

THE CITY OF ASHEVILLE BOARD OF ALCOHOLIC CONTROL
MINUTES OF REGULAR MEETING
October 29, 2019

The City of Asheville Board of Alcoholic Control ("Board") held its regular monthly meeting on Tuesday, October 29, 2019 at 8:35 a.m. in the Conference Room at its new administrative offices & warehouse at 24 Old Brevard Road, Asheville, North Carolina.

MEMBERS PRESENT: Jan Davis, Chairman; Board members: John Menkes, Max Haner and Januarie West.

MEMBERS ABSENT: Robin Cape, Board member

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

Chairman Davis called the meeting to order and welcomed all present.

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: Chairman Davis found one typo in the meeting minutes and after the correction was made, Mr. Haner moved to approve the ABC Board meeting minutes for the September 24, 2019 regular meeting. Mr. Menkes seconded the motion, and it carried by unanimous vote.

LAW ENFORCEMENT REPORT: Chief Al Bottego reported for the month of September showing law enforcement staff conducted 20 permittee inspections, 20 compliance checks, 2 RASSP training sessions and 20 criminal charges (from Tunnel Road, Louisiana Avenue and Leicester Highway store patrol.) Chief Bottego reported 6 training sessions scheduled for next month, not atypical for this time of year. Discussion followed.

DRINK RESPONSIBLY CAMPAIGN: Mr. Bottego updated the Board on the following:

- SAGA Radio – The first "Coach of the month" award was awarded and celebrated this month. The winning coach was nominated by his wife. They received 51 nominations. "Be Responsible" is the new theme to replace the Board's multi-year 'Drink Responsibly Campaign' slogan. The new theme will be featured during the holiday season. Discussion followed.

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Chief Bottego informed the Board that reserve law enforcement officers will be utilized during the holiday season. Mr. Haner asked if we pay them. Mr. Bottego replied 'no' because it is a convenient venue for sworn officers seeking to keep their certifications to work specified hours each year, thus no need to compensate them. Discussion followed.

FINANCIAL REPORT: Ms. Franklin presented the financial report for September to include copies of related financial statements presented for the Board's review and/or action. 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 \$3,096,211 up 7.2% over last September. State sales were up 4.6%, YTD up 11.1%. Mixed Beverage sales were \$1,239,906 up 16.6% over last September. State mixed beverage sales were up 20.1%. YTD up 14.78%. Operating expenses were \$488,732 up 7.6%. Net income after tax was \$319,623 up 8.1%. Distributions to City and County were \$913,234 (up 18.6%).

Ms. Franklin reported the Profit Percentage to Sales to be 13.33% through September compared to 12.55% for the same period last year. The Board's profits continue on a robust upward trend.

Ms. Franklin reviewed with the Board store gross sales by location for the month of September (compared to September 2018 sales). Sweeten Creek was up 5.1%, Long Shoals was up 16.7%, their mixed beverage was up 29.2%. The neighboring ABC Store in Fletcher was up 1.47%. Merrimon was down 2.2%; neighboring ABC Stores Weaverville was up 1.8% and Woodfin was up 4.92%. Charlotte Street was up 12.5%, \$583,000 was mixed beverage sales. \$23K was the opening of the Arias Hotel for their bars and mini refrigerators. Tunnel Road was up 16.7%, \$72,000 of that was mixed beverage sales. Mr. Thacker mentioned that the smallest things make the stores end up in the red from year to year. For example, there were five Saturdays in September 2018 and only four this year, and Saturdays are typically heavier retail and MXB days than weekdays.

Ms. Franklin reviewed Net Income After Tax by store location for the month of September. The Mixed Beverage Outlet, Merrimon, Enka and Leicester stores all had decreases.

Mr. Haner asked how we compared to other Boards our size in sales. Ms. Franklin reviewed the published state monthly sales data and responded that #2 in sales Wake County was up 4.64%, Greensboro was up 1.31%, High Point was down a small percentage, #1 in sales Mecklenburg County was up 2.43%, New Hanover was up 35% (there was a hurricane flood last year) and Triad (Winston-Salem area) was up 3.25%. Discussion followed.

OPERATIONS REPORT: Mr. Thacker informed the Board that the Holiday Season liquor products will be in all stores beginning on Friday, November 1st.

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Mr. Thacker advised the Board that our first in-store tasting was conducted last Friday, October 25th, at the Tunnel Road store featuring local distiller H&H Distillery. Distillery owner, Leah Howard, sold most of her products. Customers seemed to genuinely enjoy the event. Vice Mayor Wisler asked if we will have tastings at every store. Mr. Thacker advised that any store the product represents is available but is advising distillers to conduct tastings in high traffic stores. He explained key rules and procedures distillers and the Board must follow to conduct them.

Mr. Thacker reviewed a visual slide showing September's top 10 brands of spirits sold by the ABC Board and compared to the State's top 10. Tito's .750ml vodka remains the top seller with Tito's half gallons the second top seller. It is also the top seller in North Carolina.

BUY-INS REPORT: Mr. Thacker reviewed the Board's 'buy-in' program. Estimated gross profit for the month of September was \$49,466 and year-to-date is \$418,078. The top three buy-in profits for the month were Tito's, Hendrick's Gin and Jameson. Discussion followed.

Mr. Thacker presented a sales analysis slide showing mixed beverage sales growth from fiscal years 2013 to 2019. Mixed beverage sales have doubled since 2013 while overall sales increased only 61.57%. The robust trend in commercial sales has resulted in better profits for the Board. Discussion followed.

Mr. Thacker informed the Board that new shelving was installed at store #2 (Hendersonville Road) to add space for more variety of liquors. This was initiated last year and budgeted this year at the request of store manager Kathy Brady.

GENERAL MANAGER'S REPORT: Mr. Combs met with Nikki Reid and Ellen McKinnon of the City of Asheville to discuss the potential swap of the City's Charlotte Street property (location of Store #4) for the Board's 1 Cherry Street North property. The meeting was the first formal discussion of details and as of this day the City has provided no response to the proposal.

Mr. Combs informed Board that the Credit Card Report for staff for part of months of August and September is located in the packet for their perusal, questions and comments.

Mr. Combs advised the Quarterly Distribution letter to the Mayor is also in the board packet. The letter reported an 18.6% increase in distributions to the City and County compared to 2018's first quarter. Discussion followed.

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Mr. Combs informed the Board that according to the ages and time-of-service, approximately 30% of staff are likely to retire in the next 1-5 years. Furthermore, 66% of leadership/administration staff will likely retire as well. Mr. Thacker lamented his difficulties in finding good employees at the clerk/assistant store manager level. Mr. Combs added that staff is being proactive with succession planning and noted Ms. Franklin as an example with the imminent retirement of the CFO. Discussion followed.

OLD BUSINESS/NEW BUSINESS: Mr. Menkes ran into State Representative Brian Turner at a meeting and engaged in a short discussion about his views regarding a bill to privatize NC's ABC system. Mr. Menkes' stated that Mr. Turner informed him he was for modernization but not for privatization, that the recent bill to totally dismember the system was merely a 'wake-up call to modernize'. Discussion followed.

Mr. Combs advised the Board that Mr. Davis is up for re-appointment to the Board. On behalf of all staff, we would be honored to have him continue to lead the ABC Board.

Mr. Combs provided insight into happenings since the enactment of Senate Bill 290. He noted considerable alcohol sales at a recent college football game he attended and tastings now being conducted in our stores, but joked that the provision to allow alcohol on ferries was deleted from the statute. The Board and staff have endorsed modernization provisions for several years and will continue to support modernization efforts which discourage easy access but are in line with current modern retail culture. Discussion followed.

Vice Mayor Wisler informed the Board that the City of Asheville, Buncombe County and both school boards are partnering to develop a request for proposals (RFP) to put solar panels on buildings. She asked if the ABC Board would be interested in joining the project? Her thought is the larger the roof space, the more lucrative the RFP's could be. Mr. Combs response was positive and he would like to discuss the plan in more detail and report to the Board in subsequent meetings.

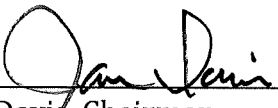
Lastly, Ms. Wisler wanted to know if the ABC Board would support the RHA through the grant program to fight opioid abuse. Mr. Combs requested their contact information so he can assist them in applying for 2020 grant funds. Additionally, for sanitary reasons Ms. Wisler asked that the Board install needle receptacles at each store location.

NEXT REGULAR MEETING: The next regular meeting of the Board will be Tuesday, November 26, 2019 at 8:30 a.m. in the Conference Room at its Administrative Offices at 24 Old Brevard Road, Asheville, North Carolina.

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ADJOURNMENT: The meeting was adjourned at 9:40 a.m.

Respectfully submitted,



Jan Davis, Chairman

