

# Montgomery County, Maryland - Disclosure For Fiscal Year 2024

<b>\$24,700,000</b> <b>MONTGOMERY COUNTY</b> <b>MARYLAND</b> <b>Revenue Bonds</b> <b>(Department of Liquor Control)</b> <b>Series 2019A</b>	<b>\$46,100,000</b> <b>MONTGOMERY COUNTY</b> <b>MARYLAND</b> <b>Refunding Revenue Bonds</b> <b>(Alcohol Beverage Services)</b> <b>Series 2021 A &amp; B</b>
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## Wholesale Operations

### Wholesale Facility

Based on State of Maryland House Bill 616, the Department of Liquor Control was renamed to Alcohol Beverage Services for Montgomery County, effective July 1, 2019. The Alcohol Beverage Services' (the Department) climate-controlled wholesale facility (Existing Warehouse) is located on Edison Park Drive in Gaithersburg, MD. The product storage space is approximately 185,000 square feet, of which approximately 10,000 square feet is a keg facility.

The Department uses the warehouse to store approximately 7,000 SKU's of stock beer, wine and spirit products for resale to wholesale customers. Stock products are purchased in bulk and stored at the Existing Warehouse for wholesale customers to purchase, and for transfer to the 27 County retail stores. The Department also offers thousands of items as special order and will research any product a customer wants to ascertain price and availability. Special order items are obtained specifically for both wholesale and retail customers. The procurement process starts once the product is ordered. Each week, approximately 4,000 special order items are stored in the warehouse for no longer than 7 days. The Existing Warehouse also houses the Department's administrative activities.

### Wholesale Customer Base

The Department's wholesale customer base comprises every licensed seller of alcoholic beverages in the County. There are over 1,000 license holders in the County, including restaurants, carry-out stores, hotels, conference centers, caterers, clubs and lodges. The Department's ten largest wholesale customers in calendar year 2024 were:

<u>Customer</u>	<u>CY 2024 Sales</u>	<u>Percent of Total Wholesale Sales</u>
Safeway.....	\$ 5,351,668	3.23%
Shoppers Food Warehouse .....	3,320,223	2.01
Long Branch Beer & Wine .....	2,519,111	1.52
Giant Food Store 350.....	2,182,298	1.32
Downtown Crown Wine & Beer .....	1,961,360	1.19
Georgetown Square Wine & Cheese .....	1,885,611	1.14
Rodman's Gourmet Beer & Wine .....	1,809,275	1.09
Georgia Market.....	1,736,011	1.05
Belby Discount Beer & Wine .....	1,725,927	1.04
Rodman's Party Boutique.....	1,630,545	0.99
Total.....	<u>\$24,122,029</u>	<u>14.57%</u>

Source: Alcohol Beverage Services

### Wholesale Suppliers

The Department is not subject to County procurement laws or regulations for purchasing beverage alcohol. The Department procures its stock from wholesale distributors, breweries, wineries and distillers.

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The Department's ten largest wholesale suppliers in calendar year 2024 were:

<u>Supplier</u>	<u>CY 2024 Purchases</u>	<u>Percent of Total Wholesale Purchases</u>
Constellation Imports (Crown).....	\$ 20,737,639	9.44%
Diageo North America Inc.....	15,218,922	7.21
E & J Gallo Winery..	14,792,085	6.83
Anheuser Busch Inc.....	13,518,596	6.15
Miller Brewing Company.....	10,397,790	4.98
Heineken USA.....	7,599,512	3.75
Southern Glazers Wine and Spirits.....	6,149,557	3.62
Barcardi USA Inc .....	5,347,128	2.65
Pernod Ricard USA LLC .....	5,260,051	2.50
Jim Beam Brands Co .....	4,769,223	2.18
Total.....	<u>\$ 103,790,503</u>	<u>48.36%</u>

Source: Alcohol Beverage Services

## Retail Operations

### Retail Facilities

The Department operates 27 retail stores located throughout the County. These stores sell non-chilled beer, wine and liquor, plus ice, bottled water and certain mixers.

The stores vary in size, from approximately 2,000 square feet to over 7,400 square feet. The Department leases the stores. The inventory in each store varies according to sales patterns and available retail space. In fiscal year 2024, no single location operated twelve months accounted for more than 6.4 percent or less than 0.7 percent of total Department retail sales.

The Department regularly reviews the operating performance of each retail store.

### Retail Sales

The distribution of sales across the Department's 27 retail facilities that were in operation in fiscal year 2024 was as follows:

<u>Retail Store</u>	<u>FY 2024 Sales</u>	<u>% of Total Retail Sales</u>
Aspen Hill.....	\$ 5,339,790	4.0%
Burtonsville .....	3,121,627	2.4
Cabin John.....	5,838,886	4.4
Clarksburg .....	4,415,781	3.3
Cloverly .....	3,349,230	2.5
Darnestown.....	6,867,921	5.2
Downtown Rockville.....	5,755,041	4.3
Fallsgrove .....	4,214,049	3.2
Flower Avenue .....	2,392,310	1.8
Gaithersburg .....	1,667,384	1.3
Goshen Crossing.....	6,188,677	4.7
Hampden Lane.....	8,130,555	6.1
Kensington.....	7,260,947	5.5
King Farm.....	3,091,255	2.3

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Kingsview .....	5,601,271	4.2
Leisure World .....	4,348,040	3.3
Montrose .....	8,491,276	6.4
Muddy Branch .....	6,673,228	5.0
Olney .....	5,349,007	4.0
Poolesville .....	884,453	0.7
Potomac .....	6,946,146	5.2
Seneca Meadows .....	7,432,604	5.6
Silver Spring .....	4,336,791	3.3
Walnut Hill .....	4,162,307	3.1
Westwood .....	2,424,286	1.8
Wheaton .....	4,448,242	3.4
White Oak .....	<u>3,811,434</u>	2.9
Total:	<u>\$132,542,538</u>	<u>100.0%</u>

Source: Alcohol Beverage Services

### Results of Operations

#### Annual Operating Results

The Department's annual operating results have consistently created significant net revenues for transfer to the County's general fund. The following chart shows the total operating expenses, total operating revenues and net revenues for fiscal year 2024:

#### Annual Operating Results

(dollars in thousands)

	<b><u>2024</u></b>
Sales, net	\$ 316,124
Other operating revenues	1,999
Total operating revenues	<u>318,123</u>
Non-operating revenues /(expenses)	(374)
Revenues	<u>317,749</u>
Less: Expenses	(281,028)
Net Income	<u><u>\$ 36,721</u></u>

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## Sales Allocation

The Department's retail and wholesale sales for fiscal year 2024 are as follows:

<u>Fiscal Year</u>	<u>Retail Sales</u>	<u>Warehouse Beer Sales</u>	<u>Warehouse Wine/Liquor Sales</u>
2024 .....	\$132,542,538	\$89,720,664	\$75,864,999

Source: Alcohol Beverage Services

## Cases Sold from Warehouse

The Department's sales by category for fiscal year 2024 were as follows:

<u>Fiscal Year</u>	<u>Case Beer</u>	<u>Keg Beer</u>	<u>Wine</u>	<u>Liquor</u>
2024 .....	50%	4%	36%	10%

Source: Alcohol Beverage Services

## Transfers to the General Fund

By State law, the Department transfers its net revenues, after retention of a working capital reserve, to the County's general fund. The amount of the transfer is budgeted by the Department and the County and approved by the County Executive by March 15 for the fiscal year beginning on the ensuing July 1. Transfers are made on or before September 25, December 25, March 25 and June 25 in each fiscal year. The transfer amount for fiscal year 2024 was as follows:

<u>Fiscal Year</u>	<u>Amount of Transfer</u>
2024.....	\$ 40,481,143

Source: County Comprehensive Annual Financial Report

## Working Capital Reserve

Pursuant to State law, the Department retains a working capital reserve in an amount determined by the Director of the Department and the Director of Finance of the County, subject to the approval of the County Executive. Beginning in fiscal year 2003, the amount of the working capital reserve has been set at the aggregate of (1) one month's operating expenses, (2) the amount of one payroll cycle (currently bi-weekly), (3) \$1.5 million for inventory purchase, and (4) major, near-future non-recurring expenses (such as start-up costs for new retail facilities).

The amount of the actual working capital reserve in fiscal year 2024 was as follows:

<u>Fiscal Year</u>	<u>Amount of Working Capital Reserve</u>
2024 .....	\$8,360,494

Source: Office of Management and Budget

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## Financial Results

The following chart shows the Department's financial results for Fiscal Year 2024:

Sources: Montgomery County Annual Comprehensive Financial Report for FY24  
Alcohol Beverage Services, and Department of Finance

	<b>2024</b>
<b>Operating Revenues</b>	
Sales, net	\$ 316,124,140
Other Revenues	1,998,829
Total Operating Revenues	318,122,969
% Change from prior year	-1.06%
<b>Operating Expenses</b>	
Cost of goods sold	215,697,248
Personnel costs	43,559,529
Contractual services	4,707,240
Rentals	1,677,701
Depreciation	7,834,738
Maintenance	1,463,073
Other expenses	6,088,435
Total Operating Expenses	281,027,964
% Change from prior year	2.94%
Insurance recoveries	8,313
Issuance costs	-
Investment income	574,311
Interest Expenses	(1,386,455)
Other revenue	429,785
Total Non-Operating Revenue (Expenses)	(374,046)
<b>Net Revenues</b>	36,720,959
Add Back: Depreciation	7,834,738
Add Back: Interest Expense	1,386,455
Add Back: Issuance costs	-
Minus: Insurance recoveries	(8,313)
Less: Retention of Working Capital	(8,360,494)
<b>Net Revenues Available for Debt Service</b>	37,573,345
Existing Debt Service	8,242,690
Debt Service Coverage	4.56
Transfer to the General Fund	40,481,143
Ending Cash Position	8,360,494
Unrestricted Net Assets	22,585,751