Virginia ABC Board Meeting Minutes
November 4, 2026

Call to Order

The meeting was called to order at 9:38 a.m. by Board Chair Tim Hugo.

Attendance

Board Chair	Tim Hugo
Board Member	Lisa Jennings
Board Member	Jack Kerrigan
Board Member	Lucretia Mason-Underdue
Acting Chief Executive Officer	Tom Kirby
Deputy Secretary	Chris Curtis
General Counsel	LaTonya Hucks-Watkins
Chief Financial Officer	Dave Alfano
Chief Human Resources Officer	John Singleton
Office of the Attorney General	Elizabeth Peay
Senior Paralegal	Helen Gordon
Sales Audit Lead Analyst	Martha Jackson
Director of Finance	Doug Robinson
Assistant Director of Budget	Ralph Addei
Director of Community Health	Katie Crumble

Chair Hugo welcomed attendees participating in person and remotely and noted that Vice Chair Stepanian would not be attending.

Approval of September 30, 2026 Board Meeting Minutes

Chair Hugo invited discussion of the September 30, 2026 Board meeting minutes. No discussion was offered.

> **Board action:** Board Member Kerrigan moved to approve the September 30, 2026 minutes as written. Board Member Jennings seconded the motion. The motion passed unanimously by roll-call vote, with all members voting aye.

December and January Board Meeting Dates

Deputy Secretary Curtis recommended that the December Board meeting be held on December 9 or 10, noting that the necessary data was expected to be available and the Authority expected to have received the Auditor of Public Accounts (APA) letter.

The Board discussed December 10 as the preferred date, with a 9:30 a.m. start time. Chair Hugo noted that the meeting could be longer than usual because it might include additional appeal hearings. Deputy Secretary Curtis advised that as many as four hearings could be scheduled and that a financial review would also be included.

Prepared from the draft meeting notes provided. These minutes remain subject to Board review and approval.

CFO Alfano advised that a draft annual report would be provided to the Board in advance of the December meeting. Deputy Secretary Curtis stated that the draft was scheduled to be distributed on the Monday before Thanksgiving. CFO Alfano clarified that the APA letter would not be included because it was not expected to have been received by then. At Chair Hugo's request, Curtis agreed to distribute the draft to all Board members, rather than only the Chair, so that each member could review it and provide suggestions.

VOSAP and VHESUAC Annual Reports

Director of Community Health Katie Crumble presented the Virginia Office for Substance Abuse Prevention (VOSAP) and Virginia Higher Education Substance Use Advisory Committee (VHESUAC) annual reports for Board consideration.

VOSAP Annual Report

Director Crumble explained that the VOSAP report is one of two programmatic reports facilitated by Virginia ABC under the Code of Virginia. It addresses youth substance-use prevention programs serving school-age children and includes national and Virginia substance-use trends. Participating agencies provide the information included in the report.

VHESUAC Annual Report

Director Crumble explained that the VHESUAC report addresses treatment, recovery, and mental health at colleges and universities. The report lists participating institutions and notes that a motivational interviewing training was conducted during the year. Both reports were due December 1.

In response to Board questions, Crumble reported that Virginia's prevention and treatment trends generally compare favorably with national figures. The reports address substances beyond alcohol. She discussed reported cannabis-use trends by grade level, including a reported 35% rate among 12th graders, 23% among 10th graders, and 12.5% among 8th graders. She noted that the figures are self-reported and generally lag by approximately one year because the data must be compiled, reviewed, and prepared for publication. As a result, the effects of changes in law or policy may not be reflected in the data for approximately two years.

Crumble identified Monitoring the Future and the Youth Risk Behavior Survey, which collaborates with the Centers for Disease Control and Prevention, as data sources. She noted that the VOSAP report also incorporates state agency reports. The Board discussed the relationship between substance use and academic performance; Crumble stated that universities track effects on attendance and retention, while Virginia was not currently addressing a specific issue through VHESUAC.

Board action: Board Member Mason-Underdue moved to approve both the VOSAP and VHESUAC annual reports. Board Member Jennings seconded the motion. The motion passed unanimously by roll-call vote, with all members voting aye.

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Tobacco Regulations

General Counsel Hucks-Watkins requested Board approval to finalize the tobacco regulations, as amended. The public comment period closed October 4, 2026, and four comments were received.

- One commenter requested a change to the language in 3VAC5-90-10 concerning liquid nicotine. General Counsel advised that the language was taken directly from the Code of Virginia and could not be changed by regulation.
- WC Baker Company requested changes to the broad definition of tobacco and made a separate request concerning related language. General Counsel advised that both provisions reflected statutory language and were outside the Authority's authority to amend.
- A third comment opposed smoking generally.
- John Whitesell, owner and operator of Vapor Connection in Midlothian, requested that failure to post a permit be treated as a non-willful violation, allowing Virginia ABC to waive the posting requirement. General Counsel recommended retaining the proposed language, explaining that permit posting provides notice to the public, stakeholders, and enforcement personnel.

General Counsel further recommended reducing the proposed first-offense penalty from $2,500 to $1,500 to align with the Code. She advised that the regulations needed to be finalized by December 1.

Board action: Board Member Kerrigan moved to approve the tobacco regulations, as amended, and to proceed with finalization. Board Member Jennings seconded the motion. The motion passed unanimously by roll-call vote, with all members voting aye.

Regulatory Revisions - MBAR Process

General Counsel Hucks-Watkins requested approval to initiate the regulatory process to amend the MBAR process in response to legislation enacted by the General Assembly. She advised that the proposed language would be drawn from the applicable statutory provisions and posted on Regulatory Town Hall.

Board action: Board Member Kerrigan moved to approve initiation of the regulatory process to amend the MBAR process based on the General Assembly's new laws. Board Member Mason-Underdue seconded the motion. The motion passed unanimously by roll-call vote, with all members voting aye.

GACRE Report

CFO Alfano presented the GACRE report and requested Board approval. He noted that the report was due shortly before Thanksgiving and that staff was not aware of additional amendments at the time of the presentation.

Retail Store Strategy and Delivery Options

The Board discussed the Authority's retail store footprint, store format, customer experience, and potential delivery options. CFO Alfano described the Carytown concept store, opened in July 2025, as a test of product placement and signage intended to identify improvements that could be applied elsewhere as resources permit. Acting CEO Kirby discussed a Virginia Beach store relocation to a shopping center with improved parking and complementary retailers, noting the potential for a more attractive shopping experience.

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Kirby stated that store consolidation could generate approximately $300,000 in annual savings per store, but that lease restrictions and the lack of suitable exit provisions limit the Authority's flexibility. Staff reviews leases in advance of renewal and is considering changes in suburban and urban markets. Kirby indicated that more aggressive consolidation may be necessary if sales continue to decline. Staff was planning to close 13 stores and had converted an Alexandria store to a warehouse format. The Board discussed whether additional superstores could be supported in Richmond and Northern Virginia; Kirby advised that demographic and market data would need to be assessed before determining locations or quantities.

Board members emphasized the need for a more active strategy to address industry-wide sales declines and changing customer preferences, including online purchasing and delivery. The Board discussed DoorDash and other third-party delivery platforms. Kirby confirmed that DoorDash was available through certain stores but that direct ordering through the DoorDash application had not been implemented. The cited platform cost was approximately 8.5%. Board members encouraged staff to evaluate whether a convenience fee or other pricing structure could offset delivery costs and whether a pilot program could provide useful sales and customer data.

Staff and the Board discussed legal and operational considerations, including whether a delivery-related charge could trigger the statutory 45-day public comment period and hearing process. General Counsel advised taking a cautious approach and following the applicable process if the fee constituted an increase associated with the price of distilled spirits. She also noted other contractual and operational considerations, including monthly fees, percentage charges, and DoorDash's status as a licensee. No decision was made to implement a delivery fee or launch a delivery pilot.
Chair Hugo requested that staff consult with the National Alcohol Beverage Control Association (NABCA) and other states regarding approaches to third-party delivery. Acting CEO Kirby agreed to seek information from NABCA. The Board asked staff to return with an update at the December 10 meeting.

Board Member Jennings requested a comprehensive strategic plan addressing short-, medium-, and long-term responses to market pressures. The plan should integrate online sales and delivery, store footprint and potential consolidation, revenue and expense impacts, and other growth opportunities. Jennings also expressed interest in participating in the high-level strategic discussion. The Board discussed lease exit provisions and requested further consideration of options for improving the Authority's negotiating position. Kirby agreed to provide the Board with a copy of the relevant lease exit provision for review.

Store Portfolio and Operating Model
The Board discussed the appropriate number and mix of stores, including the continued need for rural locations, the potential for larger stores in urban markets, regional product assortment, and the possible reduction of stock-keeping units in selected stores. Alfano stated that staff needed to complete additional analysis before recommending a target store count. He confirmed that the Authority was planning for 13 store closures and reviews leases well in advance of expiration. The Board also discussed the potential relationship between expanded online sales, warehouse distribution, and store consolidation.

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Forecast and Financial Assumptions

The Board reviewed the report's financial outlook and assumptions. Staff discussed recent sales declines, industry volatility, promotional activity, and uncertainty surrounding future market conditions, including potential impacts from cannabis and THC beverages. Kirby noted that the prior-year decline was approximately 1.7%, or 2.3% excluding Spirits Palooza, and that the Authority could not be certain whether future events would have the same effect.

Board members questioned assumptions underlying the longer-range forecast, including projected revenue recovery and cost increases. Alfano stated that the FY2027 budget assumptions were consistent with those previously presented and that there would be an opportunity to revise the GACRE report. He emphasized the importance of using assumptions staff believed the Authority could deliver, noting that excess funds are returned to the Commonwealth. Kirby described the importance of avoiding a shortfall in the Authority's obligations to the Commonwealth and cited unplanned compensation costs and other financial pressures.

The Board discussed healthcare cost assumptions, lease renewal increases, and the timing of major projects. Staff identified the replacement of the point-of-sale (POS) system, website redesign, and Sonitrol alarm monitoring as significant projects, with related costs affecting depreciation as the projects enter service. The Director of Finance noted that the bulk of the impact was expected in 2029. Staff also discussed the potential for credit card recovery to provide a benefit beginning in 2030.

> **Board action:** Board Member Kerrigan moved to approve the GACRE report. Board Member Mason-Underdue seconded the motion. The motion passed unanimously by roll-call vote, with all members voting aye.

Financial Update

CFO Alfano provided a financial update. He reported that September sales were higher than August sales. The Board discussed approximately 100 vacancies, primarily in retail and enforcement, and staff advised that eight enforcement positions had recently been filled and retail recruitment was underway. Staff stated that the tobacco-related positions had been factored into prior budget planning.

Staff reported that ACH payment and tax-management enhancements were underway, with ACH functionality for licensees in a pilot phase. The Board also discussed sales comparisons from NABCA. Alfano noted that New Hampshire experienced unusually strong August sales following a promotion offering a $50 gift card with purchases exceeding $300, while sales declined in September. Staff indicated that it reviews unusual results in other jurisdictions for potentially useful ideas.

The Board discussed customer text-message collection and the value of customer data. Staff stated that the POS system upgrade was expected to improve the Authority's ability to collect customer information. Board members also discussed whether website traffic and online interactions could provide additional data, noting that the Authority's website had received approximately 30 million unique hits during the year.

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Tobacco Permitting and Compliance

Acting CEO Kirby provided an update on the tobacco permitting process. He reported that, as of the prior evening, Virginia ABC had issued 5,250 permits and had 1,209 applications pending. The Authority had issued approximately 4,000 letters of authorization that expire December 1, 2026, and was continuing to encourage applicants to complete their paperwork. Staff planned to begin compliance activity once permitting was further along.

Kirby stated that Virginia ABC expected to conduct underage-buyer checks approximately once every two years, totaling about 4,000 checks annually—approximately 1,000 more than the current annual alcohol checks. He advised that permit fees and penalties were intended to offset the costs of the program, including costs incurred by the Office of the Attorney General.

The Board discussed the number of potential tobacco permit holders, estimated at more than 7,000, and the costs of administering and enforcing the program. Kirby estimated that Virginia ABC's annual costs, once fully staffed, would be approximately $3.1 million to $3.2 million and stated that 31 additional positions would be required. He anticipated that the annual renewal fee would be higher than the current application fee but did not provide a proposed amount. Deputy Secretary Curtis indicated that the fee would come before the Board.

Kirby also discussed coordination with the cannabis regulatory authority and the Secretary of Public Safety, including development of a memorandum of understanding. He stated that Virginia ABC's enforcement role would focus on illegal activity and that discussions were underway regarding coordination. The Board noted that future cannabis responsibilities could affect staffing and costs.
Chair Hugo commended staff for its work implementing tobacco permitting and compliance responsibilities and emphasized the importance of monitoring the resources required for tobacco and any additional responsibilities assigned to the Authority.

January Board Meeting and Potential Appeal Hearings

Deputy Secretary Curtis advised that staff would circulate potential dates for the January Board meeting, taking into account that the General Assembly was scheduled to convene January 13, 2027. January 11 was discussed as a possible meeting date, subject to Board members' calendar availability.
Curtis also advised that two summary suspension matters were in process and could require Board appeal hearings. Depending on the procedural timelines, a hearing could be needed around December 3 or 4 in one matter and around Thanksgiving in the other. He noted that an appeal hearing might need to be scheduled outside the regular meeting time and could be conducted virtually if necessary.

Board Comments

Chair Hugo invited additional comments from Board members. No further comments were offered.

Public Comments

Chair Hugo invited public comment and thanked members of the public who participated remotely. No public comments were offered.

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Closed Session

Deputy Secretary Curtis advised that the Board needed to enter closed session to consult with legal counsel. The individuals identified to attend with the Board were Acting CEO Tom Kirby, CFO Dave Alfano, CHRO John Singleton, General Counsel LaTonya Hucks-Watkins, Deputy Secretary Chris Curtis, and Elizabeth Peay of the Office of the Attorney General.

Board action: Board Member Kerrigan moved that the Board enter closed session. Board Member Mason-Underdue seconded the motion. The motion passed unanimously by roll-call vote, with all members voting aye.

The Board entered closed session at 12:28 p.m.

Adjournment

The meeting adjourned at 12:55 p.m.
The next Board meeting was scheduled for December 10, 2026, at 9:30 a.m.

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