



**DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD**

**DURHAM COUNTY
NORTH CAROLINA**

FY 2014 – 2015 BUDGET

BOARD MEMBERS

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GENERAL MANAGER

Barry Sessoms

**Durham County
Alcoholic Beverage Control Board**

Barry Sessoms
General Manager

June 20, 2014,

Dear Durham County Residents:

The following Budget is the comprehensive spending plan for the Durham County ABC Board for the Fiscal Year 2014-2015. 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 2014-2015 Budget

Revenue and Other Income

The budget projects revenue from liquor sales and other receipts to be \$29,230,116 for FY2015. These projections are based on expected sales increases based on recent trends.

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 considering several facility 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 is \$738,000.

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, pay increases and bonuses based on unit performance to recognize and reward individual and team results. Under this system of performance-based adjustments, the anticipated increase in salaries expense is \$81,279 which also reflects no change to the total number of full-time positions.

Profit Distributions to Local Government

Durham County ABC Board has budgeted \$971,468 for distribution to the general fund of Durham County and \$107,941 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 FY2014 saw positive growth in our sales, we are forecasting a 1.9% rate of increase in retail liquor sales for FY2015 as we expect that the growth may stabilize as the changes at store 1 and 14 are now comparable for a full year. Liquor sales to mixed beverage outlets (e.g. restaurants, bars, clubs, etc.) reflect an anticipated 1.1% increase.

Taxes related to the sales of spirituous liquor and fortified wine total are planned at \$6,962,559 in the budget. Of these, \$6,851,651 will be paid to the state of North Carolina and \$110,908 to Durham County Government for alcohol rehabilitation programs. Our Cost of Goods Sold totals \$15,372,234.

Personnel expenses and facility expenses comprise the vast majority of operating expenses. The budget for merit-based salary increases is 1% and the budget for unit based bonuses will be 1%. Individual merit 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 unit performance against previously selected criteria. Durham ABC uses a comprehensive performance evaluation system to determine an individual's merit for compensation.

Total operating expenses are projected to be \$4,612,788.

Profit Distributions

After the expenses required to meet the needs of the business are met, our estimated profit is \$1,726,587.

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 \$1,079,409 in combined distributions. The statutory requirement for funding alcohol abuse prevention and education in the community is \$95,934. After all budgeted distributions, net income will be \$507,083. 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 FY2015. This includes 38 store and warehouse employees, 3 law enforcement employees, and 7 administrative employees. In addition, part-time employees are utilized 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.

Sincerely,

Barry Sessoms
General Manager

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

FY 2014 - 2015

WHEREAS, the proposed budget for FY 2014-15 was submitted to the Durham County ABC Board on May 27, 2014 by the General Manager and filed with the Clerk to the Durham County Board of Commissioners and the NC ABC Commission on May 29, 2014, pursuant to G.S. 18B-702;

WHEREAS, on June 2, 2014, the Durham County ABC Board held a public hearing on the budget pursuant to G.S. 18B-702;

WHEREAS, on June 16, 2014, 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, 2014 and ending June 30, 2015, 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, 2014 and ending June 30, 2015 to meet the operational and functional appropriations as set forth in Section 2.

Estimated Revenues:

Sales	\$ 29,230,116
Other Income	312
Total	<u><u>\$ 29,230,428</u></u>

Section 2. Appropriations. The following expenses are hereby appropriated for fiscal year 2014 – 2015 and are funded by the revenues set forth in the foregoing Section 1.

<u>Appropriations:</u>					Totals
Taxes Based on Revenue					\$ 6,962,559
Cost of Sales					\$ 15,372,234
Operating Expenses:	Stores	Warehouse	Admin.	Law Enf.	Totals
Personnel Expenses	\$ 2,138,973	\$ 281,306	\$ 681,433		\$ 3,101,712
Facilities Expenses	277,848	31,980	23,460		333,288
Supplies and Materials	95,856	3,540	46,800		146,196
Contracted & Prof. Svs	54,600	30,000	225,400		310,000
Repair & Maintenance	72,660	18,600	26,760		118,020
Credit Card Fees	372,752	0	0		372,752
Travel, Training & Development	5,040	360	49,100		54,500
Other Operating Expenses	70,500	10,380	35,440		116,320
Miscellaneous - Contingency			60,000		60,000
Total Operating Expenses	\$ 3,088,229	\$ 376,166	\$ 1,148,393	\$ -	\$ 4,612,788
Capital Outlay:					
Technology Improvements & Replacements					\$ 172,000
General Facilities Renovations & Equipment Additions					566,000
Relocation of Facilities					2,500,000
Less: Debt Proceeds					<u>-2,500,000</u>
Net Capital Outlay					\$ 738,000
Debt Service/Lease:					\$ 144,300
Total Estimated Expense					<u>\$ 27,829,881</u>
Distributions:					
Mandatory 3.5% and Bottle Tax (Plus 25% Added Per ABC Board)					\$ 1,079,409
Law Enforcement			\$ 225,204		225,204
Alcohol Education & Rehab					95,934
Other County/Municipal					
Total Distributions					<u>\$ 1,400,547</u>
Working Capital Retained (Appropriated Fund Balance)					\$ -
Total Appropriations					<u><u>29,230,428</u></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.

Adopted by the Durham County ABC Board this 16th day of June, 2014.