



DURHAM COUNTY NC RECOMMENDED BUDGET FY 2022-23

Durham County ABC Board



FY 2022-23 Durham County ABC Board Proposed Budget



DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL

3620 Shannon Road Suite #200
Durham, NC 27707

DURHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD MEMBERS

Daniel Edwards (Chairman)
Gale Adland
Donald Lebkes
Frachele Scott
Ryan Urquhart

GENERAL MANAGER

Lou Sordel

Durham County Alcoholic Beverage Control Board

Lou Sordel
General Manager

May 17, 2022

Dear Durham County Residents:

I consider it a privilege to present you the Durham County Alcoholic Beverage Control Budget for the fiscal year beginning July 1, 2022 and ending June 30, 2023 (FY 22-23). This budget has been prepared in accordance with North Carolina General Statute §18B-702. It is balanced and identifies all revenue and expenditure estimates for the upcoming fiscal year.

The following Budget is the comprehensive spending plan for the Durham County ABC Board for the Fiscal Year 2022-2023. 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.



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Highlights of the FY 2022-2023 Budget

Revenue and Other Income

The budget projects revenue from liquor sales and other receipts to be \$61,430,500 for FY2023. These projections are based on expected sales increases which reflect both current trends and strategic planning.

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 constructing building number four (4), new retail store, which will be paid for using working capital. We will continue to make various facility and technology improvements that will enhance the shopping experience for our customers including the ability to order products online and integrate the special order process into our Point of Sale system. Effective July 1, 2022, ABC Boards will be required to provide delivery service to mixed beverage customers. This change to the ABC system is one component of House Bill 890 which passed in 2021. The budgeted investments for the new building are \$2,000,000. Total budgeted amount for improvements and fulfilling the deadline for the new House Bill 890 are \$230,600.

Compensation Plan

Durham County ABC's most valuable asset are our employees. Including within this budget is 6% flat amount increase. This increase will get our Board to a competitive level setting spot in a very competitive job market. Salaries and wages are budgeted at \$3,735,000.

Profit Distributions

Durham County ABC Board returns a large percentage of its profits to the citizens of Durham County. Distributions to Durham County are budgeted at \$3,780,000. Durham County ABC Board has budgeted \$2,500,000 for distribution to the general fund of Durham County and \$278,000 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.

Distributions for Law Enforcement are budgeted at \$622,000.



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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. Durham County ABC Board is budgeting distributions for non-profit organizations 18B805(h) at \$380,000.

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. COVID-19 impacted the retail business positively and the Mixed Beverage business negatively. Past few months are showing a shift from retail back to Mixed Beverage Business. We worked tirelessly to insure we had adequate in-stocks of products that our customers wanted to drive sales in the retail and Mixed Beverage business. This strategy was successful and we are projecting to end our fiscal year over last fiscal year by a 12.7% comparative increase in Year to Date sales. In FY2023 we are forecasting retail sales at \$48,000,000 and mixed beverage sales at \$12,000,000 for a total sales budget of \$60,000,000.

Taxes related to the sale of spirituous liquor and fortified wine are planned at \$13,734,000 in the budget. The total Cost of Goods Sold totals \$31,200,000.

Personnel expenses and facility expenses comprise the vast majority of operating expenses. Personnel expenses are budgeted for \$5,108,000 and total operating expenses at \$4,060,000.

Profit Distributions

After the expenses required to meet the needs of the business are met, our estimated profit is \$5,898,000.

After all budgeted distributions, net income will be \$2,740,000. 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 60 full time, active employees for FY2023. This includes 52 store and warehouse employees and 8 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.

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ANNUAL BUDGET DURHAM COUNTY ABC BOARD Durham County North Carolina

FY 2022 - 2023

This proposed budget for FY 2022-2023 was submitted to the Durham County ABC Board on May 17, 2022 by the General Manager.

Section 1. Estimated Revenues. It is estimated that the revenues listed below will be available during the fiscal year beginning July 1, 2022 and ending June 30, 2023 to meet the operational and functional appropriations as set forth in Section 2.

Estimated Revenues:

Sales	\$60,000,000
Proceeds from sale of Real Estate (Hwy. 55 Store)	\$1,400,000
Proceeds from sale of vehicles	\$30,000
<u>Other Income - Interest</u>	<u>\$500</u>
Total	\$61,430,500

Section 2. Appropriations. The following expenses are hereby appropriated for fiscal year 2022- 2023 and are funded by the revenues set forth in the foregoing Section 1.

Appropriations:

Taxes Based on Revenue

Totals
\$13,734,000

Cost of Sales

\$31,200,000

Operating Expenses:

Personnel Expenses
<u>Other Operating Expenses</u>
Total Operating Expenses

Totals
\$5,108,391
<u>\$2,909,587</u>
\$8,017,978

Capital Outlay:

TW Alexander - New Store Construction
Mixed Beverage Delivery Vehicles
Warehouse Delivery Van
Warehouse Equipment
Technology Improvements & Replacements

\$2,000,000
\$120,000
\$60,000
\$50,600
\$0

Net Capital Outlay

\$2,230,600

Total Estimated Expense

\$55,182,578

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Distributions:

Mandatory 3.5% and Bottle Tax (Plus 60% Added Above Minimum)	\$2,778,000
Law Enforcement	\$622,357
Alcohol Education & Rehab	\$380,000
Other County/Municipal	
Total Distributions	<u>\$3,780,357</u>
Working Capital Required (Appropriated Fund Balance)	\$2,467,565
Total Appropriations	<u>\$61,430,500</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.