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

From: Tip Nicholson, General Manager

Date: May 16, 2022

Subject: Fiscal Year Ending 2023 Budget Message

The Annual Budget for the fiscal year July 1, 2022 through June 30, 2023 (FYE23) 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 FYE23 and the need for revenues sufficient to fund distributions to beneficiaries.

Projected operating revenues are estimated to remain at FYE22 levels. Expenses, primarily due to a revamped salary administration plan, are estimated to increase approximately \$110,000. Capital outlay expenses will be lower than in past budgets.

The budget consists of projected revenues from liquor sales and other receipts of \$8,330,062; taxes related to income of \$1,906,136; cost of sales of \$4,315,985; operating expenses costs of \$1,369,872; and local distributions of \$550,218.

Highlights of Key Budget Elements Include:

- The growth in retail sales over the past two years appears to be over. Monthly retail sales seem to be matching the previous year's sales. The wholesale sales (liquor by the drink) have recovered from the lows of the pandemic and are growing. This budget assumes that total sales will be approximately the same as in FYE22.

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- The Statesville ABC Board uses the City of Statesville's salary administration plan as its guide for compensation. Below is the City's current status as regards its salary administration plan as presented in the City Manager's FYE23 proposed budget:
 - *Since mid-2019, or the beginning of the 2020 fiscal year, the city has made significant moves that have touched every one of our full-time positions. In fact, some employees have seen multiple increases in salary over that time. Several key actions have occurred, including the implementation of a career development program for various departments, raises to the City's minimum wage, and a 2.5% across-the-board increase. These have all been worthwhile and necessary moves. These actions have cost the city roughly \$1,600,000 since 2019, which carries forward each budget year. In FY2022 the Council increased employee salaries by 2%, across the board. In addition, the Council approved developing, and funding, a four cycle pay review for all positions. In FY2022 the public safety departments portion of the study was implemented. This budget proposes to fully fund the second cycle of increases and to begin the study for the third cycle, and possibly fourth, cycle. This budget also increases salaries for part time positions, which have proven difficult to fill in these days where hourly rates have risen significantly.*
- The changes to the City of Statesville's salary administration plan have affected the proposed budget for the Statesville ABC Board. After evaluation, all of our full-time positions have changed grade levels from where they were originally in 2008 when the plan was adopted. On the next page are the changes in the grades:

2008 Salary Grade	Job Title - City of Statesville	Job Title - ABC Board	2022 Salary Grades - March 2022
12	Accounting Technician/Accounts Payable	Clerk Supervisor	14
	Accounting Technician/Payroll		
	Building Maintenance Technician		
	Water Treatment Plant Operator B		
	Airport Maintenance Supervisor		
	Police Telecommunicator		
	Senior Utility Locator		
14	Plant Maintenance Mechanic	Senior Clerk Supervisor	16
	General Supervisor		
	Wastewater Treatment Plant Operator IV		
	Water Treatment Plant Operator A		
	Accountant		
	Lieutenant - Fire (2080 hours/Day Rate)		
Lieutenant - Fire (2756 hours/Shift Rate)			
15	Assistant Facility Manager (Maintenance & Operations)	Assistant Store Manager	17
	Assistant Facility Manager (Marketing & Programs)		
	Center Director		
	Substation Technician I		
	Construction Inspector		
	Wastewater Residuals Supervisor		
	Assistant Fleet Manager		
	Building Maintenance Supervisor		
	GIS Analyst		
	Information Technology Technician		
	Police Officer		
	Customer Service Manager/Revenue Officer		
19	Fleet Manager	Finance Officer/Store Manager	21
	Purchasing Agent		
	Sanitation Superintendent		
	Street Superintendent		
	Fire Captain (2080 hours/Day Rate)		
	Fire Captain (2756 hours/Shift Rate)		
21	Police Sergeant	Assistant General Manager	24
	Planner II-Plans Review		
	Planner II-Historic Preservation		
	Pretreatment Coordinator		
	Substation Supervisor		
	Line Clearance Supervisor/Utility Arborist		
	Line Crew Supervisor		
	Senior Planner		
Technician Services Supervisor			
24	Assistant Fire Chief (Training & Safety)	General Manager	29
	Human Resources Director		

- The City of Statesville has also raised its starting hourly rate for part time employees to \$15 an hour. The Statesville ABC Board has, along with many other businesses, experienced staffing shortages. Hopefully implementing this plan will help alleviate this problem.
- The full implementation cost for the new salary administration plan will be an increase of approximately \$107,000.
- Health insurance costs will increase approximately 5%.
- There will be no significant increase in electric rates, but water/sewer rates will increase.

- The capital expenditures at store #1 are for extra shelving. Refrigeration units at both stores are planned.

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 2022. 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 FYE23, the proposed budget was finalized. The Statesville ABC Board will hold a public hearing for the proposed budget on Tuesday May 31st 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 FYE23 budget at its June 28th 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 mean 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 26 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 FYE23

FYE 2023 PROPOSED
BUDGET
July 1, 2022 – June 30, 2023

Estimated Revenues:

Sales	\$8,328,562
Other Income	\$1,500
Total	<u>\$8,330,062</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	\$1,906,136
Cost of Sales	\$4,315,985

Operating Expenses:

	Total
Salaries & Benefits	\$1,004,383
Board Salaries	\$5,400
Repairs & Maintenance	\$51,000
Utilities	\$30,272
Insurance – Building & Liability	\$23,125
Store/Office Supplies	\$77,556
Travel, Training & Conferences	\$187,600
Contracts & Professional Fees	\$49,296
Credit Card Fees	\$98,536
Contingencies/Miscellaneous	\$11,704
Total Operating Expense	<u>\$1,369,872</u> \$1,369,872

Capital Outlay:	Total	
Store #1 Gondola Shelve Extension	\$7,000	
Refrigeration Units for Both Stores	\$6,500	
Total	<u>\$13,500</u>	
CO Funding (From Administrative Reserve)	<u>(\$13,500)</u>	
Total Capital Outlay	\$0	\$0
<hr/> Debt Service:		
Principal Payments on Store #2 Loan	\$53,100	
Interest Payments on Loan & Line of Credit	\$16,500	
Total Debt Service	<u>\$59,600</u>	<u>\$59,600</u>
<hr/> Distributions:		
Profit Distributions	\$436,049	
Law Enforcement	\$39,169	
Alcohol Education & Rehab.	\$75,000	
Total Distributions	<u>\$550,218</u>	<u>\$550,218</u>
Working Capital Retained/Administrative Reserve		\$118,251
Total Expense, Distributions & Reserve		<u><u>\$8,330,062</u></u>