



**DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD**

**DURHAM COUNTY
NORTH CAROLINA**

FY 2013 – 2014 PROPOSED BUDGET

BOARD MEMBERS

Kimberly D. Shaw, Chairperson

Wayland Burton

Deirdre Guion

Michael "Kevin" Nelson

Erroll Reese

GENERAL MANAGER

Emily A. Page

**Durham County
Alcoholic Beverage Control Board**

Emily A. Page
General Manager

May 20, 2013

Dear Durham County Residents:

The following Proposed Budget is the comprehensive spending plan for the Durham County ABC Board for the Fiscal Year 2013 - 2014. 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 to 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 proposed 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 2013-14 Budget

Revenue and Other Income

The budget projects revenue from liquor sales and other receipts to be \$27,816,864 for FY2014. These projections are based on expected sales increases based on recent trends.

Facility Improvements/Purchases

The board is considering several facility and/or parking lot improvements that will enhance the shopping experience for our customers at several of our stores. 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 is \$889,973.

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 pay increases and bonuses based on merit to recognize and reward individual and team results. Under this system of performance-based adjustments, the anticipated increase in salaries expense is \$32,025 as merit increases only impact approximately five months of the fiscal year (i.e. paid from Feb. – June 2014). The budget available for merit bonuses is \$78,502.

This year's budget also has provision for a possible 401K benefit for all full time employees. Our Law Enforcement employees receive a 5% 401K contribution by statute. Many comparable ABC Boards offer 401K as a benefit to their employees as do the County and the City of Durham. The Board has not formally considered or approved the addition of this benefit; however, funding has been made available in the budget so that such a plan can be considered during the fiscal year once more research is completed.

Profit Distributions to Local Government

Durham County ABC Board has budgeted \$909,063 for distribution to the general fund of Durham County and \$101,007 to the general fund of the City of Durham. Budgeted amounts are statutory requirements based on specific percentages of our profits plus an additional 25%.

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 contributions 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 sale of spirituous liquor. Projected sales growth is an important assumption in our proposed budget. Though FY2013 saw unanticipated growth in our sales, we are forecasting a 1.5% rate of increase in retail liquor sales for FY2014 as we expect that the growth may slow down as new product introductions decrease and the market offerings become more stabilized. Liquor sales to mixed beverage outlets (e.g. restaurants, bars, clubs, etc.) reflect an anticipated 3.0% increase.

Taxes related to the sales of spirituous liquor and fortified wine total are planned at \$6,623,413 in the budget. Of these, \$6,531,761 will be paid to the state of North Carolina and \$91,652 to Durham County Government for alcohol rehabilitation programs. Our Cost of Goods Sold totals \$14,599,823.

Personnel expenses and facility expenses comprise the vast majority of operating expenses. The budget for merit-based salary increases is 4% as is the budget for merit-based bonuses. Salary increases, if given, are based on individual performance and where an individual's compensation falls in the salary range for his/her position. Bonuses, if given, are awarded based on performance only. Durham ABC uses a comprehensive performance evaluation system to determine an individual's merit for compensation.

Total operating expenses are projected to be \$4,235,577.

Profit Distributions

After the expenses required to meet the needs of the business are met, our estimated profit is \$1,789,237.

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.

This year, the Board has increased our budgeted distributions to the general funds of Durham County and City by 25% over the statutory amount. This amount along with the required Bottle Tax to Durham County total \$1,010,070 in combined distributions. The statutory requirement for funding alcohol abuse prevention and education in the community is \$87,014. After all budgeted distributions, net income will be \$692,158. 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 49 full time, active employees for FY2014. This includes 41 store and warehouse employees, 2 law enforcement employees, and 6 administrative employees. In addition part-time employees are utilized as needed in the stores and warehouse based on the needs of the business.

The board and staff of Durham County ABC appreciate the opportunity to serve the Durham community. Your comments on this budget proposal are welcomed. A public hearing will be held as follows:

When: Thursday, June 6, 2013 from 11:00 am – 12:00 noon

Where: Administrative office of the Durham County ABC Board, 3620 Durham-Chapel Hill Blvd

Citizens of Durham County are invited to share comments on the proposed budget during this hearing. For more information on this hearing, please visit www.durhamabc.com or call 919/419-6217. Comments can also be shared in writing and sent electronically to info@durhamabc.com or mailed to:

Public Comments on Budget Proposal
3620 Durham-Chapel Hill Blvd.
Durham, NC 27707

All written comments must be received by 10:00 am on June 8, 2013.

Sincerely,



Emily Page
General Manager

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

FY 2013 - 2014

WHEREAS, the proposed budget for FY 2013-14 was submitted to the Durham County ABC Board on May 20, 2013 by the General Manager and filed with the Clerk to the Durham County Board of Commissioners and the NC ABC Commission on May 21, 2013, pursuant to G.S. 18B-702;

WHEREAS, on June 6, 2013, the Durham County ABC Board held a public hearing on the budget pursuant to G.S. 18B-702;

WHEREAS, on June 17, 2013, the Durham County ABC Board adopted a budget ordinance making appropriations in such sums as the Board considers sufficient and proper 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, 2013 and ending June 30, 2014, 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, 2013 and ending June 30, 2014 to meet the operational and functional appropriations as set forth in Section 2.

Estimated Revenues:

Sales	\$ 27,816,084
Other Income	780
Total	<u><u>\$ 27,816,864</u></u>

Section 2. Appropriations. The following expenses are hereby appropriated for fiscal year 2013 - 2014 and are funded by the revenues set forth in the foregoing Section 1.

Appropriations:

Taxes Based on Revenue \$ 6,623,413

Cost of Sales \$ 14,599,823

Operating Expenses:	Stores	Warehouse	Admin.	Law Enf.	Totals
Personnel Expenses	\$ 2,120,768	\$ 262,010	\$ 560,264		\$ 2,943,042
Facilities Expenses	239,688	38,460	22,800		300,948
Supplies and Materials	98,472	4,140	22,080		124,692
Contracted & Prof. Svs	46,625	38,400	122,000		207,025
Repair & Maintenance	48,960	17,700	39,960		106,620
Credit Card Fees	336,220	0	0		336,220
Travel, Training & Development	10,980	420	41,750		53,150
Other Operating Expenses	64,440	9,960	34,480		108,880
Miscellaneous - Contingency			55,000		55,000
Total Operating Expenses	\$ 2,966,153	\$ 371,090	\$ 898,334	\$ -	\$ 4,235,577

Capital Outlay:

Store 1 - 1928 Holloway Street	\$ 100,000
Store 3 - 2806 Hillsborough Road	100,000
Store 8 - 5234 N. Roxboro Road	75,000
Point-of-Sale System	275,000
Miscellaneous	339,973
Less: Debt Proceeds	0
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Net Capital Outlay \$ 889,973

Debt Service/Lease: \$ 144,300

Total Estimated Expense \$ 26,493,086

Distributions:

Mandatory 3.5% and Bottle Tax (Plus 25% Added Per ABC Board)	\$ 1,010,070
Law Enforcement	\$ 226,694 226,694
Alcohol Education & Rehab	87,014
Other County/Municipal	

Total Distributions \$ 1,323,778

Working Capital Retained (Appropriated Fund Balance) \$ -

Total Appropriations 27,816,864

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.

Adopted by the Durham County ABC Board this 17th day of June, 2013