

Virginia ABC Board Meeting Minutes

October 29, 2024

Call Meeting to Order

Meeting called to order at 9:07 a.m.

Attendees

Board Chair Tim Hugo
Board Vice-Chair Mark Stepanian
Board Member Greg Holland
Board Member William Euille
Board Member Lisa Jennings
CEO Dale Farino
GAO, John Daniel
CLEO, Tom Kirby
CAO, David Alfano
Deputy Secretary, Chris Curtis
Administrative Law Judge and Government Affairs Officer, Craig Maxey
Office of the Attorney General, Elizabeth Peay
Director of Community Health & Engagement Katie Crumble
Senior Legal Counsel, LaTonya Hucks-Watkins, Esquire
Executive Administrative Assistant Kathleen LaMotte
Senior Paralegal, Helen Gordon

Opening

- Chair Hugo called the Board meeting to order.

New Business – Board Approval

Approve Minutes From October 3, 2024 Board Meeting

- The Chair asked for comments on the minutes. There being none, Member Euille made a motion to approve the minutes. Vice-Chair Stepanian seconded the motion. The motion was approved on a roll-call vote of 5 – 0.

Approve Real Estate Committee (REC) Recommendations

- Mr. Farino introduced the recommendations of the REC for renewing the leases of three stores: Chincoteague (177), Petersburg (255) and Short Pump (331). Short Pump is one of the Authority’s best performing stores and serves as one of the models for new stores. Board Vice-Chair Stepanian and CEO Farino shared compliments for the manager of 331.
- Board Member Euille moved to accept the REC’s recommendations. Vice-Chair Stepanian seconded the motion, and the Board adopted the recommendations of the REC on a roll-call vote 5– 0.
- The Chair suggested that the Board visit this store to see the vision for future stores.

Approve VHESUAC and VOSAP Annual Reports (Crumble)

- Katie Crumble, Director of Community Health and Engagement, advised the Board that there are two annual reports produced by the Authority due to the General Assembly on December 1. The Virginia’s Office for Substance Abuse Program (VOSAP) group oversees all youth substance abuse, detailing activities, trainings and

meetings held., The Virginia Higher Education Substance Use Advisory Council (VHESUAC) focuses on institutes of higher education.

- Member Jennings asked where the new fentanyl program fit into these groups? Ms. Crumble stated that fentanyl is addressed under both of these groups. If the abuser is under-age, it goes to VOSAP. If the user is college-aged, it goes to the VHESUAC program. The most popular topic today though is vaping and not fentanyl. The concerns with vaping are higher as the users aren't aware that they are using a drug. Ms. Crumble added that while alcohol consumption is trending down, vaping is trending up; however, the users don't understand that they are often using drugs and don't understand the negative effects of vaping.
- Ms. Crumble stated that these reports are sent to legislative services and are on the Authority's websites. Ms. Crumble will follow up with legislative services to see how the reports are disseminated .
- There being no further discussion, Mr. Euille made a motion to accept the VHESUAC and VOSAP reports. Mrs. Jennings seconded the motion. The motion passed on a roll call vote of 5 – 0.

Third Party Delivery Report to the General Assembly (Maxey)

- Craig Maxey presented the report and appendix to be sent to the General Assembly regarding third-party delivery providers, attached to these minutes as Appendix A.
- The legislature tasked the Authority with ensuring third-party delivery services are complying with regulations following pandemic related cocktails-to-go regulations. The Authority established a work group of stakeholders and conducted over 200 underage buys. This led to an increase in compliance, which the Authority credits to a very strong training program developed through community health and engagement as well as the underage buys. The stakeholders (Uber, DoorDash, Instacart, etc.) have added training programs as well. The Authority incorporated input from stakeholders in our work group to create the report before the Board. The stakeholders are very strongly behind the third-party delivery program, as are consumers, who expect to be able to order online and enjoy the convenience of home delivery.
- The workgroup recommended the sunset term for the legislation to expire in July of 2026. The action before the Board is to approve the report.
- After discussion, the Board recommended the sunset to be extended by two years, while continuing efforts to monitor compliance and work with the industry to provide training and compliance checks to ensure licensees are not selling to underage persons.
- Mr. Euille made a motion to add an amendment to the report stating that the Board recommends an extension of the sunset clause for two years. Mrs. Jennings seconded the motion. The motion carried on a roll call vote of 5 – 0.
- Mr. Stepanian made a motion to accept the report as amended. Mr. Euille seconded the motion. The motion carried on a roll call vote of 5 – 0.

Review and approve proposed regulatory changes regarding winery, farm winery and brewery licenses and transportation of alcoholic beverages (Hucks-Watkins)

- Ms. Hucks-Watkins reviewed the draft amendments to regulations. The change to 3VAC5-60-25 closes a loophole identified by Authority Administrative Law Judges that have indicated that the Board doesn't have the ability to suspend or revoke a license for failure to pay their tax payments on time, which is one of the Authority's most highly prosecuted charges. The Authority has completed a public comment period this month and discussed this proposed change with Assistant Attorney General Peay, who agrees the Authority may incorporate these changes. Legislative approval is not required to make these changes.

- Mr. Euille made a motion to accept the amendment to 3 VAC 5-60-25 as suggested. Mr. Stepanian seconded the motion. The motion carried on a roll-call vote of 5 – 0.
- Ms. Hucks-Watkins stated that the second amendment was to 3 VAC 5-70-10 to create a new exception for transportation permits allowing for the transport of samples of alcohol to Federally or State-certified labs for testing.
- Assistant Attorney General Peay verified that no legislative action was required.
- Mr. Stepanian made a motion to accept the amendment to regulation 3 VAC 5-70-10 as suggested. Mr. Holland seconded the motion. The motion carried on a roll-call vote of 5 – 0.

NEW BUSINESS, BOARD INFORMATION

Financial Update (Alfano)

- Mr. Alfano stated that store sales and online sales are about \$100,000 below budget, referring to page 126 of the Board’s materials. The Authority continues to see a decline in alcohol sales, consistent with wider industry trends. The Authority’s operating expenses were favorable by \$1.7 million; lower than anticipated due to salaries for open positions. While the Authority had previously reduced the number of personnel in stores, this restriction was lifted to have two or more people in the stores beginning in October, for safety and other reasons. While the Authority does not keep statistics on the amount of crime in stores as it compares with staffing levels, it may be a contributing factor. October sales look to be below projections as well. The Authority will continue to monitor and bolster sales and will continue to manage operating costs.
- The Authority is \$ 1.4 million ahead of budget in September, mostly due to lower than anticipated operating costs. We have a similar story for fiscal year to date information. Total sales are at \$356.8 million; still below budget. Sales are \$1.3 million below sales at this time last year. Operating costs year-to-date are 5.9% favorable. We will. October sales are below what our projections were.
- Large infrastructure projects have been deferred, the Authority’s IT team is working to extend the life of current inventory software vs making a financial investment in more current operating systems.
- Chair Hugo brought up a recent article in the Virginian Pilot regarding retail theft and asking the Authority to take on investigations of theft from local law enforcement. This would require the Authority to hire more people, and spend more dollars than are currently lost to theft. The Authority will continue to work with localities and other police agencies to look for common ground. Mr. Euille suggested the Authority also work with organizations representing cities and counties such as Virginia Association of Counties (VACO) to have further conversations about ideas and potential compromises.

Comments from the Board

- There were no further comments from the Board.

Public Comments

- There were no comments from the public or staff.

Meeting Adjournment at 10:30 a.m.