

Virginia ABC Board Meeting Minutes

December 3, 2024

Call Meeting to Order

Meeting called to order at 9:09 a.m.

Attendees

Board Chair Tim Hugo
Board Vice-Chair Mark Stepanian
Board Member Greg Holland
Board Member William Euille
Board Member Lisa Jennings
CEO Dale Farino
GAO, John Daniel
COO, Tom Kirby
CAO, David Alfano
Chief Human Resource Officer, John Singleton
Deputy Secretary, Chris Curtis
Office of the Attorney General, Elizabeth Peay
Change Management Manager, Davishia Baldwin
Director of Finance, Doug Robinson
Senior Legal Counsel, LaTonya Hucks-Watkins, Esquire
Senior Paralegal, Helen Gordon

Opening

- Chair Hugo called the Board meeting to order.

New Business – Board Approval

Approve Minutes From October 29 Board Meeting

- No discussion. Member Stepanian made a motion to approve the minutes as written.
- Member Euille seconded the motion.

The motion passed on a roll call vote of 5-0.

Real Estate Recommendations

- Mr. Farino – There are 7 renewals this month which are:
- Store 125 – Charlottesville = Lease 2800 square feet at \$17/square foot
- Store 179 – Urbana – Lease 2256 square feet at \$9.22/square foot
- Store 232 – Colonial Heights – Lease 4500 square feet at \$18.77/square foot
- Store 300 Hanover – Lease 2412 square feet at \$23.90/square foot
- Store 310 – Hopewell – Lease 2700 square feet at \$14.64/square foot
- Store 351 – Amelia – Lease 1920 square feet at \$15.79/square foot
- Store 366 – Henrico – Lease 4473 square feet at \$30.81/square foot

- There being no further discussion, Member Holland made a motion to approve the renewals as stated.
- Member Jennings seconded the motion.
- The motion passed on a rollcall vote of 5-0.

Approve Strategic Plan

- ABC has not had a strategic plan since 2022. This one sheet plan is something that employees can utilize frequently for guidance. This plan was developed by the Directors. This plan has 5 pillars; safety, team members, process and technology, retail customers, and financial. We have objectives for each pillar and performance metrics on how to measure those with constant feedback from the directors.
- Mr. Farino reiterated that this plan is just a guide and we can change it as we go.
- There being no further discussion, the Chair called for a vote. Member Jennings made a motion to approve the strategic plan as written.
- Member Euille seconded the motion.

The motion passed on a roll call vote of 5-0

Approve Annual Report

- A draft of the annual report was previously presented to the Board and we asked for approval then. We now have a final meeting with the Auditor of Public Accounts next week to review their recommendations for inclusion into the report
- Mr. Alfano noted that our final report has to be submitted by 12/15/2024.
- Mr. Alfano stated that Doug Robinson and our finance team is in the process of double checking all page number references for accuracy. The APA has reviewed our draft and we haven't gotten any comments back.
- Mrs. Jennings made a motion to approve the annual report as drafted.
- Member Stepanian seconded the motion.

The motion passed on a roll call vote of 5-0.

October 2024 Financial Performance

- Store and on-line revenues for the month of October were \$124.9 million; \$4.4 million below budget. October sales were \$14.3M higher than in September and were \$2 million higher than in October of 2023. We've been diligent in keeping costs low. Net profits of \$12.2M in October were \$1.2M or 5.9% favorable to budget primarily due to lower than budgeted operating expenses.
- October year-to-date total store and on-line sales of \$473.7M were \$10.9M or 2.2% below budget. Operating expenses are \$8.3 million favorable to budget, mainly due to vacancies and single coverage in the stores. Beginning in November costs are expected to increase by approximately \$400 thousand resulting from the decision to allow for dual coverage in the stores. Net profits of \$76.9M are \$4 million favorable to the plan. ABC is continuing to leverage new products to increase sales opportunities and is focused on managing controllable expenses more effectively. November results are not yet available but will be distributed to the Board as soon as possible.
- Mrs. Jennings asked if our GACRE forecast was still in the presentation, noting that in 2027, we are recognizing the money we capture from the credit card fees but that should be a recaptured cost and not an income number. While you can plan for it, it's so far out, I'm not so sure you could get approval for that right now.

- Mr. Alfano stated that the credit card recovery fees were in the original GACRE report approved by the Board but were recently eliminated. This change resulted in a \$12M decrease in expected profit transfers beginning in 2027.
- Mrs. Jennings stated that she will make a motion to remove the contra- expenses for the credit card fee capture from 2027-2030 for the GACRE submission and to notify the Board of the number on GACRE after this revision.
- Member Euille seconded the motion.
- The motion passed on a roll call vote of 5-0.
- The Chair asked if we needed to talk to the General Assembly to ask for assistance with technology upgrades?
- The CEO said possibly for a MIPS upgrade. We estimate a cost of \$20 million to upgrade MIPS. Members of the legislature brought up the subject of MIPS.

Hearings

- Asmara Brewery Distributors-request for modification by the Bureau of Law Enforcement
- Juicy Brewing, LLC (licensee did not show)-request for modification by the Bureau of Law Enforcement

The Board entered closed session at 10:43 a.m. by motion of Member Jennings, seconded by Member Stepanian. The motion passed on a roll call vote of 5-0. In attendance with the Board were John Daniel, Chris Curtis, Elizabeth Peay, Kristie Miles and Dale Farino.

The Board returned to open session at 10:58 a.m. A motion was made by Member Jennings and seconded by Member Euille to return to open session. The motion passed on a roll call vote of 5-0.

GACRE

- Mr. Alfano reported that the GACRE report had been updated by Doug Robinson and his team. The team backed out the \$12 million credit card recovery fee and added the money back into operating expenses in 2027.
- The Chair thanked Mr. Alfano and Mr. Robinson for updating and getting that information to the Board quickly.

Approve Regulatory Reform

- Ms. Hucks-Watkins presented the following regulatory proposals for Board approval:
- 3 VAC 5-20-10:
- 3 VAC 5-30-10(B)(3)(g)
- 3 VAC 5-30-30(G)
- 3 VAC 5-40-20(B)
- 3 VAC 5-50-60(A)
- 3 VAC 5-60-10(J)(2)
- 3 VAC 5-20-10
- The Chair asked if there were any further questions and thanked Ms. Hucks-Watkins for her thorough presentation.
- Member Stepanian made a motion to approve the regulatory reform revisions.

- Member Jennings seconded the motion.

The motion passed on a roll call vote of 5-0.

Public Comments

- The Chair asked for any comments from the public and the Board members and there were none.

Adjournment

- The Chair adjourned the meeting at 11:44 a.m.