

## **Minutes of the Durham ABC Board's Board Meeting September 19th, 2023**

The Durham County ABC Board met at the administrative office, located on 3620 Shannon Road, Suite 200, on the 19th day of September 2023.

Chairman, Daniel Edwards called the meeting to order at 5:31 p.m.

In attendance were Board Member Donald Lebkes, Board Member Gale Adland, Board Member, Ryan Urquhart, Board Attorney George Miller III, General Manager Lou Sordel, Human Resources Generalist Tristin Coleman, and Operations Manager Michael Mitchell, Fiscal Service Director Rachel Wadsworth, Accountant, Darby Dietrich, Joshua Anderson, Assurance Associate Director from Dean Dorton and Paul Young, from DPW Architects. ALE Special Agent Dello, from ABC Law Enforcement joined us via Zoom. Board Members, Frachele Scott also joined us via zoom.

### **Conflict of Interest Review and Declaration**

Chairman Daniel 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 attending Board members verbalized that they have reviewed the agenda and do not have any conflicts.

### **Consent Item**

The consent item approved was from the August 15th 2023 Board Meeting Minutes. Donald Lebkes moved to approve the August 15th, 2023 minutes and Board Member, Ryan Urquhart seconded the motion. The Board approved the August 15th, 2023 minutes unanimously.

### **Public Comment**

There was no public comment.

Chairman, Daniel Edwards addressed the public and asked if anyone was present and if they had any comments. No one from the public was in attendance in person or via zoom.

**ALE Special Agent Dello**

**North Carolina Alcohol Law Enforcement Summary of Activities during September**

Checks at ABC Stores: 26

ABC Outlet Inspections MBX: 16

ABC Outlet Inspections Other: 2

Alcohol Education: 5

ABC Violations submitted to ABCC: 1

Total Arrests: 18

Total Charges at Permitted Outlets: 38

Total Charges at Non- Permitted Outlets: 2

Total Misdemeanor Charges: 32

Total Felony Charges: 6

On Wednesday, August 16, 2023, Agents received information regarding a larceny of spirituous liquor from ABC Store #3 located in Durham. After reviewing surveillance footage, Agents were able to identify the suspect. After seeing the suspects extensive criminal history, Agents swore out warrants for his arrest for Habitual Larceny, Possession of Non-tax paid Alcoholic Beverage, and Possess for Sale Non-tax paid Alcoholic Beverage.

On Tuesday, August 22, 2023, Agents were conducting ABC outlet surveillance at the U C Mart in Durham. During surveillance, Agents observed a hand-to-hand drug transaction between two female subjects. Upon contacting both subjects on the premises, Agents recovered cocaine, marijuana, \$245.00, plastic bags, and a digital scale from one female and cocaine and various drug paraphernalia items from the other. The females were charged with PWISD Cocaine, PWISD Marijuana, Sell/Deliver Cocaine, Sell/Deliver Marijuana, and Possession of Drug Paraphernalia. Williams was charged with Felony Possession of Cocaine, Possession of Marijuana Up to ½ oz., Possession of Drug Paraphernalia, and Possession of Marijuana Paraphernalia.

On Wednesday August 23, Agents conducted an ABC licensed inspection at Nuvo Taco. During the inspection, Agents found an almost full 750 milliliter bottle of Lunazul Tequila Blanco spirituous liquor with the tax stamp affixed and defaced. Management was made aware of the bottle and a violation report was submitted to the NC ABC commission.

Agent Dello stated that agents are stepping up on visiting stores due to the uptick in larcenies and other issues in stores, making sure they have everything they need.

Chairman Edwards praised Agent Williams for her help at the event at store 10. "She is bright and a nice addition to your enforcement team".

### **Joshua Anderson, Assurance Associate Director, from Dean Dorton**

Mr. Anderson updated the Board with his findings on our audit and how our financial statements look from the audit report done for 2022. Mr. Anderson mentioned that the information in this audit is clean and unmodified. Mr. Anderson discussed what our net statement was over the past year and that our total assets increased by 9.3% over the previous year. We also increased our investments by \$2,527,000.00 over the previous year. The majority of this increase was due to increasing our sales, inventory and investments. Mr. Anderson also noted that this increase does reflect the completion of store # 10, which moved to a new location and we sold the old location, which moved this project from work in progress into our depreciable capital assets.

Our liabilities and total liabilities for the year were \$136,000.00, which was a 1.6% increase. Your net pension liabilities increased from \$470,000.00 to 1.6 million. This retirement pension liability is split with DCABC and the North Carolina retirement system. Your total net position for the year increased by \$3,438,730.00, which is an 18% increase over last year. Your sales increased by \$6,130,007.12, which is an increase of 10.9%. Your total gross profit in sales increased by \$1,527,006.59, which is a 10.7% increase. Your total income operating expenses increased by \$1,189,000.00, which is an increase of 16.2%. Your total income operating expenses increased by \$338,560.00, which was up by 4.9%. Your distribution to law enforcement and alcohol education and rehabilitation increased by 2.5%, which was \$26,000.00. The increase in law enforcement was due the additional enforcement needed at the store and we increased their pay and hours during the busy holiday months. Your profit distribution to the City of Durham and Durham County increased by 3.9% for an increase of \$109,222.00. Due to a huge increase in sales, our profit distributions fell under the required distribution of 7%. Our budgeted sales increased so much that we fell under the required amount but we did increase our Grantees amount from 380,000 to 500,000. It was discussed by Board member's, the admin staff and the attorney, that we did not intentionally give below the required 7%, and that it was due to us having a great year of sales and that we did initially budget for the 7%. Due to this unintentional shortfall, we will reassess our profit distribution in March or April and do an amendment to the budget if needed so this does not happen again.

Mr. Anderson reviewed the entire audit with the Board and the board analyzed the financial statements and audit report during this meeting. To see the 2023 audit report for Durham County ABC, see attached document.

Board Member, Scott moves to accept financial statement and audit from Dean Dorton, as well as the audit statement as it stands. Member Urquhart seconds the motion. The board approves unanimously.

### **Visual Compliance Manager, Ikzuri Garcia-Banda**

Ms. Garcia-Banda updated the Board with information pertaining to this year's grant recipients and that most have already picked up their checks.

Ms. Garcia-Banda also said that she is going to start scheduling onsite visits with all off our 2023 Grantee recipients. We want to do this to build fundamental relationships with our Grantees.

### **Human Resources Generalist, Tristin Coleman**

Mrs. Coleman talked about our employee training programs and that we are continuing our bourbon certification classes for our employees. Our Managers have already gone through the training, which has paid off in dividends. Once they have completed the classes they will be able to take the test and get certified.

Mrs. Coleman updated the Board about newly hired full time employee's health benefits start time. There is no statement in the handbook stating we will start health insurance for any full time new hire on their first day. Because this could create so issues, we are reviewing our handbook and we will submit an update policy soon. Once this update is completed, we will submit any updates to George Miller our Attorney for review.

### **MXB Operations Manager, Mike Mitchell**

Mr. Mitchell discussed our retail and mixed beverage sales during August 2023, we generated \$5,001,970.00 in sales. During August, we increased sales by \$325,415.00 or 6.96% compared to the previous year. From that total, mixed beverage did \$1,148,487.00 in sales during August. Mixed Beverage sales increased by \$209,071.00 or 22.26% compared to last August.

Mr. Mitchell reviewed the newest MXB accounts that opened recently with the Board.

He also updated the board on the Scottie Pippen event we did at store 10. It was a great success and it generated \$33,017.00 in sales that day, which \$20,985.00 was from the Scottie Pippen event. This was a bottle-signing & selling event that

did great. We sold 300 bottles on the day of the event and the product is still moving. The Bill City Bourbon Club is also doing a barrel pick with us for a hand-selected bourbon. The owners of the Glass House restaurant was also part of the barrel pick and they committed to buy a handpicked Bourbon barrel.

Mr. Sordel and Mr. Mitchell also updated the Board on another event planned at Mezcalito Mexican restaurant planned in October. This will be a tequila-training event for store Manager's and Assistant Manager's.

### **Fiscal Services Director, Rachel Wadsworth**

Mrs. Wadsworth updated the Board on our retail sales and Mixed Beverage sales for the month of August. She noted starting in October we would be able to compare store 10's mixed beverage sales to their previous year because store 10 opened in September of 2022. So far, store 10 has accumulated over \$100,000 in sales compared to what we budgeted for this store. So far this year, 90% of our stores sales are over what we budgeted them for compared to last year. Store 8 lost power for almost 2 days when the bad storms came through north Durham County so they just missed their sales numbers. If they had not lost power they would have exceeded their projected sales numbers.

Mrs. Wadsworth reviewed all of the sales numbers, increases and trends with the Board. Durham County ABC sales were \$5,001,970 for August which was an of \$325,415 or 6.96% compared to the prior year. By business line, Retail sales increase \$116,344 or 3.11% and MXB sales increased \$209,071 or 22.26%. Budgeted total sales for August were \$4,835,090 so there was a positive budget variance of \$166,880 or 3.45%. The August sales increase for Durham County ABC Board of 12.95% and we're ranked third among the nine comparative boards (Cumberland, Orange, Wake, Mecklenburg, New Hanover, Greensboro, Triad and Asheville). The statewide increase was 5.51%, which we surpassed.

**Year-to-Date Sales Growth Trend:**

**Two Months Ended August 31:**

2023 4.67%

2022 8.99%

2021 12.48%

2020 11.99%

2019 13.58%

2018 7.34%

For informational purposes, the ANNUAL sales trend shown below is from the previous 5 years.

**Year-Over-Year Sales Increase Trend for 12 Months Ending June 30: Dollars Sales Increase Percent Sales Increase**

FY2023 \$6,045,743 10.78%

FY2022 \$6,862,663 13.94%

FY2021 \$5,036,536 11.40%

FY2020 \$3,880,751 9.63%

FY2019 \$2,971,076 7.96%

Total August accrued Profit Distributions (based on Sales) were \$218,486 with \$21,849 going to the City of Durham and \$196,638 to the County of Durham.

Mrs. Wadsworth also updated the Board with our current bank financials and cash management accounts.

We also started selling approved wines (Ports & Vermouths) in several locations, which has generated over \$1,000.00 on sales. We think these wines are off to a great start and sales will increase throughout the holiday season.

Mrs. Wadsworth also noted store 8 and 11 lost power for a day and half, which did hurt our sales but we still hit our sales mark.

**General Manager, Lou Sordel**

Mr. Sordel reviewed a few important buy-ins we did with Lunazul tequila and Tito's vodka over the past few months. Tequila is the #1 selling spirit category and Tito's vodka is still our #1 selling brand. With that being said, we did a buy-in on Tito's Vodka and Lunazul tequila because of the discounted cost and so we do not have to worry about running out of inventory during the busy season. This method of purchasing has proven to increase our profits. Malon and Rachel are in close communications and are purchasing inventory smart, which will increase our profit margin.

We are in communications with secondary security firm to add additional security to our stores. We have identified certain locations that need more security throughout the day, not just at night. We are working hard to make sure all of our stores have great security when they need it. Our staff has been trained on how to deal with theft and security issues. We have also added camera's to selected stores that needed additional ones and moved existing cameras to better locations.

We are also in the process of reviewing the company that currently provides services for our Heating and A/C needs. We have worked with Revive Heating and Cooling on several projects this year and they have been great with their services, quality of work and billing. I feel comfortable changing our services to Revive Heating and Cooling. I wanted to let the Board know about this change. Their quote did come in \$10,000 higher than the current company but the service and quality of work is much better.



Mr. Sordel started a conversation with the Board in regards to some changes that could happen with Omnibus that the NCABC is seeking approval from the State of NC. We would like to discuss the idea of opening our stores on Sunday and selected holidays for which we are currently closed. Wake and Orange counties are also discussing opening on Sundays and selected holidays. This was just a discussion and not voted on. We are currently waiting for the bill to pass before moving forward with our plans.

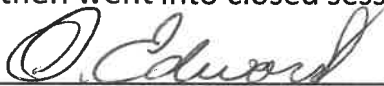
Board member Lebkes asked for an update on the "To Go" program. Mr. Sordel stated it has been slow moving so far and we are still in the testing phase because of so many other projects going on. We currently only have one store designated for the "To Go" program and will continue working on the whole process.

In closing the Board said, they were very impressed with the outcome of the audit report and congratulated Mrs. Wadsworth, Mrs. Dietrich and the whole team for a job well done.

### **Adjournment**

Board Member, Ryan Urquhart moved to adjourned the meeting at 7:04 PM.  
Board Member, Donald Lebkes second a motion to adjourn this meeting.

Board members then went into closed session.

Approved by: , Daniel Edwards, Board Member.