

ABC Fund Balance

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Today's Goal

Provide an overview of how the County currently budgets for and uses funds provided by Wake County ABC

Identify challenges in current funding processes

Assist Board in planning for future operating needs and community partner budgeting

Background on ABC Funding

Regulation of the distribution, sales, and proceeds of alcoholic beverages in NC is governed by NCGS 18B-805

- Wake County ABC must impose certain fees and charges on the sale of alcoholic beverages
- Wake County ABC must spend or give the County 7% of the various fees and charges to be spent on alcoholism and substance abuse programs; Wake ABC Board provides 22%
- Wake County ABC then can distribute its working capital overage to the County (and municipalities) to support basic general fund services

County Budget & ABC Funds

County budgets \$4 million annually in the adopted operating budget:

- These funds currently support Wakebrook operations and other substance abuse/behavioral health programs

County has been receiving “excess” ABC revenues received since 2013

- “Excess” has been defined as any amount received greater than accounted for in the annual budget
- County manages the excess funding separately from annual budget
 - Funding not allocated in the year in which received is committed in ABC fund balance
 - ABC fund balance has been used to support County capital, operating, and other community needs as they arise
- There are no external restrictions on these proceeds

Receipt & Use of Excess ABC Proceeds

Excess Proceeds Process

Wake County ABC has consistently provided excess contributions

Excess contributions not known and distributed until end of fiscal year

Average excess contribution greater than \$4 million

Board of Commissioners only makes allocations of excess ABC on hand

Projects/Programs Supported with Excess ABC Proceeds

HS Master Plan - \$7.8 million

Oak City Center - \$5.1 million

Beacon Ridge - \$2.5 million

Drug Treatment Programs - \$2.2 million

Affordable Housing Initiatives - \$2.1 million

Healing Transitions - \$1 million

DWI Equipment - \$830,000

Other Community Org Programs - \$396,000

Challenges in Current Funding Processes

1. Operating budget reduced due to COVID; County programs serving vulnerable populations need a recurring revenue source.
2. Community organizations serving vulnerable populations have unmet capital/investment needs that are not adequately met with current processes.
3. County currently lacks guidelines on how and when to use ABC fund balance.

Proposal to Solving Challenge #1

Strategically match recurring revenues to recurring expenditures

- Beginning with FY 2022 budget, account for a total of \$6 million in annual operating budget (\$2 million more than current budget)
 - Does not over-commit Wake County ABC, based on historical trends
- Provides ongoing funding source for programs including, but not limited to:
 - Drug treatment and recovery court
 - Extension of behavioral health pilot programs
 - Sustain County's commitment to Wakebrook operations
 - Other recurring programs or needs identified in the budget process

Proposal to Solving Challenge #2

Utilization of ABC Fund Balance for long-term community investments

- Fund Community Capital competitive process with excess ABC revenues
 - County CIP funding is currently limited
 - By using excess ABC revenues, Community Capital process could be conducted more frequently with additional dollars available
 - Could support more organizations with larger scale projects
 - County CIP dollars currently allocated to Community Capital process can be reinvested in other County capital needs

Current County Community Capital Program

County currently allocates \$500,000 annually for a Community Capital competitive process that occurs every four years.

Current parameters for organizations that submit applications:

- Be a capital project
- Demonstrates a mix of funding (public, private, not-for-profit)
- Relies on County funding for no more than 35 percent of total project funding
- Describes an annual operating plan in detail and demonstrates a self-sufficient operating budget
- Maximum amount requested is limited

Proposal Highlights

Operationally

Offers more budgeting consistency and predictability for all stakeholders

Operating budget increases \$2 million to address ongoing vulnerable population needs

Community Capital funding increases based on available ABC fund balance

Strategically

Board continues to have input through at least four policy avenues:

- Board goals
- Annual budget
- Behavioral health plan
- Community Capital process

Example of Future ABC Funds Budget & Process

Fiscal Year	Operating Budget Allocation	Uses	Community Capital Process	Estimated Excess Proceeds	Balance
2020					\$12,943,568
2021	\$4,000,000	-\$4,900,688	-\$5,000,000	\$4,000,000	\$7,042,880
2022	\$6,000,000			\$2,000,000	\$9,042,880
2023	\$6,000,000		-\$5,000,000	\$2,000,000	\$6,042,880
2024	\$6,000,000			\$2,000,000	\$8,042,880
2025	\$6,000,000		-\$5,000,000	\$2,000,000	\$5,042,880

Each biennial Community Capital funding cycle would be based on actual available ABC Fund Balance on hand

This examples keeps some ABC fund balance on hand to maintain flexibility for other non-recurring priority or one-time funding needs as they arise

Summary

County receives distributions from Wake County ABC in excess of what is required to be spent on statutorily-mandated programs

County staff proposes strategically matching recurring revenues and expenditures while taking new approach to use excess ABC proceeds that make more significant, long-term community investments

New approach continues to involve Board input in a transparent framework for all stakeholders

Next Steps

TODAY:

- Receive feedback from the Board on proposed approach

NEXT STEPS:

- Finalize a Community Capital competitive process with ABC Fund Balance based on existing parameters
- Bring back to the Board the process overview, requirements, timeline, amount

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Questions & Discussion

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Appendix

Historical Look at Excess ABC Proceeds

Fiscal Year	Uses	Excess Proceeds	Balance
2016			\$8,900,000
2017	-\$3,809,000	\$3,500,000	\$8,091,000
2018	-\$5,402,580	\$4,000,000	\$6,688,420
2019	-\$2,687,562	\$5,880,884	\$9,881,742
2020	-\$5,000,000	\$8,061,826	\$12,943,568
2021	-\$4,891,688		\$8,042,880

Community Capital Program Funding Cycles

2014 Process:

- Funding amount available over 4 years = \$2,605,000
- Amount recommended for award over 4 years = \$2,605,000
- Largest project allocation = \$815,000, Smallest project allocation = \$140,000

2018 Process:

- Funding amount available over 4 years = \$2,315,000
- Amount recommended for award over 4 years = \$2,126,000
- Largest project allocation = \$500,000, Smallest project allocation = \$128,000