



Alcohol Beverage Services

RECOMMENDED FY27 BUDGET

\$81,926,978

FULL TIME EQUIVALENTS

419.80

 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, 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 FY27 Operating Budget for the Alcohol Beverage Services is \$81,926,978, an increase of \$3,975,363 or 5.10 percent from the FY26 Approved Budget of \$77,951,615. Personnel Costs comprise 62.38 percent of the budget for 343 full-time position(s) and 107 part-time position(s), and a total of 419.80 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 37.62 percent of the FY27 budget.

In FY27, Alcohol Beverage Services will make a \$10.4 million earnings transfer to the General Fund, a \$5.1 million indirect costs transfer, and make \$10.5 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$26.0 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

- ★ Create a customer service training program for retail store employees in collaboration with Montgomery College as a way to improve the retail customer service experience and increase customer satisfaction.
- ★ Recognize and award licensed establishments that pass compliance checks to prevent under-21 alcohol consumption.
- ★ 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.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ★ Leveraged a dormant 2017 law to allow beer and wine stores to enter an agreement with the department to sell ready-to-drink distilled spirit beverages with less than 8 percent alcohol by volume, giving a needed boost to these businesses' bottom line.
- ★ Expanded the licensee education program to include a partnership with the non-profit organization Safe Bars to provide free bystander intervention and de-escalation training in preventing sexual violence.
- ★ Expanded the Under-21 Alcohol Prevention program by partnering with Excel Beyond the Bell, a public-private partnership offering programs designed to inspire youth to realize their full potential.
- ★ Opened the relocated and rebranded retail stores at Westbard, White Oak, and Wheaton with updated and enhanced shopping environments and tasting rooms for product education.
- ★ Modernized the internal and external facing web applications to align with the latest standards for enhanced scalability, performance, security, and user-centric design.

PROGRAM CONTACTS

Contact Scott McClure of the Alcohol Beverage Services at 240-777-6436 or Seamus McNamara of the Office of Management and Budget at 240-777-2755 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 FY26 estimates reflect funding based on the FY26 Approved Budget. The FY27 and FY28 figures are performance targets based on the FY27 Recommended Budget and funding for comparable service levels in FY28.

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 technology staff provide the design, operation, maintenance, and protection of all information technology initiatives for the department.

Program Performance Measures	Actual FY24	Actual FY25	Estimated FY26	Target FY27	Target FY28
Total sales overall ¹	\$309,456,561	\$304,372,610	\$304,372,610	\$304,372,610	\$304,372,610
Gross profit	\$100,707,363	\$96,512,509	\$97,359,954	\$94,205,602	\$98,870,875
Transfer to General Fund ²	\$39,072,413	\$26,159,603	\$23,718,503	\$20,723,790	\$20,518,648

¹ The FY26-FY28 projections reflect recent shifts in the U.S. alcohol market which are attributed to evolving consumer preferences and economic factors.

² The FY25 General Fund transfer includes \$9.1 million in indirect costs and bond payments. The FY26-FY28 projections reflect market conditions.

FY27 Recommended Changes	Expenditures	FTEs
FY26 Approved	19,290,943	45.80
Increase Cost: IT Expenses	1,030,616	0.00
Increase Cost: DGS and other Chargebacks	200,953	0.00
Decrease Cost: Other Professional Services	(213,123)	0.00
Decrease Cost: Advertising and Marketing	(230,477)	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.	2,534,291	0.00
FY27 Recommended	22,613,203	45.80

☀ Delivery Operations

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

Program Performance Measures	Actual FY24	Actual FY25	Estimated FY26	Target FY27	Target FY28
Number of unique licensees that ordered items (monthly average)	864	837	835	835	835
Number of items shipped to customers - licensees only	3,854,217	3,738,411	3,626,258	3,517,471	3,412,947
Percent of items shipped on time and intact - licensees only	96.4%	98.3%	98.5%	98.8%	99.0%

FY27 Recommended Changes	Expenditures	FTEs
FY26 Approved	8,275,207	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.	(359,071)	(1.00)
FY27 Recommended	7,916,136	73.00

☀ Licensure, Regulation and Education

This program includes issuance of alcoholic beverage 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 alcoholic beverages.

Program Performance Measures	Actual FY24	Actual FY25	Estimated FY26	Target FY27	Target FY28
Number of valid licensed businesses registered with ABS	1,056	1,077	1,080	1,083	1,086
Number of annual alcohol compliance checks to minors (under 21)	114	300	300	300	300
Number of licensed business inspections	2,744	3,900	3,500	3,700	3,700
Percent of licensees that fail compliance checks (number of establishments that fail / number of total compliance checks)	13.2%	19.0%	25.0%	25.0%	25.0%

FY27 Recommended Changes	Expenditures	FTEs
FY26 Approved	2,652,496	13.39
Increase Cost: Miscellaneous Licensure Expenditures	41,790	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.	(24,400)	(1.00)
FY27 Recommended	2,669,886	12.39

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 FY24	Actual FY25	Estimated FY26	Target FY27	Target FY28
Total retail stores sales	\$132,586,061	\$125,435,808	\$121,672,734	\$118,022,552	\$114,481,875
Average licensee satisfaction score from annual survey - Retail Operations (scale of 1-5)	4.1	4.0	4.0	4.0	4.2

FY27 Recommended Changes	Expenditures	FTEs
FY26 Approved	35,871,987	202.28
Increase Cost: Retail Store Leases	205,092	0.00
Increase Cost: Credit Card Fees	150,000	0.00
Increase Cost: Water and Sewer Budget	44,090	0.00
Decrease Cost: The Shift4 Credit Card Services Program	(1,051,900)	0.00
Reduce: Retail Sales Operations Program - Abolish Positions Through Attrition	(1,464,323)	(13.20)
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	1,090,697	1.70
FY27 Recommended	34,845,643	190.78

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 FY24	Actual FY25	Estimated FY26	Target FY27	Target FY28
------------------------------	-------------	-------------	----------------	-------------	-------------

Program Performance Measures	Actual FY24	Actual FY25	Estimated FY26	Target FY27	Target FY28
Percent of shipped items returned	0.10%	0.27%	0.23%	0.20%	0.15%
Percent of items shipped on time and intact - stock products - licensees only	96.8%	98.8%	99.0%	99.0%	99.0%
Percent of items shipped on time and intact - special order products - licensees only	89.6%	99.4%	99.0%	99.0%	99.0%
Average licensee satisfaction score from annual survey - Wholesale Operations (scale of 1-5)	4.0	4.0	4.0	4.0	4.2

FY27 Recommended Changes	Expenditures	FTEs
FY26 Approved	11,860,982	97.83
Increase Cost: Capital Equipment	188,000	0.00
Decrease Cost: Holiday Premium for Wholesale Operations	(200,000)	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.	2,033,128	0.00
FY27 Recommended	13,882,110	97.83

BUDGET SUMMARY

	Actual FY25	Budget FY26	Estimated FY26	Recommended FY27	%Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	36,255,845	36,478,478	36,253,756	37,407,264	2.6 %
Employee Benefits	11,827,114	13,161,005	13,085,727	13,699,018	4.1 %
Liquor Control Personnel Costs	48,082,959	49,639,483	49,339,483	51,106,282	3.0 %
Operating Expenses	19,443,586	19,544,942	19,344,942	20,125,406	3.0 %
Capital Outlay	960,569	100,800	100,800	188,000	86.5 %
Debt Service GO Bonds	8,239,590	0	0	0	—
Debt Service Other	0	8,666,390	8,666,390	10,507,290	21.2 %
Liquor Control Expenditures	76,726,704	77,951,615	77,451,615	81,926,978	5.1 %
PERSONNEL					
Full-Time	347	350	350	343	-2.0 %
Part-Time	121	117	117	107	-8.6 %
FTEs	432.30	433.30	433.30	419.80	-3.1 %
REVENUES					
Liquor Licenses	1,876,222	1,206,955	1,792,869	1,734,636	43.7 %
Other Licenses/Permits	73,800	117,600	70,521	68,231	-42.0 %
Other Charges/Fees	14,620	23,887	13,970	13,517	-43.4 %
Other Fines/Forfeitures	130,535	63,383	74,470	120,684	90.4 %
Liquor Sales	96,512,511	99,818,282	97,155,090	93,999,436	-5.8 %
Miscellaneous Revenues	2,948,481	0	0	7,956	—
Investment Income	(214,388)	438,850	204,864	198,210	-54.8 %
Bag Tax	6,841	0	6,537	6,325	—
Liquor Control Revenues	101,348,622	101,668,957	99,318,321	96,148,995	-5.4 %

FY27 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY26 ORIGINAL APPROPRIATION	77,951,615	433.30
<u>Changes (with service impacts)</u>		
Reduce: Retail Sales Operations Program - Abolish Positions Through Attrition [Retail Sales Operations]	(1,464,323)	(13.20)
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: FY27 Compensation Adjustment	1,983,451	0.00
Increase Cost: Debt Service	1,840,900	0.00
Increase Cost: IT Expenses [Administration]	1,030,616	0.00
Increase Cost: Lapse Adjustment	742,095	0.00
Increase Cost: Annualization of FY26 Compensation Increases	368,749	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	205,092	0.00
Increase Cost: DGS and other Chargebacks [Administration]	200,953	0.00
Increase Cost: Capital Equipment [Warehouse Operations]	188,000	0.00
Technical Adj: Midyear Technical Adjustment and Annualization of FY26 Personnel Costs	152,057	(0.30)
Increase Cost: Credit Card Fees [Retail Sales Operations]	150,000	0.00
Increase Cost: Risk Management Adjustment	115,450	0.00
Increase Cost: Motor Pool Adjustment	89,754	0.00
Increase Cost: Printing and Mail	79,774	0.00
Increase Cost: Water and Sewer Budget [Retail Sales Operations]	44,090	0.00
Increase Cost: Miscellaneous Licensure Expenditures [Licensure, Regulation and Education]	41,790	0.00
Increase Cost: DEP-RRM Chargeback	17,645	0.00
Decrease Cost: Retirement Adjustment	(115,230)	0.00
Decrease Cost: Holiday Premium for Wholesale Operations [Warehouse Operations]	(200,000)	0.00
Decrease Cost: Other Professional Services [Administration]	(213,123)	0.00
Decrease Cost: Advertising and Marketing [Administration]	(230,477)	0.00
Decrease Cost: The Shift4 Credit Card Services Program [Retail Sales Operations]	(1,051,900)	0.00
FY27 RECOMMENDED	81,926,978	419.80

PROGRAM SUMMARY

Program Name	FY26 APPR Expenditures	FY26 APPR FTEs	FY27 REC Expenditures	FY27 REC FTEs
Administration	19,290,943	45.80	22,613,203	45.80
Delivery Operations	8,275,207	74.00	7,916,136	73.00
Licensure, Regulation and Education	2,652,496	13.39	2,669,886	12.39
Retail Sales Operations	35,871,987	202.28	34,845,643	190.78
Warehouse Operations	11,860,982	97.83	13,882,110	97.83
Total	77,951,615	433.30	81,926,978	419.80

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY27	FY28	FY29	FY30	FY31	FY32
LIQUOR CONTROL						
EXPENDITURES						
FY27 Recommended	81,927	81,927	81,927	81,927	81,927	81,927
No inflation or compensation change is included in outyear projections.						
Debt Service	0	(2)	3	(3,655)	(3,654)	(3,654)
Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system.						
Retail Store Leases	0	241	489	745	745	745
The leases for retail stores are based on average annual increases per lease agreement.						
Labor Contracts	0	398	398	398	398	398
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	81,927	82,564	82,817	79,415	79,416	79,416

THIS PAGE INTENTIONALLY LEFT BLANK