

THE CITY OF ASHEVILLE BOARD OF ALCOHOLIC CONTROL
MINUTES OF REGULAR MEETING
SEPTEMBER 26, 2017

The City of Asheville Board of Alcoholic Control ("Board") held a regular meeting on Tuesday, September 26, 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, Robin Cape and Jan Davis.

MEMBERS ABSENT: Edward Hay, 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 Keith Falls, CPA, partner in the Accounting firm Edwards Falls Renegar, PLLC.

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." No conflicts were noted.

ADDITION (S) TO AGENDA: The Chairman asked if there were any additions to the agenda. There were none.

APPROVAL OF MINUTES FOR REGULAR MEETING: Mr. Davis moved to approve the minutes for the August 29, 2017 regular meeting. Ms. Cape seconded the motion, and it carried by a unanimous vote.

APPROVAL OF MINUTES FOR CLOSED SESSION MEETING AND SPECIAL MEETING FOR CLOSED SESSION: After a review of the minutes, Mr. Davis moved to approve the minutes for the August 29, 2017 closed session meeting, September 11, special meeting and September 11, closed session meeting. Ms. Cape seconded the motion, and it carried by unanimous vote.

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ANNUAL AUDIT: Mr. Keith Falls of Edwards Falls Renegar, PLLC presented the annual independent audit to the Board. He stated that the written portion of the report to the Asheville ABC Board of Directors gives the Board a synopsis of how their audit was conducted. It states that the audit opinion is unqualified and that they had no issues with staff's application of generally accepted accounting principles and estimates. He also discussed the issue of 'segregation of duties' regarding the organization's overall financial checks and balances. He stated that based on the size of our organization and its small administrative staff, a robust segregation of duties cannot be attained; however this is no reason for alarm as many other ABC Boards and small companies have similar issues. Lastly, he moved the Board through certain places in the report to highlight key financial areas to include a visual graphic of past (5 years) summary of cash, sales and income from operations. Regarding the graphic, Mr. Combs asked Mr. Falls how our Board compared to other ABC Boards that his firm audits relative to financial health. Mr. Falls advised that Asheville ABC, from a profit-percentage-to-sales standpoint, has done very favorably. As per custom, the Chairman directed ABC staff to leave the meeting so that the Board could speak privately with Mr. Falls. Staff left the meeting at 8:43 a.m. and returned at 8:48 a.m. Mr. Davis moved to approve the Asheville ABC Board Audit Report for FY 2017. Ms. Cape seconded the motion, and it carried by a unanimous vote.

Mr. Menkes entered the meeting at 9:26 a.m.

Mr. Falls left the meeting at 9:54 a.m.

LAW ENFORCEMENT REPORT: Mr. Bottego reported that in August law enforcement staff conducted 40 outlet checks, 40 permittee spot checks and 1 agency assist (Sheriff's office – residential breaking and entering, stolen credit card used at ABC store) and 6 criminal offenses (4 were larcenies and 2 were methamphetamine sales in store #5 parking lot. Discussion was held on stolen credit card.

Chief Bottego stated that the Asheville Independent Restaurant Association's request to change our mixed beverage sticker color (from orange to grey) and sticker placement has been resolved. Specifically, Mr. Combs contacted Bob Hamilton, Chief Administrator at the ABC Commission regarding the placement of stickers from the front to the back of bottles, which was amenable to the Commission. Mr. Hamilton asked that this be change be coordinated with our local State ABC agents to avoid any confusion. Chief Bottego subsequently met with Chief Agent Stacy Coxe, who was also amenable to the change. Ms. Anderson thanked staff and Board for listening to their request and making the changes.

DRINK RESPONSIBLY CAMPAIGN: Mr. Bottego distributed new drink responsibly campaign hats, shirts, discs and other items. The discs have proven to be popular.

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ALCOHOL EDUCATION: Mr. Bottego has been meeting with Boy Scouts of America staff regarding their recent education grant, and has agreed to do a presentation for their trainer cadre regarding alcohol education.

Football and Holiday Radio Spots are in the production phase with on-going pricing negotiations.

Mr. Bottego informed the Board that the North Carolina ALE agents have been diligently operating an underage ID sting operation and sending underage females to nine of our retail stores. To date our staff has been diligent to demand ID's and no one has sold to them. Discussion followed.

FINANCIAL REPORT: Ms. Hallingse presented the financial report for August 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 10.2% over last August, State sales were up 9.1%. YTD sales are up 7%. Mixed Beverage sales are up 14.9% over last August. State Mixed Beverage sales were up 12.2%. YTD Mixed Beverage sales are up 10.6%. Operating expenses are up 3.8%. Net income after tax is up 26.8%.

Ms. Hallingse also stated that the year-to-date distribution to the City and County is \$468,286 through August (up 29.9%). Profit Percentage to Sales through August is 12.09%, compared to last year's 10.47%. We ended the fiscal year on June 30, 2017 at 11.96%.

Ms. Hallingse reviewed with the Board each store's gross sales by location for the month of August (compared to August 2016 sales). She pointed out that Tunnel Road sales were up 17.2%; more mixed beverages are going to Tunnel Road. Merrimon Avenue Store was up 9.3%; this store competes with our neighboring ABC Boards' Weaverville & Woodfin. Weaverville sales were up 8.85% and Woodfin sales were up 0%. Sweeten Creek sales were up 11.3%. Long Shoals sales were up 5.1%. Both of these stores compete with Fletcher that was up 19.3%.

Lastly, Ms. Hallingse reviewed the Net Income After Tax by store location. Louisiana Avenue store was the only store that had a decrease in net income after tax this August compared to last August.

BUDGET AMENDMENT #1: Ms. Hallingse presented Budget Amendment #1 for fiscal year 2017-18 as follows: To amend capital outlay for the replacement of law enforcement radio equipment. After a discussion, Ms. Cape moved to adopt and approve Budget Amendment #1 and to authorize its execution by the Chairman. Mr. Davis seconded the motion and it carried by a unanimous vote.

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OPERATIONS REPORT: Point-of-sale update: Mr. Thacker advised that the new point-of-sale system has been successfully installed in the Long Shoals (#8) Store; however, there were minor issues that required time and diligence to resolve. Mr. Thacker stated that staff and the vendor are scheduling another store with the goal of all stores being on-line and operating prior to the holiday season.

Mr. Thacker presented pictures of the damage from hurricane Irma, especially the Louisiana Avenue store (#5) and the Tunnel Road store (#7). The minor damage was quickly cleaned up and repaired and retail operations were not affected.

BUY-INS REPORT: Mr. Thacker reviewed product 'buy-in' numbers with the Board. Estimated gross profit for the month of September (with 5 days remaining) was \$38,705. The prior month (August) was the highest monthly total since the program's inception, with a gross profit of \$46,109. Mr. Thacker added that going back to January 2017 (7 months), gross profits have increased more than \$100,000 compared to last year. Ms. Cape asked if our new building location would affect our ability to purchase buy-ins. Ms. Hallingre replied no. Discussion followed.

Mr. Thacker reviewed with the Board a visual slide showing the top 10 brands of spirits sold last month in Asheville with a comparison of North Carolina's top ten. Tito's vodka continues to show very robust sales and remains the top seller by more than double the second brand. Tito's half gallons will be on sale for the month of October. Discussion followed.

Mr. Thacker presented a chart showing the mixed beverage sales trend from January 2015 to August 2017. Discussion followed.

GENERAL MANAGER'S REPORT: Mr. Combs informed the Board that he and staff are working with the Board's attorney, the lender, architect, appraiser and many others with the goal of closing (purchasing) on the 24 Old Brevard Road property within the next 30 days. Subsequent to the closing, the current tenant will have 120 days to vacate the building.

Mr. Combs advised the Board that 1 Cherry Street upgrades for a store and mixed beverage outlet will be funded within next year's capital budget to avoid borrowing the money (and saving interest payments). Discussion followed.

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Chairman Isaac asked a personnel performance-related question: Do store sales positively or negatively affect a store manager's annual performance review? Mr. Combs and Mr. Thacker explained that sales are one of several key criteria used in a manager's evaluation; however, executive staff evaluates store sales monthly and analyzes why sales might have gone up or down. If sales go down due to factors beyond the manager's control (like a commercial permittee changes stores), their evaluation would typically not be affected unless the mixed beverage customer left because of a customer service issue with them.

Mr. Combs advised the Board that he is going to look into subscription packages with Google regarding increased commercial exposure of the ABC's stores regarding locations, hours and excellent product selection. He has noticed an uptick in Internet communications regarding directions, phone call access, product inquiries, reviews, etc.

STAFFING ISSUES: Mr. Thacker informed the Board that he is not getting the number of qualified applicants as compared to past years. Mr. Combs has contacted Stephen Murphy to consult with staff regarding how we might get interest up in working for us. Ms. Cape advised we might want to consider partnering with restaurants as perhaps some of their staff may want to work part time for us? Due to the potent nature of the product we sell, it is the policy of ABC staff to conduct employee background checks and a drug test prior to offering the job. This is often a key obstacle to many applicants. Discussion followed.

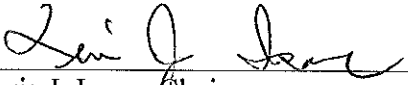
OLD BUSINESS/NEW BUSINESS: Mr. Davis opined that the Board should keep a vigilant eye on any potential property on Patton Avenue, which can accommodate a new store to replace the one on Louisiana Avenue (Store #5). Discussion followed.

Chairman Isaac stated that Board member Menkes' last meeting is next month. If any Board member knows anyone who may be interested in being a Board member, the deadline to apply is November 8th, according to City staff.

NEXT REGULAR MEETING: The next regular meeting of the Board will be Tuesday, October 31, 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 10:10 a.m.

Respectfully submitted,



Lewis J. Isaac, Chairman

