

THE CITY OF ASHEVILLE BOARD OF ALCOHOLIC CONTROL
MINUTES OF REGULAR MEETING
NOVEMBER 28, 2017

The City of Asheville Board of Alcoholic Control ("Board") held its regular monthly meeting on Tuesday, November 28, 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: Edward Hay, Robin Cape and Jan Davis.

John Menkes arrived at the meeting at 8:42 a.m.

MEMBERS ABSENT: None

ALSO PRESENT: Mark Combs, General Manager; Diane Hallingse, Chief Financial Officer; Alfred Bottego, Law Enforcement Chief; Jason Thacker, Operations Manager, Debbie Bradley, Administrative Coordinator, Gordon Smith, Board Liaison and Jane Anderson, Executive Director of Asheville Independent Restaurant Association (AIR).

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.

Chairman Isaac informed the Board that it was determined by City of Asheville staff that Board member Menkes was appointed to an unexpired term when he first came on to the Board; therefore, he did not technically serve two full terms and was eligible to be reappointed to another term. Mr. Menkes magnanimously agreed to seek re-appointment for his last three-year term. The Asheville City Council formally approved the re-appointments of Chairman Isaac and John Menkes to the ABC Board.

APPROVAL OF MINUTES FOR REGULAR MEETING: Ms. Cape moved to approve the minutes for the October 31, 2017 regular meeting. Mr. Davis seconded the motion, and it carried by a unanimous vote.

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LAW ENFORCEMENT REPORT: Mr. Bottego reported that in October law enforcement staff conducted 40 permittee inspections, 40 compliance checks and 1 drug related charge. New radio spots for the holiday season were listened to by the Board. Mr. Davis asked which radio stations will be playing the spots. Mr. Bottego replied Saga Radio Group, which consists of radio stations at frequencies 105.5, 96.5 and 97.7.

Chief Bottego advised the Board that he attended a meeting of the Asheville chapter of the US Bartender's Guild. Guild members had many questions about how the ABC system in N.C. operates. Dialogue was excellent and the meeting was informative and educational. With the Board's blessing, Mr. Bottego desired to remain involved with the Guild for myriad positive reasons.

Ms. Anderson, AIR Executive Director, provided additional information regarding the US Bartenders Guild and their goals to provide the best possible mixology to the community.

Mr. Combs received an unsolicited letter from the Partnership for Substance Free Youth in Buncombe County. The letter was in regard to concerns about spirituous liquor purchasers needing to be carded (ID'd). Mr. Bottego explained there is no statutory requirement that every person coming into an ABC store or establishment that serves alcohol be carded. Mr. Combs stated that the law as written requires persons who purchase spirituous liquor to be at least 21 years old. The ABC Board will continue to follow all statutes and administrative codes, as amended.

Chairman Isaac and Ms. Cape commented on a shopping experience at one of our ABC stores and the outstanding customer service she got from store employees. General discussion followed.

FINANCIAL REPORT: Ms. Hallingse presented the financial report for October 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 5.5% over last October, State sales were up 2.5%. YTD sales are up 7.4%. Mixed Beverage sales are up 14.1% over last October. State Mixed Beverage sales were up 13.4%. YTD Mixed Beverage sales are up 11.5%. Operating expenses are up 11.4%. YTD is up 2%. Net income after tax is up 2.7%.

Ms. Hallingse also stated that the year-to-date distribution to the City and County is \$1,004,520 through October (up 19.7%). Profit Percentage to Sales through October is 12.70%, compared to last year's 11.70%. We ended the fiscal year on June 30, 2017 at 11.96%.

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Ms. Hallingse reviewed with the Board each store's gross sales by location for the month of October (compared to October 2016 sales). Three stores had decreases in sales. Sweeten Creek store was down 3.5%; this store competes with Fletcher ABC store. Fletcher ABC store was up 17.6%. Mr. Thacker stated that a customer from the Fletcher store bought a lot of special orders in the month of October and this could have made their sales so high. Louisiana Avenue store was down 2.1% and Merrimon Avenue store was down 1.1%; this store competes with our neighboring ABC Boards, Woodfin & Weaverville. Woodfin sales were up 1.2% and Weaverville sales were up 2.2%.

Lastly, Ms. Hallingse reviewed the Net Income After Tax by store location. Sweeten Creek, Louisiana Avenue, Merrimon Avenue, Enka and Leicester Highway stores all had decreases in net income after tax this October compared to last October.

OPERATIONS REPORT: Mr. Thacker informed the Board that Asheville ABC received its annual allocation of 33 bottles of Pappy Van Winkle. 17 bottles were distributed to customers via random drawing of customers who signed up on the Board's web-site for (lottery style) the right to purchase available inventory. Another 16 bottles were distributed to MXB permittees.

POINT-OF-SALE UPDATE: Mr. Thacker advised the Board that all the stores were updated and operating the new point-of-sale system. Employees have been please with the new system and its capabilities. There have been a few double charges to debit cards. Mr. Combs stated that there would be additional expenses from Advanced Business Solutions (ABS) due to unforeseen programming issues with the software integration between the point-of-sale system and the back office accounting software (NAV). This dilemma is similar to the prior system installation, which resulted in the General Manager dismissing the company doing the work. Discussion followed.

Jane Anderson left the meeting at 9:10 a.m.

BUY-INS REPORT: Mr. Thacker reviewed product 'buy-in' numbers with the Board. Estimated gross profit for the month of November is \$23,684.50. Mr. Thacker added that going back to January 2017 (11 months) gross profit total is at \$372,823.40. Discussion followed.

Mr. Thacker reviewed with the Board a visual slide showing the top 10 brands of spirits sold by the Asheville ABC Board and compared to North Carolina's top ten sellers. Tito's vodka remains the top seller. Ms. Cape reminisced about the Tito's founder's lecture she listened to in Phoenix NABCA conference and the early difficulties the company had starting out. Discussion followed.

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Mr. Combs and Mr. Thacker reviewed with the Board a spreadsheet distributed monthly to store managers showing each store's product inventory and growth/contraction and how it is used as both a management and inventory control tool. Among larger NC systems with multiple stores, it is unusual for store managers to order and manage their inventories. Mr. Combs explained that store managers are expected to 'manage' their stores (with guidance and help from the front office), and the reward is buy-in from staff at all levels.

GENERAL MANAGER'S REPORT: Mr. Combs informed the Board that the architect is preparing the drawing and plans for 24 Old Brevard Road. He was able to locate the original construction plans for the building and the ABC Board bought a set for \$500 from John Cort Architects. Mr. Combs stated he was pleased to have Mr. Menkes back on the Board, as he will continue to be a huge asset during the renovation/construction phase of the 24 Old Brevard Road project.

Mr. Combs advised the Board that the Asheville City Council's Board Liaison; Gordon Smith's duties will end after this meeting. Mr. Smith informed all that Vice Mayor Gwen Wisler would be the new Council Liaison. He thanked the Board members and staff for the education and good support during his tenure as Council liaison. Board members thanked him for his service and support.

Mr. Combs reminded the Board that the Salvation Army kettles would be on the counter in stores again this year during the holiday season.

Mr. Combs informed Moog president Michael Adams via e-mail that the ABC Board will not be renewing their lease of a warehouse owned by them.

Mr. Combs mentioned to the Board that he included an interesting article on High Gravity Beer in their Board packets.

Ms. Cape informed the Board she was invited to speak on a local radio show regarding the ABC system with some discussion about the potential legalization of cannabis. It was her opinion the current system used by North Carolina to control the sale of alcohol would be a great platform for the sale and control of Marijuana should it be legalized in N.C. She will be speaking as a private citizen but relies on her knowledge of the ABC System in the conversation. Lengthy discussion followed with the conversation ending in full support of Ms. Cape.

Gordon Smith left the meeting at 9:40 a.m.

Chairman Isaac made a point to mention how each Board member brings a unique perspective and skill-set to the Board and how it results in a more effective Board. He emphasized how much he appreciates their knowledge, support and candor. He stated he was proud to be the Chair of such an erudite, august group.

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Mr. Combs, with positive input, mentioned the ABC Board sponsored an advertisement (\$100) for a "Beautillion" event in the community. Discussion followed.

Chairman Isaac invited Board members to the Holiday Social on December 6th from 11:00 a.m.-2:00 p.m. Also mentioned was that traditionally the Board does not meet in December. He asked Board members for their informal consensus to carry on this tradition. All Board members concurred to not meet in December.

NEXT REGULAR MEETING: The next regular meeting of the Board will be Tuesday, January 30, 2018, 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 10:50 a.m.

Respectfully submitted,



Lewis J. Isaac, Chairman

