



Alcohol Beverage Services

RECOMMENDED 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 recommended 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 Justine Jones of the Office of Management and Budget at 240.777.2627 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 Recommended 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 Recommended 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 Recommended	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 Recommended 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 Recommended	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 Recommended 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 Recommended			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 Recommended Changes	Expenditures	FTEs
FY24 Approved	33,736,344	211.78
Increase Cost: Retail Store Leases	170,266	0.00
Eliminate: 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 Recommended	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 Recommended Changes	Expenditures	FTEs
FY24 Approved	11,103,343	101.33
Increase Cost: Mid-Year Position Creation - Reclassification	44,320	0.50

FY25 Recommended 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 Recommended	10,794,595	93.83

BUDGET SUMMARY

	Actual FY23	Budget FY24	Estimate FY24	Recommended FY25	%Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	28,437,505	32,200,207	31,557,484	34,999,290	8.7 %
Employee Benefits	9,255,336	11,094,710	10,415,062	11,986,007	8.0 %
Liquor Control Personnel Costs	37,692,841	43,294,917	41,972,546	46,985,297	8.5 %
Operating Expenses	23,379,292	18,690,270	19,979,571	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	70,706,507	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 RECOMMENDED 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 RECOMMENDED CHANGES

	Expenditures	FTEs
Eliminate: Transfer Position to OHR [Retail Sales Operations]	(47,438)	(0.50)
<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: 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 RECOMMENDED	74,604,653	432.30

PROGRAM SUMMARY

Program Name	FY24 APPR Expenditures	FY24 APPR FTEs	FY25 REC Expenditures	FY25 REC 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

CE RECOMMENDED (\$000S)

Title	FY25	FY26	FY27	FY28	FY29	FY30
LIQUOR CONTROL						
EXPENDITURES						
FY25 Recommended	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

CE RECOMMENDED (\$000S)

Title	FY25	FY26	FY27	FY28	FY29	FY30
Elimination of One-Time Items Recommended 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

FY25-30 PUBLIC SERVICES PROGRAM: FISCAL PLAN		Alcohol Beverage Services					
FISCAL PROJECTIONS	FY24 ESTIMATE	FY25 REC	FY26 PROJECTION	FY27 PROJECTION	FY28 PROJECTION	FY29 PROJECTION	FY30 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.0%	2.2%	2.3%	2.3%	2.2%	2.3%	2.3%
Investment Income Yield	5.3%	4.3%	3.3%	3.0%	3.0%	3.0%	3.0%
BEGINNING FUND BALANCE	13,212,492	8,335,014	4,973,221	2,748,222	2,670,362	3,887,552	7,045,165
REVENUES							
Licenses & Permits	1,324,555	1,324,555	1,354,623	1,385,644	1,416,267	1,448,133	1,481,006
Charges For Services	23,887	23,887	24,429	24,988	25,540	26,115	26,708
Fines & Forfeitures	63,383	63,383	64,822	66,306	67,771	69,296	70,869
Miscellaneous	101,766,696	102,896,565	105,897,764	109,049,399	112,314,329	115,677,206	119,140,970
Subtotal Revenues	103,178,521	104,308,390	107,341,638	110,526,337	113,823,907	117,220,750	120,719,553
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To The General Fund	(34,629,492)	(31,298,530)	(30,292,223)	(30,292,223)	(30,292,223)	(30,792,223)	(34,792,223)
Indirect Costs	(4,329,492)	(4,698,530)	(4,792,223)	(4,792,223)	(4,792,223)	(4,792,223)	(4,792,223)
Earnings Transfer	(30,300,000)	(26,600,000)	(25,500,000)	(25,500,000)	(25,500,000)	(26,000,000)	(30,000,000)
TOTAL RESOURCES	81,761,521	81,344,874	82,022,636	82,982,336	86,202,046	90,316,079	92,972,495
CIP CURRENT REVENUE APPROP.							
PSP OPER. BUDGET APPROP/ EXP'S.	(2,720,000)	(1,767,000)	(3,161,000)	(1,734,000)	(2,421,000)	(1,597,000)	0
Operating Budget	(62,052,917)	(66,013,163)	(66,445,093)	(67,322,653)	(68,640,123)	(70,415,363)	(72,662,833)
Debt Service: Other (Non-Tax Funds only)	(8,653,590)	(8,591,490)	(8,933,390)	(10,520,390)	(10,518,440)	(10,523,620)	(6,865,480)
Labor Agreement	n/a	0	(936,931)	(936,931)	(936,931)	(936,931)	(936,931)
Annualizations and One-Time	n/a	n/a	202,000	202,000	202,000	202,000	202,000
Subtotal PSP Oper Budget Approp / Exp's	(70,706,507)	(74,604,653)	(76,113,414)	(78,577,974)	(79,893,494)	(81,673,914)	(80,263,244)
TOTAL USE OF RESOURCES	(73,426,507)	(76,371,653)	(79,274,414)	(80,311,974)	(82,314,494)	(83,270,914)	(80,263,244)
YEAR END FUND BALANCE	8,335,014	4,973,221	2,748,222	2,670,362	3,887,552	7,045,165	12,709,251
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	10.2%	6.1%	3.4%	3.2%	4.5%	7.8%	13.7%

Assumptions:

1. The assumptions 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 fee 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 cash balance.
3. Operating expenditures grow with CPI.
4. Net profit growth is estimated at 3.0% per year.