



05.10.2021

To: Statesville ABC Board Members, City of Statesville,
NC ABC Commission, Media, Interested Parties

From: Tip Nicholson, General Manager

Date: May 10, 2021

Subject: FYE 2022 Budget Message

The Annual Budget for the fiscal year July 1, 2021 through June 30, 2022 (FYE 2022) has been prepared in accordance with North Carolina General Statute 18B-702 "Financial operations of local boards". The ABC Board determines, through adoption of an annual budget, the level of customer services that the ABC system will provide and the resources available for operations.

The primary drivers during the preparation of this budget included projected operating costs required to sustain acceptable levels of customer service during FYE 2022 and the need for revenues sufficient to fund distributions to beneficiaries.

Projected operating revenues and expenses are estimated to remain at FYE 21 budget levels. Capital outlay expenses will remain approximately the same as in past years.

The budget consists of: projected revenues from liquor sales and other receipts of \$7,752,924; taxes related to income of \$7,760,778; cost of sales of \$4,065,123; operating expenses costs of \$1,290,844; and local distributions of \$304,667.

Highlights of Key Budget Elements Include:

- While FYE 21 has seen record sales in retail, the trend is that sales are beginning to level off and wholesale (Liquor by the Drink) sales are increasing. As a result, this budget assumes that total sales will be approximately the same as in FYE 21.
- The City of Statesville is not currently planning a salary increase so there will be none budgeted for the ABC Board.

Statesville ABC Board

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- The entire amount for health insurance premiums for 7 full time staff persons has been budgeted. Currently, we have one full time employee who refused health coverage (covered by spouse's plan). As we add new full time employees, the waiting period is three months for health insurance. While the full amount of health insurance under the board's plan has been budgeted, we anticipate that there will be some cost savings in this line item.
- There will be no significant increase in electric rates, but water/sewer rates will increase approximately 20%.
- The capital expenditures at store #1 are an escrow for roof replacement, shelving replacement, and an electric pallet jack. At store #2, we will be beginning an escrow for parking lot replacement.
- The ABC Board will continue to closely watch its working capital. The NC ABC Commission issues guidelines for minimum and maximum working capital (defined below in the Priorities and Assumptions section). The actual amount is determined at the completion of the annual audit sometime in August of 2021. The board is not allowed to go under the minimum amount and if it does, it is allowed to withhold distributions until such time that the amount again exceeds the minimum. The Board goal is to try and maintain working capital at the mid-point range recommended by the NC ABC Commission. It is hoped that revenues will exceed projections and expenditures will be less than budgeted so that the working capital target can be met while also increasing local distributions.

The Board's Budget Process

During April and May, information was gathered regarding possible changes in budget lines for the new fiscal year. Once the Statesville City Manager released the budget message for FYE 2022, the proposed budget was finalized. The Statesville ABC Board will hold a public hearing for the proposed budget on Tuesday May 25th at 11:00am at its regularly scheduled meeting. After hearing public comment, the board will continue to study the budget and then act on the FYE 2022 budget at its June 22nd meeting.

Priorities and Assumptions:

- The Board's primary source of revenue is through the sale of spirituous beverages. A key assumption is the amount of expected sales. Revenue projections are projected based on current economic factors combined with historic sales figures.
- The Board's books and records are maintained based on the Enterprise method of accounting which is different than the Fund method of accounting used by many government entities.

- The Board satisfies its obligation for law enforcement (minimum of 5% of net profits) by contracting for law enforcement services with the City of Statesville Police Department.
- Alcohol Education – The Statesville ABC Board believes strongly in its responsibility to help fund local organizations that work with alcohol and substance abuse services. The Board historically has funded alcohol education programs at more than the minimum of 7% as required by law.
- NC ABC Commission Rules (4 NCAC 2R.0902) define “working capital” as “the total cash, investments and inventory less all unsecured liabilities.” Also, “a local Board shall set its Working Capital requirements at not less than two week’s average gross sales of the latest fiscal year nor greater than four months’ average gross sales of the latest fiscal year. Gross sales means gross receipts from the sales of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).” The Statesville ABC Board, while meeting these requirements, will continue to work to build its “working capital” to a level that will at least reach the midpoint of the minimum and maximum requirements.

Staffing Summary

The Board has authorized a total of 7 full-time positions. An additional 24 part time employees work a variety of hours and positions for the Board.

Conclusion

The budget reflects the Board’s commitment to fulfill its mission based on known information. A copy of this proposed budget will be available for public view both on our website (statesvilleabc.com) and in the board room at 311 South Center Street.

Tip Nicholson

General Manager

Attached: Proposed Budget for FYE 2022

FYE 2021 PROPOSED
BUDGET
July 1, 2021 – June 30, 2022

Estimated Revenues:

Sales	\$7,748,868
Other Income	\$4,056
Total	<u>\$7,752,924</u>

Section 2. Appropriations.

The following expenses are estimated for FYE 2021 and are funded by the revenues made available through Section 1, herein.

Appropriations:

Taxes Based on Revenue	\$1,760,778
Cost of Sales	\$4,065,123

Operating Expenses:

	Total
Salaries & Benefits	\$891,665
Board Salaries	\$5,400
Repairs & Maintenance	\$119,532
Utilities	\$30,272
Insurance – Building & Liability	\$14,859
Store/Office Supplies	\$49,296
Travel, Training & Conferences	\$19,500
Contracts & Professional Fees	\$57,500
Credit Card Fees	\$99,820
Contingencies/Miscellaneous	\$3,000

Total Operating Expense	\$1,290,844	\$1,290,844
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Capital Outlay:	Total	
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Store #1 Roof Replacement Escrow	\$30,000	
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Store #1 Shelving Replacement	\$11,000	
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Store #1 Electric Pallet Jack	\$2,500	
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Store #2 Parking Lot Escrow	\$17,000	
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\$60,500	
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CO Funding		
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(From Administrative Reserve)	(\$60,500)	
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Total Capital Outlay	\$0	\$0
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Debt Service:

Principal Payments on Store #2 Loan	\$48,841	
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Interest Payments on Loan & Line of Credit	\$15,539	
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Total Debt Service	\$64,380	\$64,380
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Distributions:

Profit Distributions	\$196,411	
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Law Enforcement	\$36,756	
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Alcohol Education & Rehab.	\$71,500	
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Total Distributions	\$304,667	\$304,667
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Working Capital Retained/Administrative Reserve		\$267,132
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Total Expense, Distributions & Reserve		<u><u>\$7,752,924</u></u>
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