



# Alcohol Beverage Services

## APPROVED FY23 BUDGET

\$68,265,868

## FULL TIME EQUIVALENTS

428.80

 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, 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 approved FY23 Operating Budget for the Alcohol Beverage Services is \$68,265,868, an increase of \$1,917,793 or 2.89 percent from the FY22 Approved Budget of \$66,348,075. Personnel Costs comprise 57.38 percent of the budget for 334 full-time position(s) and 127 part-time position(s), and a total of 428.80 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 42.62 percent of the FY23 budget.

In FY23, Alcohol Beverage Services will transfer \$34.9 million to the General Fund and make \$8.9 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$43.8 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:

 **A Growing Economy**



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 **A Greener County**




 **Safe Neighborhoods**

 **Effective, Sustainable Government**

## INITIATIVES

-  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.
-  Update all store point of sale register systems to remove technology barriers and enable ABS to do things like curbside pickup, buy online and pick up in store, and queue line checkout.

## INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

-  Expanded business education through virtual trainings.
-  Opened a new retail concept and flagship store, Oak Barrel & Vine, now live at Cabin John which will be used as a prototype to remodel all stores.
-  Initiated business outreach to assist with restaurant recovery.

## PROGRAM CONTACTS

Contact Courtney Orsini of the Alcohol Beverage Services at 240.777.1921 or Estela Boronat de Gomes of the Office of Management and Budget at 240.777.2785 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 FY22 estimates reflect funding based on the FY22 Approved Budget. The FY23 and FY24 figures are performance targets based on the FY23 Approved Budget and funding for comparable service levels in FY24.

## 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 FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Total sales overall	\$304,492,379	\$303,901,776	\$303,947,986	\$305,467,725	\$306,995,065
Transfer to General Fund	\$26,474,980	\$27,926,172	\$28,000,000	\$31,000,000	\$31,000,000
Gross profit	\$95,300,046	\$93,186,736	\$97,109,283	\$99,051,469	\$99,794,355
Average licensee satisfaction score from annual survey (scale of 1-5) <sup>1</sup>	3.7	3.6	3.7	3.7	3.8

<sup>1</sup> The Annual Licensee Customer Satisfaction Survey (FY18-FY21) has had a response rate of 8-11%. The Department has committed to increasing the response rate through active outreach to licensees in FY22-FY23.

FY23 Approved Changes	Expenditures	FTEs
<b>FY22 Approved</b>	<b>16,506,306</b>	<b>23.20</b>
Enhance: New Retail Point of Sale System	2,000,000	0.00
Increase Cost: IT Contracts	222,451	0.00
Decrease Cost: Debt Service	(1,970,060)	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.	(2,240,269)	1.00
<b>FY23 Approved</b>	<b>14,518,428</b>	<b>24.20</b>

## Delivery Operations

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

Program Performance Measures	Actual FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Number of unique licensees affected by a delivery discrepancy (monthly average) - licensees only	418	479	450	425	400
Number of unique licensees affected by a delivery discrepancy of stock items (monthly average) - licensees only	381	441	400	375	350
Number of unique licensees affected by a delivery discrepancy of special order items (monthly average) - licensees only	179	203	200	175	150
Percent of items shipped on time and intact - licensees only	97.8%	96.1%	98.0%	98.0%	99.0%

FY23 Approved Changes	Expenditures	FTEs
<b>FY22 Approved</b>	<b>6,602,136</b>	<b>77.00</b>
Enhance: Six New Delivery Trucks	900,000	0.00
Decrease Cost: Mid-Year Abolishment - Pooled Truck Driver	0	(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.	(565,043)	2.23
<b>FY23 Approved</b>	<b>6,937,093</b>	<b>76.23</b>

## 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 FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Number of annual alcohol compliance checks to minors (under 21) <sup>1</sup>	88	0	400	400	400
Number of licensed business inspections	333	3,707	4,000	4,000	4,000
Number of valid licensed businesses registered with ABS	1,028	1,033	1,045	1,045	1,045
Percent of licensees that fail compliance checks (Number of establishments that fail / Number of total compliance checks)	26.0%	0.0%	20.0%	20.0%	20.0%
Rating of licensed businesses satisfied with ALERT training (scale of 1-5)	4.8	4.9	5.0	5.0	5.0
Rating of licensees satisfied with Licensing Application Process (scale of 1-5 )	4.8	4.9	5.0	5.0	5.0

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

FY23 Approved Changes	Expenditures	FTEs
<b>FY22 Approved</b>	<b>1,881,239</b>	<b>10.39</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	18,487	0.00
<b>FY23 Approved</b>	<b>1,899,726</b>	<b>10.39</b>

## Marketing

This program leads the marketing efforts for the department, including design and branding, advertising, internal and external communications, events, and promotions.

FY23 Approved Changes	Expenditures	FTEs
<b>FY22 Approved</b>	<b>700,859</b>	<b>2.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(29,992)	0.00
<b>FY23 Approved</b>	<b>670,867</b>	<b>2.00</b>

## 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 FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Total retail stores sales	\$139,790,523	\$137,680,088	\$139,563,892	\$140,959,531	\$141,664,328
Same store sales year over year	\$139,790,523	\$137,680,088	\$139,563,892	\$140,959,531	\$141,664,328
Average licensee satisfaction score from annual survey - Retail Operations (scale of 1-5) <sup>1</sup>	3.7	3.7	3.7	3.7	3.8

<sup>1</sup> The Annual Licensee Customer Satisfaction Survey (FY18-FY21 ) has had a response rate of 8-11%. The Department has committed to increasing the response rate through active outreach to licensees in FY22-FY23.

FY23 Approved Changes	Expenditures	FTEs
<b>FY22 Approved</b>	<b>30,623,740</b>	<b>229.98</b>
Increase Cost: Retail Store Leases	257,282	0.00
Technical Adj: Midyear Position Adjustment	0	1.00
Decrease Cost: Flex Clerk Conversions	(765,031)	(13.00)

FY23 Approved Changes	Expenditures	FTEs
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	3,016,411	(1.00)
<b>FY23 Approved</b>	<b>33,132,402</b>	<b>216.98</b>

## ☀ 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 FY20	Actual FY21	Estimated FY22	Target FY23	Target FY24
Percent of shipped items returned	0.6%	0.5%	0.5%	0.5%	0.5%
Percent of items shipped on time and intact - stock products - licensees only	97.9%	96.1%	98.0%	98.0%	99.0%
Percent of items shipped on time and intact - special order products - licensees only	95.9%	96.7%	97.0%	97.0%	98.0%
Average licensee satisfaction score from annual survey - Wholesale Operations (scale of 1-5) <sup>1</sup>	3.8	3.8	3.8	3.8	3.9

<sup>1</sup> The Annual Licensee Customer Satisfaction Survey (FY18-FY21 ) has had a response rate of 8-11%. The Department has committed to increasing the response rate through active outreach to licensees in FY22-FY23.

FY23 Approved Changes	Expenditures	FTEs
<b>FY22 Approved</b>	<b>10,033,795</b>	<b>101.23</b>
Increase Cost: New Material Handling Equipment	120,000	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.	953,557	(2.23)
<b>FY23 Approved</b>	<b>11,107,352</b>	<b>99.00</b>

## BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Approved FY23	%Chg Bud/App
<b>LIQUOR CONTROL</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	29,577,132	28,543,742	26,694,880	29,147,659	2.1 %
Employee Benefits	9,108,989	9,926,722	9,176,374	10,023,992	1.0 %
<b>Liquor Control Personnel Costs</b>	<b>38,686,121</b>	<b>38,470,464</b>	<b>35,871,254</b>	<b>39,171,651</b>	<b>1.8 %</b>
Operating Expenses	20,024,119	16,795,811	18,419,883	19,112,477	13.8 %
Capital Outlay	866,281	250,800	250,800	1,120,800	346.9 %
Debt Service Other	8,704,806	10,831,000	9,237,460	8,860,940	-18.2 %
<b>Liquor Control Expenditures</b>	<b>68,281,327</b>	<b>66,348,075</b>	<b>63,779,397</b>	<b>68,265,868</b>	<b>2.9 %</b>
<b>PERSONNEL</b>					
Full-Time	312	332	332	334	0.6 %
Part-Time	144	130	130	127	-2.3 %
FTEs	442.50	443.80	443.80	428.80	-3.4 %
<b>REVENUES</b>					
Bag Tax	6,687	0	6,500	0	—

## BUDGET SUMMARY

	Actual FY21	Budget FY22	Estimate FY22	Approved FY23	%Chg Bud/App
Investment Income	14,379	91,900	91,900	70,380	-23.4 %
Liquor Licenses	137,820	1,206,955	1,848,988	1,206,955	—
Liquor Sales	95,978,072	99,717,348	97,121,073	99,051,469	-0.7 %
Miscellaneous Revenues	1,006,842	0	0	0	—
Other Charges/Fees	716	23,887	23,887	23,887	—
Other Fines/Forfeitures	52,834	63,383	106,720	63,383	—
Other Licenses/Permits	61,801	117,600	117,600	117,600	—
<b>Liquor Control Revenues</b>	<b>97,259,151</b>	<b>101,221,073</b>	<b>99,316,668</b>	<b>100,533,674</b>	<b>-0.7 %</b>

### GRANT FUND - MCG

#### EXPENDITURES

Salaries and Wages	3,764	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Grant Fund - MCG Personnel Costs</b>	<b>3,764</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	156,410	0	0	0	—
<b>Grant Fund - MCG Expenditures</b>	<b>160,174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>

#### 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	160,174	0	0	0	—
<b>Grant Fund - MCG Revenues</b>	<b>160,174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>

### DEPARTMENT TOTALS

<b>Total Expenditures</b>	<b>68,441,501</b>	<b>66,348,075</b>	<b>63,779,397</b>	<b>68,265,868</b>	<b>2.9 %</b>
<b>Total Full-Time Positions</b>	<b>312</b>	<b>332</b>	<b>332</b>	<b>334</b>	<b>0.6 %</b>
<b>Total Part-Time Positions</b>	<b>144</b>	<b>130</b>	<b>130</b>	<b>127</b>	<b>-2.3 %</b>
<b>Total FTEs</b>	<b>442.50</b>	<b>443.80</b>	<b>443.80</b>	<b>428.80</b>	<b>-3.4 %</b>
<b>Total Revenues</b>	<b>97,419,325</b>	<b>101,221,073</b>	<b>99,316,668</b>	<b>100,533,674</b>	<b>-0.7 %</b>

### FY23 APPROVED CHANGES

	Expenditures	FTEs
<b>LIQUOR CONTROL</b>		
<b>FY22 ORIGINAL APPROPRIATION</b>	<b>66,348,075</b>	<b>443.80</b>
<b><u>Changes (with service impacts)</u></b>		
Enhance: New Retail Point of Sale System [Administration]	2,000,000	0.00
Enhance: Six New Delivery Trucks [Delivery Operations]	900,000	0.00

## FY23 APPROVED CHANGES

	Expenditures	FTEs
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: Annualization of FY22 Compensation Increases	883,824	0.00
Increase Cost: FY23 Compensation Adjustment	766,922	0.00
Increase Cost: Risk Management Adjustment	271,621	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	257,282	0.00
Increase Cost: IT Contracts [Administration]	222,451	0.00
Increase Cost: New Material Handling Equipment [Warehouse Operations]	120,000	0.00
Increase Cost: Motor Pool Adjustment	85,340	0.00
Increase Cost: Annualization of FY22 Personnel Costs	53,166	0.00
Increase Cost: Printing and Mail Adjustment	18,782	0.00
Decrease Cost: Mid-Year Abolishment - Pooled Truck Driver [Delivery Operations]	0	(3.00)
Technical Adj: Midyear Position Adjustment [Retail Sales Operations]	0	1.00
Decrease Cost: Elimination of One-Time Items Approved in FY22	(150,000)	0.00
Decrease Cost: Retirement Adjustment	(237,694)	0.00
Decrease Cost: OPEB Adjustment	(538,810)	0.00
Decrease Cost: Flex Clerk Conversions [Retail Sales Operations]	(765,031)	(13.00)
Decrease Cost: Debt Service [Administration]	(1,970,060)	0.00
<b>FY23 APPROVED</b>	<b>68,265,868</b>	<b>428.80</b>

## PROGRAM SUMMARY

Program Name	FY22 APPR Expenditures	FY22 APPR FTEs	FY23 APPR Expenditures	FY23 APPR FTEs
Administration	16,506,306	23.20	14,518,428	24.20
Delivery Operations	6,602,136	77.00	6,937,093	76.23
Licensure, Regulation and Education	1,881,239	10.39	1,899,726	10.39
Marketing	700,859	2.00	670,867	2.00
Retail Sales Operations	30,623,740	229.98	33,132,402	216.98
Warehouse Operations	10,033,795	101.23	11,107,352	99.00
<b>Total</b>	<b>66,348,075</b>	<b>443.80</b>	<b>68,265,868</b>	<b>428.80</b>

## FUNDING PARAMETER ITEMS

CC APPROVED (\$000S)

Title	FY23	FY24	FY25	FY26	FY27	FY28
<b>LIQUOR CONTROL</b>						
<b>EXPENDITURES</b>						
<b>FY23 Approved</b>	<b>68,266</b>	<b>68,266</b>	<b>68,266</b>	<b>68,266</b>	<b>68,266</b>	<b>68,266</b>
No inflation or compensation change is included in outyear projections.						

## FUNDING PARAMETER ITEMS

CC APPROVED (\$000S)

Title	FY23	FY24	FY25	FY26	FY27	FY28
<b>Elimination of One-Time Items Approved in FY23</b>	<b>0</b>	<b>(3,815)</b>	<b>(3,815)</b>	<b>(3,815)</b>	<b>(3,815)</b>	<b>(3,815)</b>
Items recommended for one-time funding in FY23, including Retail Point of Sale System, New Delivery Trucks, and New Material Handling Equipment, will be eliminated from the base in the outyears.						
<b>Debt Service</b>	<b>0</b>	<b>(207)</b>	<b>(269)</b>	<b>(622)</b>	<b>965</b>	<b>963</b>
Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system.						
<b>Labor Contracts</b>	<b>0</b>	<b>2,249</b>	<b>2,249</b>	<b>2,249</b>	<b>2,249</b>	<b>2,249</b>
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
<b>Subtotal Expenditures</b>	<b>68,266</b>	<b>66,493</b>	<b>66,431</b>	<b>66,078</b>	<b>67,665</b>	<b>67,663</b>