

THE CITY OF ASHEVILLE BOARD OF ALCOHOLIC CONTROL  
MINUTES OF REGULAR MEETING  
MARCH 25, 2019

The City of Asheville Board of Alcoholic Control (“Board”) held its regular monthly meeting on Monday, March 25, 2019 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: Jan Davis and Max Haner. A quorum was present.

MEMBERS ABSENT: John Menkes and Januarie West, Board members.

ALSO PRESENT: Gwen Wisler, Vice Mayor; Mark Combs, General Manager; Diane Hallingse, Chief Financial Officer; Jason Thacker, Operations Manager; Debbie Bradley, Administrative Assistant; Jane Anderson and Charlie Hodge, Asheville Independent Restaurant Association (AIR).

Chairman Isaac called the meeting to order.

Chairman Isaac expressed appreciation to Ms. Bradley for organizing and making early reservations on behalf of Board members and staff attending the NABCA Conference. Hotel accommodations typically fill up fast, resulting in late registering conference attendees and guests having to book rooms at adjacent hotels, a major inconvenience. He also lauded fellow Board member Max Haner for his persistence and efforts to set up two meetings with our local State delegation to discuss various bills being introduced regarding the ABC system. Representatives Susan Fischer, Brian Turner and John Agar, and State Senator Terry VanDuyn, all of whom were ardent listeners, asked many questions and received comprehensive information to help them through the legislative process.

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 reported.

APPROVAL OF MINUTES FOR REGULAR MEETING: Mr. Haner moved to approve the ABC Board meeting minutes for the February 26, 2019 regular meeting. Mr. Davis seconded the motion, and it carried by a unanimous vote.

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APPROVAL OF MINUTES FOR SPECIAL MEETING FOR CLOSED SESSION AND CLOSED SESSION MEETING: After a review of the minutes, Mr. Davis moved to approve the minutes for the March 11, 2019 special meeting. Mr. Haner seconded the motion and it carried by unanimous vote. Mr. Haner then moved to approve the minutes for the March 11, 2019 closed session meeting. Mr. Davis seconded the motion, and it carried by unanimous vote.

LAW ENFORCEMENT REPORT: Mr. Combs presented the law enforcement report on behalf of Chief Agent Bottego. February law enforcement staff conducted 40 permittee inspections, 40 permittee spot checks, 1 agency assist and 12 criminal occurrences.

Mr. Combs discussed a recent article in the Citizen-Times titled: "Alcohol enforcement agents arrest more than 123 people." Chief Bottego's assessment of the arrests was that State A.L.E. agents investigated and performed a 'crack down' on illegal permittee violations in the Charlotte area. This type action is somewhat incongruous with our agents' philosophy to first educate permittees and staff to hopefully avoid citations and fines.

ALCOHOL EDUCATION: Mr. Combs updated the Board on the following:

- Prom Promise Campaign: Moving forward. Students develop the agenda and Chief Bottego ensures programming is within parameters of the Board's grant requirements.
- ABC Law Enforcement Meeting: Local ABC Board Law Enforcement Officers across the state will be meeting in Asheville this year. Mr. Bottego will be discussing recently introduced bills and policies affecting law enforcement.
- U.S. Bartenders Guild & Asheville Independent Restaurant (AIR): Mr. Combs advised the Board that an article supporting Privatization was published in the Raleigh News & Observer & Fayetteville Observer. It stated that merchants and N.C. Restaurant & Lodging Association NCRLA were in favor of privatization. The AIR Association has many members who also belong to these organizations and support privatization. Ms. Anderson asked Mr. Combs to speak to AIR members about the pros and cons of privatization. He responded that if Mr. McGrady introduces a bill then he would gladly speak. Ms. Anderson added that AIR has developed an excellent relationship with Asheville ABC Board, which is unusual as other Boards are not as accessible as Asheville. Chairman Isaac also complimented the good relationship with AIR and added that they may want invite legislators to also speak to AIR instead of getting their information from biased news articles and other sources. Discussion followed.

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FINANCIAL REPORT: Ms. Hallingse presented the financial report for February 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 store, operating expenses, net income after tax, cash distributions and profit percentage to sales. Sales were up 8.3% over last February. YTD sales are up 9.1%. State sales were up 10.75%. Mixed Beverage sales are up 9.8% over last February. State mixed beverage sales were up 15.9%. YTD mixed beverage sales are up 9.9%. Mecklenburg had the NBA All-Star game in Charlotte last month. Their ABC sales for the month of February were up 20% and their mixed beverage sales were up 27.4%. Our Operating expenses are up 7.5%, YTD up 7.1%. Net income after tax is up 10.6%. YTD net income is up 12.3%. Distributions to City and County were \$2,201,542 through February (up 12.3%). Discussion followed on how the City would recoup the loss of revenue if we went private. Mr. Haner asked why the operating expenses have increased. Ms. Hallingse stated that with the increase in profits we have to distribute more to non-profit organizations and we also have an increase in retirement contributions.

Ms. Hallingse presented the Profit Percentage to Sales through February was 12.99% compared to last year's 12.45%. The Board ended fiscal year on 2018 at 12.58%.

Ms. Hallingse reviewed with the Board store gross sales by location for the month of February (compared to February 2018 sales). Mixed Beverage Outlet was the only location that had a decrease in sales. Sweeten Creek was up 21%, Long Shoals was up 9.7%, the neighboring ABC Store in Fletcher was up 12.7%. Merrimon was up 4.5%; neighboring ABC Stores Weaverville and Woodfin were up 3.8% and 8.6%, respectively. Tunnel Road was up 16.5%. Ms. Hallingse mentioned that if all the stores in Buncombe County were consolidated it would increase sales by \$500,000.

Ms. Hallingse reviewed Net Income After Tax by store location for the month of February. Mixed Beverage Outlet (#3) was the only location to show a decrease. Chairman Isaac advised new Board members the reason this location is down because the mixed beverage accounts were moved to other store locations. Discussion followed on future plans of moving all mixed beverage accounts to current warehouse at 157 Broadway. Vice Mayor Wisler stated that there is no longer a rush for the Board to vacate the 171 Charlotte Street location, also designated as store #4. Discussion followed.

OPERATIONS REPORT: Mr. Thacker expressed concern on logistical challenges ahead regarding relocating staff and mixed beverage customers from the Charlotte Street store to 157 Broadway. He discussed issues such as some permittees may have a small order and elect to go to Tunnel Road rather than wait in line at the mixed beverage outlet. He also believes Tunnel Road store's walk-in traffic will likely increase when the Charlotte Street store is vacated. Discussion followed.

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Mr. Thacker reviewed with the Board a visual slide showing the top 10 brands of spirits sold by Asheville ABC Board and statewide in February. Tito's vodka remains the top seller with Jameson in top 2 or 3. Espolon is in the top 5, and Asheville sells more of it than the lower-priced Jose Cuervo.

BUY-INS REPORT: Mr. Thacker reviewed product 'buy-in' numbers with the Board. Estimated gross profit for the month of February was \$45,226. YTD is \$88,956. Overall, buy-in profits continue to be robust. Discussion followed.

Mr. Thacker informed the Board that two employees were recently promoted to assistant manager: Pam Floyd and Tegan Cross were assigned to stores #1 (Sweeten Creek) and #4 (Charlotte Street), respectively.

GENERAL MANAGER'S REPORT: Mr. Combs advised the Board that the ABC's Staff full credit card report is in the packet for Board members' perusal.

Chairman Isaac advised the Board that he and Mr. Combs met with State Representatives Brian Turner, and John Agee, then met in another meeting with State Representative Susan Fisher and Senator Terry VanDuyn to discuss recently introduced HB91/SB87 ("Modernization" Bill) and SB290/HB378 ("N.C. Distilleries Privileges"). Board member Max Haner worked diligently to set up the meetings, which were very productive, according to Chairman Isaac. Chairman Isaac and Mr. Combs provided operational and factual information regarding the advantages of N.C.'s unique control system. Discussion followed.

Mr. Thacker advised the Board that there is a formula the state developed to distribute allocated bourbons to ABC Boards statewide. Basically, distributions are calculated on how many bottles of bourbon a board sells at \$29.95 (.75 liter) or higher in the prior quarter. Discussion followed. Mr. Hodge asked the question: "Then why can I drive an hour north or an hour south and get all the Buffalo Trace I want?" Mr. Combs asked what the cost of the product was? He stated that private sellers often sell it for a much higher price (which lowers sales volume and makes the product more available) as N.C. Boards can only sell at the price determined by the ABC Commission. Mr. Hodge response was he did not care if the cost was higher. Discussion followed.

Mr. Davis initiated a discussion on the ramifications of HB91/SB87 requirement to consolidate all ABC boards within a county into a single board. A lengthy discussion followed.

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Mr. Thacker commented on the confusing and revised rules regarding barrel sales and labeling issues. He was confident the rules will be ironed out and he will report revisions as they evolve.

24 OLD BREVARD ROAD: Mr. Combs updated the Board on new administrative office and warehouse renovations and construction as follows:

- Terrazzo floor contracted directly by the Board and work is scheduled
- Electrical work substantially completed
- Doors, trim and outside glazing (mostly) completed
- Furniture procurement in process (conference table, chairs, desks, etc.)
- Fiber-optic conduit and cable installation scheduled and in process
- Roof work to be completed within 2 weeks

BUSINESS NORTH CAROLINA MAGAZINE: Mr. Combs advised the Board on magazine's highlights concerning North Carolina and Buncombe County:

- Forbes Magazine ranked N.C. No. 1 on list of best states for business for second consecutive year
- Buncombe County is NC's #2 county with most new businesses (8.3%)
- Buncombe is a top 20 'highest quality of life' N.C. county
- Buncombe County has the lowest unemployment rate in N.C. (2.6%)
- The largest craft brewer in N.C. is Highland Brewing Company
- Today there are 76 craft distillers in N.C. There were only 6 in 2012

Chairman Isaac added that N.C. HB378/SB290 would allow N.C. craft distillers to sell directly to local restaurants and bars and totally by-pass the current mixed-beverage distribution and tax system. Discussion followed.

Jane Anderson left the meeting at 9:45 a.m.

OLD BUSINESS/NEW BUSINESS: Mr. Combs advised the Board that the statewide ABC General Managers meeting would commence in Asheville tomorrow at the Crowne Plaza. Chairman Isaac, Diane Hallingse, Jason Thacker, Mark Combs and Debbie Bradley (staff support) will be in attendance.

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Mr. Combs asked Vice Mayor Wisler if City Council would entertain passing a resolution opposing privatization if a bill were introduced to do such? Also, will the City of Asheville be concerned about future annual revenues and losing control of their system? Ms. Wisler said she would educate her fellow Council members regarding privatization. Mr. Combs informed Vice Mayor Wisler and the ABC Board on behalf of all staff, they appreciate their ardent support of the system and their proactive leadership regarding recent bills and talk of privatizing North Carolina liquor sales.

For information, Mr. Haner advised the Board that he researched State Representative Chuck McGrady's campaign contributions and noted in the third quarter Representative McGrady received over \$13,000 in contributions, with \$10,000 of the total coming from brewers, distillers, the NC Retail Merchants Association, NC Restaurant & Lodging Association, Wal-Mart, etc.

NEXT REGULAR MEETING: The next regular meeting of the Board will be Tuesday, April 30, 2019 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 10:02 a.m.

Respectfully submitted,

  
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Lewis J. Isaac, Chairman