# Virginia ABC Board Meeting Minutes
## June 3, 2026

### Call Meeting to Order
Meeting called to order at 9:03 a.m.

### Attendees
Board Chair, Tim Hugo
Vice Chair, Mark Stepanian
Board Member Greg Holland
Board Member, Lisa Jennings
Board Member, Jack Kerrigan
CEO, Dale Farino
Deputy Secretary, Chris Curtis
CGC, LaTonya Hucks Watkins
COO, Tom Kirby
CFO, Dave Alfano
CHR, John Singleton
Office of the Attorney General, Jim Flaherty
Senior Paralegal, Helen Gordon
Sales Audit Lead Analyst, Martha Jackson

### Opening Remarks
Chair Hugo opened the meeting at 9:03 am. and welcomed Cindy DiFranco, who attended via Teams.

### New Business - Board Approval
### Approve Minutes from May 6, 2026 Board Meeting
- Chair Hugo asked if there were any questions, comments or edits to the minutes from the May 6, 2026 Board meeting?
- There being no comments, Board Member Kerrigan made a motion to approve the minutes as written. Member Jennings seconded the motion.
- There being no further discussion, the Chair called roll; all members voted “aye”. The minutes were approved as written.

### Marketing Update:
- COO Kirby, we are actively engaging across all our social media channels and our website promoting various sales. Since the last time we met, we’ve had a sale around the Kentucky Derby and the Memorial Day holiday. As an example, on Memorial Day, through our Meta and Google, ABC spent $75,000 on advertising and saw a reach of 2.6 million, which was in line and exceeding what we used to see with external marketing, so we still feel positive about this move. Our click-through rate was .37% on Derby Day and then .39% on Memorial Day. We asked marketing to make it quicker for a customer to be able to purchase product. The Spirits Palooza campaign has really been geared around announcing the sale and driving the text message following up. The text message following has increased by over 13,976 over the past couple of weeks.
- Chair Hugo, this is a budget question, we’ve talked about how the weight loss drugs affect our sales. I don’t know how you budget that or calculate the impact, that and cannabis and a few other things I have to believe will impact us.
- COO Kirby, we are doing what we can to fight for the competing dollars for alcohol over cannabis, gaming, GLP1s, cannabis beverages, which is only increasing in an unregulated fashion.
- Vice Chair Stepanian, is there is any appetite in the General Assembly to tie in the cannabis or THC beverages?

- CEO Farino, we have not heard if they are going to try tie cannabis back in when they come back into session later this month.
- Board Member Jennings, I am enjoying the Spirits newsletters you're sending. They come regularly so our subscribers get regular ABC updates for awareness and that's very important.
- COO Kirby, the Spirits Palooza campaign has over 400 discounted products, some over 50%. Partners are making a huge investment in us. We have high value luxury items that suppliers have Offered to us; those will be offered for sale at 11:00 a.m. on Thursday morning at 4 stores across the state. The top seller of these bottles is $12,500. We sent 1 bottle to the licensee community for them to have lottery.
- We have some additional scotches, bourbons, and whiskeys from $2,000 to $12,500. All information on Spirits Palooza is being released by text first and will then be released to social media over time.
- COO Kirby, I just want to underline that all of this is being done internally. We had a meeting with everyone in our building to build morale and help us with this event. We had over 80 employees that volunteered to help. At NABCA, Spirits Palooza was well talked about. It's an all-hands-on effort.
- COO Kirby, we have the 4th of July, FIFA, and 250th birthday events to come. We are shifting after this weekend to working on FIFA. We are going to pull product from several different suppliers and will build FIFA displays in a central location. We will have a Father's Day event, then the 250th event.
- Board Member Jennings, how many visitors per month do you get to the website? From a marketing perspective.
- The reason I bring it up is because I know you all believe that you cannot purchase an email list, and of course cannot purchase text lists, there are services you can buy that give you names and addresses for folks that visit your website. There are some compliance regulations associated with that regarding disclosures for opt in and opt out, however you could take the 4000 new texts and materially increase your list organically from people that come to your site. This is third party software and there is a cost to it for both application, legal review and compliance but it offers significant opportunity for you. Organic growth is desirable but without the tools very slow.
- Chair Hugo, did you all use it for banking?
- Board Member Jennings, no, that was a different role as site visitors were already customers and we didn't need to do that. If you are looking to grow from 100,000 to more, you could geofence it off to exclude certain geographic areas, by age and other factors you would want to add or exclude.
- COO Kirby, we had 32 million visits to our website in 2025.
- Board Member Jennings, it wouldn't be a cheap buy-in but it's worth looking at. Organic growth is desirable but without the tools very slow.

The Board moved downstairs to the Hearings room for the Board appeal hearing at 9:47 a.m.

- Deputy Secretary Curtis proposed moving into closed session to discuss the appeal hearings and deliberate on the Board's decisions. This meeting included non-Board members Jim Flaherty, Dale Farino, Chris Curtis, Kristie Miles and La Tonya Hucks-Watkins.
- Board Member Kerrigan made a motion to move into closed session. Board Member Stepanian seconded the motion. The Board moved into closed session at 10:34 a.m.

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### Board Appeal Hearing

- In the matter of Status Restaurant and Lounge, Vice Chair Stepanian motioned to substantiate the charges and affirm the initial decision dated December 23, 2025. The motion was seconded by Board Member Jennings and passed unanimously (5-0).

### Financial Update:

The Board returned to the Board room from closed session at 10:52 a.m.

- CFO Alfano presented the April 2026 month and year-to-date financial results.
- April net profits of $18.5M are $0.9M above budget.
- As a result, ABC is now projected to exceed the FY2026 profit transfer commitment by $1.5M.
- Board Member Jennings, Tom, you said some suppliers bring the discounts to you, so are they also doing subventive pricing? That's where they subsidize a portion of the expense, product cost, operating cost etc. so instead of the discount, they bring the discount to the consumer through you where they then reimburse you for your share of the discount, so you keep your income whole.
- CFO Alfano, reiterated that all of the discounts in Spirits Palooza are supplier funded.

### FY2027 Budget Review

- CFO Alfano indicated that ABC was seeking the Board's approval of the FY 2027 Budget.
- CFO Alfano heighted the changes to the FY 2027 budget from the May 6, 2026 version which included:
  - FY 2026 forecast was updated to reflect April 2026 actual results since this was used as the basis for determining FY2027 revenue
  - FY2027 budget was revised to reflect the impact of healthcare costs from the estimated increase of 13% to the proposed premium increase of 17%
  - FY 2027 eliminated the risk and costs for regulating and enforcing a retail marketplace for cannabis due to the Governor's veto of HB642 and SB542.
- CFO Alfano requested the Board's approval of ABC's FY 2027 budget that included the combined impact of approved legislative which assigned retail tobacco enforcement responsibilities to ABC.
- The FY 2027 ABC budget reflects a net profit transfer commitment of $203M.
- Member Jennings, so basically the health care increase pretty much ate up the money from not having to pay for more enforcement for cannabis?
- CFO Alfano, no, the enforcement budget was over $5M.
- Chair Hugo, is the 3% required or not for the State?
- Vice Chair Stepanian, it doesn't cover the $1500 bonus either.
- Member Jennings, independent agencies are not paying this so I'm not sure you have to pay this.
- CFO Alfano, two or three years ago we thought that didn't apply to us, but we were quickly told it did apply to us.
- CEO Farino, when we have pay for performance rolled out, we will not have to pay this.
- Board Member Jennings, yes, because that was supposed to cover organizations that did not have a bonus system for their employees. You already have a bonus structure in place.
- CEO Farino, that really only applies to the distribution center.
- Board Member Jennings, oh other people employees don't have the opportunity? I can see why you would have to pay out now then. When are you looking to roll out the pay for performance system?
- CEO Farino, we are looking to roll out in 2028.

- Board Member Kerrigan, I think you would have to break it down to the store level if you're trying to use the overage from the profit transfer. We would like to run calculations here to see how many bottles you have to sell per year to keep us in the black. If you are doing $2 million per year and you can get up to 2 ¼ then there will be incentives. I think with all the headwinds, I think we spend too much time focusing on the headwinds instead of focusing on the growth levers. How do you incentivize people to encourage store managers to be motivated on moving the products and increasing our footprint?
- Board Member Jennings, I agree with Jack, I don't think you should tie this to the profit transfer because there is a lot of stuff in that transfer that they can't control so any incentive plan that doesn't put success in their hands is just lip service and will create a negative culture impact and possibly anger. Really that transfer is all about executives. There are a lot of levers that employees can't control. Store incentives, marketing incentives, you could do it right away with enhanced revenue, stretch goals they achieve. I think that culture of growth means a lot. I think you should not wait to 2028 though.
- Board Member Jennings, your wages are going up 3% and your revenues are going down by 3%. That just really doesn't fly in the real world. That's why I'm going to double down on Jack's theory of revenue growth. It is not the expense side at this point and time.
- Board Member Holland, I know you may not have the final numbers, but what do our numbers look like in May?
- CFO Alfano, in May revenues were about $6 million dollars below budget.
- Mr. Robinson, store revenues were down about 5%.
- Vice Chair Stepanian, what about Memorial Day?
- CFO Alfano, yes, it was worse than we anticipated. That is how Spirits Palooza came about. How do we finish the year strong when Memorial Day was down? We discussed the Spirits Palooza idea. We knew we wanted to finish this fiscal year as strong as possible. This is why we are doing it this fiscal year.
- COO Kirby, without Spirit Palooza, we were facing a $500,000 buffer in what we need to transfer to the General Assembly.
- Board Member Jennings, this is more than likely a sustained market contraction, and it involves the levers that Jack is talking about. Shifting product mix to correspond with changing product demands, making sure you have a sales culture, meaning they are not just clerks ringing things up, but rather sales managers. This cannot wait.
- COO Kirby, I'm trying to understand the thought process. If there is an overall revenue decline, there shouldn't be increases in wages? Is that what you're saying? How do you incentivize?
- Board Member Jennings, there is a revenue decline across the organization so to just have a blanket increase in raises, does not make sense. You want to drive your revenue increases or hold in a down projection. So basically, you are reallocating bonuses and raises to performance and not a system that continues to pay with falling performance. It is a whole different thought process. It will be a little painful at first but over time, especially as you shift to that new mindset, you will begin to see the revenues at least hold and not contract as they are estimated to do. What we're trying to say is that you have an administrative culture vs a sales culture which needs to be developed.
- Chair Hugo, for the budget next year, assuming it's still static in your stores or are you assuming there are less stores now?

- CFO Alfano, we look at leases a year prior to renewal. The 2027 budget accounted for stores that were recommended for closures .
- Board Member Jennings, do you have an exit strategy for leases? A contract clause where you can exit early?
- CGC Hucks-Watkins, we have tried to put in the clause but it's not one that most folks will agree to. We put it in there and if we can get some traction, we leave it and if we get pushback, we remove it.
- Board Member Jennings, obviously there would be termination charge to do that but consider the alternative cost of longer-term rents and falling profits. All contracts should have an exit component.
- CEO Farino, we have approved nineteen store closures since I've been here. We have physically closed ten. We will continue to review every lease with the real estate committee. I have only had 1 legislative pushback in two years.
- Board Member Jennings this is just FY27, so tell me about FY28 and on as well as the five-year GACRE. You don't get that offset in FY28 right?
- COO Kirby, the retail tobacco enforcement funds will go into a special fund maintained by treasury and will be disbursed as needed. Any revenue coming in from retail tobacco enforcement will go back into the fund to cover those costs. The costs will come out of that fund and be moved over to our budget. If we don't spend all the money in year one, it will roll over to year two.
- Chair Hugo, we are transferring $203M right?
- CFO Alfano, for the FY27 budget correct? Then all the taxes also get transferred. It's a number that we don't think you should overlook. What we contribute back to the Commonwealth every year is in excess of $600 million.
- Chair Hugo-Are there any questions?
- There being none, Board Member Jennings made a motion to approve the FY27 budget as written. Vice Chair Stepanian seconded the motion. Roll was called; the motion passed unanimously (5-0).

### Comments from the Board

- Chair Hugo asked if there were any comments from the Board.
- Board Member Jennings, you've made a point to stress how much you've done Tom and Dave, and I appreciate that and I don't want you to think that these conversations are criticisms, and we aren't saying that everything you've done every day is overlooked. Our emphasis today is on developing a sense of urgency to respond to the coming and likely sustained contraction in the Spirits market.

### Public Comments

- Chair Hugo asked if there were any comments from the public.
- There being none, Mr. Curtis asked for a motion for the Board to convene a closed session meeting under the Virginia Freedom of Information Act to discuss a matter lawfully exempt from open meeting requirements under the "discussion and consideration regarding personnel matters" exemption contained in Virginia Code Section 2.2-3.711(A)(1) and the acquisition or disposition of real property for public purpose exemption in Virginia Code Section 2.2-3.711 (A)(3). The following non-Board members will be in attendance: Jim Flaherty, Dale Farino, Chris Curtis, Tom Kirby, Dave Alfano, LaTonya Hucks-Watkins, John Singleton, and Helen Gordon.
- Board Member Kerrigan made a motion to move into closed session. Vice Chair Stepanian seconded the motion. The Chair called roll. All members voted unanimously (5-0). The Board entered closed session at 12:14 p.m.

## Closed Session

The Board moved back into open session at 12:30 p.m.

- CEO Farino, we would like to propose having the appeals hearings first thing in the morning and then moving into the Board meeting. We are thinking of starting at 9 or 9:30 a.m.

## Meeting Adjournment

Meeting adjourned at: 12:35 p.m.

Next meeting: July 16, 2026