (percent)	26.9	27.1	28.9	29.4	30.0

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	709,866	3.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	688,390	2.00
FY19 Recommended	1,398,256	5.00

BUDGET SUMMARY

	Actual FY17	Budget FY18	Estimate FY18	Recommended FY19	%Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	25,120,583	25,601,349	26,301,192	25,293,311	-1.2 %
Employee Benefits	8,933,710	9,358,163	9,020,298	9,663,233	3.3 %
Liquor Control Personnel Costs	34,054,293	34,959,512	35,321,490	34,956,544	—
Operating Expenses	21,209,193	18,470,926	19,345,227	17,136,826	-7.2 %
Capital Outlay	3,561,174	738,281	738,281	521,681	-29.3 %
Debt Service Other	9,909,371	10,992,600	10,992,600	11,375,400	3.5 %
Liquor Control Expenditures	68,734,031	65,161,319	66,397,598	63,990,451	-1.8 %
PERSONNEL					
Full-Time	296	305	305	307	0.7 %
Part-Time	160	143	143	148	3.5 %
FTEs	432.42	438.20	438.20	442.20	0.9 %

BUDGET SUMMARY

	Actual FY17	Budget FY18	Estimate FY18	Recommended FY19	%Chg Bud/Rec
REVENUES					
Bag Tax	7,693	0	0	0	—
Investment Income	78,759	28,710	129,290	183,160	538.0 %
Liquor Licenses	1,848,400	1,570,197	1,570,197	1,570,197	—
Liquor Sales	80,282,178	86,212,495	87,014,065	89,558,487	3.9 %
Miscellaneous Revenues	180,406	0	0	0	—
Other Charges/Fees	17,830	8,740	8,740	8,740	—
Other Fines/Forfeitures	218,464	220,560	220,560	220,560	—
Other Licenses/Permits	65,400	156,000	156,000	156,000	—
Liquor Control Revenues	82,699,130	88,196,702	89,098,852	91,697,144	4.0 %

GRANT FUND - MCG

EXPENDITURES

Salaries and Wages	10,479	0	0	0	—
Employee Benefits	746	0	0	0	—
Grant Fund - MCG Personnel Costs	11,225	0	0	0	—
Operating Expenses	20,801	0	0	0	—
Grant Fund - MCG Expenditures	32,026	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	3,332	0	0	0	—
Miscellaneous Revenues	(6,699)	0	0	0	—
Other Intergovernmental	25,000	0	0	0	—
Grant Fund - MCG Revenues	21,633	0	0	0	—

DEPARTMENT TOTALS

Total Expenditures	68,766,057	65,161,319	66,397,598	63,990,451	-1.8 %
Total Full-Time Positions	296	305	305	307	0.7 %
Total Part-Time Positions	160	143	143	148	3.5 %
Total FTEs	432.42	438.20	438.20	442.20	0.9 %
Total Revenues	82,720,763	88,196,702	89,098,852	91,697,144	4.0 %

FY19 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		

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FY19 RECOMMENDED CHANGES

	Expenditures	FTEs
FY18 ORIGINAL APPROPRIATION	65,161,319	438.20
<u>Changes (with service impacts)</u>		
Enhance: Retail Store Renovations [Retail Sales Operations]	440,000	0.00
Eliminate: Consolidate Two Retail Stores [Retail Sales Operations]	(1,225,106)	0.00
<u>Other Adjustments (with no service impacts)</u>		
Technical Adj: Credit Card Fees [Retail Sales Operations]	2,200,000	0.00
Increase Cost: FY19 Compensation Adjustment	1,047,571	0.00
Increase Cost: Debt Service [Administration]	382,800	0.00
Increase Cost: Annualization of FY18 Personnel Costs	133,582	0.00
Increase Cost: Motor Pool Adjustment	82,531	0.00
Increase Cost: Retail Store Leases	81,500	0.00
Increase Cost: Risk Management Adjustment	21,769	0.00
Increase Cost: OPEB Adjustment	8,890	0.00
Increase Cost: Printing and Mail	2,155	0.00
Technical Adj: Finance Chargeback [Administration]	0	(1.00)
Decrease Cost: IT Cost Savings	(4,060)	0.00
Decrease Cost: Operating Expenses [Licensure, Regulation and Education]	(20,000)	0.00
Decrease Cost: Warehouse Division Overtime [Warehouse Operations]	(42,010)	0.00
Decrease Cost: Eliminate Full-Time Warehouse Worker Position [Warehouse Operations]	(56,998)	(1.00)
Decrease Cost: Delivery Division Overtime [Delivery Operations]	(65,640)	0.00
Decrease Cost: Lapse Program Specialist I Position [Licensure, Regulation and Education]	(78,301)	0.00
Decrease Cost: Contract Savings [Administration]	(87,000)	0.00
Decrease Cost: Fleet Maintenance Savings [Delivery Operations]	(100,000)	0.00
Decrease Cost: Retirement Adjustment	(107,270)	0.00
Decrease Cost: Retail Division Overtime [Retail Sales Operations]	(107,650)	0.00
Decrease Cost: Lapse Sr. IT Specialist Position [Administration]	(116,970)	0.00
Decrease Cost: Utilities Savings [Warehouse Operations]	(140,000)	0.00
Decrease Cost: Misc. Operating Expense Savings	(250,000)	0.00
Decrease Cost: Eliminate Assistant Store Manager Position and Lapse Five Part-Time Clerk Positions [Retail Sales Operations]	(321,634)	(1.00)
Re-align: Fleet Replacement Strategy [Delivery Operations]	(576,000)	0.00
Re-align: Mid-Year Personnel and Operating Changes	(943,367)	7.00
Decrease Cost: Elimination of One-Time Items Approved in FY18	(1,329,660)	0.00
FY19 RECOMMENDED	63,990,451	442.20

PROGRAM SUMMARY

Program Name	FY18 APPR Expenditures	FY18 APPR FTEs	FY19 REC Expenditures	FY19 REC FTEs
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PROGRAM SUMMARY

Program Name	FY18 APPR Expenditures	FY18 APPR FTEs	FY19 REC Expenditures	FY19 REC FTEs
Administration	15,975,135	25.70	15,568,948	22.70
Warehouse Operations	9,819,676	79.23	8,890,200	96.23
Delivery Operations	8,337,710	93.00	7,312,044	83.00
Retail Sales Operations	28,379,069	227.88	29,001,691	224.88
Licensure, Regulation and Education	1,939,863	9.39	1,819,312	10.39
Office of the Director	709,866	3.00	1,398,256	5.00
Total	65,161,319	438.20	63,990,451	442.20

FUTURE FISCAL IMPACTS

CE RECOMMENDED (\$000S)

Title	FY19	FY20	FY21	FY22	FY23	FY24
LIQUOR CONTROL						
EXPENDITURES						
FY19 Recommended	63,990	63,990	63,990	63,990	63,990	63,990
No inflation or compensation change is included in outyear projections.						
Elimination of One-Time Items Recommended in FY19	0	(440)	(440)	(440)	(440)	(440)
Items recommended for one-time funding in FY19, including retail store improvements, will be eliminated from the base in the outyears.						
Annualized Savings from Store Consolidation	0	(589)	(589)	(589)	(589)	(589)
Annualized savings from the consolidation of two stores in FY19.						
Debt Service	0	(15)	(192)	(335)	(628)	(758)
Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system.						
Restore One-Time Lapse Increase	0	458	458	458	458	458
Restoration of one-time lapse adjustment in the budget development year						
Retail Store Leases	0	138	279	423	570	719
The leases for retail stores based on CPI assumptions (2.0%).						
Retiree Health Insurance Pre-funding	0	25	32	44	44	44
Labor Contracts	0	551	551	551	551	551
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	63,990	64,118	64,089	64,102	63,956	63,975

FY19-24 PUBLIC SERVICES PROGRAM: FISCAL PLAN				Liquor Control			
FISCAL PROJECTIONS	FY18 ESTIMATE	FY19 REC	FY20 PROJECTION	FY21 PROJECTION	FY22 PROJECTION	FY23 PROJECTION	FY24 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	1.6%	2.0%	2.1%	2.2%	2.3%	2.4%	2.4%
Investment Income Yield	0.012	0.017	0.022	0.027	0.032	0.032	0.032
BEGINNING FUND BALANCE	2,427,629	2,707,801	2,243,031	2,700,000	3,300,000	3,800,000	4,539,204
REVENUES							
Licenses & Permits	1,726,197	1,726,197	1,761,929	1,800,692	1,842,108	1,885,950	1,931,778
Charges For Services	8,740	8,740	8,921	9,117	9,327	9,549	9,781
Fines & Forfeitures	220,560	220,560	225,126	230,078	235,370	240,972	246,828
Miscellaneous	87,143,355	89,741,647	92,416,272	95,169,519	98,003,747	100,867,517	103,817,199
Subtotal Revenues	89,098,852	91,697,144	94,412,247	97,209,406	100,090,552	103,003,987	106,005,586
INTERFUND TRANSFERS (Net Non-CIP)	(24,828,303)	(28,171,463)	(28,097,404)	(28,909,318)	(29,881,010)	(30,581,450)	(31,998,397)
Transfers To The General Fund	(24,828,303)	(28,171,463)	(28,097,404)	(28,909,318)	(29,881,010)	(30,581,450)	(31,998,397)
Indirect Costs	(3,495,951)	(3,495,654)	(3,550,721)	(3,550,721)	(3,550,721)	(3,550,721)	(3,550,721)
Earnings Transfer	(21,163,320)	(24,506,777)	(24,546,683)	(25,358,597)	(26,330,289)	(27,030,729)	(28,447,676)
Telecommunications NDA	(169,032)	(169,032)	0	0	0	0	0
TOTAL RESOURCES	66,698,178	66,233,482	68,557,874	71,000,088	73,609,542	76,222,537	78,546,393
CIP CURRENT REVENUE APPROP.	0	0	0	0	0	0	0
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(55,405,198)	(52,615,051)	(54,354,412)	(56,225,822)	(58,222,832)	(60,343,062)	(62,577,376)
Debt Service: Other (Non-Tax Funds only)	(10,992,400)	(11,375,400)	(11,375,400)	(11,375,400)	(11,375,400)	(11,375,400)	(11,375,400)
Labor Agreement	n/a	n/a	(550,665)	(550,665)	(550,665)	(550,665)	(550,665)
FFI - Annualize Savings From Store Consolidation	n/a	n/a	589,068	589,068	589,068	589,068	589,068
FFI - Removal of FY19 One-time Expenses	n/a	n/a	440,000	440,000	440,000	440,000	440,000
FFI - Debt Service	n/a	n/a	14,700	192,400	335,100	628,250	758,400
FFI - Retiree Health Insurance Pre Funding	n/a	n/a	(24,800)	(32,290)	(43,600)	(43,600)	(43,600)
FFI - Retail Store Leases	n/a	n/a	(138,249)	(279,263)	(423,097)	(569,808)	(719,453)
FFI - Reinstated Lapsed Positions	n/a	n/a	(458,116)	(458,116)	(458,116)	(458,116)	(458,116)
Bond Proceeds Applied to Debt Service	107,221						
Subtotal PSP Oper Budget Approp / Exp's	(66,290,377)	(63,990,451)	(65,857,874)	(67,700,088)	(69,709,542)	(71,683,333)	(73,937,142)
OTHER CLAIMS ON FUND BALANCE	2,407,221	0	0	0	0	0	0
TOTAL USE OF RESOURCES	(63,883,156)	(63,990,451)	(65,857,874)	(67,700,088)	(69,709,542)	(71,683,333)	(73,937,142)
YEAR END FUND BALANCE	2,815,022	2,243,031	2,700,000	3,300,000	3,800,000	4,539,204	4,609,251
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	4.2%	3.4%	3.9%	4.6%	5.2%	6.0%	5.9%
Assumptions: 1. These projections are based on the Executive's Recommended budget and include 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. 2. Fund balance policy equals one month's operating expenses, one payroll, and \$1,500,000 for inventory in cash balance. 3. Operating expenditures grow with CPI. 4. Net profit growth is estimated at 3.0% per year. 5. Bond Proceeds from the 2013 Liquor Bond Series were applied to FY17 and FY18 debt service payments, as allowed under IRS regulations. 6. Removal of One-Time Expenses include select store renovations. 7. Annualized savings from the consolidation of two retail stores in FY19.							



Montgomery County DLC Licensee Feedback Survey - 2018

Montgomery County Government
Department of Liquor Control



DLC Licensee Feedback Survey

BACKGROUND & METHODOLOGY

Background:

This memo summarizes the results of the annual DLC Licensee Customer Satisfaction Survey that was conducted in January 2018.

Methodology:

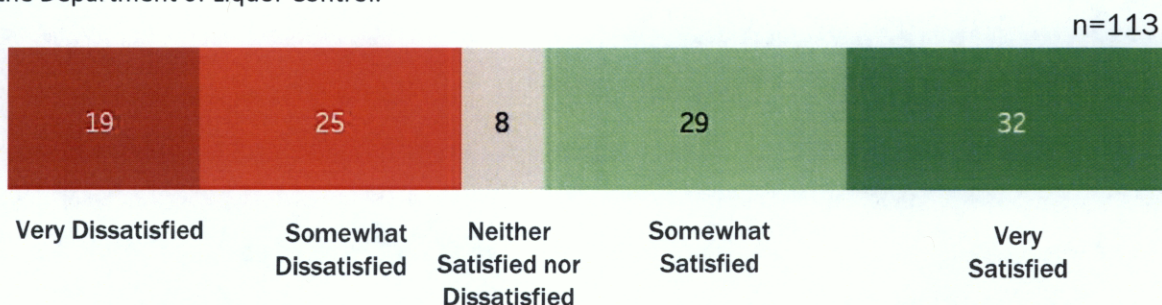
Licensee Survey - Responses were collected exclusively through an online survey conducted by CountyStat. A link to the survey was distributed to 1,059 licensees with email addresses registered in the department's GovDelivery system, and provided by the IT staff of DLC. Because the distribution of this survey did not rely exclusively on random sampling or any kind of parameters to control distribution, it does not meet the standards of a scientific poll. The "Montgomery County DLC Licensee Feedback Survey – 2018" questions were developed to convey the standpoint of licensees that the DLC serves and evaluate their satisfaction of the services provided by the department. Due to the lack of sampling during the distribution of this survey, there will be no attempt to weight or correct responses to align with licensee size and characteristics. One uncorrected bias will be represented within this analysis, Licensees that do not purchase items from DLC retail outlets for business purposes and answered the section on retail satisfaction and improvement from a non-business standpoint.

MONTGOMERY COUNTY DLC LICENSEE FEEDBACK SURVEY – 2018

Of the 1,059 Licensees that were sent the survey link, 113 Responses were received. With a 10.6% response rate the survey provides adequate feedback to quantify the overall satisfaction of its licensees with respect to the different services provided by the Department. For detailed descriptive statistics from the survey responses please see Appendix II.

QUESTION 1: HOW WOULD YOU RATE YOUR OVERALL SATISFACTION WITH THE SERVICES THAT THE DEPARTMENT OF LIQUOR CONTROL PROVIDES?

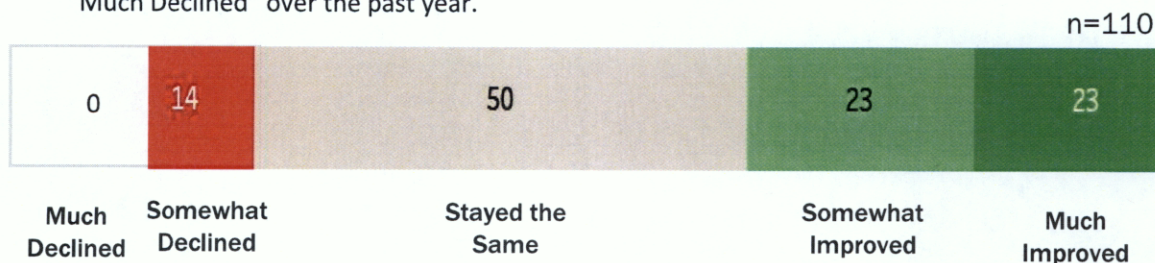
53.9% of Respondents to the survey are satisfied with the current services that have been provided by the Department of Liquor Control.



Average Satisfaction Score: 3.3/5

QUESTION 2: COMPARED TO THIS SAME TIME LAST YEAR, PLEASE RATE THE LEVEL OF IMPROVEMENT THAT YOU HAVE EXPERIENCED FOR THE DEPARTMENT'S SERVICES OVERALL.

- 41.8% of respondents to Q2 said that they experienced some improvement in the service that they have been provided over the past year.
- None of the respondents reported that the overall services provided by the Department had "Much Declined" over the past year.

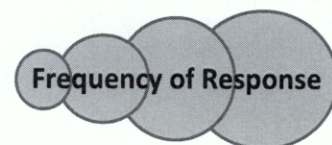
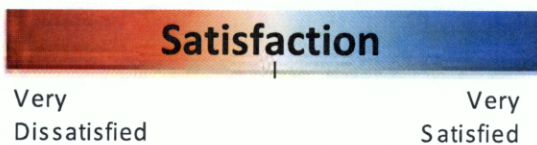
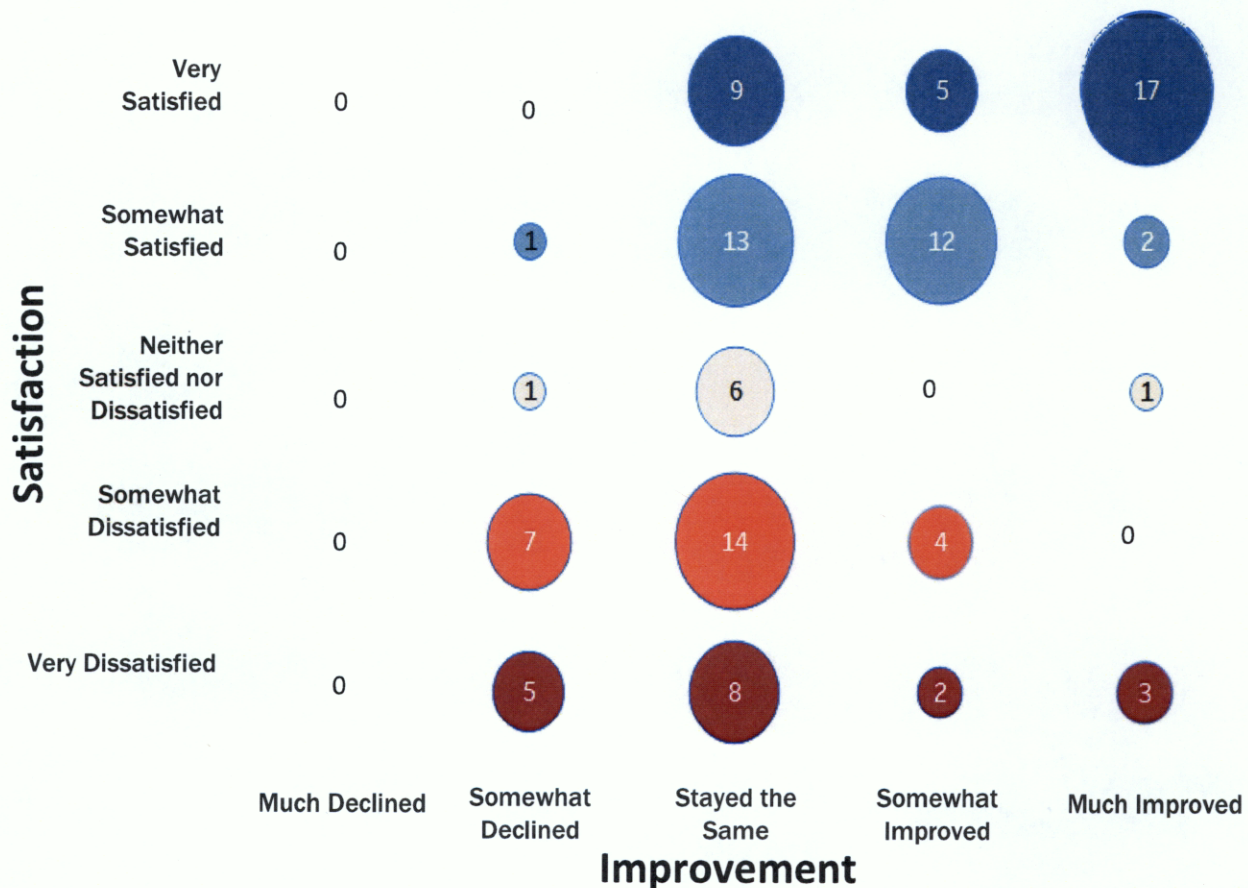


Average Improvement Score: 3.5/5

QUESTION 1 VS. QUESTION 2 SATISFACTION VS. IMPROVEMENT

- Of the 110 respondents that answered both Question 1 and Question 2 on the survey, 50 (or 45.0%) of respondents replied that they had not experienced any noticeable changes in the services that were provided by the department over the past year. Of those 50 licensees that had not experienced change in Question 2, exactly 22 replied that they were somewhat or very satisfied and 22 replied that they were either somewhat or very dissatisfied with the overall service provided by the department, the remainder (6) replied that they were "Neither Satisfied nor Dissatisfied."
- 62.0% of respondents answered that they were either satisfied or saw improvement in service over the past year Question 1 and Question 2.

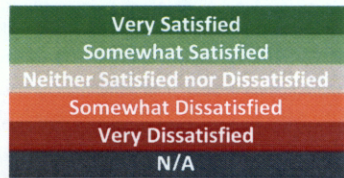
n=110



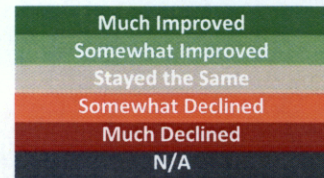
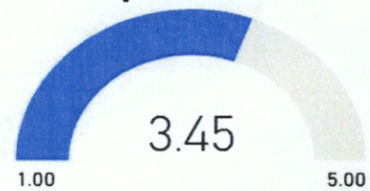
QUESTION 3 VS. QUESTION 4 SATISFACTION VS. IMPROVEMENT:
WHOLESALE DIVISION

Average Score for
satisfaction and
improvement within
the Wholesale
Division

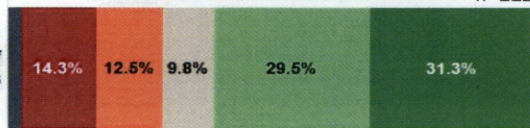
Satisfaction



Improvement

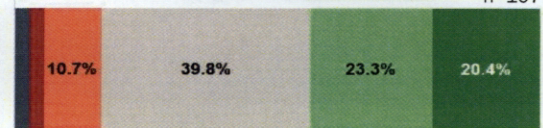


**Consistency of
Deliveries**



Satisfaction Score: 3.5/5

n=112



Of the 39.8% that reported no noticeable improvements in service 36.6% reported being somewhat or very satisfied

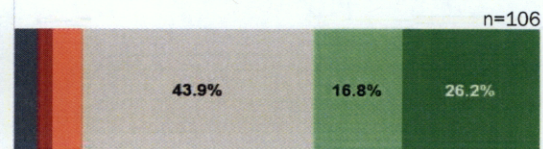
n=107

**Customer service and
responsiveness
(cashiers, call center,
drivers, etc.)**



Satisfaction Score: 3.82/5

n=111



Of the 43.9% that reported no noticeable improvements in service 54.4% reported being somewhat or very satisfied

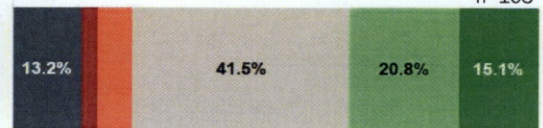
n=106

**Ease of ordering
through iStore**



Satisfaction Score: 3.6/5

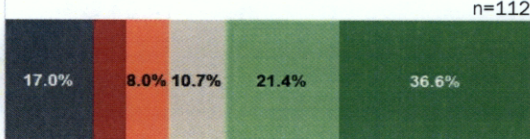
n=112



Of the 41.5% that reported no noticeable improvements in service 51.2% reported being somewhat or very

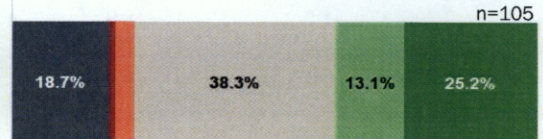
n=103

**Ease of ordering
through the Customer
Call Center**



Satisfaction Score: 3.9/5

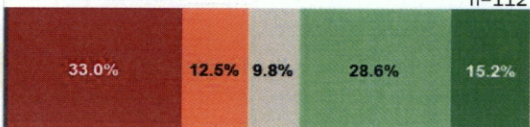
n=112



Of the 38.3% that reported no noticeable improvements in service 43.6% reported being somewhat or very satisfied

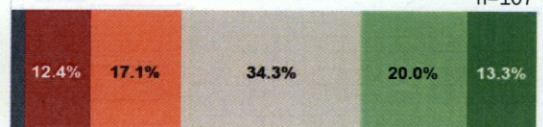
n=105

**Product selection and
availability**



Satisfaction Score: 2.8/5

n=112



Of the 34.3% that reported no noticeable improvements in service 32.5% reported being somewhat or very satisfied

n=107

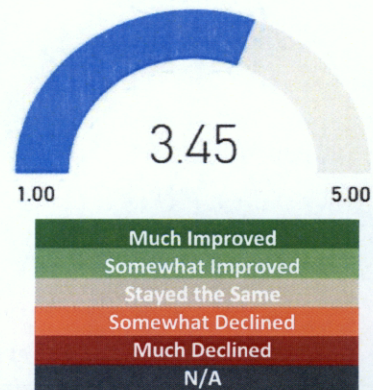
QUESTION 5 VS. QUESTION 6 SATISFACTION VS. IMPROVEMENT:
RETAIL DIVISION

Average Score for
satisfaction and
improvement within
the Retail Division

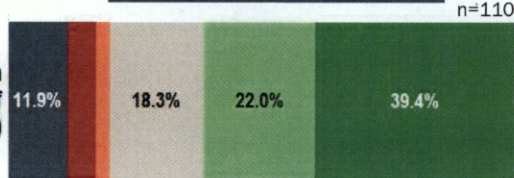
Satisfaction



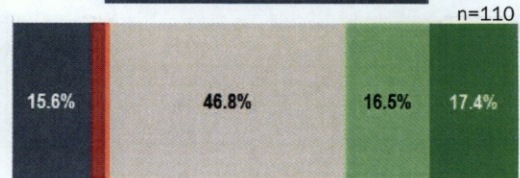
Improvement



Convenience (location
of stores, speed of
pick-up, etc.)

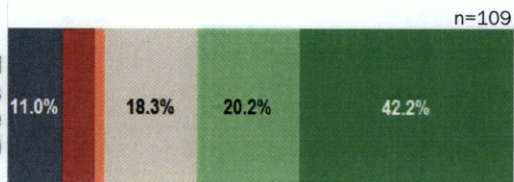


Satisfaction Score: 3.9/5

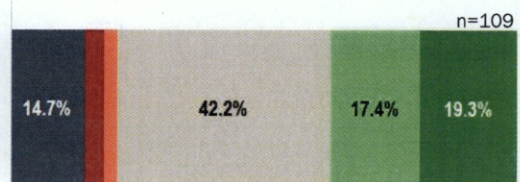


Of the 46.8% that responded "Stayed the Same" 54.9%
reported being somewhat or very satisfied

Customer service and
responsiveness
(clerks, store
managers, etc.)

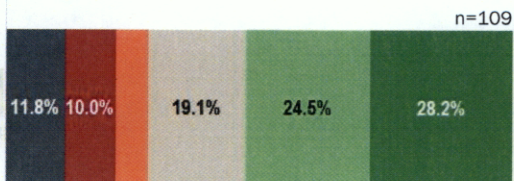


Satisfaction Score: 4.0/5

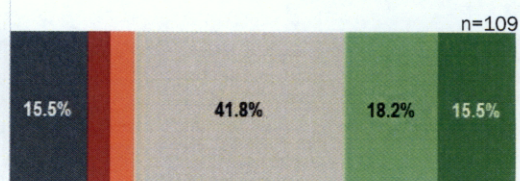


Of the 42.2% that responded "Stayed the Same" 58.7%
reported being somewhat or very satisfied

Ease of obtaining
products at retail
stores

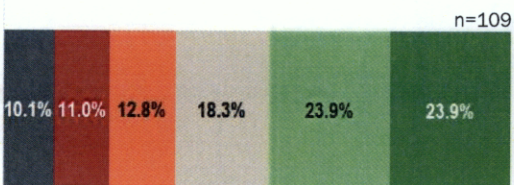


Satisfaction Score: 3.6/5

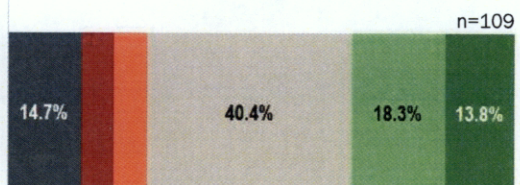


Of the 41.8% that responded "Stayed the Same" 48.9%
reported being somewhat or very satisfied

Product selection and
availability



Satisfaction Score: 3.4/5

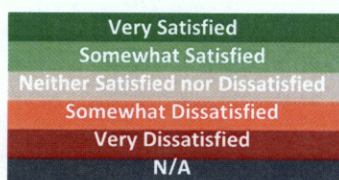


Of the 40.4% that responded "Stayed the Same" 45.5%
reported being somewhat or very satisfied

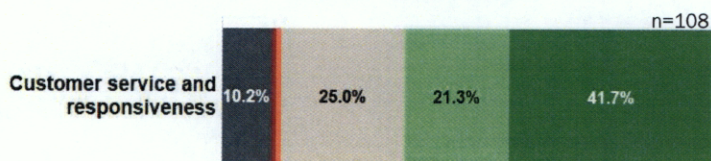
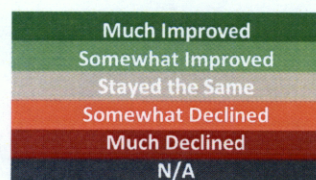
QUESTION 7 VS. QUESTION 8 SATISFACTION VS. IMPROVEMENT:
LRE DIVISION

Average Score for
satisfaction and
improvement within
the LRE Division

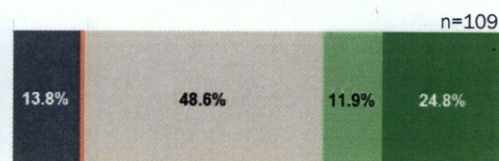
Satisfaction



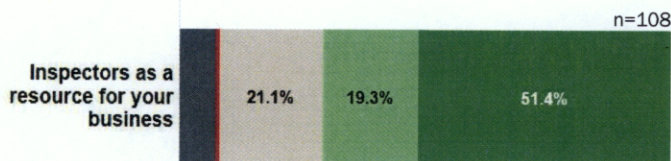
Improvement



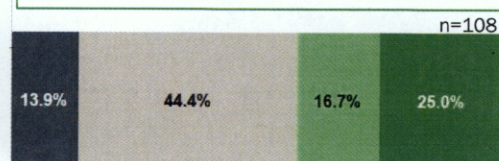
Satisfaction Score: 4.1/5



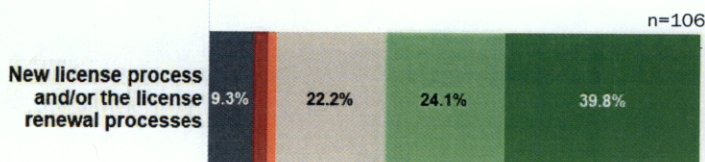
Of the 48.6% that responded "Stayed the Same"
49.1% reported being somewhat or very satisfied



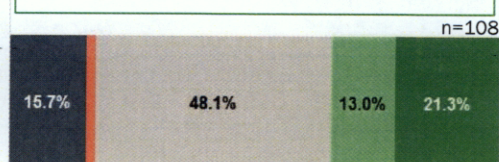
Satisfaction Score: 4.3/5



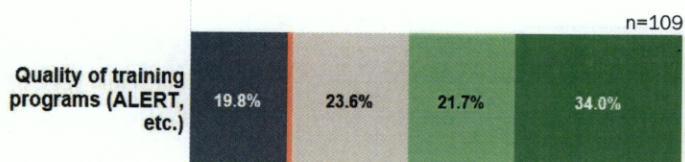
Of the 44.4% that responded "Stayed the Same"
58.3% reported being somewhat or very satisfied



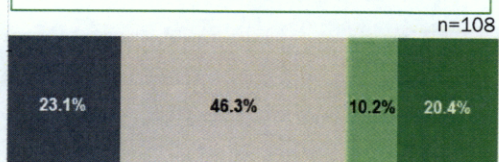
Satisfaction Score: 4.1/5



Of the 48.1% that responded "Stayed the Same"
55.8% reported being somewhat or very satisfied



Satisfaction Score: 4.1/5



Of the 46.3% that responded "Stayed the Same"
52.0% reported being somewhat or very satisfied