

**Minutes of the Meeting
May 11, 2020**

The Durham County ABC Board met at the administrative office, 2634 Durham Chapel Hill Boulevard, on the 11th day of May 2020.

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

Board members Frachele Scott, Daniel Edwards, and Ryan Urquhart were present virtually. General Manager Niegel Sullivan, Durham County ABC Support Services Director Perlie Davis, Special Agent Sean Hamilton with Alcohol Law Enforcement, Durham County ABC Financial Officer Lee Keatts, Durham County ABC Operations Coordinator Misty Walters, and Attorney George Miller, III were present in the room.

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 Items

The consent items were as follows:

- Approval of February 8, 2020 Board Retreat Minutes
- Approval of February 17, 2020 Board Meeting Minutes
- Approval of March 19, 2020 Special Meeting Minutes
- Approval of April 10, 2020 Special Meeting Minutes
- Approval of April 17, 2020 Special Meeting Minutes
- Approval of April 24, 2020 Special Meeting Minutes

Mr. Edwards motioned to approve the consent items as presented and the Board approved unanimously.

Support Service Report

Special Orders

Ms. Davis reported that as of May 6, only four grant applications have been submitted with the deadline May 30. She said she is looking at options for excess grant funds.

Chair Lebkes said he would be reviewing grant applications in order to make recommendations to the board. He asked if any board member was interested in reviewing applications with him. Mr. Edwards accepted the offer.

Law Enforcement Report

Special Agent Hamilton reported to the board on law enforcement activity in April 2020. A total of 44 checks were performed at ABC stores; 22 mixed beverage inspections and 11 other inspections. There were no alcohol education programs and no violations were submitted to the

ABC Commission. There were two arrests made at two permitted establishments, and no arrests made at non-permitted establishments, two misdemeanor charges and no felony charges. No employees were involved.

General Manager's Report

Mr. Sullivan thanked the board for its support over the last two months and thanked staff for their work. He also thanked George Miller III who stepped in and helped with the business aspect. The board has hired two new full-time employees and two part-time employees.

Mr. Sullivan went over the Fiscal Year 2021 capital improvement projects.

Holloway Store

Mr. Sullivan showed the board an illustration of what the new store will look like with parking. The project was delayed due to issues with Durham County Government related to malware and COVID-19; the project completion date is now May 2021. The lease for the current temporary space will have to be extended an additional three to six months and will increase the cost of the project by \$60,000. The new location will be 6,000 square feet. Due to COVID, automatic doors will be installed to reduce high touch areas. The same will be done with all of the new building projects.

Riverview Shopping Center

The board finalized the Riverview project last week. Mr. Sullivan showed a prototype of what the store looks like. It will be a total of 11,000 square feet. The scheduled move-in for the store is Aug 1, 2020.

Highway 55

Mr. Sullivan showed the board the initial design for the project. The board closed on the property December 2020. This will be a 12,000 square-foot building.

Sherron Road

The new Sherron Road store will be 6,000 square feet. Seventeen contractors submitted bids. Southeastern Properties and Development Company won the bid on May 30. The bid amount was \$1,347,000. Mr. Sullivan recommended an additional 20% for contingency, bringing the total to \$1,616,400. The project is scheduled to begin June 1, 2020, pending that the permit is approved in a timely manner. Mr. Sullivan said the board has working capital set aside to pay for the project and asked for a motion to approve the budget for the project.

Mr. Edwards made a motion to approve the total amount of \$1,616,400. Dr. Urquhart seconded and the budget was unanimously approved.

In April, the board moved from four product deliveries on Monday, to two deliveries on Monday and two on Thursday. This allows stores to get products in faster. Mr. Sullivan showed how the new schedule increased comp sales.

Mr. Sullivan does not anticipate an increase in Mixed Beverage sales and believes it will be mid to late June before bars open. He said the board would not begin to see a spike in Mixed Beverage sales until August, maybe September.

The board has established a relationship with the Raleigh Bourbon and Banter Club. The club sought out the board to be able to sell their barrels in the stores. The barrel produced 132 bottles and most of the product was sold that week. The partnership with the club had a substantial impact on sales.

Financial Report

Mr. Keatts reported the summary of income statement results for March and April as included in the board meeting packet. March sales totaled 4,026,000; an increase of 14.36% compared to the previous year. COVID-19 dramatically increased retail stores sales in March by \$965,454, or 35.7%. Mixed Beverage sales decreased by \$460,000, or 56%. The board had \$49,000 in MXB product returns due to the COVID-19 return policy. Durham County ABC was Ranked 7th among nine comparative boards. The statewide sales increase was 20.75%.

April showed net sales of \$3,535,000, an increase of \$145,000 or 4.29% compared to the previous year. Retail sales were up \$991,000 or 38.8%. Mixed Beverage sales decreased by 845,000 or 101% with returns. Durham County ABC was ranked fourth among nine comparative boards. The statewide sales increase was 6.43%.

Mr. Sullivan said he thinks maintaining regular store hours throughout the pandemic helped sales.

Mr. Keatts went over extra COVID-19-related expenses with the board.

Healthcare Coverage

Last year, there was an increase in premium costs and the board was expected to see another 18% increase this year. It was recommended to shop for new insurance coverage.

The board decided to look into Cigna for medical insurance and Unum for life and disability. With the change, there would be overall savings of \$15,000. The increase with the current provider, MedCost, would have cost \$85,000. The new benefits with Cigna and Unum will be consistent with MedCost. Mr. Keatts requested approval from the board to change insurance providers.

Mr. Edwards motioned to approve. Dr. Urquhart seconded. Ms. Scott abstained. The board voted to approve 3-0.

Proposed Budget

Mr. Keatts discussed the details of the FY2021 budget, which included a review of the projections for sales, operating expenses, personnel and capital expenses. Mr. Sullivan provided some insight to the decreased projection for MXB sales, which is a result of the COVID impact to our MXB customers. A conservative approach is being taken to project MXB sales for next year.

Mr. Keatts noted that pay scale adjustments are being reviewed. He also noted the current cash balance, or working capital, which would pay for the \$4.9 million in capital improvements. We currently have \$300,000 of cash surplus over the working capital max, which will change as we complete capital improvements. Mr. Keatts then reviewed other supplemental and background information as related to budget forecasts and past year budgets.

The last board meeting of the fiscal year will be June 15. The board will vote on the proposed budget during that meeting.

The board discussed increasing the amount of profit given to the county from \$2.3 million to \$2.4 million. The board will revisit the conversation during the June 15 meeting.

Mr. Edwards motioned to approve all parts of the proposed budget, including the capital budget. Dr. Urquhart seconded. The board voted to approve unanimously.

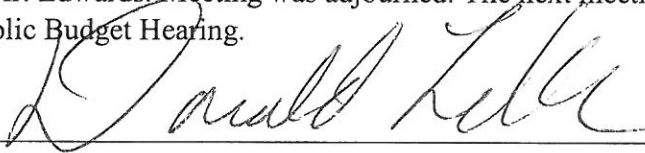
Closed Session

Dr. Urquhart motioned to go into closed session to discuss property and compensation. Motion was seconded by Mr. Edwards. Motion passed and the board moved into closed session.

Adjournment

Board returned to open session. Dr. Urquhart motioned that the meeting be adjourned. Motion was seconded by Mr. Edwards. Meeting was adjourned. The next meeting is scheduled for June 1, 2020 for the Public Budget Hearing.

Approved By: _____



Donald Lebkes, Board Chair