

Virginia ABC Board Meeting Minutes

June 7, 2024

Call Meeting to Order

Meeting called to order at 9:05 a.m.

Attendees

Board Chair Tim Hugo
Board Vice-Chair Mark Stepanian
Board Member Greg Holland
Board Member William Eulle
Board Member Lisa Jennings
CEO Dale Farino
GAO, John Daniel
CLEO, Tom Kirby
CROO, Mark Dunham
CAO, David Alfano
Deputy Secretary, Chris Curtis
Office of the Attorney General, Jim Flaherty
Director of Finance, Doug Robinson
Executive Assistant, Kathleen LaMotte
Senior Paralegal, Helen Gordon

Opening Remarks

Board Member Eulle advised that due to traffic conditions on Interstate 95, he will arrive late to the Board meeting

New Business – Board Approval

Approve Recommendations of Real Estate Committee (REC)

- In the May Board meeting, the Board renewed two counter stores and delayed a vote on five renewals. Susan Johnson, Director of Real Estate, will return these to the Real Estate Committee for further discussion at the next meeting on June 13 and return them to the Board. Two of the leases were already renewed, and three will return at the Board meeting in July.
- The Chair asked for questions and comments from the Board and staff. There being none, Board Member Jennings moved to accept the REC's recommendations for one relocation, Store 338 (Waynesboro), and four renewals, 383 (Harrisonburg), 412 (Stafford County), 164 (Crewe), and 298 (Suffolk). Board Member Stepanian seconded the motion, and the Board adopted the recommendations of the REC on a roll-call vote 4– 0. (Mr. Eulle was not present for the vote)

New Business – Board Information

Third Party Delivery (John Daniel)

Board Chair Hugo asked for update on an ongoing study on third party delivery study worked on by Craig Maxey.

John Daniel reported that:

- Cocktails to go started during COVID. Within parameters of an Executive Order from then Governor Northam and some creativity, the Authority created a Topic that authorized cocktails to go from brick and mortar restaurants to assist them economically through the course of the pandemic. This was subsequently put into statute with two-year

sunset date. ABC is now doing an analysis of compliance for cocktails to go. In initial results, from a compliance perspective, primarily meaning underage delivery, aiming for a 98 – 99 % compliance consistent with ABC store rate. Cocktails to go compliance in low 90s – upper 80s from pure third party delivery (Doordash and others). There was not a a lot of good analytics and data, but data showed more of a 56% compliance rate, with events such as the delivery drivers not checking IDs.

- Two bills came out of the General Assembly sessions, presented by Delegates Rousch and Leftwich requesting that ABC conduct another, more thorough study and taking away cocktails to-go from third party delivery services. One of the key components of the study is that ABC has to do 200 sting operations. We've reached out to our stakeholders for assistance and Chief Kirby is working on these operations. Our work group will meet next week, then in August, September and October, with a final meeting in November.
- ABC is facilitating further study and will do the mandated components required by legislation, with a primary focus on public safety.
- Heidi Cook thanked Mr. Daniel and Mr. Kirby for the opportunity to participate in these work groups and looks forward to participating.
- Mr. Daniel will ensure the Board knows the five upcoming meeting dates for this study and added that stakeholders like to see Board Members there.

IT Security Exceptions (Dale Farino)

Mr. Farino reviewed three Security Exceptions he has signed on behalf of the Board, a summary of which was provided in the Board's packet. Each exception is being addressed by the Authority. These are reviewed by the IT Security Officer and Internal Audit and signed by CEO. These had to do with equipment in stores and the Distribution Center. Some of the software that runs equipment is going out of date or are already out of date.

Closed Session

At 9:23, Chris Curtis read a motion that the Board enter closed session pursuant to Virginia Code §2.2 37.11(A)(7) regarding personnel matters and actual or probable litigation to receive legal advice from counsel pertaining to matters before the Board. Board Member Euille made the motion, which was seconded by Board Member Jennings. The motion passed on a roll call vote of 5 – 0. Attending the closed session in full were Tim Hugo, Mark Stepanian, Greg Holland, William Euille, Lisa Jennings, John Daniel, Dale Farino, Chris Curtis, David Alfano and Jim Flaherty

Return to Open Session

When the Board returned from closed session at 11:09 a.m., Chris Curtis read a motion to certify that to the best of each member's knowledge, nothing was discussed in the closed sessions except what was covered in the motion to go into closed session, and only public business matters lawfully exempted from open meeting requirements was discussed. Mr. Euille made the motion, which was seconded by Vice-Chair Stepanian. The motion passed on a roll-call vote of 5 - 0.

Motions from Closed Session

Mr. Euille moved to approve the legal matters properly discussed in the closed session. The motion was seconded by Mrs. Jennings, and passed on a roll call vote of 4 – 1, with Mr. Holland voting nay.

Mr. Stepanian moved to approve the operational matters properly discussed in the closed session. The motion was seconded by Mrs. Jennings. The motion passed on a roll call vote of 5 – 0.

Fiscal Year 2025 Operating Budget Update

David Alfano reported that:

- Since the last meeting with the Board, the Authority has continued to look for efficiencies and continued to examine ways to increase profitability.
- The Authority’s fiscal team provided a look-back through FY2020 per the request of Mr. Hugo. Since the budget presented to the Board in May, the Authority shows an improvement of \$1.5 million; achieved through operating efficiencies, administrative, and regulatory costs.
- New spending changes to the budget were made in since May. These include an additional investment to ensure compliance and payment cards are secured, about a \$300K investment to ensure compliance with PCI cost will be incurred in FY2025. There will also be a reinstatement of a service award program at a cost of near \$100,000. Enforcement also has a new spend of \$500,000 for modernization. However, with the \$2.4 million in identified savings through efficiencies, the total change to the proposed budget is \$1.5 million in spending reduction.
- The Board will not vote to approve the budget until their meeting on June 27. Mrs. Jennings asked if the budget would change between now and the end of June, and Mr. Farino said they would not change drastically.
- Mr. Alfano advised that once the budget is set and approved, the Authority does not stop adjustments as needed. Depending on how sales go, the Authority will have continuing discussions to boost sales and may generate additional revenue and will continue to look at every opportunity to rigorously examine spending. The authority’s goal is not just trying to get to budget, the objective is to generate greater profit.
- Mr. Hugo encouraged the board members to ask Mr. Alfano or Mr. Farino any questions regarding the budget.

Comments from the CEO

Mr. Farino introduced Lori Murphy, the Authority’s new Director of Retail. Ms. Murphy has been with ABC for over 28 years, and is excited to help us move the Authority forward.

Comments from the Board

- The Chair discussed a recent contact he had from Carnival Cruise lines. Due to the bridge collapse in Baltimore, Carnival Cruise Lines and others had to re-route to Norfolk. Some of those ships didn’t have ABC licenses for Virginia, and the Authority moved quickly to get them in compliance. Carnival also worked with ABC to arrange with Carnival to resolve their issues with their unlimited beverage program not being in line with current Virginia Code. ABC officials worked with Carnival, and Carnival reported to the Chair that Virginia ABC helped to create a business-friendly climate. Carnival appreciated the nimbleness of ABC staff, and look forward to working with ABC in the future as more cruise ships make Norfolk their home.

Public Comments

None received

Meeting Adjournment

Meeting adjournment at 11:25 am.