

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

MINUTES

**AUGUST 2, 2019
9:00 AM**

REGULAR MEETING

YOUNGSVILLE TOWN HALL CONFERENCE ROOM

134 US 1A SOUTH

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

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 Casado. 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.

The next item on the agenda was Citizens' Comments. There were no comments.

The next item on the agenda was the Financial Report. As the Youngsville ABC Board Meeting occurred so early in the month, Patterson stated she was unable to finalize July in the time allowed. This makes the financial reports look better than they really are. She stated there was an increase in profit payments to the Town based on the last Budget Amendment. Patterson noted the standard profit was \$40,000, which increased by \$29,436, and is payable at the end of the year. These figures are based on the adjustment the auditors normally make. Patterson stated the auditors would be here at the end of August and reminded the Youngsville ABC Board that it was a new company. Member Houser inquired about the plan for paying assessments to the Town and Patterson stated

that \$40,000 was the standard, payed monthly. She stated that she would pay additional money monthly to help spread out the payments.

The next item on the agenda was the approval of the Consent Agenda. There were no items on the Consent Agenda. Hurd explained that she was unable to complete the minutes in time for this month's meeting. July minutes would be included with the August minutes in the September agenda packet.

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. Mr. Rick Turner was present for this discussion and thanked the Youngsville ABC Board for having him here. He gave a quick background of his company and their experience with ABC Stores. Mr. Turner noted they already have procedures and plans ready for Boards to choose from. First, a store design is needed. Once the design has been approved, then the construction drawings, including the architect's seal if needed, will be presented for review. Mr. Turner noted there was a fee for the drawings. He stated they have a local architect they have worked with before and requested that he be involved before the Youngsville ABC Board moved forward getting an architect. Based on his experience, Mr. Turner stated it worked best when designing ABC Stores from the inside out. His experience can make things easier by knowing what is needed ahead of time. ABC Stores need to maximize their space and opportunities. They need to look at the demographics of the area to figure what will work best for each individual store. Mr. Turner noted shelving was important and dictates the shape and size of the ABC Store. Shelving dictates how everything else will fit.

Mr. Turner asked what the ABC Store did in sales last year and Patterson stated \$1.4 million by the end of June. Mr. Turner stated that was good. Member Houser stated the turnover rate was bad, noting the inventory level. He stated the ABC Store was often out of items. Pritchett noted the State Warehouse often shorted them on their orders. She explained a lot of the smaller ABC Stores often went without items from the State Warehouse. Mr. Turner stated he has heard that from a lot of sources. Member Houser stated this was why he wanted more shelf space.

Mr. Turner asked how much was left on the land payments and it was noted they had just purchased the land. Member Houser stated they did not have any savings or built up capital and would need to pay off the land to gain more equity. Mr. Turner stated Towns can back a loan for new ABC Stores and gave some examples. He asked what the timeframe was for paying off the land and Member Houser stated approximately four years. Member Houser noted they could install more shelving to gain inventory to increase their revenues. Pritchett noted there was already room for more inventory and reiterated her concern over not receiving inventory from the State Warehouse. She also expressed concerns over dead stock. Chairman Hardwick stated they were also working on improving the parking lot to help get more customers.

Mr. Turner showed a drawing of the existing layout for the ABC Store. He noted there was only 452' of linear shelving, which is very small, especially for the State average. Mr. Turner stated that doing \$1.4 million in sales in that small of a space was amazing.

He stated that he tries to save people money whenever possible. Mr. Turner noted this area has seen a 36% growth in the last twelve months with the new subdivisions. All those new houses are potential customers that will choose to go to the closest store if they can get what they want. Pritchett noted they did take requests but Member Casado expressed concerns about the loss of convenience and noted that sometimes the clerks didn't offer the option of requesting items. Mr. Turner noted that Wake Forest had a "megastore" with a lot of different options. He stated Franklinton had just remodeled their ABC Store, but the shelves were still not full. Mr. Turner noted vacant shelves created missed sales.

Mr. Turner noted the ABC Store was limited in their current space. The first design, Option 1, only changes the sales area, increasing shelving by 26%. However, that is still rather small. Option 2 moves the back wall by 8', takes out the office but adds more square footage of shelves. Option 2 increases shelving by 64% and includes new counters. Mr. Turner noted adding shelving was good, but the appearance of the ABC Store also mattered. He felt that Option 2 was a no brainer. Pritchett noted the proposed office in Option 2 would need a door that locked. Mr. Turner stated the remodel in the ABC Store warehouse would add shelving and racks. This would open storage up top with areas below the shelving for carts. The updated warehouse then takes advantage of the space. With more shelving up front, there will be less need for cases in the back. Both Patterson and Pritchett expressed concerns about mixed beverage sales and the room their stock takes. Patterson noted they were expecting a growth in that area and it needs to be considered when planning the warehouse space. Member Houser stated he did not feel it would be much of an impact before the new store. Chairman Hardwick stated that increasing sales will allow the Youngsville ABC Board to spend more money on additional space.

Mr. Turner asked if the property was in a flood plain and Chairman Hardwick stated it used to be a swampy mess but is better than it used to be. He stated it was a problem that needed to be resolved.

Mr. Turner stated the Youngsville ABC Board needed to focus on paying off the land as quickly as possible so they can start taking advantage of it. Chairman Hardwick stated the Youngsville ABC Board needed to look at all options so they can pay it off quicker. Pritchett stated fixing the parking lot would help as it would draw in new customers and entice former customers to come back. Chairman Hardwick agreed, even if it is a gravel lot on the backside of the property. He noted there were certain times of the year there were no parking spaces open; more parking created more sales. Member Houser noted they had borrowed enough money to do both. He stated he wanted to know the cost for increasing shelving and then see what is left over for parking. Chairman Hardwick reiterated that parking was a problem.

Mr. Turner noted Option 2 increased the sales area, but Member Houser noted he didn't want to spend money on the actual building. Member Houser stated he wanted to spend money on shelves that can be moved to the new building and Member Casado agreed. Mr. Turner stated renovations would not be expensive. Member Casado expressed concerns about covering the costs of renovations on top of generating money to build the

new ABC Store. Pritchett again expressed her concerns about closing for two weeks along with the added costs of storage. Mr. Turner explained they can do most of the work while the ABC Store remains open. They would then take out the old wall last minute. While the ABC Store was shut down, they would then be able to address the lighting issues. Mr. Turner stated he understood not wanting to spend money on this building with the plans for a new ABC Store, however this would lead to a greater return on investment for the immediate future. Increasing shelving by 64% would have an impact on sales.

Member Norman inquired about the estimated costs. Mr. Turner stated Option 1 would cost about \$35,000 on his part. This includes shelving, checkout counter, gates, panels, custom shelving for mini bottles, and signage. Mr. Turner explained this included the nicer quality for items like the laminate and finishes and Member Stutzman noted they would want that quality if these units were to be moved to the new ABC Store. Patterson asked if this included lighting and Mr. Turner stated it did not. Mr. Turner stated Option 2 would cost approximately \$38,000. The total cost includes delivery, installation, and sales tax. He stated that he has not run the numbers for additional walls and ceiling. Mr. Turner stated he would like to revisit the lights, which are not expensive. There is some electrical work that will need to be done. Mr. Turner noted it was up to the Youngsville ABC Board if they wanted to replace the flooring, noting there were low costs options that would hold up for the few years they would be in operation. Member Stutzman stated he did not want to waste the money and Member Norman inquired if there were cheaper options. Mr. Turner stated that he prefers luxury vinyl and there were cheaper options that would work for the ABC Store in the short term. He reiterated that the outside also needed attention and Member Norman agreed. Chairman Hardwick stated if they shut down the ABC Store for renovations, then they needed to make an impact. He noted people wanted glitz and glamor and are constantly complaining about the looks of the ABC Store. Member Norman agreed and stated that it shouldn't make a difference, but it does anyway. Member Casado noted stores of all kinds need to be remodeled often. Chairman Hardwick stated improving the looks and parking would solve most of the complaints and make a great impact. He stated that Pritchett has always tried to get what customers want and keep it stocked. Chairman Hardwick noted that Option 2 was a nice way to go and Member Norman agreed. Pritchett stated the roof leaks and the heating and air conditioning units are not adequate. Member Stutzman asked about renting a space until the new building was completed, and Member Houser stated they have already looked at that avenue. When asked about the shopping plaza on Capital Boulevard, Member Houser stated they wanted a 10-year lease, minimum. Chairman Hardwick summarized that it was imperative to pay off the land purchase as soon as possible and renting another location was not financially reasonable. He noted the rent would eat into the payments on the land. Patterson stated the Youngsville ABC Board could ask the Town to financially back building a new store. Pritchett agreed and noted these renovations were a band aid and a waste of money and time. She stated the growth was crazy and they needed a new store now. Mr. Turner agreed and stated it would be cheaper to move forward with building sooner rather than later when the costs of materials have increased. Patterson stated the current building was not worth a lot of money, but the land is worth more. Member Houser stated another option was to set up like "Total Wine" and now worry about aesthetics and wondered what that cost would

look like. Pritchett stated they needed the extra counter space because of the two registers. Mr. Turner stated he didn't think it would help the situation. When asked, Mr. Turner stated he felt the fifth shelf would help.

Chairman Hardwick asked Cordeiro if he felt the Board of Commissioners would be willing to help build the new ABC Store and Cordeiro stated he thought they would support if they could find a way to fund it.

Pritchett inquired about the process for updating the shelves and Mr. Turner stated they could shut down on Saturday night and take the bottles out. Then on Sunday, the crew could install the new shelving. ABC Store staff would then restock on Monday and open on Tuesday. This would only mean one day of missed sales. Pritchett stated she thinks they should concentrate on building the new ABC Store. Member Houser asked about the costs of increasing the shelving all the way to the front, including a fifth shelf and Mr. Turner stated he would have to work out those figures. Member Houser noted the importance of installing shelving that can be relocated to the new ABC Store so as not to waste money. Mr. Turner stated Option 1 would then be the best choice, except for not moving the cash registers.

Chairman Hardwick asked if customers and staff could reach the fifth shelf and Pritchett stated they could not. Pritchett noted the new fifth shelf would be lower, and Mr. Turner described the new shelving units. Member Houser wanted to clarify that the shelves could be reused but not the back panel and Mr. Turner stated that was correct. Chairman Hardwick stated new shelving could create a bang right away and the ability to move them to the new ABC Store was great. Member Norman agreed and noted some paint was an inexpensive way to make the building look better.

Mr. Turner stated if the Youngsville ABC Board wanted to do small updates that was fine, however, he recommended moving ahead on building the new ABC Store faster than four years. Member Houser stated if they can increase income, then they can pay off the loan quicker. He stated they could increase shelving for \$10,000 and have some money left over for parking. Member Houser noted that increasing the shelving and parking would show people progress was being made and Chairman Hardwick agreed.

Mr. Turner stated he would put the cost estimates together. He suggested a cost analysis for Option 2 because of the return on investment. Mr. Turner explained spending the money to make the store look nicer might help lead to a faster return and allow the building to get up faster. He stated it was worth looking at and Member Norman agreed. Mr. Turner stated that added shelving was going to have a greater impact on sales than anything else. He stated he would put the numbers together for each item that was discussed so that the Youngsville ABC Board could choose what they want, including lighting, as that is very important. Chairman Hardwick stated they did need to look at ways of getting into the new ABC Store quicker. He noted they have talked about investors before and he will reach out to a few contractors to see if there is any interest. Chairman Hardwick stated the new ABC Store was key.

Mr. Turner stated he felt there was still value in the old building along with the land it sits on. Chairman Hardwick agreed that if a developer put a shopping plaza on the back lot, then the old building has potential for another business to move in. Member Houser stated he wasn't sure they wanted another building / business out in front of them. Patterson stated the appraisal came in at only \$74,530 on the building and Member Houser felt the bank did the appraisal incorrectly as they did not add the new land into the appraised value.

When asked, Mr. Turner stated he charged a design fee for doing the design proposal. He stated the Youngsville ABC Board needed to look at all the options discussed. Mr. Turner agreed that he would send an invoice after the Youngsville ABC Board decides which direction they wished to go, and Chairman Hardwick stated that was fair. Mr. Turner noted it was his fourth trip to Youngsville. He stated that he didn't mind the trips, but they did need to move forward. Cordeiro noted that Pritchett had signed the original contract but did not have the authority and Mr. Turner stated he would put that invoice aside for right now until a decision has been made. Mr. Turner explained the original invoice was \$2,500 plus tax but since a decision has not yet been made, he will wait on a final figure until after the Youngsville ABC Board has made their decision. Cordeiro explained to the Youngsville ABC Board that they would have to approve the contract by a majority vote and explained the procedure so that Mr. Turner would be able to get paid in a timely manner. Mr. Turner stated he had good faith with the Youngsville ABC Board that he will be paid, and he hoped they had good faith that he will be fair.

The second item under Old Business was to continue the discussion of the 401(k)/457 and LGERS Plan implementation. Member Stutzman noted he shared some ideas with Member Norman and Pritchett about bringing the employees onboard with LGERS. He suggested the Youngsville ABC Board cover the employees 6% contribution for the first five years. After the five-year period, then the employees would be responsible for their contributions. This five-year period would get the current employees vested in the retirement system. Any new hires would be responsible for the 6% employee contribution as this proposal would only be for the two current employees.

Member Houser inquired about W2s and Patterson stated she would increase the employees' salary to cover it. Patterson expressed concerns about privatization and Member Stutzman stated that any contributions would belong to the employee and can be withdrawn or transferred to a 401(k). He noted if the employee moved to another government job, they would be able to stay in LGERS and it would continue. Member Houser asked about the cost estimates. Member Stutzman stated he did not have them yet and Patterson stated she could get him those figures. Pritchett stated another option was longevity bonuses at the end of the year, like some of the other ABC Stores and Member Houser stated that compensation was up to the Youngsville ABC Board. Cordeiro stated he would help Pritchett work up a presentation on longevity bonuses for the next meeting. He reminded the Youngsville ABC Board the employees would have to vote to join LGERS. Even if the Youngsville ABC Board decides to join LGERS and cover the 6%, the employees would still have to vote to join. Pritchett stated that she had just found out about the longevity bonuses, along with other information, that she wanted to run by Cordeiro. This is why she wanted to table the discussion so that she would

have time to fully research the information. Chairman Hardwick suggested tabling the conversation until next month when more information would be available, and the employees can make an informed decision and the Youngsville ABC Board can move forward.

Cordeiro stated Prudential Retirement was another option. He explained the employer can contribute to a 401(k) or 457 Plan, noting the type of plan was dependent on membership with LGERS. This would be an individual retirement account and the employee won't have to match unless they wish to contribute. Cordeiro stated he would get some information together to present next month. Member Houser asked Member Stutzman if he took this information into account and Member Stutzman explained if the employees couldn't afford to take money out of their checks for LGERS then he didn't think they would be able to take it out for 401(k) either. Patterson noted the Town gives their employees 5% contributions to 401(k) whether an employee contributes or not. LGERS contributions are made up of 8.75% from the employer and 6% from the employee. She stated they could go into LGERS for new employees and do a 401(k) match for the current employees. Cordeiro noted if they did decide to join LGERS, then all employees would be required to participate. Cordeiro explained how 401(k) Plans worked and rolled over to other employers. Member Stutzman explained about being vested in LGERS and noted the 401(k) will run out but the LGERS will give lifetime benefits and is a better option for the long run, especially if the Youngsville ABC Board agreed to cover the 6% contributions for the first five years to get the employees vested. He noted that the new building would increase profits which could translate into higher wages for the employees. Member Stutzman noted that not only was there a retirement check for life with LGERS, there was also a life insurance policy. Member Houser suggested that everyone bring back their proposals and figures to the next meeting. He also suggested making sure which proposal worked for both employees. Patterson noted she will get the information to the Youngsville ABC Board on both options. Member Norman stated she would meet with Member Stutzman to work on their proposal.

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. Hurd asked everyone to look at their contact information and update her on any changes, especially phone numbers.

The meeting adjourned at 10:27am.