



Alcohol Beverage Services

APPROVED FY25 BUDGET

\$74,604,653

FULL TIME EQUIVALENTS

432.30

 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 Montgomery County Government.

BUDGET OVERVIEW

The total approved FY25 Operating Budget for the Alcohol Beverage Services is \$74,604,653, an increase of \$3,865,076 or 5.46 percent from the FY24 Approved Budget of \$70,739,577. Personnel Costs comprise 62.98 percent of the budget for 347 full-time position(s) and 121 part-time position(s), and a total of 432.30 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 37.02 percent of the FY25 budget.

In FY25, Alcohol Beverage Services will transfer \$31.3 million to the General Fund and make \$8.6 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$39.9 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**

-  **A Greener County**
-  **Safe Neighborhoods**
-  **Effective, Sustainable Government**

INITIATIVES

-  A Zero-Carbon Emissions transition plan will calculate the impact of electrification, route analysis, and identify the most efficient strategy to simultaneously reduce the department's carbon footprint and purchase the most cost-effective vehicles.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

-  ABS updated 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, pick up in store, and queue line checkout.
-  ABS leveraged its direct import capacity to become the exclusive Mid-Atlantic seller of the distinctive Domaine de Galuval wines from the Rhine Valley.

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 FY24 estimates reflect funding based on the FY24 Approved Budget. The FY25 and FY26 figures are performance targets based on the FY25 Approved Budget and funding for comparable service levels in FY26.

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 FY22 | Actual FY23 | Estimated FY24 | Target FY25 | Target FY26 |
|------------------------------|---------------|---------------|----------------|---------------|---------------|
| Total sales overall | \$317,986,604 | \$316,054,561 | \$317,634,834 | \$319,223,008 | \$320,819,123 |
| Gross profit | \$99,972,839 | \$98,909,943 | \$101,306,930 | \$101,813,465 | \$102,322,532 |

| Program Performance Measures | Actual FY22 | Actual FY23 | Estimated FY24 | Target FY25 | Target FY26 |
|---------------------------------------|--------------|--------------|----------------|--------------|--------------|
| Transfer to General Fund ¹ | \$35,501,037 | \$39,353,888 | \$39,129,492 | \$36,798,530 | \$34,792,223 |

¹ The FY23 General Fund transfer includes a \$3.1 million increase due to a \$9.5 million increase in net income. A similar transfer increase is projected for FY24. For FY25 and FY26, projections reflect stabilized revenues post-pandemic.

| FY25 Approved Changes | Expenditures | FTEs |
|---|-------------------|--------------|
| FY24 Approved | 15,938,681 | 29.20 |
| Increase Cost: Mid-Year Position Creations - Loss Prevention | 325,575 | 3.00 |
| Increase Cost: IT and POS Contracts | 210,828 | 0.00 |
| Enhance: Zero Emissions Fleet Study | 200,000 | 0.00 |
| Increase Cost: Mid-Year Position Creation - Term Position | 2,000 | 0.50 |
| Increase Cost: Mid-Year Position Creation - Customer Outreach | 926 | 0.10 |
| Decrease Cost: Decrease in Debt Service Cost from FY24 to FY25 | (62,100) | 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. | 1,902,326 | 11.50 |
| FY25 Approved | 18,518,236 | 44.30 |

Delivery Operations

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

| Program Performance Measures | Actual FY22 | Actual FY23 | Estimated FY24 | Target FY25 | Target FY26 |
|---|-------------|-------------|----------------|-------------|-------------|
| Number of unique licensees that ordered items (monthly average) | 811 | 841 | 841 | 841 | 841 |
| Number of items shipped to customers - licensees only | 3,997,126 | 4,006,221 | 4,006,221 | 4,006,221 | 4,006,221 |
| Percent of items shipped on time and intact - licensees only | 95.0% | 95.4% | 95.5% | 95.5% | 95.5% |

| FY25 Approved Changes | Expenditures | FTEs |
|---|------------------|--------------|
| FY24 Approved | 7,728,591 | 74.00 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 322,563 | 0.00 |
| FY25 Approved | 8,051,154 | 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 FY22 | Actual FY23 | Estimated FY24 | Target FY25 | Target FY26 |
|---|-------------|-------------|----------------|-------------|-------------|
| Number of valid licensed businesses registered with ABS | 1,036 | 1,032 | 1,037 | 1,042 | 1,047 |
| Number of annual alcohol compliance checks to minors (under 21) | 149 | 219 | 400 | 400 | 400 |
| Number of licensed business inspections | 3,645 | 3,898 | 4,000 | 4,050 | 4,100 |

| Program Performance Measures | Actual FY22 | Actual FY23 | Estimated FY24 | Target FY25 | Target FY26 |
|---|----------------|----------------|---------------------|------------------|----------------|
| Percent of licensees that fail compliance checks (Number of establishments that fail / Number of total compliance checks) | 33.0% | 36.0% | 25.0% | 20.0% | 15.0% |
| FY25 Approved Changes | | | Expenditures | FTEs | |
| FY24 Approved | | | | 2,232,618 | 12.39 |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | | | | 183,454 | 1.00 |
| FY25 Approved | | | | 2,416,072 | 13.39 |

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 FY22 | Actual FY23 | Estimated FY24 | Target FY25 | Target FY26 |
|--|----------------|----------------|-------------------|----------------|----------------|
| Same store sales year over year | \$139,955,596 | \$136,547,591 | \$137,230,329 | \$137,916,481 | \$138,606,063 |
| Average licensee satisfaction score from annual survey - Retail Operations (scale of 1-5) ¹ | 3.6 | 4.0 | 4.0 | 4.0 | 4.0 |

¹ The Annual Licensee Customer Satisfaction Survey (FY22-FY23) has had a response rate of 8-12%. The Department has committed to increasing the response rate through active outreach to licensees in FY24-FY25.

| FY25 Approved Changes | Expenditures | FTEs |
|---|-------------------|---------------|
| FY24 Approved | 33,736,344 | 211.78 |
| Increase Cost: Retail Store Leases | 170,266 | 0.00 |
| Shift: Transfer Position to OHR | (47,438) | (0.50) |
| Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. | 965,424 | (4.50) |
| FY25 Approved | 34,824,596 | 206.78 |

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 FY22 | Actual FY23 | Estimated FY24 | Target FY25 | Target FY26 |
|---|----------------|----------------|-------------------|----------------|----------------|
| Percent of shipped items returned | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Percent of items shipped on time and intact - stock products - licensees only | 94.9% | 95.8% | 95.6% | 95.6% | 95.6% |
| Percent of items shipped on time and intact - special order products - licensees only | 96.9% | 90.2% | 94.6% | 94.6% | 94.6% |
| Average licensee satisfaction score from annual survey - Wholesale Operations (scale of 1-5) ¹ | 3.5 | 4.1 | 4.1 | 4.1 | 4.1 |

¹ The Annual Licensee Customer Satisfaction Survey (FY22-FY23) has had a response rate of 8-12%. The Department has committed to increasing the response rate through active outreach to licensees in FY24-FY25.

| FY25 Approved Changes | Expenditures | FTEs |
|--|-------------------|---------------|
| FY24 Approved | 11,103,343 | 101.33 |
| Increase Cost: Mid-Year Position Creation - Reclassification | 44,320 | 0.50 |

| FY25 Approved Changes | Expenditures | FTEs |
|---|-------------------|--------------|
| Shift: Long-term Vacant Position to OHR to Support Countywide Human Resources Efforts | (51,552) | 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. | (301,516) | (8.00) |
| FY25 Approved | 10,794,595 | 93.83 |

BUDGET SUMMARY

| | Actual FY23 | Budget FY24 | Estimate FY24 | Approved FY25 | %Chg Bud/App |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|-----------------|
| LIQUOR CONTROL | | | | | |
| EXPENDITURES | | | | | |
| Salaries and Wages | 28,437,505 | 32,200,207 | 31,557,595 | 34,999,290 | 8.7 % |
| Employee Benefits | 9,255,336 | 11,094,710 | 10,437,514 | 11,986,007 | 8.0 % |
| Liquor Control Personnel Costs | 37,692,841 | 43,294,917 | 41,995,109 | 46,985,297 | 8.5 % |
| Operating Expenses | 23,379,292 | 18,690,270 | 19,902,300 | 18,927,066 | 1.3 % |
| Capital Outlay | 0 | 100,800 | 100,800 | 100,800 | — |
| Debt Service Other | 8,232,140 | 8,653,590 | 8,653,590 | 8,591,490 | -0.7 % |
| Liquor Control Expenditures | 69,304,273 | 70,739,577 | 70,651,799 | 74,604,653 | 5.5 % |
| PERSONNEL | | | | | |
| Full-Time | 334 | 341 | 341 | 347 | 1.8 % |
| Part-Time | 127 | 130 | 130 | 121 | -6.9 % |
| FTEs | 428.80 | 428.70 | 428.70 | 432.30 | 0.8 % |
| REVENUES | | | | | |
| Liquor Licenses | 1,792,112 | 1,206,955 | 1,206,955 | 1,206,955 | — |
| Other Licenses/Permits | 78,810 | 117,600 | 117,600 | 117,600 | — |
| Other Charges/Fees | 13,680 | 23,887 | 23,887 | 23,887 | — |
| Other Fines/Forfeitures | 204,025 | 63,383 | 63,383 | 63,383 | — |
| Liquor Sales | 99,471,081 | 101,306,930 | 100,572,201 | 102,583,645 | 1.3 % |
| Miscellaneous Revenues | 83,701 | 809,235 | 809,235 | 0 | -100.0 % |
| Investment Income | 242,462 | 616,390 | 385,260 | 312,920 | -49.2 % |
| Bag Tax | 7,283 | 0 | 0 | 0 | — |
| Health Inspection: Restaurants | (10,293) | 0 | 0 | 0 | — |
| Liquor Control Revenues | 101,882,861 | 104,144,380 | 103,178,521 | 104,308,390 | 0.2 % |

FY25 APPROVED CHANGES

| | Expenditures | FTEs |
|--|-------------------|---------------|
| LIQUOR CONTROL | | |
| FY24 ORIGINAL APPROPRIATION | 70,739,577 | 428.70 |
| Changes (with service impacts) | | |
| Enhance: Zero Emissions Fleet Study [Administration] | 200,000 | 0.00 |

FY25 APPROVED CHANGES

| | Expenditures | FTEs |
|--|-------------------|---------------|
| <u>Other Adjustments (with no service impacts)</u> | | |
| Increase Cost: FY25 Compensation Adjustment | 1,990,357 | 0.00 |
| Increase Cost: Annualization of FY24 Compensation Increases | 1,793,126 | 0.00 |
| Increase Cost: Mid-Year Position Creations - Loss Prevention [Administration] | 325,575 | 3.00 |
| Increase Cost: IT and POS Contracts [Administration] | 210,828 | 0.00 |
| Increase Cost: Retail Store Leases [Retail Sales Operations] | 170,266 | 0.00 |
| Increase Cost: Annualization of FY24 Lapsed Positions | 53,265 | 0.00 |
| Increase Cost: Mid-Year Position Creation - Reclassification [Warehouse Operations] | 44,320 | 0.50 |
| Increase Cost: Printing and Mail | 8,546 | 0.00 |
| Increase Cost: Retirement Adjustment | 6,566 | 0.00 |
| Increase Cost: Mid-Year Position Creation - Term Position [Administration] | 2,000 | 0.50 |
| Increase Cost: Mid-Year Position Creation - Customer Outreach [Administration] | 926 | 0.10 |
| Shift: Transfer Position to OHR [Retail Sales Operations] | (47,438) | (0.50) |
| Shift: Long-term Vacant Position to OHR to Support Countywide Human Resources Efforts [Warehouse Operations] | (51,552) | 0.00 |
| Decrease Cost: Decrease in Debt Service Cost from FY24 to FY25 [Administration] | (62,100) | 0.00 |
| Decrease Cost: Risk Management Adjustment | (86,982) | 0.00 |
| Decrease Cost: Motor Pool Adjustment | (265,862) | 0.00 |
| Decrease Cost: Annualization of FY24 Personnel Costs | (426,765) | 0.00 |
| FY25 APPROVED | 74,604,653 | 432.30 |

PROGRAM SUMMARY

| Program Name | FY24 APPR Expenditures | FY24 APPR FTEs | FY25 APPR Expenditures | FY25 APPR FTEs |
|-------------------------------------|---------------------------|-------------------|---------------------------|-------------------|
| Administration | 15,938,681 | 29.20 | 18,518,236 | 44.30 |
| Delivery Operations | 7,728,591 | 74.00 | 8,051,154 | 74.00 |
| Licensure, Regulation and Education | 2,232,618 | 12.39 | 2,416,072 | 13.39 |
| Retail Sales Operations | 33,736,344 | 211.78 | 34,824,596 | 206.78 |
| Warehouse Operations | 11,103,343 | 101.33 | 10,794,595 | 93.83 |
| Total | 70,739,577 | 428.70 | 74,604,653 | 432.30 |

FUNDING PARAMETER ITEMS

CC APPROVED (\$000S)

| Title | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| LIQUOR CONTROL | | | | | | |
| EXPENDITURES | | | | | | |
| FY25 Approved | 74,605 | 74,605 | 74,605 | 74,605 | 74,605 | 74,605 |
| No inflation or compensation change is included in outyear projections. | | | | | | |

FUNDING PARAMETER ITEMS

CC APPROVED (\$000S)

| Title | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Elimination of One-Time Items Approved in FY25 | 0 | (202) | (202) | (202) | (202) | (202) |
| Items recommended for one-time funding in FY25, including a Zero Emission Fleet Study and term staffing, will be eliminated from the base in the outyears. | | | | | | |
| Debt Service | 0 | 342 | 1,929 | 1,927 | 1,932 | (1,726) |
| Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system. | | | | | | |
| Labor Contracts | 0 | 937 | 937 | 937 | 937 | 937 |
| These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items. | | | | | | |
| Subtotal Expenditures | 74,605 | 75,682 | 77,269 | 77,267 | 77,272 | 73,614 |

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