

Minutes of the Durham ABC Board's Board Meeting September 17th, 2024

The Durham County ABC Board met at the administrative office, located at 3620 Shannon Road, Suite 200, on the 17th day of September 2024.

Board Chair Daniel Edwards called the meeting to order at 5:30 p.m.

In attendance were Board Chair Daniel Edwards, Board Members Donald Lebkes, Gale Adland, Frachele Scott, Ryan Urquhart and Board Attorney George Miller III. General Manager Lou Sordel, Assistant General Manager Deborah Warren, Human Resources Generalist Tristin Coleman, Operations Manager Michael Mitchell, Fiscal Service Director Rachel Wadsworth, Accountant Darby Dietrich, Visual Compliance Manager Ikzuri K. Garcia-Banda and Joshua Anderson from Dean Dorton. Special Agent Tegan Gross from ABC Law Enforcement joined us via Zoom.

Conflict of Interest Review and Declaration

Chairman 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 consent item approved was for the August 20, 2024, Board Meeting Minutes. Board Member, Donald Lebkes moved to approve the August 20, 2024 minutes and Board Member, Frachele Scott seconded the motion. The Board approved the August 20, 2024, minutes unanimously.

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 Gross presented the August ALE Report to the Board

North Carolina Alcohol Law Enforcement

Special Agent Tegan Gross mentioned that there has been an uptick in the number of ABC store checks recently with the effort to apprehend a larceny suspect stealing in our stores. This suspect has stolen several bottles from our ABC stores over the past few weeks. We were able to find him and adequately charged him with several larceny charges.

Summary of Activities

August 2024

Checks at ABC Stores: 40

ABC Outlet Inspections MBX: 36

ABC Outlet Inspections Other: 4

Alcohol Education: 0

ABC Violations submitted to ABCC: 7

Total Arrests: 20

Total Charges at Permitted Outlets: 45

Total Charges at Non- Permitted Outlets: 0

Total Misdemeanor Charges: 37

Total Felony Charges: 8

On Monday, August 5, 2024, District IV Special Agents conducted an ABC inspection at Rickys NY Pizza, located at 5279 North Pointe, Durham. As a result of the investigation, the permittee was found to be in possession of spirituous liquor without a MXB ABC permit. The permittee was subsequently charged with unauthorized possession of spirituous liquor and a ABC violation was submitted to the ABC Commission.

On Tuesday, August 13, 2024, District IV Special Agents conducted an ABC inspection at Discount Mart located, at 3011 Fayetteville Street, Durham. During the investigation, the business was found to be in possession of illegal video gaming machines. As a result of the investigation, an ABC violation was submitted for the possession of gambling machines.

On Monday, August 19, 2024, District IV Special Agents conducted ABC outlet surveillance at Refuel 122, located at 2500 Erwin Rd, Durham, NC, 27705. During the surveillance, Special Agents observed a narcotics transaction occur in the PVA of the Harris Teeter and responded to investigate. As a result, one person was arrested for Sell and Deliver Controlled substances and maintaining a vehicle for the sale of controlled substances.

On Wednesday, August 21, 2024, District IV Special Agents conducted ABC outlet surveillance at Royals Mini Mart, located at 1908 Cheek Road, Durham. During the surveillance Special Agents observed a suspicious vehicle patronizing the parking lot for an extended period of time. As a result of the investigation the operator of the vehicle was found to be in possession of an approximately ½ pound of marijuana, a handgun, and a semi-automatic assault rifle. The driver was subsequently arrested for PWISD Marijuana and carrying a concealed gun.

On Friday, August 23, 2024, District IV Special Agents conducted an ABC inspection at El Mariachi Restaurant, located at 2000 Avondale Dr, Durham. During the inspection, Special Agents located several bottles not bearing the tax stamps. A violation report was subsequently submitted to the ABC commission for the violation.

On Monday, August 26, 2024, District IV Special Agents conducted surveillance at the Durham ABC Store at North Pointe in the attempt to apprehend a habitual larceny suspect. During the surveillance, Special Agents observed subjects delivering controlled substances to another person in the PVA of Harris Teeter. As a result of the investigation, one subject was arrested and charged with delivering fentanyl and possession of drug paraphernalia, and other with possession of fentanyl and possession of drug paraphernalia.

On Tuesday, August 27, 2024, District IV Special Agents investigated two separate larcenies which occurred at Durham ABC Store #11. Both subjects were identified and charged with misdemeanor larceny, and possession of non-tax paid alcohol.

On Thursday, August 29, 2024, District IV Special Agents conducted an ABC inspection at Mariscos Los Cabos, located at 4020 Durham Chapel Hill Blvd. in Durham. During the inspection, the business was found to be in possession of spirituous liquor not bearing the required tax stamp. An ABC violation report was subsequently submitted to the ABC Commission for the incident.

On Thursday, August 29, 2024, District IV Special Agents conducted an ABC inspection at Juju Restaurant, located at 737 Ninth Street, Durham. During the inspection the business was found to not be in possession of the past three years' worth of invoices for alcoholic beverages. An ABC violation report was subsequently submitted to the ABC Commission for the incident.

On Thursday, August 29, 2024, District IV Special Agents conducted an ABC inspection at Hope Valley Country Club, located at 3803 Dover Road, Durham. During the course of the inspection, Special Agents located a jar of non-tax paid liquor and the alcohol found was actually found to be real moonshine and upon further investigation the manager was found to be in possession of the keys to all of the member's lockers and had access to the them without the

acknowledgement of the member. A violation report was subsequently submitted to the ABC commission for the incident, and criminal charges are forth coming.

On Thursday, August 29, 2024, District IV Special Agents conducted an ABC inspection at La Cacerola, located at 2016 Guess Road, Durham. During the inspection the business was found to be in possession of spirituous liquor not bearing the required tax stamp. An ABC violation report was subsequently submitted to the ABC Commission for the incident.

Budget Amendment

Mr. Sordel and Mrs. Wadsworth reviewed the 23/24 amended budget with the Board members. It was stated they found some errors in Dalcom's pricing program which affected our cost of goods In Navision. Other adjustments were made to the budget because of a change in our operating expenses and the delay with store 4's construction, and the generators we planned to purchase were later found to not be as cost effective as previously thought. We also increased our store security for the safety of our staff in all stores.

Board Member Adland made a motion to approve the 2023-2024 amended budget, Mr. Urquhart seconded the motion, and the amended budget was approved.

2023/2024 Years End Audit

Mr. Sordel mentioned that we received our 23/24 audit back from Dean Dorton. During the auditing process, Dean Dorton, found an error in our cost of goods calculation in Navision. Dalcom was notified immediately, and the error was fixed. Dean Dorton sent us two formal letters with their findings. Our Finance team has addressed their concerns and have made a plan so this does not happen again.

Joshua Anderson, Dean Dorton

Presenting the 2023/2024 annual audit was Joshua Anderson from Dean Dorton. Mr. Anderson reviewed the financial statement for 2023/2024 FY with the Board. He and his team at Dean Dorton created an independent auditor's report for the Durham County ABC Board.

Mr. Anderson also reviewed a financial analysis, which showed that in 23/24 our gross sales were up by \$79,235.00 (+0.13%). The results showed a decrease in retail sales but an increase in mixed beverage sales. In 23/24 our gross sales increased by \$6,130,712.00(+10.93%). This was a result of an increase in retail and mixed beverage sales.

Mr. Anderson also reviewed the Statement of Net Position with the Board, and he stated that our total assets have increased by \$2,989,674.00, which is a 10% increase. Our overall inventory dollar amount also increased to 12.4 million dollars from 9.2 million last year. This increase in inventory was in part due to the preparation for a new store opening (store 7) and bulk buying popular items. This is a 3.3 % increase in inventory.

Your total liabilities increased by almost 1 million dollars over the previous year, which is an 11.7% increase. This was due to an increase in our store leases for stores 4, 7 and 14. However, you increased your investments by \$342,000 over the prior year.

Your total Net Position shows that you have a 2.3 million dollar increase from the prior year. Overall, your sales were consistent with the prior year, and you ended the year with a 10.2% increase.

Mr. Anderson also reviewed the yearly distributions that we gave to law enforcement, Alcohol Education & Rehabilitation, and nonprofit grantees. Law enforcement distributions increased by 13.5%, alcohol rehabilitation increased by 33.8% over the prior year. Your total profit distributions were 2.2 million, which is an increase of 3.6%.

Mr. Anderson reviewed what the gross profits sales are by store and what the working capital is this year verses last year.

Mr. Anderson addressed the communication letter that will be sent to the Commission that states there were no communication issues or disagreements with the accountants or managers of the Durham County ABC Board during this audit.

We also sent a letter to DCABC stating we found some pricing issues within the Dalcom platform; they were reporting the wrong pricing within Navision. This was caused by an issue when Dalcom updated Navision. This issue caused the cost of sales and inventory to be understated by approx. 1.1 million dollars. Mr. Anderson worked with the financial team to make sure they are reconciling the uploads and verifying pricing against the price book. After finding this error with Dalcom our accounting department will be checking the pricing on over 6,000 codes each month until we feel comfortable with what we are seeing. Mr. Anderson stated that this Board and Financial team were very straightforward and worked with us on correcting this issue with Dalcom. Mr. Sordel thanked the Dean Dorton team for finding the error and working with us to fix it.

Gale Adland made a motion to approve this 23/24 FY Audit and Frachele Scott seconded the motion. And the 23/24 Audit was unanimously approved by the Board.

Assistant General Manager, Deborah Warren

Our theme for the month of October is “It starts with me”.

Ms. Warren talked about the groundbreaking ceremony we had for the new store 4 location. Once construction is completed, we will relocate the current store 4 to 2525 Page Road in Morrisville, N.C.

We held a Managers and Assistant Managers meeting on September 5th to communicate what we need from them and to give them a high five in areas where they have improved. Communication is key in our business, and we follow up with our managers often during these managers’ meetings.

Ms. Warren reviewed a slide show at our manager’s meeting, which included bourbon drops, the grand opening of store 7 and the groundbreaking ceremony for the new store 4.

Fiscal service Director, Rachel Wadsworth

Mrs. Wadsworth reviewed the financial reports, bottle sales report and banking information with the Board members. She reviewed documents that showed our retail, mixed beverage and wines sales as well. Our wine sales are mainly focused in the vermouth category and sales are doing well. She also focused on the individual YTD store sales compared to the previous year.

Mrs. Wadsworth’s stated all stores except store 5 exceeded their August sales figures compared to last year. She was quite impressed that stores exceeded their budgeted sales for the month of August even though we had some stores dealing with storm related issues and power outages during August. All stores exceeded their budgeted sales and are looking strong so far this year.

There was a brief discussion on increasing our marketing ideas within the stores. Chairman Edwards mentioned promoting drinks recipes inside our stores with non-brand specific signage. Our team will look into adding more drink recipes. We have previously done drink receipt ideas on our end cap program.

Mrs. Wadsworth also reviewed our total sales compared to 9 other comparable ABC Boards. During the month of August, we were ranked 6th in sales amongst the 9 Boards. Our total sales increased by 4.95% compared to last year.

Our broker invoices are all paid up until September 10 and we will be receiving our yearly Tito's Vodka buy-in soon. Last year the Commission asked us to make more direct shipments from Diageo so it would help get shipments out to the smaller boards quicker and more consistently.

Lou Sordel also mentioned that this is a reason why our inventory level is a bit higher than last year. We purchased pallets of products that we sell a lot of instead of 3 to 4 cases at a time.

Mr. Sordel and Mrs. Wadsworth reviewed the research they gathered on changing our deposit company to another company and found that it is better for us to stay with our current company at this time.

Visual Compliance Manager, Ikzuri Garcia-Banda

This year's Grant program was a huge success, and we gave away \$500,000.00 to non-profit organizations in Durham County. Seven out of the nine Grantees have already picked up their checks. We have really streamlined the Grantee program and now we have added informational binders and personal interviews with the Grantee recipients. This will help us get the word out to our employees and the public about what we do for our community. Ms. Garcia-Banda showed the Board some of the video interviews she filmed. These interviews will be added to our social media pages and website. She is currently working with our attorney on media release forms. She also noted we would start scheduling site visits with the Grantee's in October.

Board Members and Admin staff discussed what our policy should look like when an employee or Board member is directly related to an organization that applies for a grant.

After the Board discussed this policy, it was stated that there are no conflict-of-interest issues if an employee of the Durham County ABC is related to a Grantee recipient and it would not disqualify the grantee from the program. A non-profit

organization would be disqualified from the Grantee program if you are related to a board member or a close family member to a board member or an employee on the grant committee. Mrs. Adland noted that Ikzuri would be creating some prequalification questions for the application process, so we do not run into any issues in the future. Mrs. Adland would like to see more checks and balances in place to make the policy for submitting a grant application fair and understandable. George Miller, Board Attorney, also agreed to this from a legal standpoint.

Ms. Garcia- Banda showed the Board some of the video interviews she created with grantees. She will send the other video interviews to the Board for their review.

MXB Operations Manager, Mike Mitchell

Mr. Mitchell reviewed our new mixed beverage accounts, discussed our retail sales, and mixed beverage sales. Mr. Mitchell stated we received three new Mixed Beverage accounts in September. Retail sales during September 2024 generated \$4,161,757.00, which was an increase of \$308,273.00 compared to August 2023. Our wine sales for August 2024 were \$2,132.20 which is an increase from the previous month. Our Mixed Beverage sales are slightly down ending at \$1,088.470 during August 2024. Our YTD sales are \$10,031,127.00, which is an increase of \$213,931.00.

Mr. Mitchell also reviewed the sales from the first two months of our fiscal year. He compared the sales during the months of July and August from 2023 and 2024. Our sales increased \$213,707.40. In addition, he compared our budgeted sales from last year verse this year which shows an increase of \$76,569.17. We are on the move to beat our budget.

Human Resource Generalist, Tristin Coleman

We are focusing on staff development with a new and exciting wellness program for our employees. We will be working with an engagement consultant through Cigna. We are working to determine what type of programs and seminars are good for our company. These seminars will focus on a holistic and environmental approach on topics like mental health, prevention, nutrition, physical well-being, and how to balance work and personal life. We are in the beginning stages and will outline the program in detail after our next meeting with Cigna.

We are also planning our yearly manager's meeting on September 23rd, 2024, at Mystic Farm Distillery in Durham. This year's meeting will focus on job knowledge skills, and motivating sales. This will show our team how to upsell, increase sales, and how to reach sales goals. Shane McKenzie from Catapult will be speaking with our team in these areas. He will be talking about the Psychology of selling as well.

Mrs. Coleman told the board that we are going to have a discussion with all the managers about inventory procedures, how to manage their budgeted sales and how to increase sales. We want them to take the skills back to their team and teach them what they have learned.

Lou Sordel, General Manager

Mr. Sordel invited the Board members to a Single Malt Scotch educational training in Raleigh. We have some managers going to this training to help educate them about the products they sell.

The Microsoft 365 upgrade was delayed until September 30th. Dalcom will be here in the office in case any issues arise.

We had a roofing company visit store 14 to identify where the roof leak is coming from. They did a water test, and they are now working on a proposal to fix the leak. This is an expense to the landlord, and he is working with us.

Mr. Sordel reviewed several designs for the new store #4 location on Page Road in Morrisville. We are getting the maximum square footage out of this property. The store will be around 6,000 sq. feet with 30 parking spaces.

We are 2 weeks from breaking ground with heavy machinery at the new store 4 location. The site inspectors inspected the property and signed the Permit to Proceed paperwork. Now we are waiting for the permit to bypass. They will need to redirect the septic line, and we are waiting for the approval. If any members of the Board would like to visit the site during construction contact Mr. Sordel and he will make arrangements. They will have helmets and safety vests available.

The ATM project is moving forward, and we are negotiating the terms of the lease. We want to lease an ATM for our store 10 location to start and see how it performs. Mr. Sordel shared his research on how he came to a decision about the placement of ATMs in our stores. There will be almost no cost to DCABC for the ATM at store 10. The board stated that this request does not need to be approved by them. This information is simply an update for the Board. Board Attorney Miller stated that he also felt it did not need to be approved by the Board.

Mr. Sordel notified the Board that we will be visiting Southern Distilling Company in October. We sell a lot of Southern Distilling products in our stores. We will be taking our managers on this trip to learn about their products firsthand.

The High Point ABC Board came to visit us, and we took them on a tour of our business. In October, we will be going to the High Point ABC for a tour of their business and their new warehouse. Mr. Sordel has invited the Board, and he will send them further details about the date and time if they want to attend.


Mr. Sordel noted that our inventory levels at the warehouse and in stores have decreased and we are close to the same level as last year. We are making room for Tito's purchases and holiday items.

Board Attorney George Miller II stated that Chairman Edwards' term is up, and we need to nominate a chairman for the next term. We typically make a nomination as a Board then send our recommendation to the Durham County Commissioners office. Attorney Miller started the nomination process and Board Member Gale Adland nominated Daniel Edwards for another term. Board Member Ryan Urquhart seconded the nomination for Daniel Edwards to continue as Chairman of the Durham County ABC Board. All Board members unanimously approved

Daniel Edwards as chairman. George Miller will create an official letter to the Durham County Commissioners office for final approval.

Adjournment

Chairman Edwards motioned to end the meeting and go into closed session. Ryan Urquhart moved to adjourn the meeting and Donald Lebkes seconded the motion. All Board members approved without objection, and the meeting was adjourned at 6:43 PM.

Approved by:  _____

Daniel Edwards, Board Chair