



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

MINUTES

OCTOBER 2, 2020
9:00 AM

REGULAR MEETING

YOUNGSVILLE TOWN HALL CONFERENCE ROOM

134 US 1A SOUTH

(Teleconference and Web Conference was available)

Chairman Houser called the Board Meeting of the Town of Youngsville ABC Board to order at 9:05am. In attendance was Chairman Rick Houser (by teleconference), Members Mary Margaret Norman (by teleconference), and Danny Stutzman (by teleconference). Also, in attendance was Town Administrator Phillip Cordeiro, Finance Officer Jaclyn Patterson, ABC Store Manager Laurie Pritchett (by teleconference) and Town Clerk Emily Hurd. Guests included Michael Wallace of 5-Points Shopping Plaza and Lee Grissom of S Preston Douglas & Associates, LLP.

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 Houser. The motion passed unanimously.

Chairman Houser 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 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, including a presentation on the FYE 2020 Audit Reports. Patterson introduced Lee Grissom of S Preston Douglas and Associates, LLP. She explained Mr. Grissom oversaw the ABC Store audit, though she mostly worked with Austin Eubanks.

Mr. Grissom stated his company does the audit for approximately twelve ABC Boards across the state. The Youngsville ABC Board received a clean audit opinion. Overall, the finances were in great shape and well organized. Mr. Grissom stated information was received in a timely manner with no issues from management. There were no new policies or illegal acts. He stated there was positive operating information. Mr. Grissom noted FYE 2019 had the purchase of the land and debt but FYE 2020 was straightforward.

Mr. Grissom stated there was one finding, noting the ABC Board and Patterson could do better with the budget and amendments. Page 18 showed the Budget to Actual Schedule and he noted several instances that could have been corrected with Budget Amendments. Patterson explained, based on her conversations with Laurie Lee of the NC ABC Commission, there was some confusion on the need for accrual books and cash basis budgeting. Now, based on the information received by Mr. Eubanks, she knows it can be handled differently using accrual-based accounting for everything and she will be able to keep it updated going forward. When asked, Patterson stated that everyone knew about the cash register purchase.

Chairman Houser inquired about the \$25,000 for Capital Outlay and Mr. Grissom stated it looked as if everyone was aware of the cash register purchase and approved the expense. Patterson explained that she didn't know the budget was supposed to be done on a cash basis at the time so that is why it was not shown on the budget. Cordeiro inquired if Patterson was going to put the cash registers under capital assets and show depreciation on them instead of expensing them and Patterson stated yes. Patterson stated that was where they were currently located on the balance sheet.

Mr. Grissom stated the distribution for the current fiscal year should be based on historical information to predict the number. He noted the final budget figured was \$80,834 while the previous budget was over \$100,000. Patterson explained the difference was due to the cash basis budget versus accrual accounting again.



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Chairman Houser stated, based on this information, the ABC Board needed to prepare their budgets at the beginning of the year based on what the minimal distribution will be. If they make more money, then it can be amended at that time. Cordeiro stated that was how they budgeted for the current fiscal year.

Mr. Grissom stated operating revenues were \$1,804,548, up 28% from last year. He noted this was trending positively over the past few years. Retail liquor sales were up 28% and the income from operations was \$153,000, up 38% from the prior year. The total distribution to the Town was \$115,693, compared to \$97,363 last year. There were no significant purchases or debt. Mr. Grissom stated inventory went well and there were no issues with the year end walk through and count. He stated Youngsville was better than most. The only problems were related to the budget itself, which has already been discussed.

On page 5, Mr. Grissom stated the investment and capital assets were correct. Capital assets of \$211,364 minus debt of \$173,809 equaled \$37,555. Patterson noted she and Mr. Eubanks had to work to get the financials right. Mr. Grissom stated management did a great job with information sharing. Patterson stated they spent a long time on liabilities. She explained the loan was renewed since it was a construction loan that needed to be shifted over to a regular loan.

Chairman Houser reminded the ABC Board that Laurie Lee and Greg Stallings of the NC ABC Commission had cautioned them on the level of working capital needed. He asked Mr. Grissom how Youngsville compared to the other ABC Boards they audited. Mr. Grissom stated Youngsville was very comparable. He noted the distribution to the Town could be reduced if they wanted to retain more working capital, but Youngsville was very much in line with other ABC Boards. Chairman Houser cautioned the ABC Board that if there was an unexpected expense, they would be hard pressed to cover it. Mr. Grissom agreed, noting it was always better to have a cushion.

MOTION: TO APPROVE THE AUDIT AS PRESENTED

The motion was made by Member Stutzman and was seconded by Member Norman. The motion passed unanimously. Chairman Houser thanked Mr. Grissom for his hard work and joining the meeting to present his findings.



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The next item on the agenda was the approval of the Consent Agenda. The Consent Agenda included Minutes from the ABC Board Regular Meeting on September 4, 2020 and the Minutes from the ABC Board Special Called Meeting on September 14, 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 consider the contract to sell the ABC Store property to the upset bid winner. Cordeiro stated the upset bid process has been completed. He stated there were no upset bids after the first 10-day period. All legal requirements have been satisfied. The current price is \$395,000 and the seller has entered the due diligence portion of the sale, including working with his attorney to prepare the documents for the closing process. At this time, there is no action required other than indicating if the ABC Board is still interested in proceeding. Cordeiro explained the ABC Board would vote during their November Board Meeting to formally accept the offer and direct them to proceed. He anticipates being able to close before Thanksgiving.

Member Norman inquired if there was any way to guarantee the purchaser would build a facility that includes retail space the ABC Store could move back to. Cordeiro stated no, however, they were in negotiations with Mr. Wallace at 5-Points Plaza to move to that location for the short-term. Member Norman stated she didn't want to lose the opportunity by selling the land and possibly be out of the perfect spot. Member Stutzman stated the 5-Points Plaza is still basically in the same downtown area. Member Norman worried that parking would be worse, but Member Stutzman stated he felt it would be better. He explained the delivery truck would be at the back of the building which will solve one of their current problems. Member Stutzman noted the location was also larger than the current ABC Store. He stated he was good with selling the property if they maintain a presence in downtown.

The second item under Old Business was to continue the discussion on the proposed remodel of the ABC Store, with a report from the Store Expansion / Renovation Subcommittee. Chairman Houser noted the 5-Points Plaza lease was for 4,068 square feet, approximately double the current area. The full lease is ten years, with two five-year options to renew, for a total of twenty years. Rent will be approximately \$11 per square feet, with a proposed 3% annual increase, with an estimated shared common area



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maintenance expenses would be equal to \$4 per square foot. With all of that considered, they were looking at approximately \$15 per square foot. Chairman Houser stated renovations could be completed by March of next year. They also needed to follow through with the sale of the property, noting that if the sale fell through, there was no need to rent at 5-Points Plaza. Chairman Houser stated he has posted the public notice sign on the property to get ahead of the game. A proposed drawing will need to be submitted to Rick Turner for the upfit, which will include shelving and fixtures. Mr. Turner charges approximately \$2,500 to do a full layout for the landlord. Once the ABC Board approves the fees, Patterson can engage Mr. Turner.

Chairman Houser stated he has kept Ms. Lee up to date on the progress so far. Cordeiro noted there were a variety of reasons for moving to the 5-Points Plaza. The larger warehouse will help them increase inventory and allow them to service new customers. As there is a new restaurant coming to town, their mixed beverage sales will also increase. There will be more room to allow them to grow.

Cordeiro stated they can delay the sale and still help the purchaser achieve his goals for tax benefits. If the sale is delayed into November through January, this will give the purchaser time to nominate properties and complete the sale in six months. It would help the ABC Store avoid paying rent for a few extra months. Cordeiro stated the purchaser doesn't care as much about the rent as he does acquiring the property for the tax benefits.

Member Norman expressed concerns about the ten-year lease locking them in with the possibility of missing out on moving back across the street. She inquired about penalties should they break the lease. Chairman Houser stated with authorization from the ABC Board, they can continue to negotiate with Mr. Wallace regarding the 5-Points Plaza location. Member Norman felt that five years would be best, noting it would take a few years to get the new building constructed. Chairman Houser stated he would continue to work with Cordeiro and Mr. Wallace in negotiations.

Member Stutzman inquired about the maintenance, especially regarding the HVAC unit. Mr. Wallace explained, per the proposed lease, it would be the responsibility of the tenant to maintain and repair the HVAC unit in order to keep the rent low. However, maintenance can be negotiated into the lease, but it would increase the rent. When asked, Mr. Wallace stated the unit had last been replaced in late 2017. As they last approximately seven to ten years, Cordeiro stated they may be able to go through the entire lease without needing to replace the unit. Mr. Wallace stated the previous owner had the units replaced so he was unsure of the costs.



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Chairman Houser stated this was like what Benchmark Bank did when they rented their facilities. He stated they had the facility inspected to make sure it was in good shape before signing the lease. Chairman Houser noted it was typical for tenants to handle semi-annual maintenance. Member Stutzman expressed concerns about having to pay to replace the entire unit should it go out in a few years. He noted he understood the need to keep rental fees low but felt they may want to discuss this option in detail again. Cordeiro stated he could get the Town's HVAC vendor to inspect the unit and assess any risks. He noted that if they tried to put the maintenance on the realtor, they would see a premium in the lease.

Chairman Houser inquired if Member Stutzman would be allowed to get involved with the negotiations or if that would constitute a quorum. Cordeiro explained with the current three Members, it would create a quorum. He noted there were candidates that would be presented to the Town Board next week that should bring the ABC Board up to four Members, which would allow for a two-person committee.

Member Norman asked for clarification on maintaining / repairing the HVAC unit. Cordeiro explained if only one part failed, they may be able to repair it for a small fee. However, sometimes replacing the unit can be cheaper than fixing it. He stated the responsibility for maintaining it would fall on the ABC Board.

Chairman Houser asked if the ABC Board agreed for them to continue working on getting a proposed layout completed in anticipation for the sale of the property. Everyone agreed to move forward.

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 most of the customers were wearing masks.

Chairman Houser thanked Hurd, Patterson and Cordeiro for all the work they do for the ABC Board.

Member Norman stated this would be her last meeting. She stated that it has been fun, as well as educational, and thanked everyone. Chairman Houser stated he has enjoyed



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working with her and noted she added a unique perspective to things. Both Pritchett and Member Stutzman also thanked Member Norman for her service.

Member Stutzman stated he was greeted by one of the cashiers when he went into the ABC Store. He noted their customer service was very good. Member Stutzman stated the ABC Store was very busy and looked good.

Chairman Houser inquired how orders were going. Pritchett explained their last order included 746 cases, but they only received 490 of those. She noted there were still supply issues. The tequila shortage has affected the restaurant since the popular items are not coming in. Pritchett stated they have been ordering alternate items and the restaurant understood they were doing their best. Chairman Houser stated he knew there was also a shortage for Crown Royal Apple. Pritchett explained Crown Royal Peach would become a regular item starting in January. She stated they are trying to get the items that customers want but their hands are tied.

Member Norman asked how requests were handled and Pritchett stated she normally calls the person and gave an example. Pritchett stated she often does special orders, noting it was the only way to get bourbons that people haven't seen before.

Chairman Houser asked Pritchett if she could order 1,000 cases to see how many she can get in. He stated he wanted to increase the inventory levels based on sales. Pritchett worried that if she did get the full order, she would not have room in the warehouse. She explained the average order before Covid 19 was 400 cases, now she orders 700 – 800 cases. Pritchett stated she is trying to order extra to make sure they have enough supply between shipments.

Chairman Houser noted Pritchett has done a great job of reducing payroll over the last two months. He understood it would increase again around the holiday season.

Pritchett wanted to mention the shelving for the new ABC Stores should not include a fifth shelf as they were too tall for most customers, using the Franklinton ABC Store as an example. She felt the top shelf should be eye level for the average person. Chairman Houser stated they would have a more in-depth conversation once the plans came back from Mr. Turner.

Cordeiro inquired about ethics training and Member Stutzman stated he would have that completed by the end of the weekend. Cordeiro stated there were additional candidates



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for the General Manager position but he had no further updates at this time. He stated he would forward updates to the ABC Board as he progressed. Cordeiro stated there were also a couple of applications for the ABC Board that will be brought before the Town Board next week. He will keep the ABC Board up to date as that moved forward as well.

Chairman Houser noted the process was very thorough and professional. Cordeiro stated he modeled the process after the professional firms. He stated he would continue to be aggressive in his search to make sure they end up with the most highly qualified individual to help the ABC Board achieve their goals.

The next item on the agenda was Closed Session. Chairman Houser felt there was no need to go into Closed Session at this time. Hurd stated minutes could be approved at a later Closed Session.

The meeting adjourned at 9:54am upon a motion made by Member Norman, seconded by Member Stutzman and passed unanimously.