

# Board Meeting Minutes

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## Virginia Alcoholic Beverage Control Authority Board Meeting

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ABC Headquarters – June 18, 2020 – 10:00am

**Pursuant to Governor Northam’s Declaration of Emergency due to the Novel Coronavirus (COVID-19) and best social distancing practices, today’s Board Meeting will be held electronically**

### **Call Meeting to Order**

Authority Board Chair Maria J.K. Everett called the Board Meeting to order at 10:04 am.

### **Attendance**

Board Chair Maria Everett  
Board Vice-Chair Beth Hungate-Noland  
Board Member Mark Rubin  
Board Member Greg Holland  
Board Member William Euille  
Chief Executive Officer, Travis Hill  
Deputy Secretary, Chris Curtis  
Chief Government Affairs Officer, John Daniel  
Kathleen LaMotte, Administrative Assistant  
Chief Retail Operations Officer, Jeff Reeder  
Chief Communications and Research Officer, Eddie Wirt  
Chief Information Officer, Paul Williams  
Jim Flaherty, Attorney General’s Office Representative

### **Approval of Minutes**

Board Chair Everett moved to defer approval of the minutes until the July meeting in order to send technical changes to Ms. LaMotte.

### **Chief Executive Reports**

#### **Chief Law Enforcement Officer**

Chief Kirby provided an update on the new licensing system. The go live was scheduled for July 13, but due to the impact of COVID-19 and subsequent loss of resources and a significant amount of complex data conversion unable to be completed until October, there was additional development work to be done. In the next phase of the project, ABC worked with a vendor to identify work remaining to be done and identified remaining budget available for projected expenses to complete the second phase of the project. The licensing system will be ready to go live in July 2021.

Mr. Hill stated that while the project was slightly behind schedule, the scope also changed drastically with license reform passed by the General Assembly.

Chief Kirby also updated the Board on skill gaming. The skill gaming registration form, FAQ, and monthly report are prepared to go live on the website. Two positions are currently advertised to help kick the project off. The number of distributors who have filed their intent to register is currently up to 118.

Chief Kirby provided comments regarding the current state of the Enforcement division relating specifically to recent news developments regarding racial relations and policing. Chief Kirby stated that while ABC is not a primary law enforcement agency, all our LEO’s are sworn and we are an accredited agency. After the tragedy with George Floyd’s murder in Minneapolis, Virginia ABC Enforcement reviewed the video and discussed their

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duties to act or intervene if other officers are applying improper techniques to stop that activity. Virginia ABC has provided additional training in bias-based policing, de-escalation and special-needs policing. Chief Kirby has coordinated with other agencies and regional academies to expand training, to add policing in minority communities and working with consulting groups to provide additional opportunities. Virginia ABC is conducting an internal review of the Bureau of Law Enforcement (BLE) and stood up a workgroup in training and accreditation. The BLE is reviewing all training and policies, and implementing an immediate change in prohibition of chokeholds and duty to intervene.

Mr. Euille asked about demographics about BLE currently, Chief Kirby said it is a very diverse force, in the past 2-3 years have increased diversity, but it is not at the level that Chief Kirby would like it to be.

Mr. Rubin thanked the Chief for being proactive with this update and his leadership.

Chair Everett noted Chief Kirby's willingness to take on issues and his flexibility and his forward-looking approach

### CROO Report (Reeder)

Mr. Reeder provided an update on large-scale projects and the divisions he oversees.

The Point of sale (POS) project has its first pilot store up and running. The store opened on time and experienced a near seamless conversion of register operation. All employees may now clock in and out on the register, which is preferable to the old system of using a computer in the back room. Most of the system in the store is out of the VITA network, and ABC's Sales Audit department received the data as expected, and the inventory counts appear to be correct. Two more stores are being set for further pilots. ABC is on track for roll-outs in August by region, with full fleet rolled out in September.

Chair Everett asked if the new system supports contactless payment, Mr. Reeder advised that the PIN system is run through Treasury and not managed by ABC, but in the long-term contactless payment is planned.

The Marketing department hired a new consumer marketing manager, Elsa Nourse. Marketing completed work with category management partners as part of new SKU optimization process. Mr. Reeder advised that Marketing is getting closer to a pre-COVID state, using ABC website and mailing lists for promotion, but no outside advertising is planned until all of Virginia is in Phase 3. Marketing is promoting curbside service

Mr. Shiffer is meeting with industry partners to develop a plan for listings while ensuring social distancing and safety.

A new schedule was implemented in the warehouse on June 1, where employees work four ten-hour shifts. Logistics has also implemented several changes to enhance employee safety. From a warehouse production standpoint, there was a 17% increase year over year in May cases sent. Logistics projects an average daily count in June of over 26,000 cases, even though a conveyor failure on June 10 put the team behind schedule.

The Real Estate/Facilities management group reports 388 store open currently. Twelve new stores opened this year, two ready to be opened after COVID-related closures. Thirteen stores were relocated, five were modernized 5 stores, and ABC is currently remodeling the Merryfield and Henrico/West Broad locations.

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ABC's Retail division's new hires since March have hit 997, while call-outs average about 429. Retail has done a lot of work to keep stores open. The counter stores, put in place during Phase 1 of the COVID crisis, are being rolled back, and ABC will continue to monitor changes in Governor's phases and ability to have more people in stores. The markers reminding people to stay at least 6 feet apart will remain on the floors, and some stores will continue to have one-way aisles to help with social distancing.

Mr. Holland asked if COVID has impacted Estes' ability to deliver to stores. Mr. Reeder responded that while there have been a few small hiccups, but the schedule has been made whole. At one point deliveries were five days behind, but that has now been mitigated.

Store hours are returning to pre-pandemic closing times, but will continue to open at noon. When the entire state is at phase 3, ABC stores will return to normal operating hours.

### GAO Report (John Daniel)

Mr. Daniel advised that the yearly legislation summary is currently being prepared and should be sent by the communications department next week. The next General Assembly special session will likely focus on fiscal matters and police reform.

The Virginia ABC has much regulatory work to do regarding license reform legislation by July 1, 2021. Efforts thus far have included informing stakeholder groups about the impact of legislation and soliciting information. Mr. Daniel received a letter from general laws and senate rehab committee on shipping issues that asked for a report, Mr. Daniel is working with stakeholders vested in that issue. Regarding Skill games, Virginia ABC has received notice of intent for 11,689 machines. The draft regulations approved last week by the Board were approved and reviewed by Secretary Moran's office and are currently with the Governor's policy office.

Vice Chair Hungate Noland moved to ratify the approval of amendments suggested by staff and approval of the final amended regulations, the motion was seconded by Mr. Holland. The motion carried on roll call voice vote 4-0. (Mr. Rubin has recused himself from matters regarding skill games.)

Mr. Daniel provided a summary on the Hearings division. The number of hearings in queue jumped up a little bit, some settlements fell apart and backlog stands now at 42. Virginia ABC is preparing for in-person socially distant hearings in Richmond headquarters, and the regional offices in Chesapeake and Fredericksburg.

### CCRO Report (Wirt)

Mr. Wirt thanked his colleagues for their work on strategic planning. There are about 160 different project initiatives in flight, the C-Suite held meetings to prioritize them, and will work on a draft strategic plan. These initiatives were categorized in strategic goals and objectives. Virginia ABC employees will all have an opportunity to review the strategic plan to understand how they fit in with the strategic goals of the organization

A contractor, Thought Logic, led a project team pursuing long-term delivery research. Their research and industry best practices were presented to Virginia ABC leadership. Currently, Virginia ABC's delivery is limited to residential home deliveries. Further research is being done with regards to delivery for licensees. Thought Logic identified eight key functions for ABC to focus on. Mr. Wirt shared the Operational Assessment Background created by Thought Logic with the Board.

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Mr. Rubin asked about how the age of the person receiving deliveries is verified, and Mr. Wirt reviewed UPS's procedure.

Preparations continue for a virtual Youth Alcohol and Drug Abuse Prevention Project (YADAPP) by the Education department.

Virginia ABC's Communication department continues to send a high-volume of messages regarding COVID 19 – up to about 115 communications over the last 3 months including consumer messages and messages to employees. Virginia ABC staff is staying on top of social media inquiries and responding quickly when necessary.

### CIO (Paul Williams)

Mr. Williams provided an update on the state of the projects in the table provided in the Board's informational packet. Many projects, including Accelerated home shipping, Curbside delivery, Licensing and the POS replacement have gone into pilot phases, which has been a good morale lift for team.

Mr. Williams reported that VITA trying to improve services and circuit management. Mr. Holland asked when the potential date for completion of VITA disentanglement is. Mr. Williams responded that ABC is down to about 30% of VITA services but all PCs still maintained by VITA and circuits and phone still maintained by VITA, detailed efforts underway, anticipates being completely out in November of 2020.

### CEO Report (Travis Hill)

Mr. Hill will also cover CAO update today, as Mr. Fowlkes is out of the office. The HR report provided to the Board showed two additional positions being recruited for enforcement, and about \$300,000 in additional compensation in COVID response efforts. Bonuses were provided to many front-line workers including retail and warehouse personnel.

Regarding Procurement, as part of supply warehouse move, Procurement signed a contract with CINTAS to provide supplies to stores and regional offices.

Mr. Hill shared update on return to work planning. A survey to employees demonstrated a lot of discomfort in returning to work and fears of exposure to COVID at the office. Teleworking was viewed overwhelmingly favorably by the survey respondents. A task force is researching potential temperature screening of employees and other efforts to plan to return employees to the building. Mr. Hill is not inclined to push hard as we are able to do work in a remote status with favorable results.

Mr. Euille asked about set up in the new headquarters building to support social distancing. Mr. Hill responded that some design changes were made, to include adding additional breakrooms, changing the entrance and exit, and are researching inclusion of UV filtering lights in the HVAC system to help create a cleaner and safer space. Workstations will have full separation of employees when seated. Workers can sit six feet apart, and will still have ability to telework at the new facility. The construction of the property is still on schedule, and the exterior walls are up.

The pilot store for Accelerated Home Shipping is running in Suffolk. Some minor issues need to be addressed to make the process more efficient, it is hoped these will be addressed by September before expanding the pilot to other stores. Given the potential for another COVID wave in the fall and winter, Mr. Hill hopes to be able to expand to other stores.

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Central and regional offices will be closed for Juneteenth, warehouse closed but small crew available to receive about 27 expected shipments. Retail stores will operate normal hours, but essential employees working will receive eight hours of additional leave.

Stu Smith reviewed the budgetary packet sent to Board. Mr. Smith estimated that ABC will exceed the profit requirement set by the General Assembly due to sales exceeding forecast and expenses coming in under budget. COVID expenses amounted to over \$2.2M through May, this includes increased cleaning/sanitization and service pay. Cost of goods sold as a percent of sales has been on slight downward trend for several years, while fees for credit cards as a percent of sales have been increasing as consumers prefer to use cards to cash. ABC may be reimbursed for some COVID expenses, but not counting on that reimbursement in forecasting. Mr. Smith estimates a decrease in profit in 2021. Vacancies may not increase this year, and staff is not taking a lot of leave, leaving an obligation on the books.

Mr. Smith reviewed Decision Brief summary of items recommended for approval or denial by the Board. Should the Board elect to adopt these recommendations, this would provide a balanced budget and ability to meet profit transfer requirement for upcoming fiscal year.

Mr. Smith reviewed the estimated profit transfer, more is being transferred than is required by the General Assembly.

Mr. Rubin moved to approve the budget at proposed, Vice-Chair Hungate-Noland seconded. The motion carried on a roll call vote of 5-0.

Mr. Euille moved to approve the budget decision briefs as presented, Vice-Chair Hungate-Noland seconded. The motion carried on a roll call vote of 5-0.

### **Real Estate Committee Actions**

Mr. Hill reviewed the REC recommendations from their May 20, 2020 meeting. Manchester Commons got a few comments that an ABC store was not wanted, but the landlord provided a good response on ABC's behalf and REC voted to go forward

Board Member Euille moved to accept the Real Estate Committee's recommendations for a new store, store 404 (Richmond), two relocations, store 180 (Richmond) and Store 314 (Henrico), and seven renewals, store 044 (Caroline), 103 (Thornburg), 126 (Nellysford), 140 (Lexington), 151 (Hopewell), 178 (Dillwyn) and 415 (Virginia Beach). Board Member Holland seconded the motion, and the Board adopted the recommendations on a roll-call voice vote 5 – 0.

The closed session listed on the agenda is not needed at this time.

### **I AM STILL WORKING ON THIS CHART NOT FINAL**

CATEGORY/DEPT.	POLICY	BOARD ACTION
Real Estate	new store, store 404 (Richmond), two relocations, store 180 (Richmond) and Store 314 (Henrico), and seven	Euille moved to accept, Hungate seconded. Adopted 5 – 0

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	renewals, store 044 (Caroline), 103 (Thornburg), 126 (Nellysford), 140 (Lexington), 151 (Hopewell), 178 (Dillwyn) and 415 (Virginia Beach)	
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### **Old Business**

None

### **Comments from Board**

Chair Everett would like the Board to commend the staff members that came to protect the stores that assisted during recent civil unrest in Richmond. Mr. Hill believes there may be internal opportunities to recognize this effort in enforcement ceremonies. Chief Kirby will work on this and appreciates Board's desire to be supportive of this.

### **Public Comments**

None

### **Meeting Adjournment**

At 12:45 pm, with no further business, Chair Everett adjourned the meeting.