

**Minutes of the Meeting  
September 20, 2021**

The Durham County ABC Board met at the administrative office, 3620 Shannon Road, Suite 200, on the 20th day of September, 2021.

**Board Chair, Daniel Edwards, called the meeting to order at 5:35 p.m.**

Board Chair Daniel Edwards, Board members Donald Lebkes, Gale Adland, and Ryan Urquhart, Durham County ABC General Manager Niegel Sullivan, Operations Director Misty Walters, Board Attorney George Miller III, and Fiscal Services Director Phil Bair, and Auditors Lowell Oakley and Joshua Anderson were in attendance. Board members Frachele Scott, ALE Special Agent Brian Doward, Human Resources Generalist Wendy Thomas-Wilder, and two persons from the public, were virtually present via Zoom.

**Conflict of Interest Review and Declaration**

Chair Edwards 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**

The first consent item approved was the August 23<sup>rd</sup>, 2021 Board Meeting Minutes. Board Chair Edwards motioned to approve the meeting minutes as presented. Board Member Adland seconded the motion and the Board approved unanimously.

**Public Comment**

Board Chair Edwards proclaimed that no public comments were being made at the present time. Mr. Sullivan affirmed this by asking those in attendance from the public if they had comments or questions to share. No public comments or questions were presented.

**Law Enforcement Report**

General Manager Sullivan stated no questions were received from the board and there were no questions presented at that time. Mr. Sullivan thanked ALE Special Agent Brian Doward for Law Enforcement's continuous effort.

**Audit Report**

Auditors identified themselves as Lowell Oakley, partner on ABC Board Audit, and Joshua Anderson, a manager on the audit. Their role was to plan the audit, perform a risk assessment and prepare audit procedures based on that risk assessment so that proper financial statements can be prepared. All financial statements were previously presented to and shared with the Board. All board members agreed to let Mr. Oakley and Mr. Anderson elaborate on the financial statement and answer any questions the Board may have. Mr. Oakley and Mr. Anderson proceed with a breakdown by store of revenue and operating expenses, also shows warehouse and

administrative expenses for the year. The 2021 Audit can be referred to by all for numeral specifics.

Board Member Lebkes addressed a discrepancy in the percent of profits before distributions for Alcohol Education. The Board discussed this with the auditors, and all present agreed that the discrepancy would be fixed before it reaches the state.

Mr. Anderson closed the Audit Report by complimenting Fiscal Services Director Bair, General Manager Sullivan, and the Warehouse Management and staff on their efforts, noting that inventory variances from the prior year significantly improved. As of June 30<sup>th</sup>, 2021, the Warehouse inventory variance was six bottles for the entire count. He deemed it “fantastic”. Mr. Sullivan reminded the Board that under his Management, DCABC carries \$6 million worth of inventory, with the Warehouse accounting for half of that in some form of fashion – further stressing that the numbers accounted for in inventory prove the Warehouse staff is doing a “very fine job.” He attributes changes in Operations put in place starting October 2020 as something that had a major impact on that.

Board Member Adland moves to accept financial statements as presented, with the exception of an edit on Page 3 in regards to the percent of profits before distributions for Alcohol Education. Mr. Urquhart seconded the motion. The Board accepted it unanimously.

## **Financial Report**

### **August 2021 Financials**

Fiscal Services Director Bair reported the summary of income statement results as included in the board meeting packet for August 2021. Retail sales decreased by \$165,489 or -4.67%, noting that the considerable increase in Mixed Beverage of \$522,865 or +218.03% offsets the Retail decrease. Mr. Sullivan explained that a large part of this decrease is because of the out-of-stock issues as discussed in the August 2021 Board Meeting.

Mr. Bair expresses optimism of a positive outcome at the end of the year. Mr. Sullivan mentioned that, overall, August was up +12.48% over last year (despite decrease in retail sales) because of Mixed Beverage’s success.

The August sales increase for Durham County ABC Board of 9.45% was ranked 6th among the 9 comparative boards. The statewide increase was 7.27%.

Mr. Bair discussed profit distribution with the Board:

Profit before distributions for August was \$397,612 compared to the Operating Budget amount of \$338,187 giving a positive budget variance of \$59,425 or 17.57%.

Total August accrued Profit Distributions (based on Sales) were \$202,086 versus \$191,113 the prior year, an increase of \$10,973 or 5.74%. The Budgeted Profit Distributions were \$205,708 so the actual for August was -\$3,622 or -1.76% more than budgeted.

The year-to-date Net Income at August 31, 2021 was \$464,891 (two months). This represents \$199,932 higher year-to-date net income than what was expected in the Operating Budget. Last year the same time period the two months ended August 31 we were over budget in YTD Net Income by \$137,089.

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

General Manager Sullivan presented the Board with updates to DCABC's forthcoming projects:

➤ **Upcoming location on Highway 55:**

Mr. Sullivan showed a photo of the progress from August to September as an example of how quickly the project was coming along. He mentioned that while the construction was out of sequence due to supply chain issues, the construction company has assured him they have been in touch with several site managers to get back into sequence and make the project happen. General Manager Sullivan will keep the Board posted on its advancement.

➤ **Upcoming location on Page Road:**

DCABC's Page Road lot closed in June and is fully paid for. CJT Construction is continuing to work with DTW Architects & Planners on site plans. This project is set to begin construction in FY2023, which Mr. Sullivan expressed would likely be in June, July, or August of 2022.

➤ **Warehouse Site Plan Approval**

Mr. Sullivan asks the Board for approval to move forward with the Warehouse's expansion site plan. This is for the **site plan only**, not the expansion itself. Mr. Sullivan elaborated how he presumes needing more space due to the growth of DCABC. The planned expansion would add 12,000 square feet, added General Manager Sullivan, and the site cleaning will take a predicted 2 years. The proposed improvements are shown to the Board. As stated by Mr. Sullivan, the additions will help the flow of the Warehouse, making loading and docking easier, and add employee and handicap parking, both of which are currently unavailable. Mr. Sullivan points out that DCABC has an approximate \$107,000 invested in the Warehouse building from the time it was first bought in the 1970s, and for an estimated cost of 2.2-3 million dollars, DCABC will have an almost 27,000 square foot Warehouse verses spending an approximate \$200 per square foot on a new Warehouse space. Furthermore, Mr. Sullivan raises the importance of the current Warehouse's location, located in the Center of Durham – expressing his confidence in expanding the current location.

CJT Construction estimate \$85,000 to \$90,000 in fees to complete the site plan. Along with this, General Manager Sullivan mentioned his aspiration to equip the Warehouse (and any location that handles Mixed Beverage) with a generator in the future. This will assure that our MXB customers are always in operation.

Board member Don Lebkes moves to approve the site plan design that focuses on increasing the size of the current Warehouse. The motion is seconded by Ms. Adland. The Board approves unanimously.

Mr. Sullivan plans to keep the Board informed of the process going forward.

➤ **Stock Issues and Alleviation**

Mr. Sullivan commented on the retail increase in September versus August being due to betterment of products in stock, tracking up 7% month-to-date. He added that out-of-stock issues still created a loss of sales, but the stock situation in the stores is better overall. Substitutions have levitated loss of sales, and Mr. Sullivan's intent on not relying on specific brands has customers choosing different products or switching to other brands. Certain products are now limited to one item per customer, and certain sizes are going to **MXB only**. As a reminder to the Board, Mr. Sullivan expresses how strongly he feels about supporting our MXB customers post-pandemic by making sure they have what they need, as they can only shop in Durham.

LB&B Distribution issues are an added nuisance over DCABC's out-of-stock issues, but General Manager Sullivan assured the Board that he continues to work directly with LB&B management. This, along with continuously working with distributors and distillers to order and ship directly, continues to keep us ahead of the curve, states Mr. Sullivan.

Mr. Sullivan expressed his complete assurance that the -4.67% decrease of retail sales is a direct sign of the out-of-stock issues that started hitting DCABC in August. He demonstrates confidence that the lack of certain brands is an implicit part of the approximate \$165,000 lost, as the volume of sales are up, but we are losing dollars on unattainable products. Meanwhile, Mixed Beverage has regained pre-pandemic sales.

Mr. Sullivan shares his anticipation of sales increasing with the Board, noting the reopening of local events in the area.

➤ **Schedule Structure**

Mr. Sullivan discussed the updates to the store schedules, assuring the Board that the new structure was fully in motion.

For the last four weeks, Mixed Beverage (now opened 9AM to 9PM) is staffed with a store manager, two assistant managers, and a full-time clerk. According to Mr. Sullivan, this has been working very well. Customer complaints have lessened and the staff is happier. Chair Edwards suggested checking in with the staff after 60 days to assure the system was functional. Mr. Sullivan agreed that he will continue to check in.

Mr. Sullivan noted that long days and schedules were also a big complaint. He commended Operations Director Walters and Human Resources Generalist Thomas-Wilder on fully staffing the stores, as this change assured that long days were no longer an issue. With the new schedule, long shifts have been eliminated altogether and full-time staffers get a three-day weekend every other week. As of the date of the Board Meeting, this schedule had been running for the past week. The staff is content and have deemed it a fantastic update. Improvement and continuation of this new schedule, points out Mr. Sullivan, is now reliant on the management and staff of each store. Chair Edwards recommended checking back on that update in another six months as well.

➤ **LB&B Issues**

The Board listened to Mr. Sullivan explain that LB&B's issues with its new software integration continue, which is making it difficult for product pickers to pick the product. He reminds the

Board that whereas DCABC used to receive 7-8 trucks from LB&B a week, DCABC is not only getting 4. He communicates that LB&B has not yet given him a commitment on when this issue will be resolved. To assuage this problem, Mr. Sullivan continues to drive shipments directly to DCABC himself, as well as continuing to work directly with distributors to get product in when possible. Mr. Sullivan continued on to emphasize the importance of substitutions to satisfy the customers.

➤ **HOUSE BILL 890**

The Board listened as Mr. Sullivan spoke on HB890. He encouraged board to read it and reach out to him with questions. These points, he stated, are those that caused the most impact at the Board level:

The bill allows ABC stores to accept online orders, but it is NOT REQUIRED. Online orders would only be sold to “natural persons”. This option still carries a large emphasis on I.D. verification.

- With Dalcom involved, the ABC-Go app is to be presented next month. This is an app and web-based program, and is set to roll out in January or February of 2022.
- The ABC Go app will be equipped with a virtual inventory.
- Curbside option is also available. Mr. Sullivan explains our goal is a 30-minute pick-up time for these orders.
- Refrigerator units will be authorized for store use starting October 1<sup>st</sup>, 2021.

**Discussion of Refrigerator Units in Stores and “ABC To-Go”**

Mr. Sullivan informed the Board of his collaboration with Paul Young, an architect with DTW Architects & Planners, to discuss placement and electrical plans for coolers in DCABC stores. Mr. Sullivan aims for the installation of coolers to commence January or February of 2022, detailing that this will give stores the time to focus on Holiday sales before taking on this new venture. General Manager Sullivan recommends the installation of these coolers in stores to the Board, and expressed his confidence that refrigerated items will generate higher sales and keep up with a growing and modern customer based.

General Manager Sullivan asked the Board for permission to move forward with this venture.

The Board discussed HB890 further, inquiring about the pricing of coolers and the practices of having a curbside pick-up option. It is brought up that “ABC To-Go” will require parking spaces to open up for online pick-up customers. Mr. Sullivan explained this has been analyzed and will be done accordingly. Mr. Sullivan also pointed out that while Curbside Pickup is an option, he will focus on online ordering first to measure its success, and will keep the Board updated on its success before implementing the curbside pickup.

Mrs. Adland presented the issue of inventory issues and limited availability, voicing concern about the inventory of stores reflecting accordingly on the ordering app or website. Mr. Sullivan reassured his confidence in DCABC’s continued work with Dalcom to assure the inventory is updated constantly, citing his experience with pass retailers’ pick-up programs and their practices to assure these types of problems are handled accordingly. Mrs. Adland commended

the idea as a “great opportunity to help developed this”. Mr. Sullivan thanked the board for the progressive movements, impacts positively impacting legislation statewide.

Mr. Sullivan requested approval for he and Mr. Young to proceeded with the site survey needed to advance on the task of putting coolers in each store, an estimated cost of \$4,000 or \$5,000, as gauged by Mr. Sullivan. Agreeing that this is the only way to establish an estimated cost for installing coolers in each store, the Board moves forward with the motion.

Board Chair Edwards motions to give GM permission to continue the process with Paul Young regarding site survey. Board Member Scott seconds the motion. The Board approves infamously

### **MXB Delivery**

Mr. Sullivan reads the following excerpt from HB890:

**Effective as of July 1<sup>st</sup> 2022 -**

**SECTION 30.1.** G.S. 18B-404 is amended by adding a new subsection to read:

"A local board shall offer delivery service to mixed beverage permittees. In providing delivery of purchased products to mixed beverage permittees, the local board may use its employees or contract with one or more independent contractors and may charge a fee to the permittee. A local board in a Tier 1 or Tier 2 county, as defined in G.S. 143B-472.35(a2)(18), may request an exemption to this requirement from the ABC Commission. The Commission shall grant the request if the local board can show evidence of unreasonable hardship or difficulty incurred by implementing delivery service."

Mr. Sullivan reminded the Board that as DCABC is Tier 3, we will be required to offer delivery services to Mixed Beverage permittees. As such, Mr. Sullivan is now working with a 3<sup>rd</sup> party company to handle the eventual delivery system of Mixed Beverage in Durham, with more in depth information to be presented at the next Board Meeting. Mr. Sullivan is of the opinion that a delivery service will be expanded in the future to a much larger scale of home delivery, and he stressed the importance of handling this step correctly with the right contractor to set DCABC up in a good position for the future.

### **Closed Session**

Board Chair Ryan Urquhart motioned for the Board to go into closed session. Don Lebkes seconded the motion. The Board approved unanimously. The Board went into closed session.

### **Adjournment**

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

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

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