



# Alcohol Beverage Services

## RECOMMENDED FY26 BUDGET

\$77,951,615

## FULL TIME EQUIVALENTS

433.30

 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 FY26 Operating Budget for the Alcohol Beverage Services is \$77,951,615, an increase of \$3,346,962 or 4.49 percent from the FY25 Approved Budget of \$74,604,653. Personnel Costs comprise 63.68 percent of the budget for 350 full-time position(s) and 117 part-time position(s), and a total of 433.30 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 36.32 percent of the FY26 budget.

In FY26, Alcohol Beverage Services will transfer \$19.6 million to the General Fund and make \$8.7 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$28.3 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:

### A Growing Economy

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

## INITIATIVES

---

- ★ Open three new store locations, with updated and enhanced shopping environments, while proceeding with scheduled renovations to existing properties, in conjunction with landlord funded tenant improvement dollars.
- ★ Extend the newly implemented keg and specials picking process to the customer pickup window to minimize paper usage and enhance operational efficiency.
- ★ Upgrade the current conveyor system to enhance operational efficiencies, including increased productivity and reduced product breakage. This upgrade will also contribute to lowering employee injuries and minimizing overtime, creating a safer and more efficient work environment.
- ★ Develop a lifting technique training program aimed at reducing workplace injuries as part of the employee wellness initiative. This program will equip employees with proper lifting practices, promoting safety and long-term well-being in the workplace.
- ★ Enhance warehouse safety by mandating that all visitors and non-warehouse personnel wear safety vests. Additionally, increasing the number of safety lights on forklifts will contribute to reducing incidents, accidents, and near misses.

## INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

---

- ★ Introduced a new podcast series, *Spirited Discussions: A Podcast by Montgomery County Alcohol Beverage Services*, to help residents and businesses understand alcohol products, trends, and policies in Montgomery County.
- ★ Optimized the keg and specials picking process by transitioning from paper-based methods to iPads. This shift has significantly reduced the time required for picking kegs and special items, while enhancing order fulfillment accuracy.
- ★ Implemented pre-shift stretching routines to reduce workplace injuries, promoting a safer and healthier environment for the workforce.

## PROGRAM CONTACTS

---

Contact John Utermohle of the Alcohol Beverage Services at 240-777-1929 or Eva Acevedo of the Office of Management and Budget at 240-777-2763 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 FY25 estimates reflect funding based on the FY25 Approved Budget. The FY26 and FY27 figures are performance targets based on the FY26 Recommended Budget and funding for comparable service levels in FY27.

## 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 FY23	Actual FY24	Estimated FY25	Target FY26	Target FY27
Total sales overall <sup>1</sup>	\$316,054,561	\$309,456,561	\$303,000,000	\$303,000,000	\$303,000,000
Gross profit	\$98,909,943	\$100,707,363	\$99,818,282	\$99,818,282	\$99,818,282
Transfer to General Fund <sup>2</sup>	\$39,353,888	\$39,072,413	\$31,000,000	\$25,500,000	\$25,500,000

<sup>1</sup> The FY25-FY27 projections reflect recent shifts in the U.S. alcohol market which are attributed to evolving consumer preferences and economic factors.

<sup>2</sup> The FY24 General Fund transfer includes \$8.8 million in indirect costs and bond payments. The FY25-FY27 projections reflect stabilized revenues post-pandemic.

FY26 Recommended Changes	Expenditures	FTEs
<b>FY25 Approved</b>	<b>18,518,236</b>	<b>44.30</b>
Increase Cost: Microsoft License Chargeback	461,947	0.00
Increase Cost: Debt Service	74,900	0.00
Increase Cost: IT and POS Contracts	2,083	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.	233,777	1.50
<b>FY26 Recommended</b>	<b>19,290,943</b>	<b>45.80</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 FY23	Actual FY24	Estimated FY25	Target FY26	Target FY27
Number of unique licensees that ordered items (monthly average)	841	864	864	864	864
Number of items shipped to customers - licensees only	4,006,221	3,854,217	3,892,759	3,931,686	3,971,003
Percent of items shipped on time and intact - licensees only	95.4%	96.4%	96.5%	97.0%	98.0%

FY26 Recommended Changes	Expenditures	FTEs
<b>FY25 Approved</b>	<b>8,051,154</b>	<b>74.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	224,053	0.00
<b>FY26 Recommended</b>	<b>8,275,207</b>	<b>74.00</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 FY23	Actual FY24	Estimated FY25	Target FY26	Target FY27
Number of valid licensed businesses registered with ABS	1,032	1,056	1,060	1,060	1,060
Number of annual alcohol compliance checks to minors (under 21)	219	114	300	300	300
Number of licensed business inspections	3,898	2,744	3,500	3,500	3,500
Percent of licensees that fail compliance checks (number of establishments that fail / number of total compliance checks)	36.0%	13.2%	25.0%	25.0%	25.0%
<b>FY26 Recommended Changes</b>			<b>Expenditures</b>		<b>FTEs</b>
<b>FY25 Approved</b>			<b>2,416,072</b>		<b>13.39</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.			236,424		0.00
<b>FY26 Recommended</b>			<b>2,652,496</b>		<b>13.39</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 FY23	Actual FY24	Estimated FY25	Target FY26	Target FY27
Same store sales year over year	\$136,547,591	\$132,586,061	\$133,248,991	\$135,247,726	\$136,938,322
Average licensee satisfaction score from annual survey - Retail Operations (scale of 1-5)	4.0	4.1	4.8	4.8	5.0
<b>FY26 Recommended Changes</b>			<b>Expenditures</b>		<b>FTEs</b>
<b>FY25 Approved</b>			<b>34,824,596</b>		<b>206.78</b>
Increase Cost: Retail Store Leases			11,794		0.00
Re-align: Five Liquor Store Positions (1 FT and 4 PT)			(335,300)		(3.00)
Decrease Cost: Lapse Adjustment			(592,178)		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.			1,963,075		(1.50)
<b>FY26 Recommended</b>			<b>35,871,987</b>		<b>202.28</b>

## 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 FY23	Actual FY24	Estimated FY25	Target FY26	Target FY27
Percent of shipped items returned	0.4%	0.1%	0.1%	0.1%	0.1%
Percent of items shipped on time and intact - stock products - licensees only	95.8%	96.8%	97.0%	98.0%	99.0%
Percent of items shipped on time and intact - special order products - licensees only	90.2%	89.6%	90.0%	91.5%	92.0%
Average licensee satisfaction score from annual survey - Wholesale Operations (scale of 1-5)	4.1	4.0	4.8	4.8	5.0

  

FY26 Recommended Changes	Expenditures	FTEs
<b>FY25 Approved</b>	<b>10,794,595</b>	<b>93.83</b>
Re-align: Four Supply Technician Positions	340,151	4.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	726,236	0.00
<b>FY26 Recommended</b>	<b>11,860,982</b>	<b>97.83</b>

## BUDGET SUMMARY

	Actual FY24	Budget FY25	Estimate FY25	Recommended FY26	%Chg Bud/Rec
<b>LIQUOR CONTROL</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	32,467,057	34,999,290	35,351,100	36,433,306	4.1 %
Employee Benefits	10,515,384	11,986,007	11,829,465	13,206,177	10.2 %
<b>Liquor Control Personnel Costs</b>	<b>42,982,441</b>	<b>46,985,297</b>	<b>47,180,565</b>	<b>49,639,483</b>	<b>5.6 %</b>
Operating Expenses	20,533,435	18,927,066	18,823,874	19,544,942	3.3 %
Capital Outlay	214,576	100,800	0	100,800	—
Debt Service GO Bonds	8,242,690	0	0	0	—
Debt Service Other	0	8,591,490	8,591,490	8,666,390	0.9 %
<b>Liquor Control Expenditures</b>	<b>71,973,142</b>	<b>74,604,653</b>	<b>74,595,929</b>	<b>77,951,615</b>	<b>4.5 %</b>
<b>PERSONNEL</b>					
Full-Time	341	347	347	350	0.9 %
Part-Time	130	121	121	117	-3.3 %
FTEs	428.70	432.30	432.30	433.30	0.2 %
<b>REVENUES</b>					
Liquor Licenses	1,867,286	1,206,955	1,206,955	1,206,955	—
Other Licenses/Permits	65,820	117,600	117,600	117,600	—
Other Charges/Fees	15,440	23,887	23,887	23,887	—
Other Fines/Forfeitures	59,915	63,383	63,383	63,383	—
Liquor Sales	100,426,892	102,583,645	99,818,282	99,818,282	-2.7 %
Miscellaneous Revenues	430,620	0	0	0	—
Investment Income	574,311	312,920	521,130	438,850	40.2 %
Bag Tax	7,478	0	0	0	—
Health Inspection: Restaurants	(9,632)	0	0	0	—
<b>Liquor Control Revenues</b>	<b>103,438,130</b>	<b>104,308,390</b>	<b>101,751,237</b>	<b>101,668,957</b>	<b>-2.5 %</b>

## FY26 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>LIQUOR CONTROL</b>		
<b>FY25 ORIGINAL APPROPRIATION</b>	<b>74,604,653</b>	<b>432.30</b>
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: FY26 Compensation Adjustment	2,340,842	0.00
Increase Cost: Annualization of FY25 Compensation Increases	963,250	0.00
Increase Cost: Microsoft License Chargeback [Administration]	461,947	0.00
Re-align: Four Supply Technician Positions [Warehouse Operations]	340,151	4.00
Increase Cost: Motor Pool Adjustment	298,606	0.00
Increase Cost: Retirement Adjustment	134,946	0.00
Increase Cost: Salary Equity Adjustment	123,091	0.00
Increase Cost: Debt Service [Administration]	74,900	0.00
Increase Cost: Printing and Mail Adjustment	50,898	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	11,794	0.00
Increase Cost: IT and POS Contracts [Administration]	2,083	0.00
Decrease Cost: Risk Management Adjustment	(7,452)	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY25	(202,000)	0.00
Decrease Cost: Annualization of FY25 Personnel Costs	(318,616)	0.00
Re-align: Five Liquor Store Positions (1 FT and 4 PT) [Retail Sales Operations]	(335,300)	(3.00)
Decrease Cost: Lapse Adjustment [Retail Sales Operations]	(592,178)	0.00
<b>FY26 RECOMMENDED</b>	<b>77,951,615</b>	<b>433.30</b>

## PROGRAM SUMMARY

Program Name	FY25 APPR Expenditures	FY25 APPR FTEs	FY26 REC Expenditures	FY26 REC FTEs
Administration	18,518,236	44.30	19,290,943	45.80
Delivery Operations	8,051,154	74.00	8,275,207	74.00
Licensure, Regulation and Education	2,416,072	13.39	2,652,496	13.39
Retail Sales Operations	34,824,596	206.78	35,871,987	202.28
Warehouse Operations	10,794,595	93.83	11,860,982	97.83
<b>Total</b>	<b>74,604,653</b>	<b>432.30</b>	<b>77,951,615</b>	<b>433.30</b>

## FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY26	FY27	FY28	FY29	FY30	FY31
<b>LIQUOR CONTROL</b>						
<b>EXPENDITURES</b>						

## FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY26	FY27	FY28	FY29	FY30	FY31
<b>FY26 Recommended</b>	<b>77,952</b>	<b>77,952</b>	<b>77,952</b>	<b>77,952</b>	<b>77,952</b>	<b>77,952</b>
No inflation or compensation change is included in outyear projections.						
<b>Debt Service</b>	<b>0</b>	<b>1,854</b>	<b>1,852</b>	<b>1,857</b>	<b>(1,801)</b>	<b>(1,800)</b>
Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system.						
<b>IT and POS</b>	<b>0</b>	<b>(110)</b>	<b>(43)</b>	<b>(122)</b>	<b>(126)</b>	<b>(126)</b>
The implementation costs of new software and other technologies, including a new Point of Sale (POS) system, eliminated from the base in the outyears.						
<b>Retail Store Leases</b>	<b>0</b>	<b>55</b>	<b>296</b>	<b>544</b>	<b>799</b>	<b>799</b>
The leases for retail stores are based on average annual increases per lease agreement.						
<b>Labor Contracts</b>	<b>0</b>	<b>328</b>	<b>328</b>	<b>328</b>	<b>328</b>	<b>328</b>
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
<b>Subtotal Expenditures</b>	<b>77,952</b>	<b>80,079</b>	<b>80,385</b>	<b>80,559</b>	<b>77,152</b>	<b>77,153</b>

FY26-31 PUBLIC SERVICES PROGRAM: FISCAL PLAN				Alcohol Beverage Services			
FISCAL PROJECTIONS	FY25 ESTIMATE	FY26 REC	FY27 PROJECTION	FY28 PROJECTION	FY29 PROJECTION	FY30 PROJECTION	FY31 PROJECTION
<b>ASSUMPTIONS</b>							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.6%	2.7%	2.7%	2.4%	2.2%	2.2%	2.3%
Investment Income Yield	4.8%	4.1%	3.8%	3.3%	3.0%	3.0%	3.0%
<b>BEGINNING FUND BALANCE</b>	<b>8,308,154</b>	<b>2,397,932</b>	<b>5,046,366</b>	<b>5,184,132</b>	<b>5,287,932</b>	<b>5,392,445</b>	<b>5,504,873</b>
<b>REVENUES</b>							
Licenses & Permits	1,324,555	1,324,555	1,360,053	1,392,830	1,423,333	1,454,504	1,487,376
Charges For Services	23,887	23,887	24,527	25,118	25,668	26,230	26,823
Fines & Forfeitures	63,383	63,383	65,082	66,650	68,110	69,602	71,175
Miscellaneous	100,339,412	100,257,132	103,204,780	106,236,385	109,387,212	112,659,436	116,029,826
<b>Subtotal Revenues</b>	<b>101,751,237</b>	<b>101,668,957</b>	<b>104,654,442</b>	<b>107,720,983</b>	<b>110,904,323</b>	<b>114,209,772</b>	<b>117,615,200</b>
<b>INTERFUND TRANSFERS (Net Non-CIP)</b>							
Transfers To The General Fund	(31,298,530)	(19,598,908)	(20,375,808)	(21,037,968)	(21,103,688)	(25,565,818)	(26,463,318)
Indirect Costs	(4,698,530)	(4,963,948)	(4,996,748)	(4,996,748)	(4,996,748)	(4,996,748)	(4,996,748)
Earnings Transfer	(26,600,000)	(14,634,960)	(15,379,060)	(16,041,220)	(16,106,940)	(20,569,070)	(21,466,570)
<b>TOTAL RESOURCES</b>	<b>78,760,861</b>	<b>84,467,981</b>	<b>89,325,000</b>	<b>91,867,148</b>	<b>95,088,567</b>	<b>94,036,398</b>	<b>96,656,756</b>
<b>CIP CURRENT REVENUE APPROP.</b>							
<b>PSP OPER. BUDGET APPROP/ EXP'S.</b>	<b>(1,767,000)</b>	<b>(1,470,000)</b>	<b>(1,158,000)</b>	<b>(811,000)</b>	<b>(1,276,000)</b>	<b>(893,000)</b>	<b>(893,000)</b>
Operating Budget	(66,004,439)	(69,285,225)	(72,189,458)	(74,668,918)	(77,147,135)	(79,771,628)	(82,294,344)
Debt Service: Other (Non-Tax Funds only)	(8,591,490)	(8,666,390)	(10,520,390)	(10,518,440)	(10,523,620)	(6,865,480)	(6,866,730)
Labor Agreement	n/a	0	(328,001)	(328,001)	(328,001)	(328,001)	(328,001)
IT and POS	n/a	n/a	109,576	42,697	122,376	126,320	126,320
Retail Store Leases	n/a	n/a	(54,595)	(295,554)	(543,742)	(799,736)	(799,736)
<b>Subtotal PSP Oper Budget Approp / Exp's</b>	<b>(74,595,929)</b>	<b>(77,951,615)</b>	<b>(82,982,868)</b>	<b>(85,768,216)</b>	<b>(88,420,122)</b>	<b>(87,638,525)</b>	<b>(90,162,491)</b>
<b>TOTAL USE OF RESOURCES</b>	<b>(76,362,929)</b>	<b>(79,421,615)</b>	<b>(84,140,868)</b>	<b>(86,579,216)</b>	<b>(89,696,122)</b>	<b>(88,531,525)</b>	<b>(91,055,491)</b>
<b>YEAR END FUND BALANCE</b>	<b>2,397,932</b>	<b>5,046,366</b>	<b>5,184,132</b>	<b>5,287,932</b>	<b>5,392,445</b>	<b>5,504,873</b>	<b>5,601,265</b>
<b>END-OF-YEAR RESERVES AS A</b>							
<b>PERCENT OF RESOURCES</b>	<b>3.0%</b>	<b>6.0%</b>	<b>5.8%</b>	<b>5.8%</b>	<b>5.7%</b>	<b>5.9%</b>	<b>5.8%</b>
<b>Assumptions:</b> 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.							