



**DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD**

**DURHAM COUNTY
NORTH CAROLINA**

FY 2020 – 2021 BUDGET

BOARD MEMBERS

Donald Lebkes, Chairperson

Gale Adland

Daniel Edwards

Frachele Scott

Ryan Urquhart

GENERAL MANAGER

Niegel Sullivan

**Durham County
Alcoholic Beverage Control Board**

Niegel Sullivan
General Manager

June 15, 2020

Dear Durham County Residents:

The following Budget is the comprehensive spending plan for the Durham County ABC Board for the Fiscal Year 2020-2021. In compliance with ABC system legislation in North Carolina, this budget document has been formally issued directly to citizens. The Board of Durham County ABC welcomes the opportunity to discuss this budget plan with you.

Budget preparation and implementation are critical to any organization. This process is not only for estimating revenues and expenses, but also for prioritizing the needs of Durham County ABC so that we can continue our mission to effectively control the sale of alcoholic beverages while maximizing the financial contribution that we make to the community through distributions to the County and City of Durham and through funding grant programs that provide alcohol abuse education and prevention. This budget accomplishes these goals. Durham County ABC will continue to provide the high-quality customer service that has distinguished the organization for many years.

Highlights of the FY 2020-2021 Budget

Revenue and Other Income

The budget projects revenue from liquor sales and other receipts to be \$41,560,049 for FY2021. These projections are based on expected sales which take into account the impact COVID-19 continues to have on the mixed beverage and retail business.

Facility Improvements/Purchases

To grow and to meet new demands of a growing population and new consumer shopping habits successful organizations must change and adapt. The DCABC Board is building one (1) new retail store, renovating one (1) retail store, leasing one (1) retail store to move a location, purchasing land to build one (1) retail store. We will continue to make various facility and technology improvements that will enhance the shopping experience for our customers. Many of the plans are still in concept stage so the budget is provisional to ensure that funds are available should these projects be approved. The anticipated investment in improvements are \$4,917,614.

Compensation Plan

In accordance with the Board's Compensation Plan, competitive base salaries are maintained. Durham County ABC compensates employees on a Pay for Performance basis and utilizes a cost of living allowance to recognize and reward individual and team results. Under this system of performance-based adjustments, there is an increase in full-time salaries expense of \$148,417 while maintaining the full-time employee count at 48.

Profit Distributions to Local Government

Durham County ABC Board has budgeted \$1,678,964 for distribution to the general fund of Durham County and \$186,574 to the general fund of the City of Durham. Budgeted amounts are statutory requirements based on specific percentages of our profits plus an additional 60%.

Distributions are paid quarterly. At the end of each fiscal year the Durham County ABC Board determines the actual amount of contribution that can be made, often exceeding the statutory requirements. This year, with budgeted amounts exceeding the statutory requirements, adjustments could be made downward if business performance does not meet expectations. The final contribution decision is based on statutory requirements plus how much funding is available over the anticipated operating and strategic needs funding that will enable Durham ABC to continue to thrive over the long term.

Major Projection Variables and Assumptions

Operating Projections

The Board's primary source of revenue is the sale of spirituous liquor. Projected sales growth is an important assumption in our proposed budget. A focus on purchasing premium products, strategic merchandising, increased focus on customer service and improvements in relationships with mixed beverage accounts lead to 7.86% growth in the first eight months of FY 2020. In March the business has been impacted by COVID-19. The Mixed Beverage Department accounts for 21% of overall sales and closed on March 18, 2020. Compared to budgeted sales for FY2020, FY 2021 estimates forecast retail sales up 6.87% and mixed beverage sales forecasted down 30%, with an overall decrease in sales of -1.18%.

Taxes related to the sale of spirituous liquor and fortified wine are planned at \$9,857,928 in the budget. Of these, \$9,733,718 will be paid to the state of North Carolina and \$124,210 to Durham County Government for alcohol rehabilitation programs. Our Cost of Goods Sold totals \$21,689,104.

Personnel expenses and facility expenses comprise the vast majority of operating expenses. The budget for salary increases for FY2021 accounts for increases in salary ranges and salary caps. The salary ranges for Durham ABC have not been adjusted since 2010. Durham ABC continues to have a competitive compensation plan and benefits program.

Total operating expenses are projected to be \$6,739,163.

Profit Distributions

After the expenses required to meet the needs of the business are met, plus Facility Improvements/Purchases, our estimated (-loss) is (-\$747,336). To avoid going into debt for Capital Outlay, the Board will use funds from our Working Capital balance.

North Carolina Alcoholic Beverage Control statutes require that Durham County ABC distribute specific percentages of its profits to the general funds of the County and the City of Durham and for alcohol education in the community. The Board considers these distributions that will be used locally for the public good to be an important part of its mission.

The Board will increase our quarterly distributions to the general funds of Durham County and City by 60% over the statutory amount. The budgeted amount (including the 60% increase) to Durham County totals \$1,678,964. Distribution to the city will total \$186,574. The statutory requirement for funding alcohol abuse prevention and education in the community is \$290,794. After all budgeted distributions, net income will be \$1,117,522 (not including Capital Outlay). The Board determines how this net income can best be utilized to fulfill the strategic plans for Durham County ABC.

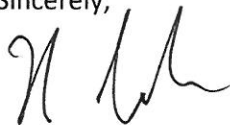
Staffing Levels

Durham County ABC anticipates utilizing 48 full time, active employees for FY2021. This includes 42 store and warehouse employees and 6 administrative employees. In addition, part-time employees are utilized in the stores and warehouse based on the needs of the business. Contracted employees are utilized to provide ABC Police Services throughout Durham County and security in the stores.

The board and staff of Durham County ABC appreciate the opportunity to serve the Durham community.

For more information on the Durham County ABC Board, please visit www.durhamabc.com or call 919-419-6217.

Sincerely,



Niegel Sullivan
General Manager

**ANNUAL BUDGET
DURHAM COUNTY ABC BOARD
Durham County
North Carolina**

FY 2020 - 2021

WHEREAS, the proposed budget for FY 2020-2021 was submitted to the Durham County ABC Board on May 11, 2020 by the General Manager and filed with the Clerk to Durham County Board of Commissioners and the NC ABC Commission on May 19, 2020, pursuant to G.S. 18B-702;

WHEREAS, on June 1, 2020 the Durham County ABC Board held a public hearing on the budget pursuant to G.S. 18B-702;

WHEREAS, on June 15, 2020 the Durham County ABC Board adopted a budget in accordance with G.S. 18b-702;

BE IT ORDAINED by the Durham County ABC Board that the following ordinance establishing revenues and setting expense appropriations for the fiscal year beginning July 1, 2020 and ending June 30, 2021, is hereby adopted.

Section 1. Estimated Revenues. It is estimated that the revenues listed below will be available during the fiscal year beginning July 1, 2020 and ending June 30, 2021 to meet the operational and functional appropriations as set forth in Section 2.

Estimated Revenues:

Sales	\$ 41,542,049
Other Income - Interest	18,000
Total	<u><u>\$ 41,560,049</u></u>

Section 2. Appropriations. The following expenses are hereby appropriated for fiscal year 2020 – 2021 and are funded by the revenues set forth in the foregoing Section 1.

<u>Appropriations:</u>	Totals
Taxes Based on Revenue	\$ 9,857,928
Cost of Sales	\$ 21,689,104
Operating Expenses:	
Personnel Expenses	\$ 3,844,235
Facilities Expenses	599,483
Supplies and Materials	224,763
Contracted & Professional Svc	229,987
Repair & Maintenance	158,177
Credit Card Fees	540,000
Travel, Training & Development	61,400
Other Operating Expenses	131,494
Miscellaneous - Contingency	100,000
Total Operating Expenses	<u>\$ 5,889,539</u>
Capital Outlay:	
1928 Holloway Street - Store 1 - Property Renovations	\$ 1,745,825
115 Sherron Road - New Store Site - Store 5 - Construction Costs	1,767,650
N Roxboro Rd - Store 8 - Leased Site Upfit Costs	97,000
Hwy 55 - New Store Site - Architect Costs / Land Purchase	826,500
Technology Improvements & Replacements	203,524
Vehicles & Equipment Purchases	<u>277,115</u>
Net Capital Outlay	\$ 4,917,614
Debt Service/Lease:	\$ -
Total Estimated Expense	<u>\$ 42,354,185</u>
Distributions:	
Mandatory 3.5% and Bottle Tax (Plus 60% Added Above Minimum)	\$ 1,865,538
Law Enforcement	499,624
Alcohol Education & Rehab	290,794
Total Distributions	<u>\$ 2,655,956</u>
Working Capital Reduction (Appropriated Fund Balance)	\$ (3,450,092)
Total Appropriations	<u>41,560,049</u>

Section 3. Amendments. The Board may amend the budget as deemed necessary in accordance with G.S. 18B-702(h). The Budget Officer may amend the budget in amounts up to \$50,000 with a report to the Durham County ABC Board at its subsequent regular meeting.

Section 4. In accordance with G.S. 18B-702, copies of this Budget Ordinance shall be filed with the Durham County Board of Commissioners and the North Carolina ABC Commission, and provided to the Budget Officer and Finance Officer to be kept on file for their direction in the disbursement of funds.