

THE CITY OF ASHEVILLE BOARD OF ALCOHOLIC CONTROL
MINUTES OF REGULAR MEETING
MAY 31, 2017

The City of Asheville Board of Alcoholic Control (“Board”) held a regular meeting on Wednesday, May 31, 2017 at 8:30 a.m. in the Conference Room at its Administrative Offices at 1 Cherry Street North in Asheville, North Carolina.

MEMBERS PRESENT: Lewis Isaac, Chairman; Board members: John Menkes, Edward Hay, and Jan Davis.

MEMBERS ABSENT: Robin Cape, Board member

ALSO PRESENT: Mark Combs, General Manager; Diane Hallingse, Chief Financial Officer; Alfred Bottego, Law Enforcement Chief; Jason Thacker, Operations Manager, Debbie Bradley, Administrative Coordinator and Gordon Smith, Asheville City Council liaison to the Board.

Chairman Isaac called the meeting to order.

READING OF THE CONFLICT OF INTEREST STATEMENT BY THE CHAIRMAN: “In accordance with General Statute 18B-201, it is the duty of every Board member to avoid conflicts of interest and appearance of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today? If so, please identify the conflict or appearance of conflict and refrain from any undue participation in the particular matter.” There were none.

ADDITION (S) TO AGENDA: The Chairman asked if there were any additions to the agenda. Mr. Combs advised the Board that a closed session was scheduled at the end of today’s open regular meeting.

APPROVAL OF MINUTES FOR REGULAR MEETING: Mr. Hay moved to approve the minutes for the April 25, 2017 regular meeting. Mr. Davis seconded the motion, and it carried by a unanimous vote.

PUBLIC HEARING: Chairman Isaac opened the Public Hearing on May 31, 2017 at 8:33 a.m. Ms. Hallingse informed the Board that the public hearing notice was published twice in the Citizen-Times newspaper. She presented the proposed annual operating budget for fiscal year 2017-2018 to the Board. Ms. Hallingse asked if there are any comments or suggestions. Mr. Menkes asked what the budgeted amount was last year for Alcohol Education & Rehabilitation. Ms. Hallingse responded around \$170,000. Mr. Combs said there would be an increase in the budgeted amount for this year as the amount was based upon profits and not sales. The budget will be presented at the June Board meeting for approval. No members of the public being present, at 8:46 a.m. Chairman Isaac closed the Public Hearing.

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LAW ENFORCEMENT REPORT: Mr. Bottego reported that in April law enforcement staff conducted 40 Outlets Inspections, 40 Outlet Spot Checks, 1 Store Larceny and 2 Agency Assists.

ALCOHOL EDUCATION: Mr. Bottego informed the Board he had a meeting with Asheville Independent Restaurant Association (AIR). He did a presentation on what ABC Board's enforcement division was empowered to do, philosophy of enforcement-education first, enforcement second, and his method of doing business. The presentation opened up several lines of communication with AIR members. Stacy Cox, with the N.C. Alcohol Law Enforcement branch also attended this meeting and gave a presentation. Chief Bottego intends to attend AIR meetings for the near future. Discussion followed.

Mr. Bottego advised the Board that all four (4) Prom Promise Campaigns went very well. Every child that went to its respective prom event made it home safely, which is the key objective of the education campaign. With impending increased funding in the next year, Chief Bottego looks forward to adding another high school to the program. He showed Board members a video from Reynolds High School thanking the ABC Board for their prom event.

SENATE BILL 257: Mr. Bottego advised Board that this draft Bill would impose severe authoritative and operational limits on both State and local ALE (Alcohol Law Enforcement). Discussion followed.

DRINK RESPONSIBLY CAMPAIGN: Mr. Bottego solicited increased funding for next year for the drink responsibly, prom promise and various community alcohol education programs. Discussion followed.

FINANCIAL REPORT: Ms. Hallingse presented the financial report for April to include copies of related financial statements presented for the Board's review. She advised and explained various entries and matters with respect thereto, such as total sales, sales by stores, operating expenses, net income after tax, cash distributions and profit percentage to sales. Ms. Hallingse advised sales were up 1% over last April, State sales were up .92%. Our YTD sales are up 7%. State Mixed Beverage sales were down 1.15%. Our Mixed Beverage sales are up 2.1% over last April. YTD mixed beverage sales are up 9.8%. Operating expenses were up 1.9%, YTD up 2.3%. Net income after tax is down .5%, YTD up 19.7%.

Ms. Hallingse also stated that the year-to-date distribution to the City and County is \$2,199,195 through April (up 19.7%). Profit Percentage to Sales through April is 12.01%, compared to last year's 11.03%.

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Ms. Hallingse reviewed with the Board each store's gross sales by location for the month of April (compared to April 2016 sales). She pointed out that we lost one day (a Friday) in sales this year compared to last year. Our neighboring Boards, Fletcher ABC sales were up 2.8%, Weaverville ABC sales were up .23% and Woodfin ABC sales was down 3.8% for April. The two stores with the largest sales increase this month were Tunnel Road up 10.3% and South Charlotte Street up 8.8%. Discussion followed.

OPERATIONS REPORT: NABCA Annual Conference, Mr. Thacker advised that everyone had both a great time and learned much about the distilled spirits industry, trends and products. The speakers at the conference were excellent. Mr. Thacker and attendees discussed the following topics presented at the conference:

- A presentation on motivating and understanding the Millennial generation
- A humorous presentation regarding procrastination
- Online ordering in Ontario, Canada
- Marijuana legalization: administrative & social challenges

BUY-INS REPORT: Mr. Thacker reviewed product 'buy-in' numbers with the Board. Estimated amount through May 30th of this year is \$142,000 in gross profit. Discussion followed.

Mr. Thacker reviewed with the Board a presentation slide showing the top 10 brands of spirits sold last month in Asheville and including a list of the State's top ten. Tito's vodka remains at the top again. Discussion followed.

GENERAL MANAGER'S REPORT: Mr. Combs provided a written report with the following information:

1. Credit Card Purchases:

- | | |
|------------------------|---------|
| a) Fatz Café: | \$57.00 |
| b) Adobe Systems, Inc. | \$10.69 |

2. Administration:

- a) Potential Property Acquisition
 - Long term plan to expand warehouse/administration
 - Met with Duke Energy May 9th RE: CBD properties
 - Closed Session to discuss details
- b) N.C. Legislature Happenings (SB155/HB500)
 - No legislation passed (as of May 23rd)
 - No indicators tastings will fail
- c) ABC Board FY 2017-18 Budget
 - Capital Program Recommendations

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- Property Acquisition/Sale – Discussion
- Employee Compensation – Recommendation
 - 2% 401(k) contribution increase (to 4% total)
 - 3% merit (Average)
- d) N.C. Association of ABC Boards Annual Conference
 - August 6,7 and 8 in Greensboro
 - Any Board members wish to attend?
 - See Debbie (will register and reserve room)
- e) Grants Cycle for June 27th
 - Grants Committee to convene, forge recommendation

Mr. Combs informed the Board that he received a text from Connie Wilson regarding SB155 (allowing tastings at ABC Board locations). The Senate Republican Caucus met to discuss specifics of SB155 (Craft Distillery Bill). To the General Manager's dismay, the Republican Caucus struck down ABC store locations for tastings but allowed it everywhere else (as drafted). Co-sponsor Senator Gunn opined that the overwhelming sentiment was that NC's ABC system should not do any promotions of liquor whatsoever.

Mr. Combs thanked Ms. Hallingse and Mr. Thacker for their Herculean efforts in preparing the operating budget.

Mr. Combs and Mr. Thacker met with Duke Energy regarding potential acquisition of property at various downtown locations owned by them. Discussion followed.

CLOSED SESSION: At 9:25 a.m. Mr. Davis moved to go into closed session, pursuant to Section 143-318.11(a)(5) of the General Statutes of North Carolina, in order to establish and/or instruct the Board's staff and/or negotiating agent concerning the position to be taken by and on behalf of the Board in negotiating the price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option or lease. Mr. Hay seconded the motion and it carried by a unanimous vote. The open session resumed at 9:36 a.m.

Gordon Smith left the meeting at 9:36 a.m.

Mr. Combs informed the Board that ten grant applications were received. The Grants Committee, comprised of John Menkes (Chair), Robin Cape and himself, will meet prior to the next Board meeting and present their funding recommendations to the Board. Mr. Davis volunteered to attend the meeting to observe (as he desires to serve on the committee next year). The Board thanked him for volunteering his time and effort to do it.

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Mr. Combs informed the Board that the North Carolina Association of ABC Boards Summer Conference is scheduled for August 6th-9th in Greensboro. Please let Debbie know if you would like to attend.

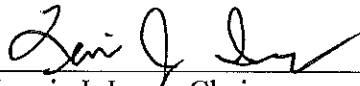
Chairman Isaac asked if there was an update on the point-of-sale. Mr. Thacker advised the Board that there was excellent progress with about five key action items to be finished. A test 'lab' has been set up to simulate operations in our stores, and it must fully function before we go live with the new system.

Mr. Davis advised the Board that the NABCA Conference was very valuable to him regarding learning how controlled states work and the three-tiered system overall. He also thanked Mr. Thacker for his great service and tenacity to ensure each Board member's needs were attended to.

NEXT REGULAR MEETING: The next regular meeting of the Board will be Tuesday, June 27, 2017, at 8:30 a.m. in the Conference Room at its Administrative Offices at 1 Cherry Street North, Asheville, North Carolina.

ADJOURNMENT: The meeting was adjourned at 9:59 a.m.

Respectfully submitted,



Lewis J. Isaac, Chairman

