

THE CITY OF ASHEVILLE BOARD OF ALCOHOLIC CONTROL
MINUTES OF REGULAR MEETING
MAY 28, 2019

The City of Asheville Board of Alcoholic Control ("Board") held its regular monthly meeting on Tuesday, May 28, 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: Jan Davis, Vice Chairman; Board members: Max Haner and John Menkes and Januarie West.

MEMBERS ABSENT: Lewis Isaac, Chairman.

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

Vice Chairman Davis called the meeting to order.

Vice Chairman Davis informed the Board that Chairman Isaac was recovering from serious surgery and was unable to attend. A card was passed around for well wishes to be forwarded to Mr. Isaac.

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: There was one correction to a named miss-spelled in the minutes. Mr. Haner moved to approve the ABC Board meeting minutes for the April 30, 2019 regular meeting. Mr. Menkes seconded the motion, and it carried by unanimous vote.

PUBLIC HEARING: The Asheville Board of Alcoholic Control held a Public Hearing on May 28, 2019 at 8:34 a.m. regarding the proposed operating budget for fiscal year 2019-2020. Vice Chairman Davis asked if there was anyone from the public with a comment. There was no one from the public present. The Vice Chairman moved to close the Public Hearing at 8:35 a.m.

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Ms. Hallingse shared with the Board several Budget Highlights for FY 2019-2020:

- Projected sales growth of 6% based on economic indicators
- 3.5% employee merit pool to reward high performance
- Increase in retirement line item; increases are mandated via LGERS
- Debt Service: \$265,000 (including 24 Old Brevard Rd.)
- Working Capital as of 3/31/19: \$4,014,451
- Budget for a full time staff: 36 (retail), 6 (admin.), 3 (warehouse), and 3 (law enforcement) with a part-time staff of 29 (retail), 3 (warehouse), and 1 (administration-GM)

Vice Chairman Davis asked if the number of full-time staff was sufficient. Mr. Thacker stated that currently he was able to promote and hire competent staff; however, due to the low unemployment, part-time staff may or may not remain working for the Board if better opportunities become available.

Ms. Hallingse formally introduced Ms. Hannah Franklin, the Board's new Deputy Finance Officer. Hannah is a certified public accountant with her undergraduate degree in business administration (concentration in accounting) and a Master's Degree in Finance from Western Carolina University. She is married to Jason Franklin and has a 15-month-old daughter, Harper.

RESOLUTION AGREEMENT FOR BB&T BANK: Vice Chairman Davis read the resolution and made a formal motion to approve it. Mr. Menkes seconded the motion and it carried by a unanimous vote.

RECORDS RETENTION & DISPOSITION SCHEDULE: Ms. Hallingse informed the Board that the Board approved a records retention policy in April 2009 under guidelines by the North Carolina Department of Cultural Resources. At that time Board member Ken Kaplan moved to make changes to the recommended schedule, thus the records retention schedule was increased to 5 years. Ms. Hallingse stated advancements in digital records retention made paper copy retention redundant and would like the Board to approve the original Records Retention & Disposition Policy as suggested by the North Carolina Department of Cultural Resources Division. After further discussion, Mr. Haner moved to approve the schedule as recommended by the North Carolina Department of the Cultural Resources Division. Mr. Menkes seconded the motion, and it carried by a unanimous vote.

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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 store, operating expenses, net income after tax, cash distributions and profit percentage to sales. Sales were up 13% over last April. YTD sales are up 8.7%. State sales were up 13.98%. Mixed Beverage sales are up 15.8% over last April. State mixed beverage sales were up 12.3%. YTD mixed beverage sales are up 9.7%. Ms. Hallingse advised the Board that we did have an extra sales day in April. Operating expenses are up 2.8%, YTD up 4.6%. Net income after tax is up 20.3%. Distributions to City and County were \$2,831,802 through April (up 14.2%).

Ms. Hallingse stated the Profit Percentage to Sales through April was 13.14% compared to last year's 12.56%. 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 April (compared to April 2018 sales). Sweeten Creek was up 21.5%, Long Shoals was up 25%, \$26,000 of the \$52,000 increase was mixed beverage sales. The neighboring ABC Store in Fletcher was up 20.6%. Tunnel Road was up 19.5%, \$68,000 of the \$88,000 increase was mixed beverage sales. Merrimon was up 13.5%; neighboring ABC Stores Weaverville was up 15.2% and Woodfin was up 7.76%.

Ms. Hallingse reviewed Net Income After Tax by store location for the month of April. Mixed Beverage Outlet and Leicester Hwy were the only two locations that showed decreases.

Vice-Mayor Wisler asked staff a question regarding volume and taxation rate in light of the recently introduced privatization bill in the N.C. House, and was there a calculation for such. Mr. Combs stated he had already "backed into" the calculations to see where the bill's authors came up with the flat tax of \$28 per gallon. Discussion followed.

LAW ENFORCEMENT REPORT: Mr. Langford reported that in April law enforcement staff conducted 40 outlet inspections, 40 permittee spot checks, 1 larceny and 1 agency assist (APD).

ALCOHOL EDUCATION: Mr. Langford updated the Board on the following: The annual Prom Promise Campaign went very well this year. Over the past 7 years there have been no injuries or deaths due to alcohol abuse or underage drinking. Reynolds High School provided a video clip (shown in the meeting) of prom promise programming and thanked the Asheville ABC Board for their help.

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OPERATIONS REPORT: Mr. Thacker advised the Board that a recent survey conducted by the NC ABC Commission showed that Asheville ABC carries 80% of North Carolina's distilled products. The survey revealed most North Carolina Boards carry a far lower percentage of North Carolina products than we carry.

Mr. Thacker reviewed with the Board a visual slide showing April's top 10 brands of spirits sold by Asheville ABC Board and in North Carolina. Tito's vodka remains the top seller with Tito's half gallons 2nd. Jameson Irish whiskey was 3rd. Mr. Thacker heard from the Jameson salesman that Asheville ABC sells more Jameson per capita than anyone in the state. Ms. West asked what is Espolon? Mr. Thacker responded that it is a good tasting, popular tequila.

BUY-INS REPORT: Mr. Thacker reviewed product 'buy-in' numbers with the Board. Estimated gross profit for the month of April was \$49,139.50. YTD is \$186,300.50 Overall, buy-in profits continue to be profitable. Discussion followed.

Mr. Thacker advised the Board that our Store Managers took a tour of the new administration offices and warehouse at 24 Old Brevard Road during the managers meeting in April. He stated the staff should hopefully be moving to the new location in late June and hopes we can have our next board meeting there.

GENERAL MANAGER'S REPORT: Mr. Combs advised the Board that the Alcohol Rehabilitation & Education Grant submittals are due by May 31st. After a discussion on the grant process it was the consensus of the Board for Mr. Menkes, Mr. Davis and Mr. Combs to be on the Grant Committee to review and make funding recommendations to the full Board at the June meeting.

OLD BUSINESS/NEW BUSINESS: HB971 PRIVATIZATION BILL: Mr. Combs informed the Board that the House ABC Committee was scheduled to discuss the bill June 18th. Mr. Combs has been heavily engaged with ABC Association lobbyist Jon Carr by providing analysis and information spreadsheets, etc. He and Chairman Isaac also met with Buncombe County, spoke to Mayors and managers in the county regarding the legislation, and remained proactive in fighting the bill, which would totally eliminate the ABC system in North Carolina.

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Ms. Wisler advised Board that she spoke with Susan Fisher regarding HB971. Ms. Fisher informed her there was likely insufficient support to completely privatize N.C.'s spirituous liquor system at this time, but that several other bills focus on modernizing the system had good chances of passing. Mr. Haner stated that the consensus from many people he recently spoke with at the NABCA Conference was that the Modernization Bill would likely 'sail straight through' since they removed the forced consolidation of ABC Boards. Mr. Combs said that HB91/SB87- ABC Modernization Bill has not made it to the floor as of yet. Discussion followed.

Mr. Combs paid out of his pocket to print 3x5 cards containing information on how to oppose the privatization of the ABC system. The cards are only to be handed out to persons who express an interest in proactively opposing such legislation.

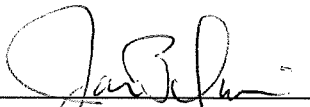
NABCA CONFERENCE: Mr. Combs advised the Board that the Cannabis subject was a key topic of discussion at the annual NABCA Conference. Mr. Haner enjoyed his interactions with many of the North Carolina attendees. His 'aha moment' was the discussion on the expansion of cannabis in North America and how it is going to be delivered and distributed. Mr. Davis also thought cannabis was the high point of the conference. He also enjoyed the keynote speakers. Lastly, he spoke highly of the hotel accommodations and the quality of the conference's many sessions. Mr. Thacker said he wished they would have discussed the future challenges of employers and how they will handle employees who get high on cannabis prior to reporting for work.

OPERATING BUDGET: Mr. Combs advised the Board that staff would update the proposed operating budget and bring it back for formal adoption (to include grants) by the ABC Board at the June meeting. Formal adoption by July 1 is a legal requirement of the Statutes.

NEXT REGULAR MEETING: The next regular meeting of the Board will be Tuesday, June 25, 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 9:49 a.m.

Respectfully submitted,



Jan Davis, Vice Chairman

