

**Wicomico County Council**  
**Open Work Session Part 2**  
**August 20, 2013**

Work sessions require written minutes that reflect each item that the public body considered, the action that the public body took on each item and each vote that was recorded. **It should be noted that at work sessions, the Wicomico County Council does not take formal action, nor is a vote taken on any item discussed.**

Present: Matt Holloway, President; Bob Culver, Vice President; Sheree Sample-Hughes, Stevie Prettyman, Gail M. Bartkovich, John B. Hall and Joe Holloway.

In attendance: Matthew E. Creamer, Council Administrator; Edgar A. Baker, Jr., County Attorney; Maureen Lanigan, Deputy County Attorney; Steve Roser, Internal Auditor and Melissa Holland, Recording Secretary.

Also in attendance: Don Ewalt, Chair of Liquor Control Board; Stu Haemel, Board Member; David MacLeod, Vice Chair; Justin Collis, Manager of Dispensary; and John Stern, PKS.

**Liquor Control Board:**

Mr. Roser referred the Council to a memo which resulted from a series of meetings with John Stern. The current formula to calculate payment to the county is a balance sheet approach with current assets, subtract current account payables and subtract inventory, reserve fund and any adjustments, such as rounding, which will equal the amount due to Wicomico County. This is calculated at the end of each fiscal year. This is paid to the county in quarterly installments. Mr. Roser said the formula needs to be consistent each year. He said there were two problems noted as the Liquor Control Board did not apply the formula consistently from 2006 until 2012 and the County Council was not involved in the process.

Mr. Roser feels that the formula has been reviewed and if it is applied consistently, it adheres with Maryland State Law. The formula did not come back to the County Council for approval.

Mr. Culver asked if there is a set formula for mark up per bottle. Mr. Collis said it is no more than 25% over operating costs to the dispensary. He said it is normally 15-20%.

Mrs. Bartkovich said that at the holidays the inventory increases greatly and she said the county portion won't be the same due to that reason. Mr. Collis said that they don't just stock more at the holidays but if there is a bottle on sale and if they buy more then they get a better price they will keep more stock of that bottle.

Mr. Culver asked how the Worcester County Board does differently. Mr. Collis said some of the products are obtained from the distillers and Wicomico County has to go through the wholesaler. Worcester County also delivers and has a much larger operation. He is not sure what internal controls are in place now as it is a county operation. There are no appointed board members and the employees report to the County Commissioners. Mr. Culver asked if the Wicomico County should look into changing the system.

Mr. Joe Holloway said they are allowed to have \$300,000 in operating capital and in some years it is more than that amount. Mr. Stern said it is reserve which is different than operating capital and it has been lowered from \$300,000 to \$200,000. Mr. Stern said the cash on hand at the end of the year could be \$575,000 but the dispensary then owes the county money.

Mr. Roser said it starts with current assets and then payables and inventory are subtracted and the reserve fund is \$200,000. An agreement needs to be reached as far as number of days of inventory. Mr. Roser recommended thirty three days of sales which was in the balance sheet. Mr. Stern said the sales for last year were \$7 million; the cost of sales was \$5.2 million and the inventory is around \$700,000. The cost of goods sold last year is \$5.2 million. The profit for 2012 was \$481,000. The calculation to the county for this year is \$528,000. For FY13 the amount the county received was \$428,000 from the dispensary. . Inventory is down \$40,000 and profit was slightly down.

Mr. Stern feels that the board and management do a really good job for Wicomico County. He said they get a lot of requests for beer and are not allowed to sell beer. Higher quantities of alcohol are needed because there are so many different brands of liquor. The inventory is a sixty day inventory. This will come back to the Council in the form of a resolution. Mr. Roser said once the financials are released he will do a report to trace the formula to the financial statements once they are received from the Liquor Control Board.

Mr. Culver said he is upset about the times the liquor dispensary has been busted for selling to an undercover minor. He said that if other businesses sold to an undercover minor they would be fined or has to shut down their business for a few days and the liquor dispensary receives no punishment. He feels it is not fair to the private license holders. The liquor dispensary has a policy of firing the employee who performs the transaction. Mr. Ewalt said that an employee signs a contract and if they sell to a minor the employee is immediately dismissed. He said if the County shuts down the dispensary then the county and dispensary are losing profit. The employees go through consistent training. Mrs. Prettyman said they should have a license. Mr. Collis said the person who sells the alcohol has to face criminal charges. Mr. Haemel said they went through the licensing issue years ago and the Attorney General ruled that the Liquor Control Board is licensed by the State.

Mr. Joe Holloway said he does not know how a business can stop that from happening. The Liquor Control Board invited the Council to tour the Liquor Dispensaries. Mr. Joe Holloway said for the last four checks that were done the Liquor Dispensaries failed the compliance check. Mr. Collis said it was only three times in the last ten years. Mr. Collis said that numerous times a check was done and the store passed and the cadet and deputy walk back into the store letting them know they passed the check. He said they don't write down the times that the Liquor Dispensary passed the check and in one instance the deputy told the employee you just carded a cadet and passed.

Mr. Culver asked if the Executive office had any comment. Mr. Strausburg said he is comfortable with the formula as developed. He said a tighter definition of inventory was needed and he is not sure

what the correct number of terms would be. He said that he did research and wrote a paper about this subject and he is not in favor of government being involved in something that it should not be. He said that government being in direct competition with private business he is not in favor of. Mrs. Prettyman feels that this needs to be privatized. She feels the system is antiquated. She feels that everyone should work together and make the private businesses successful. She said this is not personal. Mr. Haemel said they are working under Article 2B which is set up by the state legislature.

Mr. Ewalt said if the Liquor Control Board was dissolved where would the county make up the money which the Liquor Control Board gives them. Mrs. Prettyman said the inventory tax is also lost revenue but it was good for businesses and the county made it work.

Mr. Joe Holloway said a few years ago a State Delegate told him that he wanted to keep the liquor dispensary in place to keep alcohol out of the hands of the minors. However, with the last four checks as failed checks he is not sure how this will continue.

Mrs. Bartkovich asked if the number of stores has been discussed to possibly decrease the number of stores. Mr. Collis said the stores are doing fairly well and the main competition is Delaware as they sell below discount. He said that Delaware uses the approach where if they buy ten cases they get one free which they can give great prices due to this. The Liquor Dispensary receives no perks.

Mrs. Sample-Hughes asked what analysis will be done if the Liquor Dispensary is eliminated. She is glad that the formula will be agreed upon. Mrs. Prettyman said the citizens would have to vote to eliminate the dispensary or the legislators could put in for Annapolis as hybrid system or something different, as they did in Worcester. Mr. Matt Holloway said the Executive and Council have to be on the same page. Mr. Joe Holloway does not feel there is enough support to eliminate the dispensary. He said that the employee can go and work for another store however the business will lose its license.

Open Work Session adjourned.