

Board Meeting Minutes

Virginia Alcoholic Beverage Control Authority Board Meeting

ABC Headquarters – May 12, 2021 – 9:00am

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

Call Meeting to Order

Authority Board Chair Maria J.K. Everett called the Board Meeting to order at 9:06 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
Chief of Law Enforcement, Tom Kirby
Chief Communications and Research Officer, Eddie Wirt
Chief Information Officer, Paul Williams
Chief Retail Operations Officer, Mark Dunham
Chief Administrative Officer Jerome Fowlkes
Kathleen LaMotte, Administrative Assistant
James Flaherty, Attorney General’s Office Representative

Approval of Minutes

Board Member Euille moved to approve the minutes from the April 14, 2021 board meeting as amended. Board Member Rubin seconded the motion and with all in agreement, the minutes were approved through a roll-call vote of 5-0.

New Business

Approve recommendations of Real Estate Committee (REC)

Board Member Holland moved to accept the REC’s recommendations for four relocations, Store 070 (Ruckersville), Store 186 (Salem), Store 305 (Henrico) and Store 223 (Exmore). The REC also recommended five renewals, 226 (Norfolk), 273 (Lorton), 292 (Henrico), 374 (Arlandria) and 410 (Moneta). Board Member Euille seconded the motion, and the Board adopted the recommendations of the REC on a roll-call vote 5 – 0.

Records Management Policy (Barbara Peterson Wilson)

Barbara Peterson Wilson and Terri Detrani have worked with Mike Berman and Eddie Wirt to develop this policy.

Ms. Peterson Wilson shared the presentation from the Board’s informational binder and reported that:

- The policy underwent substantial revisions from original 2018 policy. The original policy addressed many Virginia Public Records Act and guidelines from the Library of Virginia, but it did not identify roles within the Authority.
- A successful program requires participation from all levels of the Authority

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Board Member Euille asked how does the Authority ensure that everyone is familiar with this policy? Ms. Peterson Wilson advised that the records coordinators are responsible for communicating this to their divisions. Records Officers hold quarterly meetings with the records coordinators for all to understand changes and ask questions.

Board Member Rubin asked about the language regarding the location where public records in an electronic format saved somewhere where it is backed up on page 25 para 8. Mr. Williams advised the policy is phrased like that is that there are so many locations that are backed up. Mr. Rubin suggested to change the word “somewhere” to “saved on a device covered by ABC backup”.

Board member Rubin moved to approve the Records Management Policy as Amended, Board Member Holland seconded, the policy was passed on a roll-call vote of 5 – 0.

Director’s Report

HR (John Singleton)

- Mr. Singleton shared a presentation regarding the recent Virginia ABC Compensation Study that began in the fall of 2020, attached to these minutes as Appendix A

Board Member Holland asked about benefits paid to Authority employees, Board Chair Everett responded that ABC employees receive the same insurance and benefits as other state employees. Mr. Hill acknowledged that while the benefits are the same as other state employees, the Authority may still lag in salaries behind other state agencies according to the preliminary data from Mercer.

- The Authority will use this information from Mercer to prepare for future conversations about compensation. There is greater pressure on employers to increase pay and incentives. The full report will not be ready for review for a few weeks.
- The next steps include a review of both compensation and classification of employees to ensure the data from Mercer is correct and the comparables are accurate.

Hearing

FS BEVERAGES, LLC FS BEVERAGES, LLC
21 BRENTWOOD CT
BASKING RIDGE, NJ 07920
\Product Approval

Moved Into Closed Session

At 10:45, Board Chair Everett moved that the Board enter closed session pursuant to 2.2-37.11(A) (8) to receive legal advice from counsel, and A(1) to discuss compensation of C-Suite employees; Board member Rubin seconded and the motion passed unanimously on a roll-call vote. Attending closed session in full were Maria Everett, Beth Hungate-Noland, Mark Rubin, Greg Holland, William Euille, Chris Curtis, James Flaherty, Travis Hill, Tom Kirby, Kristie Miles and John Daniel.

Certification for Closed Sessions

Upon the Board’s return from Closed session at 12:00 pm, Vice-Chair Hungate-Noland moved to certify that to the best of her knowledge nothing was discussed in the closed sessions but legal advice pursuant to 2.2-

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37.11(A)(8) and A(1) to discuss compensation of C-Suite employees, 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.

Mr. Rubin moved to approve the end-of-the-year compensation for the C-Suite as outlined by the CEO. Vice Chair Hungate-Noland seconded, and the motion carried on a roll-call vote of 5 – 0.

The final decision regarding the hearing will be made by the Board at their June 15 hearing.

Chief Executive Reports

CAO Report (Jerome Fowlkes)

Mr. Fowlkes reported that:

- The Authority financials are not ready; they are expected by the end of the week. The Authority is seeking ways to shrink the timeframe between month-end close and preparing the month's financials.
- The Authority is examining year-end numbers to determine what the year-end transfer should be. In the past, we transferred what was necessary to meet the profit target and then transfer any balance in August after assessing any closing adjustments. The Authority's goal is to transfer more than just the minimum requirement in June but still retain some profits for the impact of any year-end adjustments. Further discussion will take place at the Board's June meeting.
- Division Directors have submitted their budgets, and we are in the process of review by the Chiefs. The Authority will discuss decision packages next week to present to the Board in June.
- An offer was made to a former employee for the Assistant Director of Budgeting and Forecasting position.
- Finance has also been working with the compensation team on preparing scenarios and total financial impact of the proposed compensation options.
- Procurement hired a full-time Buyer in procurement to work with the supply warehouse initiative. The person hired was doing the job part-time, but the use of the supply warehouse has exceeded expectations.
- Several members of the general procurement team received the NIGP Public Procurement Associate Designation (Jey Hurd, Monte Dugger, and Schniece Foust).
- Procurement and Retail are working on to identify reusable bag options for the Authority.
- Procurement is undergoing a review of policies and procedures and will have some policies for Board review and approval in the next several months.
- As John Singleton discussed, Human Resources is working on the compensation study and the implications of the results. Aligning job descriptions and pay may take some time.
- Subject to the project flow, we are looking to bring a consultant into the organization to finalize requirements and assist with the acquisition for the human resources system that was approved in the FY 2022 budget.
- We are re-posting the Assistant Director of Human Resources position. The selected candidate chose another option.
- HR is also working with the Property Team and the Return to Office team to evaluate scheduling options for staff as we get ready to move to Hanover. The project team is looking at telework and flexible scheduling options so that we can be efficient, maintain our connection with each other, be safe, and be similar to others so that it is not a competitive disadvantage in recruiting and retaining staff.

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CROO Report (Mark Dunham)

Mr. Dunham reported that:

- Retail year over year sales remains strong, but starting to see a softening of year over year increases. Will continue to keep pressing forward
- Out of stocks are down to 204 from 225. Patron has indicated they will suspend manufacturing of several brands to focus on their primary revenue generating brands. Heaven Hill moving brands from a liter to a 750 size to make sure they can keep up with product due to a cap problem. Across the board dru good issues and production capacity. They are doing their best to keep in stock.
- Daily callouts have seen an improvement; 167 last month, now down to 92.
- New warehouse has received 8M in product with a goal of 44M before July 1 outbound start date.
- New facility requires grade A pallet needs to have about one truck a day re-palletized.
- The Doordash test leaves some room for improvement, may need update to Doordash to verify that ID was checked. Doordash will also send out regular reminders to their drivers.
- The Store of the Future's delivery of fixtures is delayed until October.

CIO Report (Paul Williams)

Mr. Williams reported that:

- IT is focused on closing out projects. Sales Audit is now closed for the month this is a key part of the process of being able to close faster each month.
- The C-Suite has evaluated what projects to do next and is setting new go forward priorities.
- Some projects need additional time after completion to finish small jobs and fix bugs and backlogs so we need time between projects.
- IT Will have work around de-commissioning the old warehouse as well as go-live with new warehouse.
- About halfway through converting HQ employees from VITA to ABC domain.
- The Authority received zero applicants for the recent posting of a development position. Mr. Williams anticipates developers, architects and more senior positions will become increasingly more difficult to staff as work from home trend continues and now must compete with national employers and New York salaries.

Mr. Rubin asked about partnering with schools in the area, Mr. Williams reviewed efforts around summer hires and other outreach.

GAO Report (John Daniel)

Mr. Daniel reported that:

- The Legislative study re: Cocktails to Go is underway. There is a group of about 40 stakeholders prepared to make meaningful recommendations to the General Assembly. About six sessions are scheduled with the stakeholders to conclude with submission of the report in late October/early November. The group includes third party delivery services and will focus on public safety and safeguard with deliveries. Research and planning is examining delivery programs in other states. The Board will be invited to future workgroups if they are interested in participating.
- Referrals from enforcement are picking up a bit as COVID restrictions are lifted and licensees re-open.
- The Attorney General's office will allow the Authority's Legal Liaisons to participate in upcoming litigation as second chair.

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CLEO Report (Tom Kirby)

Mr. Kirby reported that:

- Skill gaming is coming to an end in Virginia in a few months. The Authority is being proactive and is working on communication to all parties regarding the end of Skill Games in the Commonwealth. BLE will act as a resource for localities as the program is phased out.
- Over the past year the BLE had a proactive role with enforcing Virginia's COVID 19 response. Enforcement will stay connected to the health department to investigate where needed as restrictions are lifted and capacities are increased and bar seating is allowed.

Mr. Rubin asked if the BLE will be able to retain the staff members brought on board to help with the Skill Games response. Mr. Kirby believes that they may be retained with a shift in duty, although it is not finalized.

CCRO Report (Eddie Wirt)

Mr. Wirt reported that:

- Development of eCommerce program getting closer by the day. A technical plan is under development, and estimates for a multi-year program for website and eCommerce experience to ensure they work together. The Board will receive an update in the future for the budget and what a program would look like for the Authority.
- The Board will also receive an update in the future on two smaller efforts to improve employee engagement. The improvements to the Employee Suggestion Program include providing a financial reward to an employee who provides an idea that increases revenue or results in cost savings. The Sharepoint update hopes to roll out by July 1 on the Authority's Diversity, Equity and Inclusion efforts. This would provide a platform that would allow employees to post questions and for answers that a response may be provided will be posted to Sharepoint, and otherwise work through HR to get answers to employees.
- Nick Schmick and the art and décor team for the new warehouse and HQ are also working on a ribbon cutting and dedication and an open house event. As those are planned, the Board will be updated.
- NABCA Industry Advisory Committee met with ABC's Product Management Committee last week. The Authority perceives that NABCA believes Virginia to be a leader in the Control State Space.

Mr. Rubin stated that with increase of alcohol sales, there are problems with problem drinkers increasing, particularly with women. He encouraged the Authority to keep prevention work up, and even intensify it a bit. Mr. Wirt replied that the Education and Prevention staff at the Authority has identified this and is working with partners and Mr. Wirt will discuss this with Ms. Crumble.

- Mr. Wirt thanked Board for working on their sessions on strategic planning. A meeting will be held the week of June 7.
- The list of recent press Release, FOIA and KPI reports were included in the Board's packet. The Authority continues to examine data to see how to improve overall work experience and decrease employee turnover.

CEO Update (Travis Hill)

Mr. Hill reported that:

- The Authority is developing guidelines surrounding return to work initiatives.
- The move to Hanover will take place from June 14 – 18. The Board expressed interest in doing an in-person meeting

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- The Authority is working on Virginia’s DEI initiative, the One Virginia Plan. A task force of individuals through the organization will work with Yolanda Avent to craft the Authority’s plan for the Board’s approval.
- The Authority is developing guidelines for project scheduling and prioritization.
- Mr. Hill recommends that the Authority follow the state’s lead on 5% and 8% raises for public safety positions. As part of budget proposal next month Board will have some other recommendations for compensation. While the Mercer information won’t be ready, the Board may budget taking actions to get into a better fiscal position. Mr. Hill requested the Board consider appointing a member to interface with the CEO and CAO to consider compensation. Mr. Euille volunteered for the position.
- Vaccination clinics for Authority employees continue. Floor stickers and counter displays in stores will encourage vaccinations.
- Shared presentation attached as Appendix B regarding store closure.

Board Member Euille moved to accept the REC’s recommendation to close store 416 (Alexandria). Board Chair Everett seconded the motion, and the Board adopted the recommendation of the REC on a roll-call vote 5 – 0.

Old Business

None

Comments from Board

Chair reminded of Upcoming Dates:

May 13 at 9:00 a.m., Ribbon Cutting at 11400 W. Huguenot Road

May 17 – 2021 - NABCA Annual Conference

June 15 – Board Meeting

July 15 – Board Meeting

August 20 – Board Meeting

Public Comments

[5/12 1:28 PM] Thomas Lisk (Guest)

Travis - Will the public be permitted to attend the in-person meeting on June 15?

Mr. Hill verbally responded that the public would be allowed at this meeting.

Meeting Adjournment

At 1:44 pm, with no further business, Chair Maria Everett adjourned the meeting.

Virginia ABC Compensation Study

May 12, 2021

Appendix A



STRATEGIC GOAL ALIGNMENT

The intent of the all-encompassing study aims to address ABC's 2020-2022 Strategic Goal and Objective of:

Goal: *Investing in our people to foster an inclusive, flexible and engaged workforce.*

Objective: *Compensate employees consistent with competitive market principles, performance, experience, and skills.*

- Market rates statistically rise over time, compounding the costs to rectify compensation challenges when not addressed on a regular, routine basis.
- In 2018 an attempt was made to address areas in which we were lagging in the market but nothing that was comprehensive and did not address classification.
- A study was done in 2016 prior to Authority transition but was not implemented and did not include validation of jobs and job levels within ABC. That study reflected significant lags in market competitiveness, which five years later, have compounded.

STUDY BACKGROUND

- ABC is currently engaged with Mercer, a global leader in Human Resources Consulting with extensive experience, to perform a Compensation and Classification Study involving a review and recalibration of the Authority's compensation and classification systems:
 - **Compensation System** (salary structure, internal equity, competitiveness in the labor market, internal equity discrepancies of compression and/or potential legal liabilities)
 - **Classification System** (assignment of jobs to career levels to optimize career growth and retention at ABC, review, and update of job titles and job descriptions as appropriate which is key to incorporating a pay-for-performance in the future)

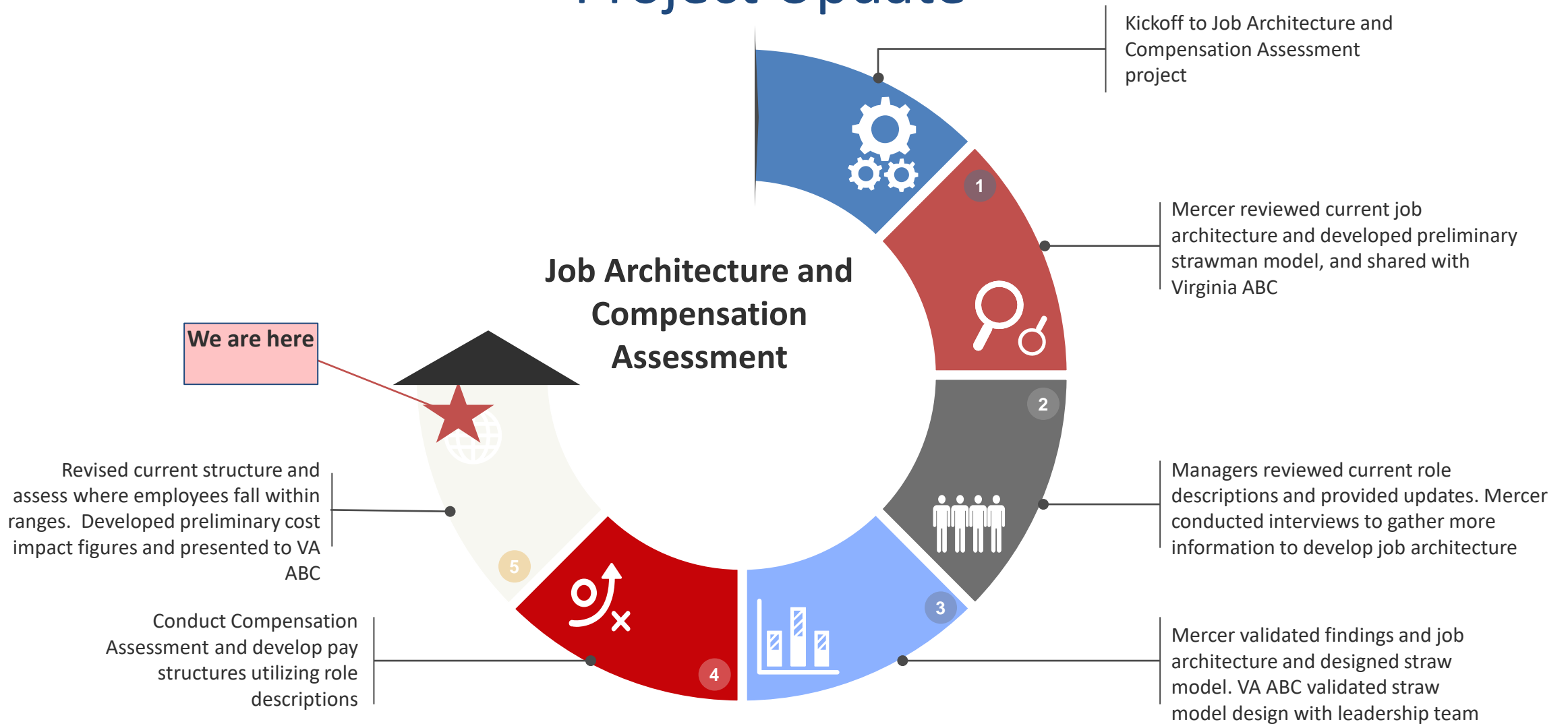
Ensuring that the full system of classification and compensation is included when determining compensation plans is essential to maintaining internal and external equity, as well as perceptions of fairness.

WORKFORCE CHALLENGES

- ABC experiences increasing difficulty in attracting, rewarding, and retaining our human capital and risks:
 - diminished ability to meet ABC’s strategic goals and adapt to change
 - loss of talent and institutional knowledge
 - negative morale and decreasing productivity and employee engagement
 - difficulties in attracting a talented workforce
 - higher costs due to turnover and recruitment challenges
 - compensation adjustments being reactive vs. proactive, with greater compounding/risk exposure for potentially legally charged issues not rectified

Introduction and Project Update

Project Update



Executive Summary

Project Overview

- Virginia ABC (VA ABC) engaged Mercer to conduct a **update of job architecture, compensation benchmarking analysis for 180 roles, and design of market-aligned salary structures including a cost impact analysis**
- To conduct the **competitive market assessment**, Mercer executed the following project work steps:
 - Analyzed data received from VA ABC including current employee compensation levels, benchmark job information, and any existing pay plan documentation
 - Collected market data for the 25th, 50th and 75th percentiles of base salary and total cash compensation (base salary + annual incentives) from published compensation surveys
- Conducted a gap analysis comparing VA ABC current compensation levels to the market
 - Prepared a summary report with market practices and findings regarding the competitiveness of compensation
- To conduct the **salary structure update**, Mercer executed the following project work steps:
 - Reviewed the current salary structure, comparing pay grades and corresponding ranges to the market data gathered in the competitive assessment
 - Used regression analysis to align the benchmark jobs to a market competitive salary structure
 - Slotted all remaining VA ABC jobs into the new salary structure and reviewed for internal equity

COMPENSATION ADJUSTMENT RECOMMENDATIONS

Any
Questions

Closing Store 416

Appendix B

Plan

- **Store 416 closing recommendation**
 - **Initially set up as a temporary location to support a lengthy move / renovation process for store 119**

Store at a Glance

Period	Store	Sq Ft	Sales	\$ Var	% Var	Sales per Sq Ft	ROI	Date Opened
FY20	416	2,118	\$ 2,231,536	\$ (958,029)	-30.0%	\$ 1,053	29.55%	10/28/16
FY21 YTD	416	2,118	\$ 1,320,936	\$ (267,152)	-16.8%			10/28/16

Period	Store	Sq Ft	Sales	\$ Var	% Var	Sales per Sq Ft	ROI	Date Opened
FY20	119	5,600	\$ 3,289,143			\$ 691	34.43%	07/22/19
FY21 YTD	119	5,600	\$ 3,375,391	\$ 1,626,001	92.9%			07/22/19
							State Avg 35%	
							State Avg \$1,146	

- **Duplicating Expenses**

- 416 has a diminishing ROI 29.55%, down from 34.68%
- 119 sales per sq ft are low compared to state average
 - 119 sales are at \$691 a sq ft in FY20, plenty of room to grow sales
 - » 2016 sales were over \$5.7 mil prior to closing 119 for renovation with a 39.19 ROI