

THE CITY OF ASHEVILLE BOARD OF ALCOHOLIC CONTROL
MINUTES OF REGULAR MEETING
MARCH 21, 2024

The City of Asheville Board of Alcoholic Control ("Board") held its regular monthly meeting on Thursday, March 21, 2024 at 8:30 a.m. in the Conference Room at its administrative office at 24 Old Brevard Road, Asheville, North Carolina.

MEMBERS PRESENT: Robin Cape, Board Chair; Board members: Max Haner , Chappell Carter and Charles Triber.

MEMBERS ABSENT: Nian Avery, Board member

ALSO, PRESENT: Kim Roney, Asheville City Council Liaison; Mark Combs, General Manager; Hannah Franklin, Chief Financial Officer; Jason Thacker, Operations Manager; Alfred Bottego, Chief Law Enforcement Agent; Jonathan Bass, Assistant Operations Manager; Terrie McCracken, Purchasing Coordinator; Debbie Bradley, Administrative Assistant; Meghan Rogers, Asheville Independent Restaurant C.E.O., Peter Pollay, local restaurant owner and Neomi Negron, owner of Buggy Pops.

Chairman Cape 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: Mr. Haner moved to approve the Board meeting minutes for the February 27, 2024 regular meeting. Mr. Carter seconded the motion, and it carried by unanimous vote.

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LAW ENFORCEMENT REPORT: Chief Bottego reported for the month of February that law enforcement staff conducted 20 permittee inspections, 34 compliance checks, 1 RASSP training session, 1 outside agency assists, 3 criminal charge (larcenies) and re-stamped approximately 1,000 bottles due to ownership/permittee changes. Discussion followed.

Chief Bottego advised the Board that our annual 'Prom Promise' campaign process has been initiated. To date Chief Bottego has attended four meetings with two more to go. One challenge of note is that school staff has changed significantly and schools seem to be having more money challenges. Mr. Combs interjected that an ABC grant to William's Place was returned so he moved those funds to help with Prom Promise. Ms. Cape asked how many schools were in Prom Promise. Chief Bottego responded there are five high schools; Asheville High School and four county schools. Ms. Cape added she is really proud of this program as since the inception of the program, no program participant has perished from an alcohol/drug related accident.

Mr. Haner asked how many inspections does law enforcement do annually and do all permittees get inspected. Chief Bottego replied yes, his staff did indeed inspect all 335 MXB permittees plus an additional 1,100 beer and wine compliance checks, which take much less time. Discussion followed.

Chief Bottego stated that alarm and video upgrades are going to multiple locations over the next seven weeks. Ms. Franklin stated that a security audit is in process to budget for next year's needs.

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FINANCIAL REPORT: Ms. Franklin presented the financial report for the month of February 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. Total sales were up 1.58% from the prior year and up 3.24% in retail sales. Mixed Beverage sales are \$1.3M, down -2.72% compared to the prior year and year to date up 1.65%. Retail was up 3.96%. We did gain a day for the month. For budget purposes, year to date under budget 2%. Operating Expenses were \$634K, up 7.04% from prior year and year to date under budget 4%. Net income after tax was \$378K, down -4.8% from prior year and year to date up 1.1%. Year to date Distribution to City and County was \$2.9M, which is 7.73% less than last year. Discussion followed.

Ms. Franklin reviewed Profit Percentage to Sales. Net Income After Tax is \$3.6M. Gross year-to-date sales are \$35M up \$188K from prior year. Flat on sales but we are fully staffed and taking good care of employees. Those overhead expenses have decreased the net income after tax but we are still making the same amount of money on the revenue side, just not as much growth. Chair Cape added that we balance the growth with paying our staff well. We are not here just to make a profit, we are here to serve the community and take care of the folks of Asheville. Profit Percentage to Sales was 11.7%.

Ms. Franklin reviewed with the Board each store's gross sales for the month of February (compared to 2023 sales). All stores retail sales were up except Merrimon. Asheville finished up at 1.6% in gross sales. N.C.'s gross sales were up 5.9% overall. All Boards in Buncombe County, Fletcher, Black Mountain, Weaverville and Woodfin were all up. Of the Boards across the state, New Hanover was up 5% in retail and 6% in mixed beverage. Excluding Mecklenburg County, Asheville ABC did more in mixed beverage sales than anyone across the state at 34%.

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Ms. Franklin advised that Net Income After Tax for the stores was down \$49K from the prior year. The Year to date total is \$5.4M.

Ms. Franklin presented a slide of February's retail and mixed beverage sales by location. Retail sales were \$2.5M. She noted that the Enka store (#9) has experienced robust growth but Tunnel Road remains the largest store for retail sales. Long Shoals and Biltmore stores both sold 10% of the mixed beverage sales.

Ms. Franklin informed the Board that the regular bottles sold for the month were down even though the retail sales were up. Both mixed beverage and miniature bottle counts were up. Ms. Cape asked if the bottle numbers equate to a higher value purchase since the regular bottles were down but retail sales were up? Discussion followed.

OPERATIONS REPORT: Mr. Thacker advised the Board that a new employee time keeping system was being implemented to tighten up accounting and reporting to insure compliance with labor regulations. Discussion followed.

N.C. DISTILLERY SALES: Mr. Thacker presented a slide showing the top 10 North Carolina distilled products sold by the Asheville ABC from September 2023 to February 2024. N.C. Distillery sales totaled \$591K, or 2.23% of total sales. Ms. Cape stated that customers comparisons of local distiller Chemist Vodka's quality (taste wise) to Titos Vodka is similar. Mr. Combs advised that we frequently double-shelf our local distilleries' products. Discussion followed.

BUY-INS REPORT: Mr. Thacker reported bourbon allocations, distributions and the gross profit for the month of February, which was \$71K and lower than the previous month.

TOP SELLING BRANDS: Mr. Thacker presented a chart of the top 10 selling brands in Asheville. Mr. Thacker stated that inexpensive Burnett's vodka fell out of the top ten, which was surprising. Hendrick's Gin is once again in our top ten but is not even in the top 100 in N.C. Discussion followed.

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Mr. Haner asked if we have a list of the stores that need to be upgraded. Mr. Thacker advised that Mr. Combs does have a five-to-ten year plan on relocating and upgrading older stores. The Louisiana Avenue store (#5) was discussed in the last meeting as a high priority for relocation due to the small building and lot. Mr. Haner asked if there was any thought to moving the Merrimon Avenue store? Considerable discussion followed. Mr. Carter agreed with Mr. Haner that it would be good to have a strategic 10-year plan regarding capital investments. Mr. Haner asked if there is data available showing effects on profits when a store is remodeled, updated or relocated? Mr. Thacker informed the Board that Ted Caldwell from RNDC (a large liquor distributor) is doing a shelf 'reset' at the Merrimon Avenue store to hopefully boost sales. Their approach is premised on sophisticated sales metrics modeling. Additionally, the ABC Commission is encouraging ABC boards to look at their store sizes locations and internal shelving to both increase customer options and overall sales. More discussion followed.

GENERAL MANAGER'S REPORT: Mr. Combs informed the Board that his duties include keeping current regarding state and national trends related to alcohol. Both internationally and nationally, alcohol sales in every sector (beer, wine and spirits) have gone flat. Industry-wide, the prediction is that sales will remain flat for the coming year. Based on trends and current sales in Asheville, staff will be presenting a conservative, low-to-no growth operating budget in the coming months.

Mr. Combs stated that there is a nationwide trend among law makers and legislatures to curtail or stop direct-to-consumer sales, which North Carolina has never permitted. Apparently, shipping alcohol has increased incidents related to underage access and societal problems caused by easy access. Discussion followed regarding direct sale, social impact and enforcement issues.

OLD BUSINESS/NEW BUSINESS: Mr. Combs asked Ms. Rogers to speak about the Asheville Independent Restaurants Association's annual meeting on March 6th. Ms. Rogers advised everyone that the meeting went well with about 50 people in attendance. Presentations were given from the Health Department, Chamber of Commerce and Asheville ABC Board (new MXB facility).

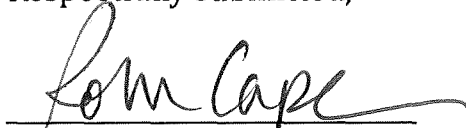
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Mr. Combs reminded the Board that March 25-27th, Chair Cape and three staff will be attending the N.C. Association of ABC Boards General Manager's Meeting in Greenville, N.C.

NEXT REGULAR MEETING: The next regular meeting of the Board will be Tuesday, April 30, 2024 at 8:30 a.m. in the Conference Room at its Administrative Offices at 24 Old Brevard Road, Asheville, North Carolina.

ADJOURNMENT: The meeting was adjourned at 9:35 a.m.

Respectfully submitted,



Robin Cape, Chair