

BOARD MEETING MINUTES: September 15, 2023 ABC Headquarters

Call Meeting to Order at 9:03 a.m.

Attendees

Board Chair Tim Hugo
Board Vice-Chair Bob Sledd
Board Member Greg Holland
Board Member William Euille
Board Member Mark Rubin

Chief Executive Officer, Travis Hill
Chief Government Affairs Officer, John Daniel
Chief of Law Enforcement, Tom Kirby
Chief Retail Operations Officer, Mark Dunham
Chief Administrative Officer, David Alfano
Chief Digital and Brand Officer, Vida Williams
Chief Information Officer, Paul Williams

Deputy Secretary, Chris Curtis
Office of the Attorney General, Josh Laws
Director of Finance, Doug Robinson
Executive Assistant, Kathleen LaMotte
Administrative Staff Assistant, Lisa Cherefko

Approval of Minutes

The Board reviewed the minutes from the July 20 and August 22, 2023 board meetings. Board Member Holland moved to amend minutes to remove a sentence concerning the nature of the budget discussions. Mr. Holland moved to approve the minutes as amended, Board Member Rubin seconded the motion. The motion passed on a roll-call vote of 5 – 0.

CEO Announcement

Travis Hill spoke on the Authority's August 30 announcement concerning revised store hours for about 169 store locations. Mr. Hill advised the Board that he wasn't aware of the revisions or the announcements. There is a periodic process to amend store hours, and this decision was not tied to the recent budget process. While this was in keeping with prior practice, Mr. Hill advised that too many stores were adjusted. The Authority reviewed prior sales and initial sales for the first 10 days of hours reductions and asked for retail to return stores to their previous hours of operation on September 22 to give stores time to ensure adequate staff coverage. A new process will be set up to include retail, finance and analytics to focus on store hours and any adjustments to store hours will be approved by Mr. Hill, who will also approve leases as they come up. Mr. Hill stated going forward any adjustments to store hours or leases will be approved by him so that he can communicate changes to the Board and stakeholders. Chairman Hugo advised obtaining industry input prior to making any changes to store hours.

Adoption of Commending Resolutions

The Board reviewed resolutions commending the service of former Board Chair Maria Everett and Board Vice-Chair Beth Hungate-Noland. Director Euille moved to approve the resolution, Board member Rubin seconded the motion, and the motion passed on a roll-call vote of 5 – 0.

Approval of revised Travel Policy

Doug Robinson, Director of Finance, reported that:

- The Authority recommends the Board reinstate the use of the GSA per diem for meals and incidentals for travel expenses. In 2023, the Authority spent over \$700,000 in travel costs and returning to the per diem rates for meals and incidentals will reduce the burden of record keeping for frequent travelers and make the expense reporting process more efficient. Use of the GSA per diem is an accepted practice throughout the Commonwealth.
- To use the per diem rates, a traveler would have to book an overnight stay 60 miles or greater from their workplace and the travel must be approved by a supervisor.
- This change is being made because frequent travelers, largely from Real Estate and the Bureau of Law Enforcement, requested a return to the use of the per diem rates to reduce the administrative burden and recordkeeping. The return to per diem will result in significant efficiencies in auditing expense reports, however, it would not reveal the purchase of alcohol, but employees are expected to follow the code of conduct. This is a net neutral change that will result in slight cost savings. The processing time for expense reports is 15 – 20 minutes and if there are any errors in the report, it must be corrected and go through the process again. The existing BAR system has the functionality to allow for this change, so there is no extra spend for third-party contractors.

Vice Chair Sledd moved to approve the updated Travel policy, this motion was seconded by Mr. Rubin. The motion passed on a roll-call vote of 5 – 0.

Approve Recommendations of Real Estate Committee

Mr. Hill reviewed the recommendations from the August and September Real Estate Committee (REC) meetings.

Mr. Hill wanted to speak on the store conversion from a self-service store to a counter store of Store 361 following high-level theft. Store has been closed since April, and there was a shooting outside the store unrelated to our store. In reviewing the numbers with the committee, the least costly option is to open it as a counter store.

Vice-Chair Sledd asked what the different options and considerations for re-opening Store 361 were. Mr. Hill responded that personal safety for employees and the reduction of theft were core factors in the decision, and the upcoming presentation from Retail will review other theft mitigation efforts underway.

REC recommended the relocation of Store 036 (Gainesville), and the renewals of 27 new stores, stores 152 (Farmville), 197 (Tazewell County), 247 (Glen Allen), 250 (Hampton), 340 (Newport News), 352 (Herndon), 056 (Winchester), 124 (Covington), 132 (Martinsville), 176 (Brookneal), 214 (Clarksville), 229 (Roanoke), 251 (Richmond), 304 (Goochland), 304 (Goochland), 335 (Williamsburg – York County), 356 (Radford), and 386 (Stuarts Draft).

Mr. Euille moved to accept the REC's recommendations. Mr. Holland seconded the motion, and the Board adopted the recommendations of the REC on a roll-call vote 5– 0.

Update on Retail Theft

Mr. Hill introduced retail team that has helped create strategies for stores, especially in Hampton Roads area to help actions to reduce thefts in partnership with local law enforcement to be good stewards for the Commonwealth.

Jennifer Burke, Director of retail, reported that:

- Stores have been divided into three levels of shrink and a store's level determined how decisions were made concerning that store. The levels are:
- Level 1 – Accounts for 354 stores with a 0.40% or below or nonexistent shrink.
- Level 2 – Accounts for 28 stores with a 0.41% – 0.99% shrink rate.
- Level 3 – Accounts for 18 stores with a 1% “or higher “grab and go” rate. These stores are where the Authority is primarily concerned with employee safety.
- All store layouts and camera sight lines were evaluated, and bottle locking devices were added in partnership with suppliers. Unfortunately, the bottle locking devices aren't highly effective as they're easy to remove. They are most effective in Level 2 stores but don't work in Level 3 stores
- Some locations have experienced an individual coming into the back room, taking a case of spirits and then exiting through the back door we have installed intrusion alarms and removed ABC store signage on the exterior back doors so the store exits are not so easily identifiable.
- Retail is providing training to retail employees and working with them so they understand Retail takes their safety very seriously and cautions them to not get involved in a theft but instead be a good witness and instructs them what to look for and when to call 911. Retail is also partnering with the ABC Bureau of Law Enforcement and local Police Departments by meeting with them regularly, sometimes multiple times a week. It was noted that ABC has a good relationship with the Chesapeake Police Department and meet with them once a month to report our progress in slowing down theft. More labor hours were added during peak theft periods.
- The Authority has installed intrusion alarms and keypads on back doors and removed ABC signage from back doors, while the signage helped truck drivers deliver product, it also made an exit strategy more clear for shoplifters.
- Training retail teams on being a good witness and crime reporting criteria was increased.
- Leadership will visit with Chesapeake Police monthly and has seen some progress on slowing down of theft

Chief Tom Kirby reported that the Bureau of Law Enforcement (BLE) has facilitated meetings for retail, and BLE representatives have attended most of the meetings. BLE has relationships with most departments and has done operations in some of the stores to try to catch thefts in progress.

- Retail has reviewed store displays and placed empty product boxes to have a full look, but the empty boxes aid to reduce theft.
- Partnership with local law enforcement offices has been effective; a frequent shoplifter was just arrested this week
- Tim Nixon reviewed Operation Customer Engage. These efforts to mitigate shoplifting by ensuring retail staff is ready to assist and are watching customers. This would help mitigate opportunistic shoplifters, but not the professionals.
- Retail leadership reviewed further steps around training, partnership coordination, continued prevention and mitigation and fortification and statistical updates.
- Rising retail theft is a nationwide problem, not just at ABC

Vice-Chair Sledd asked about recent news stories concerning gangs that swarm into stores across the nation, is this addressed? Director Burke replied that ABC's training does address this, being a good witness is the biggest part of that. There is no bottle of liquor worth their life, and employees are advised to take note and call 911, and not to stop thieves.

- The Authority has implemented several process and system changes – centralized dashboards, upgrades to POS system to capture reporting. There is also a cycle count inventory process.

Thomas Aruanno reported that –

- Mr. Aruanno shared a chart of self-reported shoplifting at Level 3 high shrink stores. While August shrink went up, there is a correlation in the holidays and increased shrink
- Actual shrink in stores, show a downward trend since the new efforts have been implemented.
- Must be cautious of “whack-a-mole” where people shift to other ABC Stores that may not have as much implemented in theft deterrence.

Mr. Hill added that cycle counting will help determine the actual inventory, there is an opportunity to see what is happening, and Internal Audit also working to prioritize higher risk stores.

Vice-Chair Sledd asked about systems in place to address internal theft. Mr. Hill responded that it is reported up through district managers and if there is a crime BLE is involved.

Board Chair Hugo advised that he appreciates ABC adapting to circumstances and adapting to counter stores, and asked if Richmond Police have recommended counter stores? Mr. Hill responded that the Authority is looking at how the actions we take are impacting the rates of theft and will talk on a store-by-store basis, while maintaining a conversation with local police. The Authority tries to balance customer service with deterring customer theft.

Board Member Holland asked about efforts to get the police departments to be more visible around stores. Chief Kirby responded that a recent meeting with ABC leaders and the local police department where ABC implemented many of the suggestions from law enforcement. ABC has also added space in stores for police to come do paperwork, built relationships with precinct captains, and is seeing police officers in stores now. While Virginia ABC has not seen mob type of theft that you see in some cities referred to by Mr. Sledd, it may happen.

Board Member Rubin expressed that while he is fully supportive of all these things, he assumes there is cost. Mr. Hill responded that while staff was added, it is accounted for in the budget.

Mr. Hugo thanked the retail leaders for their presentation.

Information Security Update

Mr. Hill noted the high-level questions will need to go to closed session to not reveal ABC vulnerabilities.

Mr. Williams and Ms. Enroughty reported that:

- The Authority must stay adaptable and aware of potential threats.
- Identity and access management, in the past there were over 100 passwords, and now there is a single sign on with a multi-factor authentication making the system more secure.

Mr. Sledd asked about what threats the Authority is trying to prevent? Mr. Williams replied the major threats are ransomware shutting down systems, encrypting and stealing info and that we mitigate these threats as well as we can. There are also threats of compromised, stealing or sharing of personal and customer information including health information from HR and someone publishing data we wouldn't want shared. The Authority does not store credit card information on any ABC system and a special key is needed to unlock certain sensitive information. Mr. Williams stated it costs money to stop attacks, but it costs much more to fix it.

- In terms of hacks, the user identity is the principal point of weakness. Administrative privileges are limited and only used for specific pieces of work, limits roles for people to avoid moving from function to function. If an account is compromised, it couldn't be leveraged to get elsewhere.

Mr. Sledd asked if the ABC uses older operating systems that are more vulnerable. Mr. Williams responded that the ABC is current on all operating systems, but has some peripheral systems that are older. The Authority is moving to Cloud based systems managed by vendors help stay in compliance.

- The Authority has moved off VITA to software-defined network. During COVID, the Authority had to change culture to a decentralized organization. This has improved our resilience.
- PEN tests are done routinely and fixes are promptly implemented. Have been very happy with network, reliability has been fabulous and ability to test is quick.
- Scanning and compliance – ABC is scanned a lot which cause performance impacts. There is a routine process to create tickets to fix any problems identified in these scans. Sometimes things must be fixed by vendors, fixes sometimes take a day, or longer.

Ms. Enroughty reported that:

- Risk exceptions – one carried forward from a previous Board meeting, 5 new exceptions, 2 closed.
- The Authority refreshed the IT strategy in 2023, this tries to minimize footprint with less exposure, minimize sensitive data.
- Contract with vendors our security requirements from the beginning baked into contract, and vendors monitored for compliance.
- Multi-factor authentication enhances security, required on sensitive systems.
- ABC's Cyber Insurance was recently renewed, premiums went down a little.
- Ongoing efforts include PCI audit for the payment card, which is completed by a third party.
- The APA audit is in process, working on open audit points, hoping can close 2022 items. Still waiting for final report
- Security Operations is constantly reviewing spam emails and malware efforts. Incident response plan reviewed and updated.
- The Authority is constantly looking to improve security and recovery training. Trending positively on compliance. Looks for new and innovative ways to train.
- Regular spearphishing tests are conducted where fictitious emails are sent. These results have trended positively and are much better than industry average.
- Penetration test scheduled for this year for PCI compliance. An outside company tries to get into the system. We have engaged a vendor to conduct the test and reached out to them this week to establish the rules of engagement. We anticipate the test to be completed in Fall, 2023. Internal and external scans of VITA and PCI's will be taken.

Vice-Chair Sledd asked how does ABC keep current and how do we make sure we are one step ahead or keeping up with hackers? Mr. Williams replied that ABC collaborates and works with various industry groups and Commonwealth entities with similar targets and that the staff reads materials to keep current and participate in a multi-state analysis committee. State and local government and schools share information, and we receive regular security alerts the Federal government provides. Mr. Sledd enquired if there is a successful hack, do we have back up? Mr. Williams replied One Drive provides a backup of everyone's PC and all information is encrypted. If a laptop is stolen, data is not compromised because no one can access the data. Mr. Williams concluded that most attacks are ransomware hits and these are not as big a threat to us.

Mr. Hugo thanked Mr. Williams and Ms. Enroughty for their presentation and work being done every day.

Mr. Hill – VAL recovery was a great example of partnership with vendor, BLE and IT and it was a great recovery.

Public Health Briefing

Mr. Hill advised that Katie Crumble prepared this briefing in response to some questions from Mr. Euille. Ms. Williams reported on behalf of Mrs. Crumble, who was unable to attend today's meeting.

Ms. Williams reported that:

- Per a Washington Post Article forwarded by Euille, during the pandemic alcohol use increased by 17% and after the pandemic saw a 1% increase in beer and wine. The largest increase was among 25–44-year-olds.
- Virginia did not experience that same level of change and stayed consistent.
- The rise of hobbies during the pandemic included food and cocktail consumption. Bourbon hunting also accelerated during this period of time, however, this is anecdotal.
- Excessive alcohol use trends are indicating a shift. There has been a decline in binge drinking and experimentation from high school and college students. We consider ABC's engagement with high school and college students as contributing to this decline although nationwide, these groups drink less than those in the past.
- For the first time women are drinking more than males and engaging in more risky drinking of a ratio of 3:1. Anecdotal evidence points to the marketing of light and ready to drink beverages has encouraged this increase and is indicative evidence the pandemic was more stressful and impacted drinking by women.
- In Virginia, alcohol traffic safety trends reflect a downflow of incidences. However, there is an increase in the overall blood alcohol content level when an incident occurs.
- A Gallup Poll shows young adults in the US are drinking less than in prior decades.
- There is a generational trend that is having an impact on the alcohol industry. We are seeing growing popularity with non-alcoholic beverages and low alcohol level bars. Those numbers have not been determined in VA. Retail is interested in the trend and is considering expanding our portfolio of products to include no and low alcohol beverages.
- Research has shown that 40% of consumers weren't "purposeful" in selecting a particular brand and will change brand loyalty if a coupon is available for another brand.
- The Authority is expanding opportunities to engage the community in health and data research. We are partnering with universities and in support of other activities that could challenge alcohol use from a vice perspective. We are making sure we are promoting health and safety. We are seeking to partner with legislators and Bureau.
- Education and Prevention becoming ABC Community Health and Engagement. Overview new departments created under that umbrella and expansion of the mission.

Mr. Euille thanked staff for being responsive to the initial question and he is pleased to know that Virginia is not at the top of the list of alcohol sales increases. He stated that ABC is making outstanding efforts in outreach to protect the physical and mental health of the public and our processes should be shared state wide.

Mr. Sledd asked for specific examples of how ABC is encouraging reduced drinking. Ms. Williams replied that Re that we are entering into partnerships with schools and universities and educating students about alcohol and its effects. The Youth Alcohol and Drug Abuse Prevention Project (YADAPP) is being brought back to high schools for ongoing programs. We receive grants that help with community outreach. We are active with the legislature. We examine product labels to assess if they will be attractive to kids. We are active in crossover products review which is exceptionally important, because alcohol is now being put into traditionally non-alcoholic beverages. We write training programs and conduct webinars.

Mr. Euille – participated in a youth leadership program in Alexandria and the most important thing the youth were concerned about was mental health.

Organizational Structure Update

Hill reported that:

- On page 141 of the Board’s materials, a new organizational structure was shared. Ms. Williams would be assuming leadership of the Authority’s Communications Division in conjunction with a new hire, Public Information Officer Jeff Caldwell, who served in the McDonnell administration as well as at several other Agencies.

Mr. Caldwell’s position was being recruited prior to the departure of the previous Director of Communications. Mr. Hill replied that externally and internally we have divided those functions across two individuals. Tracey Lorraine was already the Director of Change Management, and the Authority will utilize her past experience with communications. Creative Services added to digital, which often partners with local businesses and synergizing around KPI and ROI. All will be moved to the third floor to sit together to promote collaboration and efficiency.

Mr. Sledd stated that the retail division needs to focus on making the system more efficient for licensees, and helping them with their sales, how do you envision that going forward? Mr. Hill responded that Regional Managers will work with licensees to help them place their orders and that our store on Broad Street is very engaged with licensees and has a very large back room. Mr. Hill indicated that we continue to work on ACH payment and other positions. Ms. Burke stated a lot of stores specifically set up to accommodate licensees, they have roll up garage doors, etc. Almost every store has licensee engagement. If there is an obstacle, they report it to their Regional Manager and they begin to find a solution. We will be working closely with the casinos prior to them opening to explore what they need from ABC even if that means opening a larger store near them and noted 20% of all allocated items are allotted to licensees. If the licensees don’t take the bottles, they go to the stores.

Mr. Rubin added that the Authority’s BLE spends a lot of time with licensees to help them comply, not just punish. Chief Kirby assured the Board that the BLE actively develops relationships with licensees.

Updates from the Office of Legal Counsel

Mr. Daniel reported that:

- The Authority recently completed a ten-month process going line-by-line of the regulations with stakeholders. The Authority provided these proposed regulations to the Board to take home and review, and the Board will be asked to vote on them at their November Meeting.

Sara Ross reported that:

- The Authority held over 25 internal and external meetings with stakeholders from all three tiers in regulatory review.
- Stakeholders from all three tiers were involved in the regulatory review planned in 2022. The approach was to make sure regulations were clear. Our regulations guide is for all three tiers and set up how according to how Enforcement will regulate the code.
- Highlights include the second tab in the Board binders contains a clean version of proposed regulations and the third tab contains the redlines.
- There were 12 regulations for which they offered substantial modifications. 21 regulations were partially or entirely deleted.

Mr. Rubin asked what is the process is going forward and was there a final meeting to ensure we met the obligation for obtaining public comments? Mr. Daniels replied they would be ready by the next board review and then the new regulations can be finalized and added that a lot of commentary was written and discussed in detail but almost most all comments were complimentary. They made sure they went through each comment and addressed it even if they disagreed.

Mr. Rubin remarked this was quite an amazing process and extremely well attended by all three tiers with lively discussions.

Chief Reports

GAO Report

Mr. Daniel reported that:

- The Board's binder contained a basic summary sheets on magnitude and volume of cases of what OLC is doing.
- In this time period, Hearings received 111 referrals from Enforcement – about two a day.
- Expedited consents are a very successful program for penalties that comport to the regulations and bring matters to a speedy resolution.
- Negotiated settlements are mostly the work of the OLC, those are ones that get a little bit sticky that can't move forward with expedited consent.
- Three board appeals are pending – Board will review in closed session.
- FOIA requests were fairly substantial during this last reporting period.

CLEO Report

Chief Kirby reported that:

- Recruiting efforts for sworn staff are on the right track: ABC had a hire a few months ago of 15 special agents, now down to 14. Three existing agents have transferred to the compliance unit, which works with licensees and distributors. This was in Northern Virginia, Chesapeake and Richmond.
- Two processes underway right now – one is just for northern Virginia. There were a few more people in process that didn't accept the offer, and a new hiring process started immediately.
- Reviewed industry standard best practices process, including polygraph, roundtable, medical and psychological testing. There are four weeks of in-house training and 12 weeks with an established agent.
- Extended three conditional offers to NoVA agents. There's another process in the background phase, about 38 checks underway right now, the number will go down.
- ABC BLE is stringent about who we hire, which may be different from a traditional law enforcement agency. We are hopeful that we'll get 15 – 20. There are a total of 41 in the pipeline (though not all will be hired) they may be onboarded starting late November.
- We have seen a great deal of improvement – used to hire just two agents at a time. Believes we are on the right track, and we will be able to fill the remaining open positions

Mr. Sledd asked what the turnover rate is in Enforcement? Chief Kirby replied that it takes four years for an Agent to be fully trained due to the complexity of the laws and restaurant associations employ attorneys to understand the laws. This is why we have a six-month hiring process. We have recently combined the written test and oral board to happen on the same day so candidates get more of the process completed in one day. It takes four weeks complete the background checks.

Mr. Sledd asked how long it takes before an Agent is effective? Chief Kirby responded they are effective after 16 weeks of training and noted that while they have their own assigned territory they work directly with licensing, other agents, SACs and Command and the Office of Legal Counsel. The turnover rate has slowed now that new initiatives have been put in place. Mr. Alfano will work with the HR team to pull statistics.

Mr. Hugo asked if all Special Agents must be sworn police officers and if it would be possible to leverage non-sworn resources. Chief Kirby replied all Agents must be sworn police officers. Director Hugo stated he had received a letter from stakeholders asking the Board to look into utilizing non-sworn employees. Chief Kirby

said years ago we attempted to utilize non-sworn resources and it was inefficient because it was difficult to balance work between what sworn and non-sworn can do and a non-sworn employee would be reluctant to go into a public safety incident. Chief Kirby concluded that we are always looking for ways to leverage non-sworn employees but not to be investigators or go into businesses.

CROO Report

Mr. Dunham reported that:

- Retail sales are sluggish compared to last year at this time. The National Retail Federation reports that credit card sales throughout the US have been in a slight decline in several states but remain optimistic going into the Holiday season.
- Bottle sales and licensee sales are down. There is a small reversal in retail bottle sales, not seeing sales growth. Consumers are buying more small sizes. There is also a softening in the retail market. Diageo is predicting market sales to go down.

Mr. Alfano commented that August preliminary numbers are below budget by almost \$4M.

- DC Out Of Stocks – typically 65 – 75 items pre COVID, now it's 127. Haven't seen that number since October of 2020. This is caused by supplier issues – load scheduling, manufacturing is still there.
- Ms. Heilborn added that the ABC is still seeing crunches in inbound shipping, global shortage of shipping containers, many suppliers are still struggling, especially with flavors.
- Marketing efforts will focus on key events. A Doorbuster sale is planned around Halloween.
- Real Estate – budgeted four new store openings this year.

Mr. Sledd asked if it would be helpful for the Distribution Center to track productivity numbers better such as cases moved per labor hour and that the Board would like to know trends from the old facility vs. the new because we spent all this money to be more efficient and they want to know if the new facility is paying for itself? Mr. Dunham replied productivity in the warehouse should be dramatically better now vs. in old building but they will start putting those kind of numbers in reports.

Mr. Sledd complimented ABC as many transitions of this magnitude fall flat on their face and ABC made sure we maintained continuity. Now that we have done that, ABC should concentrate on improving efficiency.

Mr. Hill commented that ABC launched texting notifications for allocated liquors and had 25K sign up in the first 24 hours. This helps move shoppers off social media.

Mr. Hugo asked why sales were flat. Mr. Dunham replied that sales experienced substantial increases during COVID and are now levelling off. Mr. Shiffer reported that industry partners advise alcohol sales are soft nationwide. Mr. Dunham will work with NABCA to see if there is reporting available for control states.

CAO Report

Mr. Alfano reported that:

- Sales for the month of July. August is still preliminary will be available at the next meeting.
- July store sales on target. Higher licensing and permit fees brought revenue over budget. Variable administrative costs, this is where retail and dc wages fall. There was an over-allocation of hours and there is a plan to get back on track.
- Lower than anticipated IT hardware and software costs helped offset retail costs. Will continue to monitor monthly and make adjustments to stay on plan throughout the year.

CIO Report

Mr. Williams reported that:

- Staffing levels are good, reliability is good. The Authority is targeting an 8% vacancy rate. It takes a while to hire, Mr. Williams thought the market would get better but it is not moving. Hiring is difficult, had a couple of unsuccessful recruitments. There is competition and salary competition with other agencies.
- Reduced the number of products, reduced the number of hours. Not making targets now, not capitalizing on labor, doing smaller products and bugs and backlogs
- Finance/budget is on target. Accrual reversing and actuals hitting – not worried about it at this time. Not enough data for year with only one month of data available.
- IT KPI – happy with most of them but will be re-working for 2024.
- Failure in VAL at end of August. The interface did not recover on Thursday resulting in a catastrophic failure. After discussions with the vendor, the Authority took the system down. ABC Staff worked that Saturday and Sunday and had the system back up on Monday. The Authority couldn't find root cause of VAL failure, but Mr. Williams is not sure there's value in IDing it, because VAL has moved to SaaS this issue will not happen again.

CEO Report

Mr. Hill reported that:

- One summary suspension did apply for a temporary license while a hearing was pending
- Mr. Hill signed three leases since the Board last met.
- There are five new distillery stores.
- Store sales are close to budget the first month of the fiscal year. Operating costs are unfavorable due to labor hours.
- We are anticipating a busier season going into the Halloween and Holiday seasons.
- Online orders are higher than pre-covid. Greatest use is currently on demand.
- Retail stock continues to improve.
- Employee turnover is a big callout with a decline in wages and full time turnover due to engagement efforts. We are trying to make sure we drive down those numbers.
- Time to fill open positions has improved. We are finding good candidates the first time around. SWAM numbers are above target.

Board Commentary

- Director Hugo asked if ABC needed anything legislatively. Mr. Hill replied there is a sunset issue that needs to be addressed concerning the delivery and take out for mixed beverages and where that authorization goes but thinks it will be rescinded.

Public Comment

Mr. Hugo called for any Public Comment, none was received.

Closed Session

At 12:43 p.m., Mr. Rubin moved that the Board enter closed session Virginia Code §2.2 37.11(A)(7) to discuss legal advice and counsel on probable or actual litigation on three cases pending before the Board. Mr. Euille seconded. The motion passed on a roll call vote of 5 – 0. Attending the closed session in full were Tim Hugo, Bob Sledd, Greg Holland, Mark Rubin, William Euille, Josh Laws, Rachel Yates, Maureen Mshar, John Daniel, Chris Curtis, and Travis Hill.

Return to Open Session

When the Board returned from Closed session at 1:44, Mr. Rubin moved to certify that to the best of his knowledge nothing was discussed in the closed sessions but legal advice and counsel on probable or actual litigation pursuant to

§2.2 37.11(A)(7), and only public business matters lawfully exempted from open meeting requirements was discussed. Board Member Holland seconded; the motion passed on a roll-call vote of 5 - 0.

Approval of Settlement Offer

Mr. Rubin moved to accept a settlement offer in regards to the Charlie G case/Hard Times. The motion was seconded by Holland. The motion passed on roll call vote of 4 – 0, Mr. Euille recused himself from the vote.

Closed Session

At 1:46 p.m., Mr. Rubin moved that the Board enter closed session Virginia Code §2.2 37.11(A)(1) to discuss an employment matter regarding a specific public employee. Mr. Sledd seconded. The motion passed on a roll call vote of 5 – 0. Attending the closed session in full were Tim Hugo, Bob Sledd, Greg Holland, Mark Rubin, William Euille, John Daniel, Chris Curtis, and Travis Hill.

Return to Open Session

When the Board returned from Closed session at 2:10, Mr. Rubin moved to certify that to the best of his knowledge nothing was discussed in the closed sessions but employment matter regarding a specific public employee pursuant to §2.2 37.11(A)(1), and only public business matters lawfully exempted from open meeting requirements was discussed. Board Member Holland seconded; the motion passed on a roll-call vote of 5 - 0.

Meeting Adjournment

Meeting adjournment at 2:10 p.m.

