



Youngsville ABC Board  
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## MINUTES

**JUNE 30, 2020**

**9:00 AM**

### SPECIAL CALLED MEETING

### YOUNGSVILLE TOWN HALL CONFERENCE ROOM

**134 US 1A SOUTH**

**(Teleconference and Web Conference was available)**

Chairman Hardwick called the Special Called Meeting of the Town of Youngsville ABC Board to order at 9:01am. In attendance was Chairman Samuel Hardwick (by teleconference), Members Mary Margaret Norman (by teleconference), Rick Houser (by teleconference), Danny Stutzman (by teleconference) and Todd Casado (by teleconference). Also, in attendance was Finance Officer Jaclyn Patterson (by teleconference), ABC Store Manager Laurie Pritchett (by teleconference), Town Administrator Phillip Cordeiro and Town Clerk Emily Hurd.

The first item was to approve the Agenda.

#### **MOTION: TO APPROVE THE AGENDA AS SUBMITTED**

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

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.



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The next item on the agenda was Budget Amendment 2020-3. Patterson explained this Budget Amendment was to bring expenses level with the actual total as required by the ABC Commission. She explained the difference allowed can only be less than 2% out of budget at year end.

Member Houser asked for clarification on profits paid to the Town and Patterson explained the amount indicated in the Budget Amendment is the net budgeted profit that would bring the ABC Board to zero per the FYE 2020 agreement with the Town. Member Houser noted they had discussed this throughout the year and his understanding was the previous year was the last the ABC Board would have to pay all their profits to the Town so they could start paying on their debt with the extra money. Chairman Hardwick reminded the ABC Board they would still have to pay the statutory minimum to the Town.

Cordeiro noted the ABC Board had approved the contract stating all profits were to be paid to the Town and they were just executing that agreement. Member Houser questioned the need for monthly service fees if all the profits were going to the Town. Cordeiro explained that contract was for the upcoming fiscal year. When asked, Cordeiro explained the ABC Board was paying profits in arrears to the Town and Patterson noted that was correct. Cordeiro stated that in order to create adequate expectations, all profits from this year would be booked as a liability on the balance sheet on July 1<sup>st</sup>. All the profit from FYE 2020 will be paid to the Town during FYE 2021. The amounts due to the Town under the new agreement will begin payments in July of 2021. Patterson stated she makes payments throughout the year, depending on cash flow. If she is able, Patterson stated she would make the \$1,000 monthly payments to get caught up. However, if the cash flow doesn't allow, those payments will get pushed off to the next fiscal year. Cordeiro summarized the \$1,000 a month would be paid no later than June 30, 2021 and Patterson stated that was her goal depending on cash flow.

Member Houser noted how confusing this was to the Members and felt that it shouldn't be. He thought the \$51,000 distributions that are budgeted for next fiscal year addressed it but did not understand why they were paying 100% of the net profits in addition to the service contract. Member Houser expressed concerns they would not be able to pay their debt during the upcoming fiscal year and noted the need to grow the ABC Store. He worried about the inability to grow the inventory or the ability to retain some of the net



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profits. Member Houser stated this was not his understanding based on previous conversations.

Chairman Hardwick stated his impression during negotiations with the Town was the ABC Board would pay the minimum so they could work on paying off their debt in this fiscal year. He noted that any extra profits would then be paid to the Town. Member Houser stated the minimum distribution was based off the percentage of sales. He stated if this was put on the balance sheet as a distribution of \$40,000, then every bit of profit next year would go towards it. Member Houser noted they were still paying on last year's distribution to the Town. Patterson explained profits from FYE 2019 had been paid completely. Chairman Hardwick inquired about FYE 2020 profits, noting the worksheet showed \$49,477. Member Houser stated that was money already paid to the Town. He explained they paid the minimum required percentage then at the end of the year when the ABC Store has a profit, the ABC Board votes on a distribution of the profit to the Town. Member Houser stated he would not be able to vote on the proposed Budget Amendment as he didn't agree with it. He stated he didn't think the ABC Board agreed to that in the contract last year. Member Houser thought the previous year was the last year they would make profit distributions so that the profit this year would go towards paying off the debt.

Cordeiro noted the confusion seemed to be centered around the contract the ABC Board executed for this fiscal year. He explained the contract with the Town clearly states all excess profits were to be distributed to the Town. The contract was approved by the ABC Board unanimously. Chairman Hardwick stated he thought it was for what was left over after debt payments. Cordeiro stated he could only rely on the language in the contract. Member Houser noted the contract was signed close to the end of FYE 2019 and his understanding was the profit for that year was they were talking about distributing, not the profits for this fiscal year. Cordeiro reiterated the contract lays out the period of the contract at the beginning. Member Houser thought the profits discussed in the contract were for the prior fiscal year, which they have been paying on all this year. If the ABC Board had to pay net profits to the Town again, they will be paying on that all year, which will leave them with no money to move forward.

Patterson noted all profits for FYE 2019 had been paid to the Town. When she provided the information to the ABC Board on the distributions so they could decide on the agreement for FYE 2021, the distribution as of the April 30<sup>th</sup> income statement showed as \$117,304. Patterson felt this information had previously been presented to the ABC Board. She noted it was confusing because it was paid in the following fiscal year.



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Chairman Hardwick inquired if the \$117,304 was accounted for in the budget worksheet since he was only seeing \$49,000. Patterson asked if he was talking about the budget worksheet for the upcoming fiscal year and Chairman Hardwick stated he was talking about FYE 2020. She explained at the point when she did the worksheet, they had a net income of \$18,000. By estimating the sales, she noted their sales were higher than \$1,600,000. As the sales and profit continue to increase, the net income number will also increase. Basically, the budget worksheet is an estimate but at the end of the fiscal year, that \$18,000 would get wrapped into the \$49,000 based on the agreement. Chairman Hardwick thought the agreement for FYE 2020 included only the statutory minimum, then additional profits after their debt payments would go to the Town. Cordeiro noted that was not what the agreement stated.

Member Casado felt there was nothing the ABC Board could do at this time and Member Stutzman agreed. Member Casado stated they would need to be more careful in the future.

Member Houser stated they could change profits paid to the Town to money to be paid against the debt. Chairman Hardwick stated that would go against the agreement and Cordeiro agreed it would be a breach of contract. Member Houser suggested having legal counsel review all future contracts and Cordeiro agreed with that recommendation.

Member Norman wanted clarification that until June of 2021, the ABC Board would pay the \$40,000 then going forward they would only be obligated for \$1,000 a month to the Town and Cordeiro stated that would be correct. Member Houser noted the ABC Board was now paying \$1,000 a month to the Town for services, plus Patterson's salary. Patterson explained the new agreement went into effect in July for FYE 2021 and noted her contract was separate from the Town. She explained the new contract puts a value on the services the Town will provide but removes the clause saying all net profits would be paid to the Town. Patterson explained the ABC Board would pay the minimum distribution plus \$12,000 for Town services, approximately \$57,000 for FYE 2021. She stated that she would try to pay the \$57,000 on top of the profits from FYE 2020 but if all funds were not paid by the end of this fiscal year, they would be paid in the following fiscal year. Patterson stated she wanted to pay as we go instead of always being a year behind but noted it was dependent on cash flow and debt payments. Her goal was to be paying in the same fiscal year.



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Member Houser expressed concerns the ABC Board may need to borrow money as time was a factor based on statutes and Patterson stated it depended on what other cash was needed.

Chairman Hardwick felt the ABC Board needed to move forward, noting the items in the proposed Budget Amendment were part of the agreement. He felt that going forward, the ABC Board needed to be clearer on what they are voting on. Chairman Hardwick stated the payments in arrears also seemed to be throwing things off and noted they wouldn't know the total profit until the end of the fiscal year.

Member Casado asked if the contract could be reworked and Cordeiro stated not at this time. Cordeiro stated more information could be provided in a Closed Session but the short answer was no. Member Stutzman stated the ABC Board was going to have to go with what they signed.

**MOTION: APPROVE BUDGET AMENDMENT 2020-3**

The motion was made by Member Stutzman and was seconded by Member Norman. Member Norman inquired about uniforms and their costs. Pritchett stated each employee was given two shirts, noting that some had to be reordered due to sizing. Cordeiro stated the shirts were approximately \$35 each, including embroidery. Member Norman asked why they were budgeting \$1,500 and Cordeiro explained the line item in question also included name tags and other items. Patterson stated they have spent \$1,225 as of May 31, 2020.

Member Houser reiterated the need to have legal counsel look at the contract they signed. Chairman Hardwick noted they needed to move forward today but stated the ABC Board could retain council to review the contract. If needed, the contract could be corrected later but he noted it was currently in place. Member Houser expressed concern that at least three Members did not understand the agreement.

The motion passed with three ayes from Members Hardwick, Norman and Stutzman and two nays from Members Houser and Casado. Member Casado noted he didn't feel comfortable and worried they did not do their due diligence. He stated the contract was put in place over a year ago, prior to the start of the fiscal year and deferred to Member Houser.



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Chairman Hardwick stated there was a contract in place and expressed the need to follow it. He noted the contract could be reviewed to see if there were any legal grounds to get some of the funds returned. Chairman Hardwick noted the ABC Board had approved the contract, whether they did their due diligence or not. When asked, Cordeiro stated Hurd could send the minutes of those meetings to the ABC Board. Chairman Hardwick stated there was a contract in place that everyone had agreed on, which is why he voted in favor of the Budget Amendment. However, he felt they were obligated to have legal counsel look over it.

**MOTION: TO HAVE LEGAL COUNSEL REVIEW THE CONTRACT BETWEEN THE YOUNGSVILLE ABC BOARD AND THE TOWN OF YOUNGSVILLE**

The motion was made by Member Norman and was seconded by Member Houser. The motion passed with four ayes, and Member Stutzman abstained. Member Stutzman explained he abstained from voting as he felt the ABC Board signed this contract. Adding the expense of legal fees to review a contract they voted to approve would not change anything. Member Stutzman stated the ABC Board needed to learn from this and make sure there was legal representation when signing new contracts.

Member Norman stated she would also like to see the notes on the discussion of the contract and Cordeiro stated he would have Hurd send the information. Chairman Hardwick stated they can get the information together to make the decision at their next meeting to move forward if they wanted. He stated that after reviewing the minutes, the ABC Board may decide not to proceed forward with legal representation on this contract, noting they would use legal counsel for future contracts. Member Houser stated he would like to amend the motion based on Chairman Hardwicks comments.

**AMENDED MOTION: TO REVIEW THE INFORMATION, INCLUDING MINUTES, OF THE ABC BOARD MEETINGS FOR THE APPROVAL OF THE CONTRACT BETWEEN THE YOUNGSVILLE ABC BOARD AND TOWN OF YOUNGSVILLE FOR FYE 2020 BEFORE RETAINING LEGAL REPRESENTATION**

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



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The next item on the agenda was the Finance Officer Contract, Addendum A. Patterson stated the contract would stay the same, but the timeframe would be extended for another year. Should the contract extend beyond that timeframe, it would revert to a month to month basis.

**MOTION: TO APPROVE ADDENDUM A OF THE FINANCE OFFICER CONTRACT**

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

The next item on the agenda was the revised FYE 2021 Proposed Budget and Budget Message. Patterson stated she and Members Norman and Stutzman had a discussion regarding hours worked at the ABC Store. She felt the proposed decrease in hours was too low based on how busy the store gets. Patterson explained the ABC Store was small, which required constant stocking on busy days. When comparing hours needed between smaller stores and larger stores, she felt they were not comparing equally, noting larger stores may only need to stock once a day. Patterson stated it may be hard to obtain that large of a decrease in hours. She noted when she was at the ABC Store last week, there were four employees and last one had been able to eat lunch around 3pm. The ABC store is very busy, but the proposed budget does not allow for enough people in her opinion.

Pritchett felt the ABC Board was not considering all the information, including 11 to 12-hour days. She stated that for anyone to not get overtime, or be able to use sick or vacation time, she would need more hours. Pritchett gave an example of how many hours one part-time person would have to work each week without the help of another. Based on previous payrolls, she needed a minimum of 266 hours with a maximum of 280 hours, depending on occurrences like holidays. Pritchett stated their weekends were still above average.

Member Casado inquired how she came up with those numbers and Pritchett explained various weekends were previously \$6,000 - \$7,000 before the pandemic but were now up to \$10,000 - \$14,000. Weekdays were above average as well, but they have slowed down some. Member Casado stated it was a significant cut and felt it would be a challenge operationally. However, the information they pulled was the average costs of labor for ABC Stores. He felt they should have a goal for that labor, noting Youngsville was almost three times the state average. Member Casado agreed that it was a challenging cut and operationally it will be difficult, noting he didn't think they needed to make that



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dramatic of a cut. However, they needed to get closer in line with the state average for other ABC Stores. He understood they would need to restock more often but noted there was less to clean and less steps to be taken during the day. Over a year, he felt they could significantly cut labor costs. Member Casado did think they needed a significant cut on labor and thanked Members Norman and Stutzman for their work. He stated the ABC Store cannot continue to operate at 18% labor when other ABC Stores are operating at 7-8%.

Pritchett stated she has been working on cutting back payroll since the March ABC Board meeting, noting hours went from 308 for the last payroll in May, 286 on the June 12<sup>th</sup> payroll to 266 hours on the most recent payroll. She stated the 266 hours on the last payroll was the minimum number of hours they could have and still function. Pritchett stated she didn't want to go over budget but requested 266-280 hours per pay cycle. When asked, Pritchett explained she and the assistant manager were the only employees to get overtime. She stated her salary had not been voted on by the ABC Board but had been done by a previous Finance Officer, which granted compensatory time off instead of paying overtime. Time off was already hard to take but going to less hours for part-time staff would limit the full-time staff's ability to take off. If the ABC Board approved the 205-hour request, Pritchett requested that she be paid overtime and for any unused vacation days instead of having them cycle into sick leave.

Member Norman stated she was confused about scheduling based on May and June's schedule. The schedule does not show Stephanie at all and varies each week on part-time hours. For example, hours included 127, 144, 120, then 145 for a four-week period. Member Norman asked for clarification on the variance in hours. Pritchett stated it was dependent on what is going on during that time frame and noted the schedule shows backups even though they may not come in to work. Member Norman asked about the employees that worked from 10am to 8:30pm and Pritchett explained they were part-time employees that did not receive overtime. Pritchett worried she would lose employees if their hours were cut. She explained if it was just her, Stephanie and one or two part-time employees working for the ABC Store, it would create a significant number of hours the full-time employees would be working. Pritchett explained that Fridays and Saturdays were 12-hour days, with the rest being 11-hours. Member Norman stated counting the cash drawer was not complicated, but it did take time and Pritchett explained there were three drawers in total that needed to be counted, when you include the change drawer, plus the time it takes to go to the bank.



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Pritchett stated she has already cut a lot of hours and repeated her request for 266 – 280 hours in the budget. Pritchett explained certain times of the year required less staff, such as winter since it was slow. Member Norman stated the ABC Store was not making enough money to meet their financial obligations and they would not be able to allow for 280 hours. Pritchett explained that was the maximum number she was requesting, noting that she would not need that many hours each payroll.

Chairman Hardwick asked Pritchett what the average hours for part-time staff were per payroll and she stated 266. Patterson noted that COVID-19 had changed hours dramatically and reminded the ABC Board they had extended ABC Store hours by one hour each night. She noted mid-January had 270 hours, early February had 309 hours, and late February had 328 hours. Patterson stated this would be a huge cut for the ABC Store. She stated early March had 326 hours, noting this would cut approximately 100 hours every two weeks. Member Casado stated he didn't think the reduction in hours could happen immediately. He explained most businesses base hours off the percentage of sales, meaning busier times have higher hours. Member Casado noted the state average is 7% but didn't expect the ABC Store to get there right away. He stated they had to work to get closer to the state average. Member Casado stated they would need to look at projected sales for the upcoming month and plan labor accordingly. He stated they had to plan the budget based off sales and not just what they felt was going to be needed. He explained the schedule should reflect holidays, along with other high sales times, and should be closely monitored with Pritchett. Pritchett explained she has been trying to cut the hours and Member Casado stated he understood. He explained that he was trying to get her to look at hours based on sales instead.

Patterson noted the cash register software has been a large problem over the last six to eight months. She felt it would be a good gesture to change the software to something that is more user friendly and reliable, especially considering Dalcom's price increases. Pritchett agreed the SGC software was more efficient for everyone and their credit card fees were lower.

Chairman Hardwick wanted to clarify how many hours were in the proposed budget that was presented today, and Patterson stated it was 205 per pay cycle. Chairman Hardwick asked the ABC Board if it would be a hard number to get to or were they just trying to get to that number. Cordeiro explained the ABC Board could pass the budget as proposed with the modification of a change in hours. He explained Patterson would need to adjust the budget on the back end and it would be the legally binding budget. Cordeiro explained that just because the 205 was in the proposed budget, it didn't mean that it



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couldn't be modified. He stated there was also the option of a Budget Amendment later in the fiscal year, noting the proposed budget was only the starting point.

Chairman Hardwick asked how the ABC Board wanted to proceed. He felt they needed to approve the budget in some form so they can move forward. Chairman Hardwick stated that if they didn't feel comfortable with 205 hours then they should suggest where they did want to start out. Pritchett stated that was her reasoning for requesting 266 to 280 hours, then continue working to lower that number. Chairman Hardwick stated he understood that it takes time and people to make things work. He stated he wanted to get feedback from the ABC Board Members on what they want to achieve, initially, so they can move forward on approving the budget.

Member Houser noted that last year, sales increased by 13% and salaries increased by 25%. He felt that salaries should be kept at the same dollar level with no increase to wages and salaries. Looking at the budget, it seems they paid out \$166,000 and were projecting \$158,000 next year, which is not a big cut. Patterson inquired about cost of living adjustments (COLA). She understood that cutting hours would cut payroll costs but wanted to know if the ABC Board was considering any kind of raise in there as well. Member Houser stated he has always worked in businesses where raises were up to the manager based on the salary totals allotted. Member Norman stated it was a new concept for Pritchett and felt that Pritchett should be given help. She stated she didn't think this was the way to go. Pritchett stated it was not a new concept, but she was trying to get a minimum number of hours to start with and go from there. Chairman Hardwick stated they obviously wanted to get the hours reduced to 205 but noted they may need more hours in the future. He inquired if they could get the hours reduced to 225 with a goal of 205. Chairman Hardwick stated they could amend the budget later if needed. He stated that reducing the hours that drastically would create hardships and felt that meeting in the middle would be best. Member Houser stated the current 280 hours per pay cycle reflected in the \$166,000 expensed for the past twelve months and asked that wages and salaries be held where they had it this year, noting they increased 25%. Patterson stated that all current payroll was accounted for in that \$166,000 expense. Cordeiro reminded the ABC Board this included the increased hours of operation.

Patterson stated the income statement was approximately one week off, noting there would be a change in the total income from FYE 2019 to FYE 2020 of approximately 24.66%. She explained total personnel services also included health insurance, workers compensation dues and ABC Board Member compensation. Patterson stated she



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understood that number needed to be reduced as there was an increase of 20.34%. When asked, she explained she was looking at the numbers in QuickBooks.

Chairman Hardwick asked how the ABC Board wanted to move forward. Member Norman clarified that Pritchett was asking for a minimum of 266 hours per pay cycle and Pritchett stated that was correct. When asked, Pritchett felt confident that she could get that number lower over time. Member Norman asked Pritchett how much time she and Stephanie were able to spend on the sales floor and Pritchett stated that she hasn't been able to spend much time there due to the complications with Dalcom. Pritchett explained she helps as she can, especially on shipment days. She stated they had to close the ABC Store twice on shipment days because the shelves were so bare that she wanted all her staff stocking. Pritchett stated Stephanie was on the sales floor as often as possible. She noted that Stephanie was doing the mixed-beverage sales, which were time consuming.

Patterson stated she would approve it as stated today because currently the FYE 2021 has a decrease in sales from FYE 2020. It would make sense if the wages go down. She stated a Budget Amendment would not need to be done until they ran out of the proposed budgeted salary. Patterson stated they would have a better idea of sales at that time as well. She stated this would allow for someone in the industry to help Pritchett maximize hours. Member Houser felt Members Norman and Stutzman were capable. Member Stutzman stated they were given the task of reducing part-time hours and this was the only way to get there. He didn't think it would be feasible immediately, but felt it was a goal to work towards. Member Stutzman felt they could approve something with guidelines for the hours Pritchett was requesting and review hours quarterly to adjust as needed. If the hours went over, they would then get a justification on why the extra hours were needed. Member Stutzman stated that once the hours were under control, they could lower it with a Budget Amendment. Pritchett stated that was all she was asking for.

Member Norman stated that was sensible. She explained there were several things that needed to be looked at to make sure time was being used valuably and employees were not loitering around. Member Casado agreed and suggested Pritchett provide information regarding high hour timeframes. Once the salaries were broken up into timeframes, such as seasonally, they can better understand where changes in labor should be made. He felt this was something the ABC Board needed to help manage but requested Pritchett give them a 2-week snapshot by having employees journal their duties throughout the day. This will show what the employees are doing to earn their pay. Member Casado noted the managers should do this as well. He stated that he had no problem approving hours if they are warranted. This snapshot will help guide hours instead of just assigning hours to



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the budget to make Pritchett feel comfortable. Member Casado stated they needed to dig into what staff is doing when they are at the ABC Store. Chairman Hardwick stated this information would help with job descriptions while making sure the employees had enough to do and Pritchett stated staff was busy. Chairman Hardwick understood they were, but this would give everyone more information to evaluate and help manage. Pritchett reiterated she has been working on cutting hours, but she is waiting to see if she's going to lose any employees.

Member Houser stated he was accustomed to being assigned a maximum salary amount that he used to budget salaries. He stated he would like to talk about managing to an assigned dollar amount with no relation to actual hours worked. Pritchett stated she could work with a dollar amount.

Chairman Hardwick stated the ABC Board needed to get a budget in place. Obviously, they needed to reduce the payroll and noted that Pritchett was working on doing that. Member Houser had a question regarding Page 3, the Year to Date (YTD) totals for profits paid to the Town of \$49,000. He noted the line item did not reflect the Budget Amendment they had just passed. Member Houser wanted to see how the earlier vote affected the net income. Patterson clarified they were looking at line item 951, which shows profits to the Town. Member Houser inquired how the Budget Amendment impacts the \$49,000. Patterson stated it would increase to \$89,000. Member Houser stated that \$89,000 would put their net operating income into the negative and Patterson stated it would zero out. She explained the Budget Amendment was bringing everything in line, noting some items will come in under their budgeted amount. The FYE 2020 was not updated when she updated the budget estimate for FYE 2021. Patterson explained those numbers were approximately a month old. She noted the ABC Board was voting on the FYE 2021 budget estimate and the FYE 2020 information was included only for reference. Member Houser wanted to know where the \$40,000 from the Budget Amendment they just adopted was in the proposed budget for FYE 2021 and Patterson stated it would not be considered an expense for FYE 2021, it would be considered an expense for FYE 2020 and listed as a payable on the balance sheet for FYE 2021. Member Houser asked if this would be paid with net profit and noted net profit was budgeted at \$0. He stated this was why the ABC Board never had any money. Patterson explained she is currently budgeting a working capital increase of \$14,363 at the end of FYE 2021. Member Houser stated it still leaves them about \$30,000 short of paying the \$40,000. This means the remaining amount due will have to be paid out of net profits. Cordeiro explained the amount that is payable in FYE 2021 won't show up as an expense, noting it would affect assets and liabilities. He explained the current number



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listed under 951, the \$46,000 amount under the second to last column, is the amount of the minimum distribution. The \$46,000 represents the \$12,000 plus the minimum distribution. The \$49,000 they just discussed, will become \$89,000 that will only affect assets and liabilities. There will be a cash offset at the end of the fiscal year to pay that liability. Cordeiro stated the cash at the end of the year will be offset but will not hit the income statement. Member Houser agreed but expressed his concern about the \$40,000 being paid out of net profit, noting there was no other way to generate cash. Cordeiro stated the cash assets would be available to pay that next year and Patterson stated yes. Chairman Hardwick asked if they had the funds and Patterson stated they had some of the money already in there. Member Houser noted cash was generated from profit. Cordeiro and Chairman Hardwick stated it was from profits generated during the FYE 2020. Member Houser noted if they were going to make a capital outlay to pay down the debt then they needed to budget for it, but noted the budget was projected at \$0. Patterson noted it was confusing but explained the ABC Store, and government in general, was different from for-profit businesses. She explained the debt loan payments in the amount of \$6,500, located on page 2, represents the interest. On page 3, there are debt payments in the amount of \$25,812, which represents the principal payments. Patterson stated the principal payments will not hit the income statement, but she budgeted the cash for it. Based on the agreement, total payments to the Town would total approximately \$57,000 and they can be pushed to the end of FYE 2022 if there is not enough cash. Member Houser stated the, \$25,812 debt payment is what he was trying to propose they needed to account for the \$40,000 distribution they just approved because it was the same thing. They were reducing principal by \$25,812, then next year they will have to pay distribution to reduce the liability that will be put on the balance. It needs to be budgeted just like the \$25,812 was. Patterson explained the distribution changes in FYE 2021 but noted it was included in that figure. If the ABC Board didn't pay it in FYE 2021, then it would be paid later when the cash becomes available.

Member Houser inquired about the percentage the ABC Board pays the Town and Patterson stated it was included in line item 951. Chairman Hardwick stated the ABC Board was not paying as much this coming fiscal year. Member Houser noted the \$46,000 was what they were required to pay based on the sales but what they voted on this morning is separate. They voted on \$40,000 over and above the minimum percentage. Chairman Hardwick explained it was due to the contract. Member Houser clarified that if the payments were all put into the budget, then the ABC Board would not be able to make those payments. Chairman Hardwick asked Member Houser what he was proposing. Member Houser explained the salaries should stay the same and expressed concerns the distribution would have a negative impact on cash flow. He felt it



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should be put in the budget, which would make the end of the year come up negative. Patterson stated she was unsure if she could do that based on her conversations with the ABC Commission. Member Houser stated the ABC Board had voted to do it.

Chairman Hardwick asked the ABC Board how they wanted to move forward. Member Houser stated they had just approved \$40,000 in distributions and felt it should be included in the proposed budget, noting it must be paid from somewhere. He stated line item 951 on Page 3 should be increased to \$86,626. Chairman Hardwick stated the \$40,000 disbursement comes out of FYE 2020's budget and Patterson stated that was correct. Patterson explained the auditors would make the final adjustment on the financial statements. Cordeiro wanted to clarify that Member Houser was requesting the entire amount due as a result of the profit distribution from this fiscal year be included in the upcoming fiscal year as an expense. Member Houser stated yes, especially since they are budgeting on how to spend money. He felt if the principal payments were included in the budget, the extra \$40,000 distribution should also be included. Patterson explained it technically had been in there because as profits to be paid to the Town. Patterson stated that money would not have to be paid until the following fiscal year. If there is not enough cash to pay it, then its technically in there. She stated the number always gets pushed forward each year. Chairman Hardwick asked if that number was for profit made in FYE 2020 and Patterson stated the \$46,626 was not. However, the ABC Board could view it that way because she doesn't have to pay the cash out for the FYE 2021 until June 30, 2022. Chairman Hardwick inquired the \$46,626 is based on profits made in FYE 2021. Member Houser stated the \$46,626 had nothing to do with the profits, it was a hard-fixed percentage. Chairman Hardwick stated it was the minimum the ABC Board had to pay to the Town for FYE 2021, not what was done in FYE 2020 and Patterson stated that was correct. Chairman Hardwick explained the \$40,000 they voted on earlier is out of the additional profits made in FYE 2020 and Patterson stated that was correct. He clarified they were talking about what they are going to make in payments to the Town for the year of FYE 2021 should be \$46,626, based on the minimum amount they have to pay the Town based on the profits they make in FYE 2021. Then there is the expense owed to the Town from FYE 2020, based on profits made in FYE 2020. Chairman Hardwick stated the budget they were trying to approve today is what they are going to do with the funds they make and they way they spend it during FYE 2021. They should have accounted for the additional amount from FYE 2020. Patterson explained the problem was available cash because the ABC Store always paid for the prior fiscal year. They don't have profits on hand, and she noted this is what concerns Member Houser. She stated the ABC Board would use FYE 2021 cash to pay for the prior year's profits because they are not due until the next fiscal year. Member Houser asked when



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they would be paid, and Patterson explained the amount in the Budget Amendment would be paid in FYE 2021. Member Houser asked why it was not included in the budget if it was going to be paid out and Patterson explained it has never been done that way previously. Cordeiro stated that he understood what Member Houser was saying, making a distinction between paying the \$25,812 in principal and paying the \$40,000 liability. He stated that he and Patterson were unable to give a good answer at this point but felt the ABC Board should move forward with approving the proposed budget, then he and Patterson could get a better explanation from the auditors, which may include recommended changes. Cordeiro stated the solution was not 100% but felt it would be more useful. He stated it might warrant a conversation with the ABC Board and the auditors on how to handle these types of transactions.

Member Houser felt that if the ABC Board just voted to approve a \$40,000 distribution to the Town that it needs to be in the budget. When asked, Member Houser stated the Budget Amendment they just approved was not listed in the proposed budget. Chairman Hardwick stated it should be listed in the previous year's budget.

**MOTION: APPROVE THE PROPOSED BUDGET WITH THE SALARIES CONSISTENT WITH THE PREVIOUS YEAR'S BUDGET, NO CHANGES**

The motion was made by Member Stutzman and was seconded by Member Norman. Member Casado agreed with Member Houser that the \$40,000 Budget Amendment should be included in the proposed budget. Chairman Hardwick stated he was unsure of the legal precedent but felt that if the ABC Board voted in favor of the proposed budget, then a Budget Amendment could be made after they received the information. Cordeiro stated they could amend the budget and he and Patterson would contact the auditors for a discussion about payables and principal debt payments. Once they had all the information, he would report back to the ABC Board on the proper recording of transactions. Chairman Hardwick felt the auditors could make that determination in a fair and impartial manner. He stated they can move forward, noting they can amend the budget at the next meeting if necessary.

The motion passed with three ayes from Members Hardwick, Norman and Stutzman and two nays from Members Houser and Casado.

Member Houser stated the only thing they could do if they include the \$40,000 in the budget was take something else out, possibly the \$15,812 debt payment and the \$14,363



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increase in working capital to make the budget balance. Chairman Hardwick stated the ABC Board was not getting anywhere so they had to move forward. Now it can be given to the auditors so they can see about necessary amendments. Member Stutzman inquired about the time it would take to hear back from the auditors and Cordeiro stated it would be a couple of weeks to schedule a meeting. Patterson suggested including Laurie Lee, since she must get approval on the budget from the ABC Commission. She stated this was the frustrating part, trying to get the budget the way the ABC Commission wanted it, but the auditors want it to be done in a different manner. Cordeiro stated it was good information to have but at the end of the day, Laurie Lee can't dictate the financial reporting standards. He stated they would include her in the meeting, noting it would include himself, Patterson, Laurie Lee, and the auditors. Patterson stated she would prefer to get the final determination in writing and Cordeiro agreed. Chairman Hardwick noted they would at least have the right information moving forward.

Cordeiro asked the ABC Board if they would like to have a follow up meeting in July or wait until the August 7<sup>th</sup> Board Meeting. Member Houser stated he didn't want to have a Special Called Meeting and was fine waiting until August. Member Stutzman explained his reason for asking was to see if they would have information back so they could make a firm decision in August and Cordeiro stated he felt they should have the information by then. Chairman Hardwick felt this information would help with the right course of action to move forward and they can adjust from there. The main goal is to have a budget in place to work with through July.

The meeting adjourned at 10:36am upon a motion made by Member Houser, seconded by Member Stutzman and passed unanimously.