

**Minutes of the Meeting  
August 23, 2021**

The Durham County ABC Board met at the administrative office, 3620 Shannon Road, Suite 200, on the 23<sup>rd</sup> day of August, 2021.

Board Chair, Donald Lebkes, called the meeting to order at 5:35 p.m.

Board Chair Donald Lebkes, Board members Gale Adland and Daniel Edwards, Durham County ABC General Manager Niegel Sullivan, Operations Director Misty Walters, Board Attorney George Miller III, and Fiscal Services Director Phil Bair were in attendance. Board members Frachele Scott and Ryan Urquhart, ALE Special Agent Brian Doward, Human Resources Generalist Wendy Thomas-Wilder, Office and Technology Assistant Ikzuri Garcia-Banda, and one person from the public, citizen Bryce Scouten, were virtually present via Zoom.

**Conflict of Interest Review and Declaration**

Chair Lebkes read the Board's Conflict of Interest Review and Declaration statement and asked Board members if they have an actual conflict or appearance of a conflict of interest with any items coming before the Board and, if so, does the Board member wish to recuse him or herself from deliberating and voting on the matter. All Board members verbalized that they have reviewed the agenda and do not have any conflicts.

**Consent Item(s)**

The first consent item approved was the June 21<sup>st</sup>, 2021 Board Meeting Minutes. Board Chair Lebkes motioned to approve the meeting minutes as presented. Daniel Edwards seconded the motion and the Board approved unanimously.

The second consent item approved was the July 19<sup>th</sup> Board Special Meeting Minutes, with Mr. Lebkes motioning to approve the minutes and Daniel Edwards seconded the motion. The Board approved the minutes unanimously.

**General Business**

**Selection of the Board Chair**

Attorney Miller notified the Board that Mr. Lebkes' term as Chairman of the Durham County ABC Board was ending and it would be appropriate for the Board to determine who they wish to nominate to the Board of County Commissioners as Chair for the next term. Mr. Urquhart nominated Board Member Daniel Edwards. Mr. Lebkes nominated himself. Attorney Miller opened the floor to any discussion, or for either nominee to make a statement. Mr. Edwards accepted the nomination. Mr. Lebkes' expresses he would like to continue as Board Chair. Mr. Urquhart mentions an appreciation for Mr. Edward's fresh perspective. Regarding the Board Chair nominee, the Board voted as follows: Mr. Urquhart, Mrs. Scott, Mrs. Adland votes yes to nominate Mr. Edwards. Mr. Edwards votes yes to nominate himself. Chair Lebkes' votes to nominate himself. Attorney Miller reminds the Board that the Board of County Commissioners will choose the next Board Chair, and that the nomination of Mr. Edwards will be sent for their consideration.

### **Public Comment**

Mr. Scouten presented himself to the Board as the bar manager of a local establishment (Durham Hotel) who had been struggling to receive products in a timely manner. Mr. Sullivan acknowledged the issue and stated the problem was being addressed by operations, and further advised Mr. Scouten that we had recently hired an employee to aide with issues of the sort. Chair Lebkes thanked Mr. Scouten for joining the Board Meeting and reminded him that he could reach out to the Board Members anytime if the situation did not clear up.

### **Law Enforcement Report**

Mr. Sullivan opened the floor for any questions to ALE Special Agent Brian Doward.

Mrs. Adland raised the topic of bars and restaurants with missing tax stamps on their bottles. Agent Doward expressed his belief that these stamps came loose due to condensation or poor adhesive, highlighting ALE's continuous effort to remind said establishments to assure their tax stamps are secure at the end of each business night, also encouraging them to get those bottles restamped if the tax stamps came off altogether. Mr. Sullivan reports that to solve this dilemma, a higher quality of tax stamps had been implemented as of two years ago.

### **Financial Report**

#### **June 2021 Financials**

Mr. Bair reported the summary of income statement results as included in the board meeting packet for June 2021. Retail sales for June were \$3,378,710, a decrease of \$227,215 or 6.30% from last year. He noted significant improvement in Mixed Beverage Department, which made \$742,655 in sales in June 2021, an increase of \$571,085 or 333.2% over June 2020. Budget variance between June 2020 and June 2021 was also positive, with an increase of \$106,651 or 2.65%

DCABC sales for June increased by 9.1% over the prior year, ranking 8<sup>th</sup> among the nine boards that DCABC considers for comparison purposes.

Mr. Bair discussed profit distribution with the Board:

Profit before distributions for June was \$425,432 compared to the Operating Budge amount of \$387,348 giving a positive budget variance of \$65,084 or 16.80%.

Total June accrued Profit Distributions (based on Sales) were \$689,871 versus \$911,194 the prior year, a decrease of \$221,323 or 24.29%. The Budgeted Profit Distributions were \$208,397 so the actual for June was \$481,474 or 231.04% more than budgeted.

The year-to-date Net Income at June 30,2021 was \$2,114,144 (twelve months). This represents \$1,162,121 higher year-to-date net income than what was expected in the Operating Budget. The overall positive budget variance occurred due to a combination of factors: 1) Actual Net Sales exceeded budge forecast by approximately \$7.69 million, 2) Overall Operating Expenses were on par with the budgeted amounts for the twelve months ended June 30, exceptions being store security, rent expense, and Covid-19 sanitizing measures, 3) Profit Distributions accrued for County & City were higher than budget due to Net Sales increases and additional disbursement

to bring YTD amount up to \$2.4 Million Country & \$266,666 City (approximately \$818,700), 4) Loss on sale of Roxboro St. property (\$119,000) and Gain on Guess Rd. property & Equipment (\$44,000), Gain on 2008 Box Truck sale (\$20,000). Net Loss of approximately -\$53,600.

### **July 2021 Financials**

On the concern of Holloway Street's (Store 1) decrease of -31.83% this year over July 2020: Mr. Sullivan touched on Store 1's trouble with city inspections regarding water meter issues, resulting in a decline of sales. He briefed the Board on DCABC's work with the city regarding these problems, not just for DCABC stores but for the benefit of stores around the county. He added that of the opening of the store on Sherron Road (Store 5) has further impacted Holloway's traffic.

Mr. Bair reported the summary of income statement results as included in the board meeting packet for July 2021. Retail sales for July were \$3,690,458, an increase of \$54,091 or +1.49% from the year prior. He noted the improvement in Mixed Beverage Department, which made \$774,338 in sales in July 2021, an increase of \$543,299 or +235.15% over July 2020. Budgeted total sales for July were \$4,166,685, for a positive budget variance of \$298,111 or +7.15%.

The May sales increase for Durham County ABC Board of 15.45% was ranked 5<sup>th</sup> among the nine comparative boards. The statewide increase was +13.70%.

Mr. Bair discussed profit distribution with the Board:

Profit before distributions for July was \$486,294 compared to the Operating Budget amount of \$338,187 for a positive budget variance of \$148,107 or +43.79%.

Total July accrued Profit Distributions (based on Sales) were \$216,725 versus \$198,671 of the prior year, an increase of \$18,054 or +9.09%. The Budgeted Profit Distributions were \$205,708; the actual for July was \$11,017 or 5.36% more than budgeted.

The year-to-date Net Income at July 31, 2021 was \$269,569 (one month). This represents \$137,089 higher year-to-date net income than what was expected in the Operating Budget. The overall positive budget variance occurred due to a combination of factors: 1) Actual Net Sales exceeded budget forecast by approximately \$86,000, 2) Overall Operating Expenses were less than budgeted amounts for the one month ended July 31 by \$62,000, 3) Profit Distributions accrued for County & City were higher than budget due to Gross Sales increases (approximately \$11,000).

### **General Manager's Report**

Mr. Sullivan began by discussing sale trends, alluding to his prediction from the year prior that the sale of specific products would be high. Due to him purchasing said products early, DCABC stock did not suffer from shortages until February of 2021. Mr. Sullivan pointed out the loss of dollars and sales due to these items being out of stock. He added that as a solution, the stores have been recommending substitutes to customers.

Mr. Sullivan presented the Board with updates to several stores:

- DCABC’s store on Holloway Street (Store 1) has opened after a renovation.
- The store on Sherron Road (Store 5) is the first organically opened store DCABC has had since 2006.
- The North Pointe location (Store 12) has opened; praised by Mr. Sullivan as a “different look” and a “beautiful space”.
- Mr. Sullivan goes on to show a preview of our plans for a new store on Highway 55, describing that its footing is being poured now. The second phase of that build is due to start in November.
- Guess Road location closed on June 27<sup>th</sup>, transferring to the North Pointe location which opened on June 28<sup>th</sup>, resulting in no lost day of business.
- Site plan and architectural design are well underway.

Mr. Sullivan expressed pride in savings this year by making decisions on certain properties, including the office space bought for the relocation of the Durham County ABC Board. He commemorated the good work accomplished staying ahead of the Covid-19 curve, noting that these transitions will be profitable for years to come. Mr. Sullivan also commended the Board for their support in making these changes happen.

Mr. Sullivan returns to the topic of loss sales due to out-of-stock issues caused by shortages. He reiterated the opportunity for DCABD stores to recommend substitutions and introduce consumers to alternative brands. He stated he has been working directly with LB&B Management to ensure delivery to the DCABC Warehouse, expressing he is in daily communication with the LB&B Management— emphasizing the need to satisfy the customers’ needs through every angle. The DCABC Warehouse has also had direct shipments from distilleries, ensuring prompt deliveries. Our partnerships with two Bourbon Clubs in the area have also been profitable, resulting in the sale of barrels and over 5,000 bottles during FY2021.

### **Mixed Beverage**

Mr. Sullivan continued on to say Mixed Beverage is slowly coming back as Covid-19 restrictions lift, noting that Durham County was slow to come back from restrictions compared to the counties surrounding it. Stressing the impact of the pandemic from truck drivers to mass production, Mr. Sullivan shared with the Board that shortages in the stores create a domino effect on social media, which then leads to panic buying, but praised the staff of DCABC for their ability to keep shelves filled and recommending appropriate substitutes for products that are scarce.

### **Closed Session**

Board Chair Lebkes motioned for the Board to go into closed session. Mrs. Adland seconded the motion. The Board approved unanimously. The Board went into closed session.

### **Adjournment**

Mr. Lebkes motioned to adjourn the meeting. Mr. Edwards seconded the motion and the Board approved without objection.

Approved By:  \_\_\_\_\_