



Committee: ECON
Committee Review: Completed
Staff: Naeem M. Mia, Legislative Analyst
Purpose: To make preliminary decisions – straw vote expected

AGENDA ITEM #17
 May 12, 2023
Worksession

SUBJECT

Alcohol and Beverage Services (ABS) (Liquor Fund) – FY24 Operating Budget

EXPECTED ATTENDEES

- Kathie Durbin, Director, ABS
- John Utermohle, Chief of Administrative Services, ABS
- Courtney Orsini, Management and Budget Specialist, ABS
- Abdul M. Rauf, Fiscal and Policy Analyst, Office of Management and Budget (OMB)

FY24 COUNTY EXECUTIVE RECOMMENDATION

Liquor Fund	FY23 Recommended	FY24 CE Recommended	% Change from FY23 Approved	\$ Change from FY23 Approved
Alcohol and Beverage Services	\$68,265,868	\$70,805,841	3.70%	\$2,539,973
Personnel Costs	\$39,171,651	\$43,294,917	10.20%	\$4,123,266
	428.80 FTEs	428.70 FTEs		
Operating Costs	\$19,112,477	\$18,756,534	-1.90%	(\$355,943)
Capital Outlays	\$1,120,800	\$100,800	-91.00%	(\$1,020,000)
Debt Service	\$8,860,940	\$8,653,590	-2.30%	(\$207,350)
Total Expenditures	\$68,265,868	\$70,805,841	3.70%	\$2,539,973
	428.80 FTEs	428.70 FTEs	0%	
Total Revenues	\$100,533,674	\$104,144,380	3.60%	\$3,610,706

Indirect Cost Transfer	\$3,917,233	\$4,328,493	10.50%	\$411,260
CIP	\$1,000,000	\$2,720,000	172.00%	\$1,720,000
General Fund Transfer	\$31,000,000	\$29,300,000	-5.50%	(\$1,700,000)

COMMITTEE RECOMMENDATIONS

- The Committee did not specifically recommend or endorse the Executive’s recommended FY24 operating budget for ABS.
- The Committee noted that the Council’s authority to change the recommended budget for ABS is limited. Based on a written opinion by the State of Maryland Attorney General, the Council

can make recommendations on the ABS budget, but final decisions are subject to the authority of the County Executive.

- However, Council staff notes that any Council decisions on employee compensation and benefit adjustments do apply to ABS no different than any other County department.
- Effectively, the Council may request the County Executive that its recommendations (on non-compensation and benefit adjustments) be included in an amended budget to be re-submitted to Council.

SUMMARY OF KEY ISSUES AND DISCUSSION ITEMS

- On May 10, the County Executive responded that the ABS budget would remain at the March 15, 2023 recommended level and that no additional increase in the earnings transfer to the General Fund would be recommended. The Executive’s detailed rationale can be found on Attachment 3 on circles 32-33.

This report contains:

- | | |
|--|-------------|
| 1. April 28 ECON Staff Report – ABS FY24 operating budget | Pages 1-29 |
| 2. ECON Committee Chair’s Request to the County Executive- May 2, 2023 | Pages 30-31 |
| 3. County Executive’s Response to ECON Chair’s Request – May 10, 2023 | Pages 32-33 |

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MEMORANDUM

April 26, 2023

TO: Economic Development (ECON) Committee

FROM: Naeem M. Mia, Legislative Analyst

SUBJECT: **FY24 Recommended Operating Budget – Alcohol and Beverage Services (ABS)**

PURPOSE: Vote on recommendations for the Council’s consideration

Expected Attendees:

- Kathie Durbin, Director, ABS
- John Utermohle, Chief of Administrative Services, ABS
- Courtney Orsini, Management and Budget Specialist, ABS
- Abdul M. Rauf, Fiscal and Policy Analyst, Office of Management and Budget (OMB)

A. Staff Recommendations

As outlined in Council President’s budget guidance memorandum, **all** tax-supported additions to the budget over the FY23 Approved level **must** be placed on the reconciliation list *except* compensation adjustments in County Government (which are being considered separately) and changes to internal service funds (such as motor pool), which will be looked at across all budgets.

Although the Liquor Fund is an enterprise non-tax-supported fund, Council staff’s recommendations below on certain ‘central’ items that will be recommended by other Committees (such as FY24 compensation, motor pool, risk management, print and mail, etc.) are consistent with the Council President’s guidance.

<u>#</u>	<u>Cost Item</u>	<u>Amount</u>	<u>Staff Recommendation</u>
1	Enhance: New Gaithersburg Store	\$671,687 (8.5 FTEs)	Approve
2	Increase Cost: Annualization of FY23 Compensation Increases	\$2,274,100	Approve

3	Increase Cost: FY24 Compensation Adjustment	\$1,859,655	Action by GO / Full Council
4	Increase Cost: Credit Card Fees	\$950,000	Approve
5	Increase Cost: Retail Store Leases	\$483,331	Approve
6	Increase Cost: Motor Pool Adjustment	\$392,764	Action by T&E / Full Council
7	Increase Cost: IT and Point-Of-Sale System	\$291,795	Approve
8	Technical Adj: IT contracts	\$243,178	Approve
9	Increase Cost: Risk Management Adjustment	\$70,148	Action by GO / Full Council
10	Increase Cost: Position Reclassification	\$57,489 (1.0 FTE)	Approve
11	Increase Cost: Printing and Mail	\$7,621	Action by GO / Full Council
12	Decrease Cost: Conversion of Clerks Positions from Part-Time to Flextime	\$0 (-9.60 FTEs)	Approve
13	Decrease Cost: Retirement Adjustment	(\$46,906)	Approve
14	Decrease Cost: Debt Service	(\$207,350)	Approve
15	Decrease Cost: Annualization of FY23 Personnel Costs	(\$692,759)	Approve
16	Decrease Cost: Elimination of One-Time Items Approved in FY23	(\$3,814,780)	Approve
A	Total Change with Approvals:	\$680,318	
B	Items added to the Reconciliation List:	\$1,859,655	
C	Total Change (Approvals + Reconciliation List Items):	\$2,539,973	

B. Fiscal Summary

Liquor Fund	FY23 Approved	FY24 Recommended	Change from FY23 Approved
Alcohol and Beverage Services	\$68,265,868	\$70,805,841	3.7%
Personnel Costs	\$39,171,651 428.80 FTEs	\$43,294,917 428.70 FTEs	10.2%
Operating Costs	\$19,112,477	\$18,756,534	-1.9%
Capital Outlays	\$1,120,800	\$100,800	-91.0%
Debt Service	\$8,860,940	\$8,653,590	-2.3%
Total Expenditures	\$68,265,868 428.80 FTEs	\$70,805,841 428.70 FTEs	3.7% 0%
Total Revenues	\$100,533,674	\$104,144,380	3.6%
General Fund Transfer	\$31,000,000	\$29,300,000	-5.5%

C. Operating Budget Equity Tool Rating and Justification

1. ORESJ Rating: 3 - Department-level budget demonstrates a strong commitment to advancing racial equity and social justice in Montgomery County.
2. ORESJ Justification: The department indicated specific examples of its commitments in each area of the GARE framework, indicating ongoing efforts to operationalize a racial equity lens in the department's recruitment and hiring as well as product selection and business partnerships. The department has also begun to offer some of its training and materials in other languages. It is clear that the CORE Team lead has provided invaluable expertise, guidance, and support to the department's RESJ efforts.

Supplemental data such as specific resource allocations in time and investment in trainings or translation efforts could have strengthened the department's response. Overall, ORESJ is pleased with the department's commitments and progress towards advancing equitable outcomes in the County.

D. Staffing Plans and Update on Retail Refresh/Renovations

ABS has prepared a presentation (attached on circles 13-22) to review its current strategic staffing plan. Department staff is also available to answer any questions or provide updates on refresh/renovation activities funded through the ABS Retail Store Refresh CIP.

E. Retail Sales Data by Store

Annual (fiscal year) sales (from FY18 and through FY23 as of March 31, 2023) by each location can be found on circle 23.

F. FY24 General Fund (Earnings)Transfer

Table D-1. Earnings Transfers and Year-End Cash Balance since FY19.

	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24 Rec.</u>
Earnings Transfer (approved)	24,506,777	26,474,980	26,774,980	27,926,172	31,000,000	29,300,000
Expenditures (approved)	63,990,431	65,351,206	66,860,199	67,461,048	69,155,521	70,805,841
Year-End Cash Balance (approved)	2,243,031	2,142,459	3,130,986	12,313,078	15,528,774	4,884,278
Approved Reserves as % of Expenditures	3.5%	3.3%	4.7%	18.3%	22.5%	6.8%

Expenditures (actual/est.) ¹	64,216,616	65,351,206	68,281,327	66,461,765	68,580,740	N/A
Year-End Cash Balance (actual/est.)	2,836,036	1,376,262	10,332,296	19,067,854	7,895,231	N/A
Actual/est. Cash Balance as % of Expenditures	4.4%	2.1%	15.3%	28.7%	11.5%	N/A

The earnings transfer from the Liquor Fund to the General Fund has increased year-over-year since FY19, with an above-average increase for the FY23 approved operating budget (11%). For FY24, the earnings transfer decreased by \$1,700,000 (or 5.5%) to \$29,300,000 or \$1,373,868 higher than the FY22 transfer. The decrease appears primarily due to a 10.2% increase in FY24 personnel compensation, despite a 3.6% increase in projected revenues and small declines in operating expenses and capital outlays.

Indirect cost transfers to the General Fund (which are not included in the earnings transfers above) have also increased by 10.5% (and are based on ABS total personnel costs for FY24), increasing downward pressure on the amount of the earnings transfer.

ABS' stated policy for year-end cash balance (reserve) is to maintain enough cash reserves to cover "one month's worth of operating expenses, one payroll, and \$1,500,000 for inventory in cash balance." As seen in the table above, the approved budgets since FY19 have assumed a year-end reserve anywhere between 3.3% in FY20 to 22.5% in FY23, with 6.8% assumed for FY24.

The Committee may wish to consider several options to increase the earnings transfer amount to the General Fund by reducing the assumed year-end cash balance amount. Doing so increases the risk that the Liquor Fund's reserves will be insufficient to cover any shortfalls in projected revenues or unanticipated expenditures; in such a case, a mid-year savings plan would likely be required.

Table D-2. Options to Increase Earnings Transfer for FY24.

#	<u>Increased Amount</u>	<u>Total Earnings Transfer</u>	<u>Year-End Cash Balance Amount</u>	<u>Year-End Cash Balance as % of Expenditures</u>
1	200,000	29,500,00	4,684,278	6.6%
2	700,000	30,000,000	4,184,278	5.9%
3	1,000,000	30,300,000	3,884,278	5.5%
4	1,700,000	31,000,000	3,184,278	4.5%

¹ Includes "other claims on fund balance."

G. Discussion of Major FY24 Cost Changes

1. Enhance: New Gaithersburg Store (+ \$671,687, 8.5 FTEs)

The department is requesting \$671,687 for 8.5 FTEs (five full-time and five flex-time to staff a new store in Gaithersburg, scheduled to open in July 2023. The positions requested are as follows:

Table G-1. Breakdown of Positions for New Gaithersburg Square Store.

<u>Status</u>	<u>Position</u>	<u>Grade</u>	<u>FTEs</u>	<u>FY24 PC</u>	<u>Full-Year PC</u>
Full-time	Store Manager	21	1	91,730	102,596
Full-time	Assistant Manager	18	1	82,604	92,389
Full-time	Clerk II	14	1	72,886	81,520
Full-time	Clerk II	14	1	72,886	81,520
Full-time	Clerk II	14	1	72,886	81,520
Full-time	Clerk II	14	1	72,886	81,520
Part-time	Clerk I - Flex	12	0.5	41,162	46,038
Part-time	Clerk I - Flex	12	0.5	41,162	46,038
Part-time	Clerk I - Flex	12	0.5	41,162	46,038
Part-time	Clerk I - Flex	12	0.5	41,162	46,038
Part-time	Clerk I - Flex	12	0.5	41,162	46,038

Council Staff Recommendation: Approve.

2. Increase Cost: Credit Card Fees (+ \$950,000)

The department is requesting an increase of \$950,000 to cover the cost of credit card fees in FY24. The department's credit card processing vendor has increased its fees by 88%, from \$0.024 to \$0.045 per transaction, resulting in this increase to the budget. Table G-2 below shows the history of the credit card fees budget since FY19.

Table G-2. Change in Credit Card Fees Budget since FY19.

	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23 Est.</u>	<u>FY24</u>
Fees:	2,238,293	2,586,209	2,497,773	3,254,467	3,060,652	4,010,652
Change:	-	347,916	(88,436)	756,694	(193,815)	950,000

Council Staff Recommendation: Approve.

3. Increase Cost: Retail Store Leases (+ \$483,331)

ABS requests an addition \$483,331 in FY24 to cover increased lease costs at 27 retail locations. The base budget includes \$7,311, 987 in FY23; the requested amount represents a 6.6% increase;

excluding the new Gaithersburg store results in a 1.54% increase on average across all other stores.

Council Staff Recommendation: Approve.

4. Increase Cost: IT and Point-Of-Sale System (+ \$291,795)

The department requests \$291,795 to fully fund the annual software subscription costs for its Microsoft Dynamics-based Point-of-Sale (POS) retail management software. The total cost of the contract is expected to be \$589,632 in FY24. A phased implementation of the POS system began in FY21 and was completed in FY23 for a total cost of \$3.1M.

Council Staff Recommendation: Approve.

5. Technical Adj: IT contracts (+ \$243,178)

The department requests a technical adjustment to reflect the addition of new costs related to hardware service and maintenance contracts for its new Point-of-Sale system in FY23 to be included in the FY24 budget. These costs are incurred periodically (ranging from 3-5 renewal cycles).

Council Staff Recommendation: Approve.

This packet contains:

	<u>Circle Page #</u>
1. Page from FY24 Recommended Operating Budget Book – OCP	1-8
2. OBET Scoring for OCP	9-12
3. FY23 Update on ABS Staffing Plan and Strategic Management Initiatives	13-22
4. Retail Sales by Location (FY18 - FY23 YTD)	23



Alcohol Beverage Services

RECOMMENDED FY24 BUDGET

\$70,805,841

FULL TIME EQUIVALENTS

428.70

✧ 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 the Montgomery County Government.

BUDGET OVERVIEW

The total recommended FY24 Operating Budget for the Alcohol Beverage Services is \$70,805,841, an increase of \$2,539,973 or 3.72 percent from the FY23 Approved Budget of \$68,265,868. Personnel Costs comprise 61.15 percent of the budget for 341 full-time position(s) and 130 part-time position(s), and a total of 428.70 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 38.85 percent of the FY24 budget.

In FY24, Alcohol Beverage Services will transfer \$33.6 million to the General Fund and make \$8.65 million in debt service payments on Liquor Control Revenue Bonds for a total contribution of \$42.3 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

- ★ ABS will update 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 and pick up in store, and queue line checkout.
- ★ ABS will participate in and support the 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.

INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- ✳ Expanded business education through virtual trainings.
- ✳ Initiated business outreach to assist with restaurant recovery.
- ✳ ABS partnered with multiple brands to introduce and support minority- and female-owned products.
- ✳ As supply chain disruptions and product shortages plagued the alcohol industry, ABS introduced a "similar products" feature on iStore to help licensed retailers find suitable alternatives, which resulted in many customers discovering new favorites.
- ✳ ABS trained license holders and their employees in the safe sale and service of alcohol through its Alcohol Law Education Regulatory Training program.
- ✳ ABS helped local businesses get a foothold in the market through its 26 retail stores. By dramatically increasing the locally produced beer, wine, and spirits in its inventory, ABS helped small businesses thrive during a difficult time.
- ✳ Residents and license holders gained equitable and transparent access to highly allocated products (HAL) through the Department's updated HAL program.

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 FY23 estimates reflect funding based on the FY23 Approved Budget. The FY24 and FY25 figures are performance targets based on the FY24 Recommended Budget and funding for comparable service levels in FY25.

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 FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Total sales overall	\$303,901,776	\$317,986,604	\$312,852,531	\$314,416,794	\$315,988,878
Gross profit	\$93,186,736	\$99,972,839	\$99,320,520	\$101,306,930	\$102,066,732
Transfer to General Fund	\$27,926,172	\$35,501,037	\$34,917,233	\$35,142,142	\$35,142,142

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	14,518,428	24.20
Increase Cost: IT and Point-Of-Sale System	291,795	0.00
Technical Adj: IT contracts	243,178	0.00
Decrease Cost: Debt Service	(207,350)	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.	1,093,389	5.00
FY24 Recommended	15,939,440	29.20

☼ Delivery Operations

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

Program Performance Measures	Actual FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Number of unique licensees that ordered items (monthly average)	699	811	810	810	810
Number of items shipped to customers - licensees only	4,192,681	3,997,126	4,000,000	4,000,000	4,000,000
Percent of items shipped on time and intact - licensees only	96.1%	95.0%	96.0%	96.0%	97.0%

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	6,937,093	76.23
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	842,154	(2.23)
FY24 Recommended	7,779,247	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 FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Number of valid licensed businesses registered with ABS	1,033	1,036	1,045	1,045	1,045
Number of annual alcohol compliance checks to minors (under 21) ¹	0	149	400	400	400
Number of licensed business inspections	3,707	3,645	4,000	4,000	4,000
Percent of licensees that fail compliance checks (Number of establishments that fail / Number of total compliance checks)	0.0%	33.0%	20.0%	20.0%	20.0%

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

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	1,899,726	10.39
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	335,779	2.00
FY24 Recommended	2,235,505	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 FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Same store sales year over year	\$137,680,088	\$139,955,596	\$138,002,004	\$139,382,024	\$140,775,844

Program Performance Measures	Actual FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Average licensee satisfaction score from annual survey - Retail Operations (scale of 1-5) ¹	3.7	3.6	3.7	3.8	3.9

¹ The Annual Licensee Customer Satisfaction Survey (FY20-FY22) has had a response rate of 8-11%. The Department has committed to increasing the response rate through active outreach to licensees in FY23-FY25.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	33,132,402	216.98
Increase Cost: Credit Card Fees	950,000	0.00
Enhance: New Gaithersburg Store	671,687	8.50
Increase Cost: Retail Store Leases	483,331	0.00
Increase Cost: Position Reclassification	57,489	1.00
Decrease Cost: Conversion of Clerks Positions from Part-Time to Flex-Time	0	(9.60)
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(1,546,603)	(5.10)
FY24 Recommended	33,748,306	211.78

☼ 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 FY21	Actual FY22	Estimated FY23	Target FY24	Target FY25
Percent of shipped items returned	0.5%	0.4%	0.4%	0.4%	0.4%
Percent of items shipped on time and intact - stock products - licensees only	96.1%	94.9%	96.0%	96.0%	96.5%
Percent of items shipped on time and intact - special order products - licensees only	96.7%	96.9%	97.0%	97.0%	97.5%
Average licensee satisfaction score from annual survey - Wholesale Operations (scale of 1-5) ¹	3.8	3.5	3.7	3.8	3.9

¹ The Annual Licensee Customer Satisfaction Survey (FY20-FY22) has had a response rate of 8-11%. The Department has committed to increasing the response rate through active outreach to licensees in FY23-FY25.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	11,107,352	99.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(4,009)	2.33
FY24 Recommended	11,103,343	101.33

REALIGNED PROGRAMS

Funding in the following programs has been realigned to other programs within this department.

☼ Marketing

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	670,867	2.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	(670,867)	(2.00)
FY24 Recommended	0	0.00

BUDGET SUMMARY

	Actual FY22	Budget FY23	Estimate FY23	Recommended FY24	%Chg Bud/Rec
LIQUOR CONTROL					

BUDGET SUMMARY

	Actual FY22	Budget FY23	Estimate FY23	Recommended FY24	%Chg Bud/Rec
EXPENDITURES					
Salaries and Wages	27,607,187	29,147,659	27,786,303	32,200,207	10.5 %
Employee Benefits	9,204,211	10,023,992	9,239,458	11,094,710	10.7 %
Liquor Control Personnel Costs	36,811,398	39,171,651	37,025,761	43,294,917	10.5 %
Operating Expenses	21,060,727	19,112,477	21,205,586	18,756,534	-1.9 %
Capital Outlay	354,282	1,120,800	1,120,800	100,800	-91.0 %
Debt Service Other	8,235,358	8,860,940	8,860,940	8,653,590	-2.3 %
Liquor Control Expenditures	66,461,765	68,265,868	68,213,087	70,805,841	3.7 %
PERSONNEL					
Full-Time	332	334	334	341	2.1 %
Part-Time	130	127	127	130	2.4 %
FTEs	443.80	428.80	428.80	428.70	---
REVENUES					
Liquor Licenses	3,311,039	1,206,955	1,206,955	1,206,955	---
Other Licenses/Permits	77,825	117,600	117,600	117,600	---
Other Charges/Fees	17,161	23,887	23,887	23,887	---
Other Fines/Forfeitures	140,100	63,383	63,383	63,383	---
Liquor Sales	99,972,839	99,051,469	99,320,520	101,306,930	2.3 %
Miscellaneous Revenues	336,209	0	0	809,235	---
Investment Income	16,596	70,380	390,110	616,390	775.8 %
Bag Tax	7,245	0	0	0	---
Liquor Control Revenues	103,879,014	100,533,674	101,122,455	104,144,380	3.6 %
GRANT FUND - MCG					
EXPENDITURES					
Salaries and Wages	72	0	0	0	---
Employee Benefits	5	0	0	0	---
Grant Fund - MCG Personnel Costs	77	0	0	0	---
Grant Fund - MCG Expenditures	77	0	0	0	---
PERSONNEL					
Full-Time	0	0	0	0	---
Part-Time	0	0	0	0	---
FTEs	0.00	0.00	0.00	0.00	---
Grant Fund - MCG Revenues	0	0	0	0	---
DEPARTMENT TOTALS					
Total Expenditures	66,461,842	68,265,868	68,213,087	70,805,841	3.7 %
Total Full-Time Positions	332	334	334	341	2.1 %
Total Part-Time Positions	130	127	127	130	2.4 %
Total FTEs	443.80	428.80	428.80	428.70	---
Total Revenues	103,879,014	100,533,674	101,122,455	104,144,380	3.6 %

FY24 RECOMMENDED CHANGES

	Expenditures	FTEs
LIQUOR CONTROL		
FY23 ORIGINAL APPROPRIATION	68,265,868	428.80
Changes (with service impacts)		
Enhance: New Gaithersburg Store [Retail Sales Operations]	671,687	8.50
Other Adjustments (with no service impacts)		
Increase Cost: Annualization of FY23 Compensation Increases	2,274,100	0.00
Increase Cost: FY24 Compensation Adjustment	1,859,655	0.00
Increase Cost: Credit Card Fees [Retail Sales Operations]	950,000	0.00
Increase Cost: Retail Store Leases [Retail Sales Operations]	483,331	0.00
Increase Cost: Motor Pool Adjustment	392,764	0.00
Increase Cost: IT and Point-Of-Sale System [Administration]	291,795	0.00

FY24 RECOMMENDED CHANGES

	Expenditures	FTEs
Technical Adj: IT contracts [Administration]	243,178	0.00
Increase Cost: Risk Management Adjustment	70,148	0.00
Increase Cost: Position Reclassification [Retail Sales Operations]	57,489	1.00
Increase Cost: Printing and Mail	7,621	0.00
Decrease Cost: Conversion of Clerks Positions from Part-Time to Flex-Time [Retail Sales Operations]	0	(9.60)
Decrease Cost: Retirement Adjustment	(46,906)	0.00
Decrease Cost: Debt Service [Administration]	(207,350)	0.00
Decrease Cost: Annualization of FY23 Personnel Costs	(692,759)	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY23	(3,814,780)	0.00
FY24 RECOMMENDED	70,805,841	428.70

PROGRAM SUMMARY

Program Name	FY23 APPR Expenditures	FY23 APPR FTEs	FY24 REC Expenditures	FY24 REC FTEs
Administration	14,518,428	24.20	15,939,440	29.20
Delivery Operations	6,937,093	76.23	7,779,247	74.00
Licensure, Regulation and Education	1,899,726	10.39	2,235,505	12.39
Marketing	670,867	2.00	0	0.00
Retail Sales Operations	33,132,402	216.98	33,748,306	211.78
Warehouse Operations	11,107,352	99.00	11,103,343	101.33
Total	68,265,868	428.80	70,805,841	428.70

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY24	FY25	FY26	FY27	FY28	FY29
LIQUOR CONTROL						
EXPENDITURES						
FY24 Recommended	70,806	70,806	70,806	70,806	70,806	70,806
No inflation or compensation change is included in outyear projections.						
Annualization of Positions Recommended in FY24	0	53	53	53	53	53
New positions in the FY24 budget are generally assumed to be filled at least two months after the fiscal year begins. Therefore, the above amounts reflect annualization of these positions in the outyears.						
Debt Service	0	(62)	(414)	1,173	1,171	1,171
Debt service estimates include Liquor Control Revenue Bonds, Master Lease Agreements for Forklifts, Delivery Trucks, and ERP system.						
Labor Contracts	0	1,267	1,267	1,267	1,267	1,267
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	70,806	72,064	71,712	73,299	73,297	73,297

ANNUALIZATION OF FULL PERSONNEL COSTS

	FY24 Recommended Expenditures	FY24 Recommended FTEs	FY25 Annualized Expenditures	FY25 Annualized FTEs
Position Reclassification	57,489	1.00	110,754	1.00
Total	57,489	1.00	110,754	1.00

	FY23	FY24	FY25	FY26	FY27	FY28	FY29
FISCAL PROJECTIONS	Estimate	REC	PROJECTION	PROJECTION	PROJECTION	PROJECTION	PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	2.9%	2.1%	2.2%	2.2%	2.2%	2.3%	2.3%
Investment Income Yield	3.3%	5.0%	4.0%	3.5%	3.0%	2.5%	2.5%
BEGINNING CASH BALANCE	11,270,749	7,895,231	4,884,278	2,771,780	3,783,624	4,532,058	7,518,007
REVENUES							
Licenses & Permits	1,324,555	1,324,555	1,353,431	1,383,342	1,414,191	1,447,283	1,481,005
Charges For Services	23,887	23,887	24,408	24,947	25,503	26,100	26,708
Fines & Forfeitures	63,383	63,383	64,765	66,196	67,672	69,256	70,870
Miscellaneous	99,710,630	102,732,555	104,332,713	106,928,703	109,589,593	112,317,005	115,112,603
Subtotal Revenues	101,122,455	104,144,380	105,775,317	108,403,188	111,096,959	113,859,644	116,691,186
INTERFUND TRANSFERS (Net:Non-CIP)							
Transfers To The General Fund	(34,917,233)	(33,629,492)	(33,629,492)	(33,629,492)	(33,629,492)	(33,629,492)	(33,629,492)
Indirect Costs	(3,917,233)	(4,329,492)	(4,329,492)	(4,329,492)	(4,329,492)	(4,329,492)	(4,329,492)
Other	(31,000,000)	(29,300,000)	(29,300,000)	(29,300,000)	(29,300,000)	(29,300,000)	(29,300,000)
TOTAL RESOURCES	77,475,971	78,410,119	77,030,103	77,545,477	81,251,091	84,762,210	90,579,701
CIP CURRENT REVENUE APPROP.							
Operating Budget	(59,352,147)	(62,152,251)	(62,152,251)	(62,152,251)	(62,152,251)	(62,152,251)	(62,152,251)
CPI-Fiscal Year for OE (= OE w/o FC x CPI)	n/a	0	(411,090)	(836,920)	(1,276,100)	(1,747,220)	(2,227,310)
Debt Service: GO Bonds (Non-Tax Funds only)	(8,860,940)	(8,653,590)	(8,591,490)	(8,239,190)	(9,826,190)	(9,824,240)	(9,824,240)
Debt Service: Other (Non-Tax Funds only)	0	0	0	0	0	0	0
Annualizations and One-Time	n/a	n/a	0	0	0	0	0
Labor Contracts	n/a		(1,267,492)	(1,267,492)	(1,267,492)	(1,267,492)	(1,267,492)
Annualization of FY24 Positions			(53,000)	(53,000)	(53,000)	(53,000)	(53,000)
Subtotal PSP Oper Budget Approp / Exp's	(68,213,087)	(70,805,841)	(72,475,323)	(72,548,853)	(74,575,033)	(75,044,203)	(75,524,293)
OTHER CLAIMS ON FUND BALANCE	(367,653)	0	0	0	0	0	0
YEAR END CASH BALANCE	7,895,231	4,884,278	2,771,780	3,783,624	4,532,058	7,518,007	14,384,408
END-OF-YEAR RESERVES AS A							
PERCENT OF RESOURCES	10.2%	6.2%	3.6%	4.9%	5.6%	8.9%	15.9%
Assumptions:							
1. These projections 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 free 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 in cash balance.							
3. Operating expenditures grow with CPI. Revenue projections reflect ABS Gross Profit forecast.							
4. Other claims on fund balance include the OPEB liability allocation (GASB 75).							

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- ★ Ensuring accessibility for people with disabilities using Section 508 of the Rehabilitation Act; Web Content Accessibility Guidelines; and compliance with the Americans with Disabilities Act as a minimum standard.

The OAG works with TEBS to ensure its website content is accessible. We also ensure that participants of meetings and other events are aware that translation and/or interpretation services are available if needed. The OAG has begun conversations with the County about translating its printed collateral materials such as the Farm Tour brochure and Farmers Markets flyer.

3. What persistent gaps or limitations could inhibit your department's ability to advance racial equity and social justice?

As an organization/Department, we know that access to land, capital and employees are the largest barriers to new and existing farmers of color in the County. The OAG previously submitted a request in its CIP budget for additional funding to utilize existing easement purchase programs to help increase land access. Lack of funding for this purpose is a persistent limitation impeding the advancement of racial equity and social justice related to land access in the agricultural sector.

ORESJ Rating

3-Department-level budget demonstrates a strong commitment to advancing racial equity and social justice in Montgomery County

ORESJ Justification

The department explained in specific detail how its budget would enable them to implement commitments in each area of the GARE framework. In particular, the department noted that all of their staff have received ORESJ's two core trainings and that they're aware of how limitations in data may affect their ability to create a racial equity action plan. The department noted how staff vacancies limited the department's ability to continue with internal RESJ activities, however the addition of new hires suggests that these efforts will resume by the first half of FY24. In addition, the department highlighted specific CIP funding decisions related to its Easement program request that have limited the department's ability to address known disparities in land access. Overall, the department demonstrates a strong baseline understanding of racial disparities and inequities across the agriculture sector and it has identified a concrete set of actions to help the county address these disparities through its department's efforts.

Alcohol Beverage Services



1. How will your overall budget support the department's commitment to advancing racial equity and social



justice? To aid you in the formulation of your response, we've offered a list of activities, using the GARE framework, that demonstrate department-level commitments to racial equity and social justice. More information about the GARE framework is below and here.

Normalize - Establish racial equity as a key value by developing a shared understanding of key concepts across the department and create a sense of urgency to make changes

- ★ Form a Racial Equity CORE Team.
- ★ Allocate or support the use of staff time for CORE team activities.
- ★ Develop a racial equity vision statement (and/or racial equity and social justice mission, values, or guiding principles).

ABS is committed to the County's ambitious racial equity and social justice agenda. As such, our Department leadership has identified dedicated resources to pursue a comprehensive approach to advancing equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by the pervasive inequalities that exists. The ABS Racial Equity Core Team has partnered with the Office of Racial Equity and Social Justice to implement inclusion and engagement strategies that will increase the number of minority licensees and distributors for long-term sustainable relationships.

Organize - Build staff and organizational capacity, skills, and competencies through training while also building infrastructure to support the work, like internal organizational change teams and external partnerships with other institutions and community.

- ★ Implement a plan or policy requiring all staff and leadership to complete "Advancing Racial Equity: the Role of Government" and "the Racial Equity Institute's Groundwater Approach: building practical understanding of structural racism" trainings.
- ★ Develop a strategy to engage communities in planning, design, or other decision-making processes.

ABS Racial Equity Core Team in collaboration with the Office of Racial Equity and Social Justice has engaged in equity training that integrates education about the history and current realities regarding race and racism to develop specific strategies, programs and policies that address institutional racism as well as expanding opportunities and access for individuals.

Operationalize - Put theory into action by implementing new tools for decision-making, measurement, and accountability like a Racial Equity Tool and developing a Racial Equity Action Plan.

- ★ Field a staff survey and or conduct focus groups to identify areas of strength and opportunity in recruiting, retaining, and advancement of a diverse and representative workforce.
- ★ We're doing something else and will use the text box to describe.

The staffing of ABS stores is managed by a diverse interview panel and ABS Retail Continues to drive a diverse leadership culture that is respectful and inclusive. ABS Retail maintains a core values list that includes and prioritizes the following:

- **Respect For Everyone** - Values Diverse opinions. Considers how their behavior and the behavior of other may affect everyone on the team. Is inclusive in everything they do every day. Manages an environment free of discrimination and harassment where every employee feels valued. Does not show favoritism for any employee no matter their background, age, sex, race, sexual preference or performance level.



• In addition to the focus on hiring practices and selection of qualified MFD firms ABS Retail also maintains a focus on offering a wide range of products that are created, owned or represented by both Minority and/or Female business owners as well as products that sponsor and support social justice causes that align with the County's stated mission. Our Racial Equity Core Team Lead, Preston James, has been empowered to reach out to and help ABS source products from companies that support this effort. These products have been featured in multiple promotions and specials and have become a part of our core sales strategy. This process has helped ensure that ABS Retail is offering products that align with Montgomery County's stated mission and appeal to our diverse customer base. Additionally supporting these brands and products helps ensure that money is funneled into the communities that face the largest inequities. Further, ABS currently offers ALERT training in Spanish and are exploring adding a similar self-paced program in additional languages. Earlier this year, LRE created pamphlets for our licensees providing information about the top 4 violations that occur and that was translated into Korean and Spanish as well.

2. How does your department's budget allocate funds towards ensuring that public documents (including websites and related apps), policies, plans, meetings, and hearings are readily accessible to the public? Please use the checkboxes below to indicate which activities your department budget will enable. Then, in the text box that follows, please describe how your budget targets resources towards these activities.

- Translating documents and marketing material to relevant languages based on the project impact area. Completed in partnership or at the advisement of the Office of Community Partnerships.
- Ensuring interpretation services (ASL and closed-captioning) are available to the public in all relevant places and programs (such as service desks, service phone lines, open houses, public meetings, etc.).
- Ensuring accessibility for people with disabilities using Section 508 of the Rehabilitation Act; Web Content Accessibility Guidelines; and compliance with the Americans with Disabilities Act as a minimum standard.

No Data

3. What persistent gaps or limitations could inhibit your department's ability to advance racial equity and social justice?

ABS recognizes that persistent staffing shortage centered around vacancies contribute to the gaps and limitations that could inhibit our ability to advance racial equity and social justices. The department's internal infrastructure (staffing) limits the operational efforts to adequately impact structural inequities.

ORESJ Rating

3-Department-level budget demonstrates a strong commitment to advancing racial equity and social justice in Montgomery County

ORESJ Justification

The department indicated specific examples of its commitments in each area of the GARE framework, indicating ongoing efforts to operationalize a racial equity lens in the department's recruitment and hiring as well as product selection and business partnerships. The department has also begun to offer some of its trainings and materials in other languages. It is clear that the CORE Team lead has provided invaluable



expertise, guidance, and support to the department's RESJ efforts. Supplemental data such as specific resource allocations in time and investment in trainings or translation efforts could have strengthened the department's response. Overall, ORESJ is pleased with the department's commitments and progress towards advancing equitable outcomes in the County.

Animal Services



1. How will your overall budget support the department's commitment to advancing racial equity and social justice? To aid you in the formulation of your response, we've offered a list of activities, using the GARE framework, that demonstrate department-level commitments to racial equity and social justice. More information about the GARE framework is below and here.

Normalize - Establish racial equity as a key value by developing a shared understanding of key concepts across the department and create a sense of urgency to make changes

- ★ Form a Racial Equity CORE Team.
- ★ Allocate or support the use of staff time for CORE team activities.
- ★ We've not made commitments in this area and will use the text box to explain.

Animal Services' CORE Racial Equity Coordinator resigned from the County 18-months ago. Since then, two new Co-Coordinators, Arpie Park and Haleh Mirabrishami, have resumed responsibilities (post pandemic) by attending trainings and beginning the process of re-establishing the CORE Team. Unfortunately, we are in a position where, as an organization, we have to begin again with our RESJ efforts.

Organize - Build staff and organizational capacity, skills, and competencies through training while also building infrastructure to support the work, like internal organizational change teams and external partnerships with other institutions and community.

- ★ Implement a plan or policy requiring all staff and leadership to complete "Advancing Racial Equity: the Role of Government" and "the Racial Equity Institute's Groundwater Approach: building practical understanding of structural racism" trainings.
- ★ Designate permanent and sustainable staff resources, with an FTE or similar investment, to organize and lead the department's commitment to racial equity and social justice.
- ★ We've not made commitments in this area and will use the text box to explain.

With new Office Co-Coordinators, OAS has not developed strategies for conferences and training, or a strategy to engage communities but will be doing so once Office co-coordinators have completed training and are better prepared to re-establish our CORE team and then making commitments in this area. In the near future,





Human Capital Management Strategic Staffing & Recruitment Plan

Agenda

- Overview of FY23 ABS Human Capital Data
 - Personnel Complement
 - ABS Unique Job Classes
 - ABS Current Vacancies
 - ABS New Hire Statistics
 - ABS Retirement Eligibility Data
- ABS Strategic Staffing & Recruitment Plan
- ABS Learning Academy – Training & Learning Development Blueprint



ABS Human Capital Management Snapshot

471 Total Employees

- (341) Full-Time
 - (130) Part-Time
-



- (122) Retirement Eligible Employees – **30%** of total workforce
- (10) Job Classes Unique to ABS
- (70) Current Vacancies
- (40) New Hires since July 1, 2022
- (21) Promotions since July 1, 2022
- (7) Pending Employment Offers through April 20, 2023
- (4) Interviews Pending Scheduling through April 20, 2023
- (7) Recruitment Vacancies to be posted as of April 15, 2023
- (5) Positions Awaiting OMB/OHR Classification Approval as of April 20, 2023

ABS Human Capital Operational Data Analysis

- FY24 Operating Budget - \$70,805,841
- Personnel Costs – 61.15% or \$43,297,771
- Warehouse Operations Division – **165** employees
- Retail Operations Division – **241** employees
- License, Regulation & Education Division – **16** employees
- Administration Division – **49** employees (incl. Support Personnel)

*ABS has not created any new positions, but reallocated, transferred and/or reclassified vacant positions to meet operational needs

**47 vacancies comprise of both seasonal and/or temporary positions



ABS will transfer **\$34 million** to the General Fund and make **\$9 million** in debt service payment on Liquor Control Revenue Bonds

ABS Human Capital Position Management

Unique Job Classifications to ABS

Inventory Control

- Loss Prevention Field Officers
- Loss Prevention Analyst
- Inventory Control Supervisor
- Inventory Control Investigator
- Inventory Control Manager

Retail Operations

- Liquor Store Manager/Assistant Manager
- Liquor Store Clerk I/II

Warehouse Operations

- Truck Driver/Truck Driver Helper
- Warehouse Workers
- Equipment Operators



ABS Staffing & Recruitment Blueprint

Recruiting Strategies

- **ABS Employer Branding** – create strong employer brand highlighting our mission, values, and culture as the employer of choice
- Emphasize **ABS Impact** in Community & Local Government
- Industry Network Job Postings – utilize alcohol beverage industry network
- Social Media – use various social media platforms to promote benefit of working at ABS



ABS Learning Academy



Serves as the primary source for training new and current ABS employees.

With the understanding that an employee's level of happiness directly correlates to their work ethic and effectiveness, engagement early on and throughout an employee's career is ever important.

The training will boost adaptability and in turn help employees work more effectively for the common good in pursuit of a common goal.

ABS Learning Academy

Through the ABS Learning Academy Professional Growth System (PGS) we will build meaningful, impactful learning programs that:

- **Drive business outcomes** for the department's most strategic initiatives by prioritizing our budget and aligning skill development with their needs incorporating our diversity, equity, equality, and inclusion goals.
- **Demonstrate the ROI** of learning through effective measurement and prioritization of the most impactful learning outcomes.
- **Close the most critical skill gaps** by creating urgency within the department and motivating employees to learn.



Anthony C. Jones

*ABS, Chief Human Capital Management
Sr. Equity & Inclusion Officer*



Retail Store	FY18 Sales	FY19 Sales	FY20 Sales	FY21 Sales	FY22 Sales	% of Total Retails Sales in FY22	FY23 YTD (through 3/31/23)
Montrose- Rockville	7,784,792	8,716,170	9,825,227	9,484,719	10,016,642	7.2%	2,058,119
Westwood-Bethesda	7,889,314	8,030,867	9,017,079	8,780,354	8,279,319	5.9%	5,082,794
Muddy Branch- Gaithersburg	6,120,537	6,414,020	6,981,193	6,878,588	7,008,392	5.0%	5,429,594
Darnestown- Gaithersburg	6,349,576	6,477,373	7,398,917	6,705,610	7,182,688	5.1%	5,318,529
Potomac	6,411,067	6,126,100	7,253,981	7,621,378	7,604,520	5.4%	5,376,190
Kensington	6,556,998	6,564,045	7,212,186	7,361,808	7,344,348	5.2%	5,993,444
Seneca Meadows- Germantown	4,354,337	6,451,199	7,159,633	7,198,297	7,489,411	5.4%	5,716,682
Hampden Lane- Bethesda	5,626,221	5,864,410	6,256,824	6,588,424	6,941,290	5.0%	5,637,446
Downtown Rockville	3,527,585	4,942,053	5,723,634	5,846,558	5,774,946	4.1%	5,195,656
Silver Spring	5,514,583	5,260,810	5,299,785	4,601,312	4,542,529	3.2%	3,431,659
Goshen Crossing- Gaithersburg	5,165,637	5,376,430	6,127,309	6,108,763	6,264,823	4.5%	4,880,912
Kingsview- Germantown	4,999,720	5,224,788	5,930,106	6,175,961	6,114,618	4.4%	4,513,119
Olney	5,094,971	5,003,833	5,507,351	5,225,931	5,469,742	3.9%	4,153,287
Aspen Hill- Silver Spring	3,629,439	3,956,794	5,036,290	5,223,956	5,755,442	4.1%	4,618,295
Walnut Hill- Gaithersburg	4,251,573	4,454,102	4,901,872	4,977,555	4,891,828	3.5%	3,766,996
Wheaton	4,208,686	4,225,185	4,584,345	4,333,465	4,462,719	3.2%	3,580,379
White Oak- Silver Spring	4,262,228	4,392,159	4,629,319	4,024,453	4,228,416	3.0%	3,112,960
Clarksburg	3,155,700	3,647,363	4,256,706	4,489,766	4,593,793	3.3%	3,487,745
Leisure World- Silver Spring	4,008,827	3,991,085	4,383,857	4,489,629	4,406,964	3.1%	3,357,745
Fallsgrove- Shady Grove	3,989,545	4,091,101	4,327,948	3,994,949	4,236,490	3.0%	3,342,429
Burtonsville	3,535,321	3,613,738	3,941,401	3,486,327	3,624,969	2.6%	2,635,395
Cabin John- Potomac	4,640,748	4,846,907	3,796,610	3,918,727	3,472,034	2.5%	4,509,911
Cloverly- Silver Spring	3,429,016	3,347,581	3,701,711	3,647,463	3,567,347	2.5%	2,546,783
King Farm- Rockville	2,810,912	3,062,020	3,236,929	3,160,134	3,259,591	2.3%	2,507,168
Flower Avenue- Silver Spring	2,590,573	2,546,323	2,858,245	2,420,728	2,538,420	1.8%	1,916,221
Poolesville	-	-	117,090	935,239	884,312	0.6%	685,403
	119,907,906	126,626,456	139,465,548	137,680,094	139,955,593	100.0%	102,854,861



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

May 2, 2023

The Honorable Marc Elrich
County Executive, Montgomery County, MD
Office of the County Executive
101 Monroe Street, 2nd Floor
Rockville, MD 20850

Dear County Executive Elrich,

The County is facing significant budgetary constraints, and the Council is contemplating numerous difficult choices to pass the FY24 budget. The annual earnings transfer from the Liquor Fund, managed by the Alcohol and Beverage Services (ABS), has been a key component in balancing the operating budget.

On April 28, 2023, the Economic Development Committee reviewed the recommended FY24 operating budget for ABS, including the recommended earnings transfer amount of \$29,300,000 for FY24, a decrease of \$1,700,000 from FY23 level of \$31,000,000.

To support the County's operating budget, the Committee also discussed with ABS and Council staff several options to increase the FY24 earnings transfer amount by \$2,950,000, to a total level of \$32,250,000, including:

- Consider passing along some or all of the increased credit card fees to consumers, currently expensed by ABS at \$0.04 per each transaction, to save at least \$950,000 in increased fees for FY24; and
- Reduce the year-end cash balance by \$2,000,000, from \$4,884,278 to \$2,884,278;

These options for increasing the general fund transfer do have tradeoffs, whether in the form of minimal increased costs to customers or slightly lower flexibility with the fund balance.

Nevertheless, the Committee on balance found that the benefits exceed the costs and unanimously agreed to support a reduction in the fund balance and, by a 3-1 vote (Councilmember Balcombe dissenting), supported the option of passing along at least some of the costs of credit card fees to the customers. Indeed, the Committee notes that the approved fund balance averaged \$2.5 million in FY19-21, less than what we are proposing for FY24.

While there are several items in the ABS budget considered the “cost of doing business,” it is a common practice of many retail businesses to pass credit card fees on to customers directly or indirectly. If this proves feasible, we should consider passing along all or a portion of the total annual \$4.0 million in fees, not just the \$950,000 increase in fees FY24.

On behalf of the ECON Committee, I request that you submit amendments to the ABS FY24 operating budget to increase the general fund transfer consistent with the aforementioned options before the full Council begins its budget deliberations on May 8, 2023.

Sincerely,



Natali Fani-Gonzalez,
Chair, Economic Development Committee
Councilmember, District 6

CC: Councilmembers
Richard Madaleno, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Kathie Durbin, Director, Alcohol and Beverage Services
Jennifer Bryant, Director, Office of Management and Budget
Marlene Michaelson, Executive Director, County Council
Naem M. Mia, Legislative Analyst, County Council




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

May 10, 2023

TO: Evan Glass, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Response to Economic Development Committee Budget Recommendations
Regarding Alcohol Beverage Services

Background

On April 28, 2023, the Economic Development Committee reviewed the recommended FY24 Operating Budget for Alcohol Beverage Services (ABS). The Committee discussed with ABS and Council staff several options to increase the FY24 earnings transfer amount by \$2,950,000, to a total level of \$32,250,000, with a request to: 1) consider passing along some or all of the increased credit card fees to consumers, currently expensed by ABS and 2) reduce the year-end cash balance by \$2,000,000, from \$4,884,278 to \$2,884,278.

FY24 Recommended Budget Summary

CE Projected Revenue: ABS's FY24 Recommended Budget includes an increase in projected revenue of three percent over FY23. While ABS experienced record retail sales growth during the pandemic, as many on-premise retailers were closed, future revenue growth is expected to return to pre-pandemic rates.

Operating Expenditures: Like many industries in the wake of the pandemic, ABS is experiencing increases in costs of goods sold, putting some pressure on competitive profit margins. ABS has remained flexible in its operations and was able to implement many programs and initiatives that kept ABS, and the small businesses they were able to assist, stable during unstable times. Like most other County departments and the private sector, ABS is facing increased labor costs for FY24 and beyond. Eighty-six percent of ABS's personnel complement comprises of front-facing, community engaging, customer service positions which are vital to its operations.

Capital Expenditures: ABS must continue modernizing and updating retail store locations to provide customers with an engaging shopping experience in well stocked stores that offer choice, convenience, and knowledgeable staff.

Response to Committee Recommendations

1. **Increasing the General Fund Transfer:** I would like nothing more than to increase the transfer. However, the calculation of how much is available to be transferred each year must take into consideration the working capital reserve policy as determined by Bond Covenants and State Law. Increasing the General Fund transfer will result in a fund balance below the required \$4.8 million and could cause negative effects to the County's credit rating. ABS's fund balance also represents its cash balance. Decreasing this amount could have negative financial impacts to the business operations of the Department. Additionally, ABS's robust retail sales during the pandemic generated a windfall of available cash that allowed for an 11 percent increase in the general fund transfer in FY23. As retail sales returned to normal levels, it was critical to reassess the recommended transfer amount for FY24. I would note that while the General Fund transfer is lower in FY24 compared with FY23, the FY24 proposed transfer represents an increase of \$1,373,828 over both FY21 and FY22.
2. **Passing on Credit Card Fees:** As discussed during the Economic Development Committee session, credit card fees are a normal operating expense of any business. Like most operating expenses, they represent costs of doing business and are not typically charged directly to the end consumer. Any fees charged to ABS's customers will jeopardize goodwill. These fees will be seen as an additional burden by customers. Any minimal profit gained from passing on these credit card fees would be offset by the potential loss of revenue from customers sourcing their products from other retailers outside of the County where they do not charge additional fees for the type of payment used.

While acknowledging and respecting the Economic Development Committee's request, I continue to support the approach made in my FY24 Recommended Budget.

cc: Richard Madaleno, Chief Administrative Officer, Office of the County Executive
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