



Youngsville ABC Board
P. O. Box 387
101 N College Street
Youngsville, NC 27596
(919) 556-3590
ABCStore@townofyoungsville.org

MINUTES

**AUGUST 7, 2020
10:00 AM**

REGULAR MEETING

YOUNGSVILLE TOWN HALL CONFERENCE ROOM

134 US 1A SOUTH

(Teleconference and Web Conference was available)

Chairman Hardwick called the Board Meeting of the Town of Youngsville ABC Board to order at 9:00am. In attendance was Chairman Samuel Hardwick (by teleconference), Members Mary Margaret Norman (by teleconference), Rick Houser (by teleconference), and Danny Stutzman (by teleconference). Also, in attendance was ABC Store Manager Laurie Pritchett (by teleconference), Town Administrator Phillip Cordeiro, Finance Officer Jaclyn Patterson and Town Clerk Emily Hurd. Guests included Laurie Lee and Greg Stallings of the NC ABC Commission and Michael Cohen of Hartzog Law Group, Youngsville's Town Attorney.

The first item was to approve the Agenda.

MOTION: TO APPROVE THE AGENDA AS SUBMITTED

The motion was made by Member Norman and was seconded by Member Stutzman. Member Houser noted under Closed Session, there was an Attorney – Client Privileged Communication. He asked if Town Attorney Cohen would be involved in that discussion. Chairman Hardwick stated yes and felt everything would be fine based on the topic of discussion. Member Houser asked if the conversation would be held in Closed Session or Open Session and Chairman Hardwick stated that decision would be made after they started their discussion. Chairman Hardwick stated he did not see a problem at this time. Member Houser cautioned the ABC Board that the letter from the Town could cause personal harm and felt they should be represented by their own attorney if they were going to be talking to the Town Attorney. Since no action would be taken during Closed Session, Chairman Hardwick stated that after the discussion, if the ABC Board felt they needed to, they can seek legal counsel then. When asked, Cordeiro



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clarified that Attorney Cohen was the Town's Attorney. As the ABC Board has contracted with the Town for services, this would normally include Attorney Cohen's services. Since this matter involves both Boards, the Town would like to retain its own counsel. The ABC Board can retain their own counsel if they wish. Cordeiro felt this discussion with the Town Attorney would not hurt the ABC Board. Essentially, the Closed Session was so the Town Attorney can provide his legal representation of the facts and circumstances as they are. Should the ABC Board disagree, they can get a second opinion. Cordeiro stated the Town is not going to ask the ABC Board to make any decisions during the Closed Session, it is only there so the Town Attorney can provide a legal analysis. Member Houser asked if Attorney Cohen wrote the letter to Chairman Hardwick and Cordeiro stated yes. Attorney Cohen clarified his status as the Town Attorney. Member Houser stated he understood that Attorney Cohen did not represent the ABC Board in this matter. The motion passed with three ayes and one nay from Member Houser.

Chairman Hardwick read the Ethics Statement.

In accordance with G.S. 18B-201, it is the duty of every Board Member to avoid both conflicts of interest and appearances of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today? If so, please identify the conflict or appearance of conflict and refrain from any undue participation in the particular matter involved.

There were no conflicts of interest or appearances of conflicts.

The next item on the agenda was Citizens' Comments. Cordeiro polled those on teleconference and Hurd stated no one had registered to speak. There were no comments.

The next item on the agenda was the Financial Report. Patterson stated financials were sent out through the end of July and things are looking good. She noted the Financial Report included a list of accounts payable as of July 31st, noting they were all paid on August 5th. Accounts Payable included the \$10,000 from the last Budget Amendment in the prior year for profits to be paid to the Town, everything except final profits shown in the June financials. Everything else has been paid up to date. The budget-to-date for FYE 2021 based on the original budget, not including Budget Amendment 2021-1, the ABC Store is already over in sales.



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Member Houser stated the financials showed \$48,000 as a liability. He asked if that was money anticipated to be paid to the Town but not yet approved and Patterson stated that was correct. She explained it was additional profit from the end of FYE 2020 not approved. This figure was based on the agreement that noted all additional profits from FYE 2020 would be paid to the Town. Patterson explained this figure was her estimate of additional profits. Member Houser wanted the record to show they have not yet approved the obligation at this point. Laurie Lee felt it was not appropriate to show as a payable until the ABC Board votes to make that distribution, because it was not a mandatory distribution by statute, though she noted she could not address the agreement between the Boards. Cordeiro stated more discussion would occur during Closed Session since the contract was in dispute. Ms. Lee stated she was just speaking from an accounting standpoint. Cordeiro explained the ABC Board and the Board of Commissioners unanimously approved a contract that creates this liability. Based on standard governmental accounting procedures, the liability was created when the agreement was approved. He understood the difference of opinion, but the discussion needs to be held during Closed Session. Cordeiro explained this was why Patterson recorded the liability as she did because there is a financial liability that needs to be recognized and recorded on the financials.

Greg Stallings noted the Youngsville ABC Store's sales are climbing dramatically. He stated that Youngsville was up an average of 44% for year to date sales, whereas systemwide was only up 15%. Mr. Stallings wanted to bring it to the ABC Board's attention, stating there may be more money for inventory. As the sales increase, they will need more cash available for inventory. Mr. Stallings stated their working capital was barely over the minimum at this point.

The next item on the agenda was the approval of the Consent Agenda. The Consent Agenda included Minutes from the ABC Board Special Called Meeting on June 30, 2020 and ABC Board Rescheduled Meeting on July 17, 2020.

MOTION: TO APPROVE THE CONSENT AGENDA

The motion was made by Member Norman and was seconded by Member Stutzman. The motion passed unanimously.

The next item on the agenda was Old Business. The first item under Old Business was to continue the discussion on the proposed remodel of the ABC Store, with a report from the



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Store Expansion / Renovation Subcommittee. Member Houser requested this be tabled until next month.

MOTION: TABLE THE DISCUSSION ON THE STORE EXPANSION / RENOVATION FOR ONE MONTH

The motion was made by Member Houser and was seconded by Member Norman. The motion passed unanimously.

The second item under Old Business was to review information, including minutes, of the ABC Board Meetings for the approval of the contract between the Youngsville ABC Board and the Town of Youngsville. Member Houser noted the minutes from the last ABC Board Meeting stated they would look at the information provided to decide if there was a need for legal counsel.

MOTION: TO SEEK LEGAL COUNSEL REGARDING THE CONTRACT BETWEEN THE YOUNGSVILLE ABC BOARD AND THE TOWN OF YOUNGSVILLE

The motion was made by Member Houser and died for lack of a second.

Member Houser asked the ABC Board what their recollection was of the previous ABC Board Meeting. Chairman Hardwick agreed they had the option to retail legal counsel but did not see a need at this point. He noted they may need one in the future but felt this situation was straightforward.

The third item under Old Business was to continue the discussion on Budget Amendment 2021-1. Cordeiro clarified this was the same Budget Amendment from the last meeting. Chairman Hardwick reminded the ABC Board it had been tabled during the last ABC Board Meeting. Member Houser requested that Patterson review the proposed Budget Amendment for the ABC Board.

Patterson explained the Budget Amendment brought the wages up to the prior year based on the motion to approve the Budget on June 30th. It also decreases the retirement expense since the ABC Store employees are currently unable to join LGERS. She also decreased repairs and maintenance, dues and subscriptions, and projected working capital. In turn, Patterson increased profits paid to the Town equal for the \$48,000 on the balance sheet. She explained one of the confusing problems is the budget is cash based



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but the financials are accrual based. For the cash-based budget, Patterson explained she had to increase the budget to cover the \$48,000. In order to balance the budget, she has increased the sales, bringing the projected total income level equal to what it was in FYE 2020.

Member Houser inquired about the justification for increasing sales by \$119,000, especially since the ABC Board approved sales in the budget two weeks prior on June 30th. Cordeiro stated the increase in sales was in line with the sales from the first month of the fiscal year. He noted it was the same information Mr. Stallings had mentioned earlier regarding the increased sales in Youngsville. This Budget Amendment adjusts the Budget accordingly. Chairman Hardwick noted sales had jumped significantly at the time. Member Houser stated he understood the figures had to equal but inquired why they had arbitrarily picked a number equal to the disbursement. Member Stutzman stated during the June 30th ABC Board Meeting, it was noted that Budget Amendments would be made throughout the year as needed. Cordeiro stated that was correct, noting the current need to amend the Budget was to recognize the liability from the contract. He explained that was part of the reason for the Budget Amendment. Cordeiro explained that if sales don't track along what was budgeted, then they can reduce the sales budget. He felt the sales figure may be too low, but it can be amended as the year moves along. At this point, it is a reasonable figure and recognition of the liability also needs to be budgeted for now. If sales go down, then the ABC Board is required to keep a balanced budget. One of the things they can do includes the payment to the Town because the statutory requirement to keep a balanced budget would override any contract that the ABC Board may have approved. At this point, they don't feel it's necessary based on the current trend of sales. Patterson agreed with Cordeiro's statements.

Member Houser stated he didn't think they have enough working capital to support the level of sales. Chairman Hardwick noted the increased sales and Member Houser stated they needed more inventory to generate sales. Member Houser stated the inventory on the shelves was low. Pritchett explained there was a supply issue, especially with half gallons. She noted supplies from the distilleries have been bad since the pandemic began. Pritchett stated the last order was for 662 cases and they may only receive 482 cases out of that order. Chairman Hardwick clarified they were limited by what they can get in despite what they have ordered, and Pritchett stated that was correct. Member Houser felt they were running out of items they could get, such as Crown Royal Apple. Pritchett explained they were unable to get several varieties and sizes of items like Crown Royal based on the order acknowledgement she received. She stated she has been told this was a supply issue by the companies' sales representatives. Ms. Lee agreed there was a



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supply problem, particularly with half gallons. She noted customers were buying larger sizes, which has messed up the supplies from the distilleries. Ms. Lee recommended trying different brands to help. Offering a larger variety may help meet the demands. Pritchett stated they have been doing that but noted some customers are very brand specific and will leave without purchasing. She stated they will call other ABC Stores in the area to help customers, but those stores are also out of the same items.

Member Houser stated the minutes of the previous meetings show that none of the ABC Board Members have any recollection that they were bound by the contract to pay out the June 30, 2020 net profit. He felt if the ABC Board approved this Budget Amendment, then they won't have any basis to argue the misunderstanding in the contract. Member Norman felt Member Houser was mistaken as she knew they were under the obligation. Chairman Hardwick agreed that he knew they were under the obligation as well. He stated the ABC Board voted unanimously in May of 2019 to approve the contract with the Town. Chairman Hardwick explained the ABC Board was going to turn everything left of the profit over to the Town, whether they did some expense on upfits or a new building that would decrease the amount paid to the Town. He stated the ABC Board is still working on paying down the debt. Member Houser stated he read the minutes from May of 2019 to see what was discussed and recommended the ABC Board go back and reread them.

MOTION: APPROVE BUDGET AMENDMENT 2021-1 AS PROPOSED

The motion was made by Member Stutzman and was seconded by Member Norman. The motion passed with three ayes and one nay from Member Houser.

The next item on the agenda was New Business. There was no New Business.

The next item on the agenda was Reports and Other Business. When asked, Pritchett stated that everyone was wearing face coverings at the ABC Store. She stated they appreciated the face shields as the employees liked them better than masks.

Chairman Hardwick stated he was stepping down from the ABC Board after the September ABC Board Meeting. He explained that personal business was limiting his ability to serve the ABC Board effectively. Chairman Hardwick stated he has enjoyed serving on the ABC Board, noting he has served the Town of Youngsville for over twenty-five years. He stated he liked the direction everything is going.



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Pritchett stated that she was able to get the hours reduced to under the minimum she had previously requested.

Pritchett reminded the ABC Board they had replaced the lights in the warehouse with LED lights, but they had never done the sales floor. Duke Progress was able to quote replacement of the lighting in the sales floor along with outdoor lighting for \$670. If they did the sales floor only, the costs would be \$231. Pritchett stated their last estimate for the sales floor area was \$2,668. Chairman Hardwick inquired about the coverage of the outdoor lighting and Pritchett felt it would absolutely improve the coverage area outdoors. She noted the offer expires soon and felt this was a great deal.

Cordeiro felt the ABC Board could direct Pritchett to move forward with this upgrade without needing a motion. He stated the cost savings over this year would help the ABC Board save money. As there would not be an increase in costs, there should not be a need for a Budget Amendment. Chairman Hardwick agreed that Pritchett should move forward as it would improve conditions and save money. Member Houser inquired what was included in the costs and Pritchett explained they would install new LED lighting on the sales floor and the exterior lighting. When asked, Pritchett stated they would need to redo the fixtures. Cordeiro explained this was offered as an incentive by Duke Progress, which was why the proposals were so low. Chairman Hardwick noted the lights will help find areas they needed assistance with, such as areas in the ABC Store that may need some improvement. He felt this was a great idea. Pritchett stated they would be a bright white. The ABC Board agreed that Pritchett should move forward with the upgrades.

Member Norman expressed concerns about the overall condition of the ABC Store and the low inventory. She inquired about the schedule for stocking the shelves. Pritchett explained they had to close twice in order to restock shelves on shipment day since the inventory was so low. She stated that the shelves had been so empty with people buying in bulk. Pritchett stated they couldn't keep up with stocking and serving customers at the same time. Now that they have additional help on shipment days, they should be fine. Member Norman asked if they stocked daily and Pritchett stated yes. Pritchett noted that when items on the shelves got low, they would stock. She stated they have also made products take up more shelf space, so they won't look as bare.

Cordeiro stated he wanted to make a minor correction to the agenda regarding Closed Session. He asked that the ABC Board go into Closed Session for Personnel then adjourn before going into Closed Session to negotiate and discuss an expansion of the business as it was a more appropriate section of the General Statute for their discussion.



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The next item on the agenda was Closed Session. Chairman Hardwick stated the ABC Board needed to go into Closed Session to discuss personnel, NCGS 143-318.11 (6) and negotiation for expansion of business, N.C.G.S. 143-318.11 (5).

Member Houser asked if Ms. Lee and Mr. Stallings would be allowed into the Closed Session and Cordeiro stated they would be allowed if the ABC Board wanted. Cordeiro noted both Ms. Lee and Mr. Stallings were in attendance to help the ABC Board. Hurd stated the ABC Board could change the order of their Closed Sessions based who they wished to allow in the Closed Session.

MOTION: TO GO INTO CLOSED SESSION FOR THE NEGOTIATION FOR EXPANSION OF BUSINESS, NCGS 143-318-.11 (5)

The motion was made by Member Norman and was seconded by Member Stutzman. Included in the Closed Session was Ms. Lee and Mr. Stallings of the ABC Commission and Attorney Cohen, Town Counsel. The motion passed unanimously. The ABC Board entered Closed Session at 9:43am. The ABC Board exited Closed Session at 10:07am.

MOTION: TO GO INTO CLOSED SESSION TO DISCUSS PERSONNEL, NCGS 143-318.11 (6)

The motion was made by Member Stutzman and was seconded by Member Norman. The motion passed unanimously. Included in the Closed Session was Ms. Lee and Mr. Stallings of the ABC Commission and Attorney Cohen, Town Counsel. The ABC Board entered Closed Session at 10:08am. The ABC Board exited Closed Session at 10:25am.

Chairman Hardwick noted the ABC Board went into two Closed Sessions to negotiate for expansion of business and to discuss personnel. No action was taken during either Closed Session.

The meeting adjourned at 10:26am.