

FINAL MINUTES

Virginia Winery Distribution Company (VWDC)

102 Governor Street

Richmond, VA 23219

June 26, 2018

Call to Order

Called the VWDC Board meeting to order at 10:00am

Members Present

Jewel Bronaugh, VDACS Commissioner

Jay Colston

Courtney Mailey

Others Present

Burnie Gaskill, VA ABC

Robin Hill, VDACS

Tripp Perrin, Virginia Wine Wholesalers Association

John Sanderson, Virginia Interactive

Kendra Shifflett, VDACS

Justin Bell, OAG

Nicholas Rogers, McGuire Woods

Approval of Draft Minutes

Copies of the agenda and draft minutes were distributed to all board members at the beginning of the meeting. Randy Phillips called for a vote to adopt the minutes as read and the motion passed unanimously.

Website Update

Robin Hill introduced John Sanderson with Virginia Interactive. Mr. Sanderson presented new enhancements to the website. Enhancements will include electronic signatures on mobile devices for invoicing and delivery. Electronic payments for all transactions eliminating the need for check processing and wineries mailing in invoices and checks. VWDC partners will make real time changes to invoices and products reducing errors in invoicing. Products and retailers will download to the VWDC web application instead of manual entry, reducing errors in tax reporting. All enhancements reduce costs to VWDC once equate with man- hours used for those functions allowing for focus on marketing efforts requested by VWDC partners. Changes will go live on the VWDC website in July 2018.

Budget

Ms. Hill reviewed the budget for FY-18-19. With a total appropriation of \$206,606, non-general funds remaining of \$3,035 from the prior year, \$50,000 in project revenue collections in transaction fees, and

payment of half of the license fee renewals of \$18,778, VWDC has a total budget of \$278,419. The spending plan includes license fee renewals of \$42,000, software development of \$50,000 for the deployment and final updates to the VWDC website, and \$40,000 for administrative costs to VDACS. Ms. Hill noted administrative costs to VDACS are being reviewed this year as the VWDC does not rely on VDACS for minimal processing of invoices and time used to review monthly winery payments and taxes has been drastically reduced as part of the enhancements to the web application over the past few years. Ms. Hill noted despite the decrease in its appropriation in prior years and revenue fee collection, VWDC has grown to 203 wineries. The reduction in administrative costs will provide more funding to invest in VWDC operations.

Ms. Hill noted VWDC has one full-time employee; however, the evolution of web-application used to manage financial and compliance components of the program supported the successful distribution of 25,000 cases representing \$3.2 million in sales to grocery stores, gourmet shops, and restaurants in Virginia in fiscal year 2018. The Board passed the new budget for the fiscal year 2019.

Burnie Gaskill, VA ABC noted the application fees have increased from \$65 to \$195 beginning July 1, 2018. VWDC pays the initial application and licensing fee for new participants in the program. The new application fee is triple the original amount. Mr. Gaskill indicated this should be a consideration in the new budget. Ms. Hill advised additional money has been included in the new licenses and renewals to consider the increase.

Operations Report

Ms. Hill provided the operations report. The year ended with \$337,201 in total expenses of which \$105,500 spent on software development, \$40,000 in administrative fees to VDACS, \$122,254 in salary and benefits to Operations Manager and wages to part-time staff, \$10,626 of system maintenance fees, \$7,305 in bank fees, \$2,808 in ABC legal notices, and \$6,752 in office supplies and miscellaneous expenses including insurance fees. VWDC also paid \$41,956 in new licenses and renewals. Ms. Hill noted at the time of the meeting \$12,392 had been collected of half of the license fee renewals due from wineries. Ms. Mailey inquired if the fees could be reduced from the monthly winery payments. Ms. Hill advised this is possible would present an issue with the reports generated from the system calculate the monthly winery payments. Ms. Mailey advised if the payment was not received, the wineries should be suspended from using VWDC. The Board determined to send wineries a notice advising payment was due and if not received VWDC access would be suspended.

Licensing Update

Ms. Hill continued with the licensing update. Ms. Hill reported four winery licenses were issued since the last meeting, including Virginia Beach Winery, River City Cider, Saga Meadery, and October One Vineyard. Cooper Vineyard/Fifty Third and Barns at Hamilton station will be licensed in the upcoming weeks. Eight wineries have completed Part – 1 of the application process and VWDC is waiting for their remaining documents to complete their application.

Financial Highlights

Ms. Hill reported VWDC sales at \$3.2 million, a reduction as compared to last year due to Potters Craft Cider moving to another distributor to fit its growing distribution needs. Ms. Hill reported VWDC sales comprised of 82% wine, 14% Cider, and 4% Mead. Ms. Hill referred to the case limit report showing cases sold by winery for the calendar year. Ms. Hill noted wineries will track their cases sold on the new dashboard with the website update.

Old Business

Justin Bell, Attorney General's Office, advised the board of his review of the business license fee issued by Mecklenburg County to Rosemont Vineyard. Mr. Bell indicated a locality could not tax a state entity. Mr. Bell recommended he would reach out to the locality's Treasurer on behalf of VWDC to advise the fee will not be paid on that basis. Mr. Bell advised he could issue a letter to localities in the future if the issue came up again.

Mr. Bell discussed a winery inquiring about issuing a warrant in debt for an outstanding invoice. Mr. Bell advised the warrant in debt would have to be issued by VWDC and it would not be cost effective for VWDC to issue a warrant in debt. Ms. Hill advised the amount in question was less than \$200 and the store is now closed. The Board agreed no warrant in debt would be issued for the returned check.

New Business

Ms. Mailey inquired if there was funding in the budget to complete the projects requested by wineries at the most recent Virginia Wineries Association meeting at Stone Tower Winery. Ms. Hill and Ms. Mailey both attended the meeting. Part of the meeting focused on how wineries could use VWDC more effectively. Discussion at the most recent Virginia Wineries Association meeting, including sharing VWDC locations, sharing VWDC agents, and distributing from remote locations. Wineries also discussed VWDC providing marketing and event opportunities for participating wineries, cideries, and meaderies. These changes would require updates to the web application and funding for marketing and events. The Board discussed VWDC obtaining a grant from the Wine Board for The Board approved pursuit of a grant from the wine board.

Adjourn

Mr. Phillips adjourned the meeting at 10:55am

Next Meeting:

September TBD