



**DURHAM COUNTY
ALCOHOLIC BEVERAGE CONTROL BOARD**

**DURHAM COUNTY
NORTH CAROLINA**

FY 2018 – 2019 PROPOSED BUDGET

BOARD MEMBERS

Andy Miller, Chairperson

Jacqueline Wagstaff

Lawrence Daye

Donald Lebkes

Beverly Thorpe

GENERAL MANAGER

Rufus Sales

**Durham County
Alcoholic Beverage Control Board**

Rufus Sales
General Manager

June 18, 2018

Dear Durham County Residents:

The following Budget is the comprehensive spending plan for the Durham County ABC Board for the Fiscal Year 2018-2019. 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 2018-2019 Budget

Revenue and Other Income

The budget projects revenue from liquor sales and other receipts to be \$37,951,101 for FY2019. 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 considering 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 \$277,311.

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, merit pay increases and unit performance pay 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 \$134,751 while maintaining the full-time employee count of 52, same as in the prior year.

Profit Distributions to Local Government

Durham County ABC Board has budgeted \$1,532,862 for distribution to the general fund of Durham County and \$170,338 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. Strategic merchandising and an increased focus on customer service allowed 3.21% growth in the first nine months of FY 2018. Mixed Beverage sales also increased 5.54% which, when added to the retail growth has allowed us to project an overall increase in sales by 1.86% in FY2019. This is comprised of a 1.61% growth of Liquor sales and a 2.77% increase in Mixed Beverage sales.

Taxes related to the sale of spirituous liquor and fortified wine are planned at \$8,998,879 in the budget. Of these, \$8,885,097 will be paid to the state of North Carolina and \$113,781 to Durham County Government for alcohol rehabilitation programs. Our Cost of Goods Sold totals \$19,801,450.

Personnel expenses and facility expenses comprise the vast majority of operating expenses. The budget for merit-based salary increases is 2% and the annual cost of living increase will be 2.2%. The budget for unit based performance pay will be 1.8%. 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. Unit performance pay, if given, is 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 \$5,263,963.

Profit Distributions

After the expenses required to meet the needs of the business are met, our estimated profit is \$2,893,690.

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 \$1,532,862. Distribution to the city will total \$170,338. The statutory requirement for funding alcohol abuse prevention and education in the community is \$223,770. After all budgeted distributions, net income will be \$966,720. 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 52 full time, active employees for FY2019. This includes 42 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.

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

Sincerely,

Rufus Sales
General Manager

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

FY 2018 - 2019

This proposed budget for FY 2018-2019 was submitted to the Durham County ABC Board on May 15, 2018 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, 2018 and ending June 30, 2019 to meet the operational and functional appropriations as set forth in Section 2.

Estimated Revenues:

Sales	\$ 37,927,101
Other Income - Interest	24,000
Total	<u>\$ 37,951,101</u>

Section 2. Appropriations. The following expenses are hereby appropriated for fiscal year 2018 – 2019 and are funded by the revenues set forth in the foregoing Section 1.

<u>Appropriations:</u>					Totals
Taxes Based on Revenue					\$ 8,998,879
Cost of Sales					\$ 19,801,450
Operating Expenses:	Stores	Warehouse	Admin.	Law Enf.	Totals
Personnel Expenses	\$ 2,387,251	\$ 377,639	\$ 707,645		\$ 3,472,535
Facilities Expenses	369,841	34,744	108,800		513,385
Supplies and Materials	135,362	6,350	14,489		156,201
Contracted & Prof. Svs	0	96,000	139,500		235,500
Repair & Maintenance	80,740	33,333	34,073		148,146
Credit Card Fees	427,836	0	0		427,836
Travel, Training & Development	5,400	600	55,400		61,400
Other Operating Expenses	112,800	25,200	44,960		182,960
Miscellaneous - Contingency			66,000		66,000
Total Operating Expenses	\$ 3,519,230	\$ 573,866	\$ 1,170,867	\$ -	\$ 5,263,963
Capital Outlay:					
Facilities Maintenance & Equipment Additions					\$ 15,875
Technology Improvements & Replacements					144,898
Warehouse - New Cargo Van					46,538
Law Enforcement					70,000
Net Capital Outlay					\$ 277,311
Debt Service/Lease:					\$ 679,944
Total Estimated Expense					\$ 35,021,547
Distributions:					
Mandatory 3.5% and Bottle Tax (Plus 60% Added Above Minimum)					\$ 1,703,200
Law Enforcement				\$ 582,139	582,139
Alcohol Education & Rehab					223,770
Other County/Municipal					
Total Distributions					\$ 2,509,109
Working Capital Retained (Appropriated Fund Balance)					\$ 420,445
Total Appropriations					37,951,101

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.