

**MINUTES
King City Council
Called Workshop
December 19, 2022**

The King City Council met in a called session to conduct a workshop to discuss an ABC Board and other City business, if needed, at King City Hall on Monday, December 19, 2022, at 2 pm. Present were: Councilwoman Terri Fowler, Councilman Michael Lane, Councilwoman Jane Cole, Mayor Pro Tempore Rick McCraw, Mayor Jack Warren, Interim City Manager Scott Barrow, City Clerk Nicole Branshaw, City Planner Reid Hutchins, Parks & Rec Director Olivia Calloway, Director of Finance & Personnel Susan O'Brien, Walnut Cove ABC Store General Manager Tanner Hairford, and Walnut Cove ABC Board Chairman Brian Booe.

Mayor Warren called the meeting to order.

Chaplain Tracey Collins offered the invocation.

Chaplain Tracey Collins left the meeting.

ABC BOARD DISCUSSION

Walnut Cove ABC Board Chairman Brian Booe and Walnut Cove ABC Store General Manager Tanner Hairford gave the following presentation:

History

Originally the store was established in 1969 in Walnut Cove and was a "counter store" in which the customer would inform the clerk of the selection, and the clerk would go and retrieve the product.

Changed from a counter store to a self-service store in the early 2000s, and no new store in the state shall be a "counter store."

The store follows N.C. General Statutes 18B sets the framework for store hours, sales, distributions, and overall financial operations.

We are also required to distribute 100% of profits between local municipalities and not less than 5% of operating profits for Law Enforcement purposes.

Store Demographics

Currently employees seven (7) employees

- One full-time and six part-time employees.
- Two enrolled in the n Local government retirement system.

Part-time employees work a maximum average of 20 hours per week.

Receive two shipments per month from the state warehouse With an average monthly sales of \$179,133.83.

The current store size is 1920 sq/ft.

- Retail space equals \approx 936 sq/ft.
- Warehouse/storage space equals \approx 984 sq/ft.

Distributions

18B-805. Distribution of revenue.

- (a) Gross Receipts. – As used in this section, "gross receipts" means all revenue of a local board, including proceeds from the sale of alcoholic beverages, investments, interest on deposits, and any other source.
- (b) Primary Distribution. – Before making any other distribution, a local board shall first pay the following from its gross receipts:

- (1) The Board shall pay the expenses, including salaries, of operating the local ABC system.
- (2) Each month, the local Board shall pay the Department of Revenue the taxes due to the Department. In addition to the taxes levied under Chapter 105 of the General Statutes, the local Board shall pay to the Department one-half of both the mixed beverages surcharge required by G.S. 18B-804(b)(8) and the guest room cabinet surcharge required by G.S. 18B-804(b)(9).
- (3) Each month, the local Board shall pay to the Department of Health and Human Services five percent (5%) of both the mixed beverages surcharge required by G.S. 18B-804(b)(8) and the guest room cabinet surcharge required by G.S. 18B-804(b)(9). The Department of Health and Human Services shall spend those funds for the treatment of alcoholism or substance abuse or for research or education on alcohol or substance abuse.
- (4) Each month, the local Board shall pay the county commissioners of the county where the charge has collected the proceeds from the charge required by G.S. 18B-804(b)(6) to be spent by the county commissioners for the purposes stated in subsection (h) of this section

Other Statutory Distributions. – After making the distributions required by subsection (b), a local board shall make the following quarterly distributions from the remaining gross receipts:

- (1) Before making any other distribution under this subsection, the local Board shall set aside the clear proceeds of the three and one-half percent (3 1/2%) markup provided for in G.S. 18B-804(b)(5) and the charge provided for in G.S. 18B-804(b)(6b), to be distributed as part of the remaining gross receipts under subsection (e) of this section.
- (2) The local Board shall spend for law enforcement an amount set by the Board, which shall be at least five percent (5%) of the gross receipts remaining after the distribution required by subdivision (1). The local Board may contract with the ALE Division to provide the law enforcement required by this subdivision. Notwithstanding the provisions of any local act, this provision shall apply to all local boards. N.C. General Statutes -Chapter 18B Article 8 6
- (3) The local Board shall spend, or pay to the county commissioners to spend, for the purposes stated in subsection (h), an amount set by the Board which shall be at least seven percent (7%) of the gross receipts remaining after the distribution required by subdivision (1). This provision shall not be applicable to a local board which is subject to a local act setting a different distribution

The distribution is broken down as follows:

- 64 % Town of Walnut Cove
- 7% Education as to the effects of the use of alcoholic beverages
- 20% The Stokes County General Fund
- 9% Town of Walnut Cove Public Library

By law, the Board is required to expend at least 5% of profits to law enforcement and no less than 7% for alcohol education. Walnut Cove ABC board expends 15% annual profit before distributions.

Stokes County Sheriff's Office-\$41,822.00

2022 Distributions

- 4% of profit for the Town of Walnut Cove (\$39,168.00)
- 20% to Stokes Co (\$12,240.00)
- 9% to the Town of Walnut Cove Library (\$5,508.00)
- 7% to the Stokes County Department of Public Health (Cardinal mental health)

The Profits before distributions in 2022 were \$278,813.00; in 2021, they were \$200,005.00.

Board Make-Up

- Three-member board selected by the Town of Walnut Cove Commissioners.
- Monthly Meetings to review store and financial operations.
- Board Compensated twice a year, in July and December.
 - Compensation of Board Members. – A local board member shall receive compensation not exceeding one hundred fifty dollars (\$150.00) per board meeting unless a different level of monetary compensation is approved by the appointing authority. If a different level is N.C. General Statutes - Chapter 18B Article 7 2 approved by the appointing authority, the appointing authority shall notify the Commission of the approved level of compensation in writing. Any change in compensation approved by the appointing authority shall be reported to the Commission in writing within 30 days of the effective date of the change. No local board member shall receive any nonmonetary compensation or benefits unless specifically authorized by this section

PLEASE EXPLAIN TO US THE PROCESS OF SETTING UP AN ABC STORE

Location, opening, and closing of stores. (a) Number of Stores. – Each local Board shall have the authority and duty to operate one ABC store. Additional stores may be operated with the approval of the Commission.

(b) Location of Stores. – A local board may choose the location of the ABC stores within its jurisdiction, subject to the approval of the Commission. In making its decision on a location, the Commission may consider: (1) Whether the health, safety, or general welfare of the community will be adversely affected. (2) Whether the citizens of the community or City in which the proposed store is to be located voted for or against ABC stores in the last election on the question. (3) The proximity of the new location to existing ABC stores operated by the local Board or any other board.

§ 18B-802. When stores operate. (a) Time. – No ABC store shall be open, and no ABC store employee shall sell alcoholic beverages between 9:00 pm and 9:00 am. The local Board shall otherwise determine the opening and closing hours of its stores. (b) Days. – No ABC store shall be open, and no ABC store employee shall sell alcoholic beverages on any Sunday, New Year's Day, Fourth of July, Labor Day, Thanksgiving Day, or Christmas Day. A local board may otherwise determine the days on which its stores shall be closed. (1981, c. 412, s. 2.)

STORE OPENING CONSIDERATIONS

- Inventory (Current Inventory cost at Walnut Cove location ≈\$350,000.00) Point of sale system Shelving
- Building
- Building Rent
- Bonding of employees Employees
- Feasibility study

- Audits
- Furniture
- Accounting
- Software
- Office Supplies
- Training
- Utilities
- Miscellaneous/hidden expenses

HOW SOON CAN ESTABLISHMENTS BEGIN RECEIVING THEIR LICENSES TO SELL LBD?

Mixed Beverages Permits can be issued to restaurants, hotels, private clubs, convention centers, community Theaters, nonprofit organizations, and political organizations.

The fee is \$1,000. It allows for the sale of mixed alcoholic beverages for consumption on the business premises. It also allows the use of spirituous liquor purchased under a mixed beverage permit to be used for culinary purposes.

- After the Commission has received the certified ballot from the City of King
- The permittee shall apply for and pay the fee, and an ABC store will be assigned by Commission

- Requirements as stated in 14B NCAC 15 B.0105.

MIXED BEVERAGES

- All Mixed Beverage Permits must be renewed by April 30 every year.
- All spirituous liquor must be purchased from a designated ABC Store in your area.
- All Mixed Beverage Permit Holders must submit financial and liquor inventory reports to the ABC Commission on a schedule set by the Commission's Audit Division.
- Every spirituous liquor bottle on the premises must have a mixed beverage tax stamp on it.

HOW DO WE GO ABOUT APPOINTING AN ABC BOARD

- 18B-700. Appointment and organization of local ABC boards. (a) **Membership.** – A local ABC board shall consist of three or five members appointed for three-year terms unless the Board is a board for a merged ABC system under G.S. 18B-703 and a different size membership has been provided for as part of the negotiated merger.
- If the Board is a three-member board, one member of the initial Board of a newly created ABC system shall be appointed for a three-year term, one member for a two-year term, and one member for a one-year term.
- If the Board is a five-member board, one member of the initial Board of a newly created ABC system shall be appointed for a three-year term, two members for two-year terms, and two members for one-year terms. As the terms of initial board members expire, their successors shall each be appointed for three-year terms. If a board is initially a three-member board and the appointing authority determines a five-member board is preferable, the terms of the two new members shall be for three years.
- If a local board has five members and the appointing authority determines a three-member board is preferable, the appointing authority shall not reduce the size of the Board except upon the expiration of a member's term and only with the approval of the Commission. The appointing authority shall designate one member of the local Board as Chairman.
- **City Boards.** – City ABC board members shall be appointed by the City governing body unless a different method of appointment is provided in a local act enacted before the effective date of this Chapter.
- **Limit on Creation of New Boards.** – Notwithstanding any provision of law to the contrary, no new local board may be created in any county where a local board operates an ABC store. If a jurisdiction holds an ABC store election under G.S. 18B-602(g), the establishment of ABC stores is approved. The jurisdiction is located in a county where a local board is already in operation, the jurisdiction that held the election shall enter into an agreement with an existing local board to create a merged local board in accordance with G.S. 18B-703. Nothing in this subsection shall be construed as prohibiting a local board from serving multiple cities, counties, or cities and counties.
- **(d) Qualifications.** – The appointing authority shall appoint members of a local board on the basis of the appointees' interest in public affairs, good judgment, knowledge, ability, and good moral character.

BOARD MERGER

- 18B-703. Merger of local ABC operations. (a) **Conditions for Merger.** – Any city governing body or Board of county commissioners may merge its ABC system with the system of one or more other cities or counties if: (1) Stores operated by the systems of those jurisdictions serve the same general area or are in close proximity to each other; and N.C. General Statutes -Chapter 18B Article 7 9 (2) The merger is approved by the Commission.
- (b) **Appointment of Board.** – Upon merger of ABC systems, the local boards for those systems shall be replaced by one Board appointed jointly by the appointing authorities for the previous boards. (c) **Distribution of Profits.** – Before merger, the cities or counties involved shall agree upon a formula for distribution of the profits of the new merged ABC system, based as closely as practicable on the

distribution previously authorized for the separate systems. This formula for distribution shall be subject to approval by the Commission

- **Agreement for Joint Store Operations.** – With the approval of the Commission, two or more governing bodies of counties and/or municipalities with ABC systems may enter into a written agreement whereby one or more ABC stores located within the counties and/or municipalities that are parties to the agreement shall be controlled and operated by the local ABC board specified in the agreement, even though said ABC store or stores are located outside the boundaries of the county or municipality of the local ABC board that will be operating the ABC store or stores that are subject to the agreement. The provisions of this section shall be effective as to such agreements insofar as is applicable. Issues not addressed in this section shall be negotiated by the parties, subject to the approval of the Commission. (1981, c. 412, s. 2; c. 747, s. 51; 2001-128, s. 1; 2019-182, s. 16(c).)

PROS/CONS

- Local representation on the ABC board.
- County local board funds stay within our county and are used locally. In contrast, other distributions may not be used locally or have the same benefit that staying within the origin county may have.
- We have established working knowledge of ABC laws, retail sales, and community demographics.
- LBD is established as soon as permitting allows; a system is already in place.
- The potential goal of opening a physical store in the fiscal year '24-'25 current projection on July '24.
- Already in contact with a company about a feasibility study. With the potential to start this calendar year.

GENERAL DISCUSSION

Store opening purchasing items to consider would be roughly 1.2 to 1.5 million dollars to build a new building. If you put the store into a strip mall type of building, you don't build equity, so purchasing a stand-alone building was recommended as the best option at this time.

Two board members would come from the King area, and two board members would come from the Walnut Cove area. The Chairman would alternate between the King and Walnut Cove board members and serve for three years.

The Board would look for the building or land, but the King City Council would have the final approval on purchasing the building for the ABC store.

Walnut Cove ABC Board has agreed to pay for the feasibility study if we partner with their Board. The feasibility study is roughly \$6200.

MOTION

Councilwoman Fowler made a motion to approve merging with the Walnut Cove ABC Board. Councilwoman Cole seconded the motion, which was carried by a unanimous vote of 4-0. (Councilman Lane did not vote, per G.S. 160A-75, this is counted as an automatic yes vote.)

2023-2024 Biennium Legislative Goals | NCLM Board Proposed Recommended Goals

Mayor Warren asked the Council to designate a single voting delegate to cast the municipality's vote to the NCLM Board.

MOTION

Councilwoman Fowler motioned to approve Councilwoman Cole as the delegate to submit the 2023-2024 Biennium Legislative Goals to the NCLM Board. Mayor Pro Tem McCraw seconded the motion, which was carried by a unanimous vote of 4-0.

EVERYONE'S PLAYGROUND

Councilwoman Fowler received an email from the person that put the flooring down at the playground, and he stated that it has to be a certain temperature in order to put the material down. The company was going to work on getting the replacement material and wanted to know if someone from the City could be available when they dropped it off. The company would not be doing the work to fix it. Councilwoman Fowler and Sonya Cox will have a conference call soon to address some concerns with the material and ongoing issues with the flooring used.

ADD TO JANUARY AGENDA

Discussion to consider continuing the 2nd City Council meeting on the 3rd Monday of the month at 2 pm.

MOTION

Councilwoman Fowler made a motion to add a discussion to January 3, 2023, City Council Meeting to consider continuing the 2nd City Council meeting on the 3rd Monday of the month at 2 pm. Councilwoman Cole seconded the motion, which was carried by a unanimous vote of 4-0.

ADJOURNMENT

Mayor Pro Tempore McCraw motioned to adjourn the meeting. Councilman Lane seconded the motion, which carried by a unanimous vote of 4-0.

Attest:

Approved by:

Nicole Branshaw, City Clerk

Jack Warren, Mayor