



Alcohol Beverage Services

RECOMMENDED FY24 BUDGET

\$70,805,841

FULL TIME EQUIVALENTS

428.70

 KATHIE DURBIN, DIRECTOR

MISSION STATEMENT

The mission of Alcohol Beverage Services (ABS) 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 in the oversight provided by the Montgomery County Government.

BUDGET OVERVIEW

The total recommended FY24 Operating Budget for the Alcohol Beverage Services is \$70,805,841, an increase of \$2,539,973 or 3.72 percent from the FY23 Approved Budget of \$68,265,868. Personnel Costs comprise 61.15 percent of the budget for 341 full-time position(s) and 130 part-time position(s), and a total of 428.70 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 38.85 percent of the FY24 budget.

In FY24, Alcohol Beverage Services will transfer \$33.6 million to the General Fund and make \$8.65 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$42.3 million.

The above projections and proposed expenditures form the basis for working capital decisions concerning the ABS 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.

In addition, this department's Capital Improvements Program (CIP) requires Current Revenue funding.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:

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- ◆ **A Growing Economy**
 - ◆ **A Greener County**
 - ◆ **Safe Neighborhoods**
 - ◆ **Effective, Sustainable Government**

INITIATIVES

- ★ ABS will update all store point of sale register systems to remove technology barriers and enable ABS to expand its potential by adding services such as curbside pickup, buy online and pick up in store, and queue line checkout.
- ★ ABS will participate in and support the Maryland Local Program, targeted towards helping small Maryland distilleries, wineries, and breweries build distribution and sales and partnering with them to ensure long term success.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ★ Expanded business education through virtual trainings.
- ★ Initiated business outreach to assist with restaurant recovery.
- ★ ABS partnered with multiple brands to introduce and support minority- and female-owned products.
- ★ As supply chain disruptions and product shortages plagued the alcohol industry, ABS introduced a "similar products" feature on iStore to help licensed retailers find suitable alternatives, which resulted in many customers discovering new favorites.
- ★ ABS trained license holders and their employees in the safe sale and service of alcohol through its Alcohol Law Education Regulatory Training program.
- ★ ABS helped local businesses get a foothold in the market through its 26 retail stores. By dramatically increasing the locally produced beer, wine, and spirits in its inventory, ABS helped small businesses thrive during a difficult time.
- ★ Residents and license holders gained equitable and transparent access to highly allocated products (HAL) through the Department's updated HAL program.

PROGRAM CONTACTS

Contact Courtney Orsini of the Alcohol Beverage Services at 240.777.1921 or Abdul Rauf of the Office of Management and Budget at 240.777.2766 for more information regarding this department's operating budget.

PROGRAM 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 FY23 estimates reflect funding based on the FY23 Approved Budget. The FY24 and FY25 figures are performance targets based on the FY24 Recommended Budget and funding for comparable service levels in FY25.

PROGRAM DESCRIPTIONS

☀ Administration

The Administration Program provides comprehensive leadership for the department including strategic planning, policy development and implementation, accountability, maintenance of partnerships with non-governmental service providers, and human resource management. This program also provides all accounting, financial, procurement, and information technology services for the department. Finance and accounting staff perform special analyses, reporting, and preparation and monitoring of the department's budget, as well as oversight of procurement, and contract management. Information and technology staff provide the design, operation, maintenance, and protection of all information technology initiatives for the department.

Program Performance Measures	Actual FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Total sales overall	\$303,901,776	\$317,986,604	\$312,852,531	\$314,416,794	\$315,988,878
Gross profit	\$93,186,736	\$99,972,839	\$99,320,520	\$101,306,930	\$102,066,732
Transfer to General Fund	\$27,926,172	\$35,501,037	\$34,917,233	\$35,142,142	\$35,142,142

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	14,518,428	24.20
Increase Cost: IT and Point-Of-Sale System	291,795	0.00
Technical Adj: IT contracts	243,178	0.00
Decrease Cost: Debt Service	(207,350)	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.	1,093,389	5.00
FY24 Recommended	15,939,440	29.20

☀ Delivery Operations

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

Program Performance Measures	Actual FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Number of unique licensees that ordered items (monthly average)	699	811	810	810	810
Number of items shipped to customers - licensees only	4,192,681	3,997,126	4,000,000	4,000,000	4,000,000
Percent of items shipped on time and intact - licensees only	96.1%	95.0%	96.0%	96.0%	97.0%

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	6,937,093	76.23
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	842,154	(2.23)
FY24 Recommended	7,779,247	74.00

☀ 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, 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 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 FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Number of valid licensed businesses registered with ABS	1,033	1,036	1,045	1,045	1,045
Number of annual alcohol compliance checks to minors (under 21) ¹	0	149	400	400	400
Number of licensed business inspections	3,707	3,645	4,000	4,000	4,000
Percent of licensees that fail compliance checks (Number of establishments that fail / Number of total compliance checks)	0.0%	33.0%	20.0%	20.0%	20.0%

¹ Decreases in FY20-21 are due to the limited in-person dining and on-premise alcohol sales caused by the COVID-19 virus.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	1,899,726	10.39
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	335,779	2.00
FY24 Recommended	2,235,505	12.39

Retail Sales Operations

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

Program Performance Measures	Actual FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Same store sales year over year	\$137,680,088	\$139,955,596	\$138,002,004	\$139,382,024	\$140,775,844
Average licensee satisfaction score from annual survey - Retail Operations (scale of 1-5) ¹	3.7	3.6	3.7	3.8	3.9

¹ The Annual Licensee Customer Satisfaction Survey (FY20-FY22) has had a response rate of 8-11%. The Department has committed to increasing the response rate through active outreach to licensees in FY23-FY25.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	33,132,402	216.98
Increase Cost: Credit Card Fees	950,000	0.00
Enhance: New Gaithersburg Store	671,687	8.50
Increase Cost: Retail Store Leases	483,331	0.00
Increase Cost: Position Reclassification	57,489	1.00
Decrease Cost: Conversion of Clerks Positions from Part-Time to Flex-Time	0	(9.60)
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(1,546,603)	(5.10)
FY24 Recommended	33,748,306	211.78

Warehouse Operations

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

Program Performance Measures	Actual FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Percent of shipped items returned	0.5%	0.4%	0.4%	0.4%	0.4%
Percent of items shipped on time and intact - stock products - licensees only	96.1%	94.9%	96.0%	96.0%	96.5%
Percent of items shipped on time and intact - special order products - licensees only	96.7%	96.9%	97.0%	97.0%	97.5%

Program Performance Measures	Actual FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Average licensee satisfaction score from annual survey - Wholesale Operations (scale of 1-5) ¹	3.8	3.5	3.7	3.8	3.9

¹ The Annual Licensee Customer Satisfaction Survey (FY20-FY22) has had a response rate of 8-11%. The Department has committed to increasing the response rate through active outreach to licensees in FY23-FY25.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	11,107,352	99.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(4,009)	2.33
FY24 Recommended	11,103,343	101.33

REALIGNED PROGRAMS

Funding in the following programs has been realigned to other programs within this department.

Marketing

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	670,867	2.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(670,867)	(2.00)
FY24 Recommended	0	0.00

BUDGET SUMMARY

	Actual FY22	Budget FY23	Estimate FY23	Recommended FY24	%Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	27,607,187	29,147,659	27,786,303	32,200,207	10.5 %
Employee Benefits	9,204,211	10,023,992	9,239,458	11,094,710	10.7 %
Liquor Control Personnel Costs	36,811,398	39,171,651	37,025,761	43,294,917	10.5 %
Operating Expenses	21,060,727	19,112,477	21,205,586	18,756,534	-1.9 %
Capital Outlay	354,282	1,120,800	1,120,800	100,800	-91.0 %
Debt Service Other	8,235,358	8,860,940	8,860,940	8,653,590	-2.3 %
Liquor Control Expenditures	66,461,765	68,265,868	68,213,087	70,805,841	3.7 %
PERSONNEL					
Full-Time	332	334	334	341	2.1 %
Part-Time	130	127	127	130	2.4 %
FTEs	443.80	428.80	428.80	428.70	—
REVENUES					
Liquor Licenses	3,311,039	1,206,955	1,206,955	1,206,955	—
Other Licenses/Permits	77,825	117,600	117,600	117,600	—
Other Charges/Fees	17,161	23,887	23,887	23,887	—

BUDGET SUMMARY

	Actual FY22	Budget FY23	Estimate FY23	Recommended FY24	%Chg Bud/Rec
Other Fines/Forfeitures	140,100	63,383	63,383	63,383	—
Liquor Sales	99,972,839	99,051,469	99,320,520	101,306,930	2.3 %
Miscellaneous Revenues	336,209	0	0	809,235	—
Investment Income	16,596	70,380	390,110	616,390	775.8 %
Bag Tax	7,245	0	0	0	—
Liquor Control Revenues	103,879,014	100,533,674	101,122,455	104,144,380	3.6 %

GRANT FUND - MCG

EXPENDITURES

Salaries and Wages	72	0	0	0	—
Employee Benefits	5	0	0	0	—
Grant Fund - MCG Personnel Costs	77	0	0	0	—
Grant Fund - MCG Expenditures	77	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	—
Grant Fund - MCG Revenues	0	0	0	0	—

DEPARTMENT TOTALS

Total Expenditures	66,461,842	68,265,868	68,213,087	70,805,841	3.7 %
Total Full-Time Positions	332	334	334	341	2.1 %
Total Part-Time Positions	130	127	127	130	2.4 %
Total FTEs	443.80	428.80	428.80	428.70	—
Total Revenues	103,879,014	100,533,674	101,122,455	104,144,380	3.6 %

FY24 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY23 ORIGINAL APPROPRIATION	68,265,868	428.80
<u>Changes (with service impacts)</u>		
Enhance: New Gaithersburg Store [Retail Sales Operations]	671,687	8.50
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Annualization of FY23 Compensation Increases	2,274,100	0.00
Increase Cost: FY24 Compensation Adjustment	1,859,655	0.00
Increase Cost: Credit Card Fees [Retail Sales Operations]	950,000	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	483,331	0.00
Increase Cost: Motor Pool Adjustment	392,764	0.00

FY24 RECOMMENDED CHANGES

	Expenditures	FTEs
Increase Cost: IT and Point-Of-Sale System [Administration]	291,795	0.00
Technical Adj: IT contracts [Administration]	243,178	0.00
Increase Cost: Risk Management Adjustment	70,148	0.00
Increase Cost: Position Reclassification [Retail Sales Operations]	57,489	1.00
Increase Cost: Printing and Mail	7,621	0.00
Decrease Cost: Conversion of Clerks Positions from Part-Time to Flex-Time [Retail Sales Operations]	0	(9.60)
Decrease Cost: Retirement Adjustment	(46,906)	0.00
Decrease Cost: Debt Service [Administration]	(207,350)	0.00
Decrease Cost: Annualization of FY23 Personnel Costs	(692,759)	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY23	(3,814,780)	0.00
FY24 RECOMMENDED	70,805,841	428.70

PROGRAM SUMMARY

Program Name	FY23 APPR Expenditures	FY23 APPR FTEs	FY24 REC Expenditures	FY24 REC FTEs
Administration	14,518,428	24.20	15,939,440	29.20
Delivery Operations	6,937,093	76.23	7,779,247	74.00
Licensure, Regulation and Education	1,899,726	10.39	2,235,505	12.39
Marketing	670,867	2.00	0	0.00
Retail Sales Operations	33,132,402	216.98	33,748,306	211.78
Warehouse Operations	11,107,352	99.00	11,103,343	101.33
Total	68,265,868	428.80	70,805,841	428.70

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY24	FY25	FY26	FY27	FY28	FY29
LIQUOR CONTROL						
EXPENDITURES						
FY24 Recommended	70,806	70,806	70,806	70,806	70,806	70,806
No inflation or compensation change is included in outyear projections.						
Annualization of Positions Recommended in FY24	0	53	53	53	53	53
New positions in the FY24 budget are generally assumed to be filled at least two months after the fiscal year begins. Therefore, the above amounts reflect annualization of these positions in the outyears.						
Debt Service	0	(62)	(414)	1,173	1,171	1,171
Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system.						
Labor Contracts	0	1,267	1,267	1,267	1,267	1,267
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY24	FY25	FY26	FY27	FY28	FY29
Subtotal Expenditures	70,806	72,064	71,712	73,299	73,297	73,297

ANNUALIZATION OF FULL PERSONNEL COSTS

	FY24 Recommended		FY25 Annualized	
	Expenditures	FTEs	Expenditures	FTEs
Position Reclassification	57,489	1.00	110,754	1.00
Total	57,489	1.00	110,754	1.00

FISCAL PROJECTIONS	FY23 Estimate	FY24 REC	FY25 PROJECTION	FY26 PROJECTION	FY27 PROJECTION	FY28 PROJECTION	FY29 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.9%	2.1%	2.2%	2.2%	2.2%	2.3%	2.3%
Investment Income Yield	3.3%	5.0%	4.0%	3.5%	3.0%	2.5%	2.5%
BEGINNING CASH BALANCE	11,270,749	7,895,231	4,884,278	2,771,780	3,783,624	4,532,058	7,518,007
REVENUES							
Licenses & Permits	1,324,555	1,324,555	1,353,431	1,383,342	1,414,191	1,447,283	1,481,005
Charges For Services	23,887	23,887	24,408	24,947	25,503	26,100	26,708
Fines & Forfeitures	63,383	63,383	64,765	66,196	67,672	69,256	70,870
Miscellaneous	99,710,630	102,732,555	104,332,713	106,928,703	109,589,593	112,317,005	115,112,603
Subtotal Revenues	101,122,455	104,144,380	105,775,317	108,403,188	111,096,959	113,859,644	116,691,186
INTERFUND TRANSFERS (Net:Non-CIP)							
Transfers To The General Fund	(34,917,233)	(33,629,492)	(33,629,492)	(33,629,492)	(33,629,492)	(33,629,492)	(33,629,492)
Indirect Costs	(3,917,233)	(4,329,492)	(4,329,492)	(4,329,492)	(4,329,492)	(4,329,492)	(4,329,492)
Other	(31,000,000)	(29,300,000)	(29,300,000)	(29,300,000)	(29,300,000)	(29,300,000)	(29,300,000)
TOTAL RESOURCES	77,475,971	78,410,119	77,030,103	77,545,477	81,251,091	84,762,210	90,579,701
CIP CURRENT REVENUE APPROP.							
Operating Budget	(59,352,147)	(62,152,251)	(62,152,251)	(62,152,251)	(62,152,251)	(62,152,251)	(62,152,251)
CPI-Fiscal Year for OE (= OE w/o FC x CPI)	n/a	0	(411,090)	(836,920)	(1,276,100)	(1,747,220)	(2,227,310)
Debt Service: GO Bonds (Non-Tax Funds only)	(8,860,940)	(8,653,590)	(8,591,490)	(8,239,190)	(9,826,190)	(9,824,240)	(9,824,240)
Debt Service: Other (Non-Tax Funds only)	0	0	0	0	0	0	0
Annualizations and One-Time	n/a	n/a	0	0	0	0	0
Labor Contracts	n/a		(1,267,492)	(1,267,492)	(1,267,492)	(1,267,492)	(1,267,492)
Annualization of FY24 Positions			(53,000)	(53,000)	(53,000)	(53,000)	(53,000)
Subtotal PSP Oper Budget Approp / Exp's	(68,213,087)	(70,805,841)	(72,475,323)	(72,548,853)	(74,575,033)	(75,044,203)	(75,524,293)
OTHER CLAIMS ON FUND BALANCE	(367,653)	0	0	0	0	0	0
YEAR END CASH BALANCE	7,895,231	4,884,278	2,771,780	3,783,624	4,532,058	7,518,007	14,384,408
END-OF-YEAR RESERVES AS A							
PERCENT OF RESOURCES	10.2%	6.2%	3.6%	4.9%	5.6%	8.9%	15.9%
Assumptions:							
1. These projections are based on the Executive's recommended budget. The projected future expenditures, revenues, and fund balances may vary based on the changes not assumed here from free or tax related usage, inflation, labor contract 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. Revenue projections reflect ABS Gross Profit forecast.							
4. Other claims on fund balance include the OPEB liability allocation (GASB 75).							

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