

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

Iowa Alcoholic Beverages Division
March 26, 2019 – 1:00 p.m.
Dial In Number: 1.866.685.1580
Conference Code Number: 0009991572

Commission Members Present

Rachel Eubank: Chair
John Pauli: Vice Chair
Crissy Riesenbeck-Spratt: Secretary
Gary Nystrom: Member

Division Staff Present

Stephen Larson: Administrator
Erin Carpenter: Assistant to the Administrator
Tyler Ackerson: Government and Public Relations
Leisa Bertram: Comptroller
Martin Moen: IT Manager
Jodi Christensen: Safety/Security & Brand Management
Josh Happe: Bureau Chief, Regulatory Compliance
Heather Schaffer: Compliance Officer 2
Jake Holmes: Education and Outreach
Denise Roberg: Education and Outreach
Lolani Lekkas: Compliance Officer 2
Stephanie Strauss: Government and Public Relations
Herb Sutton: Bureau Chief, Business Operations
Jessica Ekman: Tobacco Program
Pam Koehn- Miller: Secretary
Jonathan Mader: Accounting
Madelyn Cutler: Reception

Guests Present

John Lundquist: AAG
Ron DeVries: Ruan
Tara Meier: Ruan
Marty Wadle: Ruan
Nicole Eilers: Iowa Wine Growers Association
Stacy Kluesner: Iowa Restaurant Association
J. Wilson: Iowa Brewer's Guild
Mackenzie Nading: IWBA
E John Broadbent: Broadbent Distillery
Kyle Doyle: Iowa Distilling Company
Matt McKinney: Kum & Go (via phone)

CALL TO ORDER

Chairperson Eubank called the meeting to order at 1:00 p.m. and roll was taken. There was a quorum.

APPROVAL OF AGENDA

MOTION: A motion was made by Commissioner Spratt and seconded by Commissioner Pauli to approve the agenda for the March 26, 2019, Commission meeting.

Motion approved.

APPROVAL OF MINUTES

MOTION: A motion was made by Commissioner Pauli and seconded by Commissioner Spratt to approve the minutes for the December 11, 2018 meeting.

Motion approved.

ADMINISTRATOR'S REPORT

Administrator Larson thanked the Commission and attendees for attending the meeting today. He addressed the previously scheduled Commission meeting was cancelled due to inclement weather.

Administrator Larson recognized Comptroller Leisa Bertram for a financial management update. Ms. Bertram announced the personnel additions to accounting have officially reached a full staff with seven associates. Ms. Bertram then gave the financial analysis through February 2019. She stated that the liquor sales for February YTD were \$219,796,621 which was a 6.2 percent increase. The total General Fund Reversion YTD is at 81,956,639.77, up at a 6.64 percent increase. The Reversion Analysis was then revealed that we are 68% of the way to our reversion goal. She emphasized that freight costs are up and warehouse costs are down.

Ms. Bertram next went over the budget financial review that looked over the time period of July 1, 2018- March 20, 2019. On the slide of Expenditures by Class Budget vs. Actual, Commissioner Pauli asked if the Professional and Scientific Services will be updated by the end of the year. Ms. Bertram replied it would not be. Commissioner Pauli also asked if the amount will even out at the end of the year. She replied yes it will, and will be reviewed on the future slides.

Administrator Larson next recognized Business Operations Bureau Chief, Herb Sutton. Mr. Sutton announced he will go over the business operations update segment, Ron Devries with Ruan Transportation will go over the Ruan transition logistics, and Martin Moen with IT will go over the IT logistics in the transition. Mr. Sutton mentioned in FY2018, ABD took back \$1.4 million in returns and as of February 1, 2019, ABD will only be accepting returns that comply with the TTB guidelines. Communications were given out via email, mail, and announcements on the website. In FY2017 there were 164 returns, in FY2018 there were 174 returns, and as of today in 2019 there were 21 returns accepted.

Commissioner Eubanks asked if the decrease was because there were no misorders occurring or if ABD prevented the return of misorders. Mr. Sutton replied it was because license holders were not misordering and were paying closer attention while ordering. Administrator Larson added that having a fully staffed accounting personnel team helps greatly in this process and that all license holders have access to an appeal as well.

Mr. Sutton stated the last time a route change was implemented was in 2015 and the routes need to be evaluated for higher efficiency to accommodate the influx of class E licensees. He also stated all the communication notices to employees laid off on April 12, 2019, were hand delivered individually to each employee. Mr. Sutton added that ABD is expecting a challenging next three weeks because there will be many changes implemented and it is hard to predict what will happen.

Ron Devries with Ruan Transportation, continued with the Ruan update and the transition on April 15, 2019. He reiterated that there is much work to do and many changes will occur in the next couple of weeks, including route alterations for efficiency. Communications regarding these route changes went out starting March 22, 2019, and among these changes, 24 percent of class E license holders won't have any change.

Commissioner Eubanks asked if there is a proposed timeframe for more drastic changes to routes. Mr. Devries stated that could occur in approximately a year but it won't be changed all that drastically.

Commissioner Pauli asked what the biggest concern was for April 15, 2019. Mr. Devries replied that although the IT systems are not completely in place, the trailers and equipment are all on site and prepared.

Mr. Devries continued that among the 14 drivers that applied, 1 didn't qualify and 3 declined, so 10 ABD drivers will be joining the Ruan team. There will also be 5 current Ruan employees and 3 outside hires will be hired as well. Mr. Sutton added that Ruan will be adding efficiency by only employing 18 drivers, compared to the current 20. Mr. Devries also stated that 19 of the current 23 ABD warehouse employees applied with Ruan, along with 6 temp labor employees, so the majority of the currently ABD employees are joining the Ruan team. He explained due to these high numbers of employees, there will not be a large learning curve at transition.

Commissioner Eubanks asked if all three new hired drivers are now riding with current ABD drivers. Mr. Sutton replied that yes, some have been riding along since early March.

Commissioner Nystrom commended Mr. Sutton, Mr. Devries, and Martin Moen on their hard work in this transition to ensure it could go as smoothly as possible. He wished everyone the best of luck on an easy upcoming couple of weeks and thanked everyone involved in the process again.

Martin Moen, IT Manager with ABD/ OCIO, commented on his IT updates during the Ruan transition. As of April 15, 2019, everything will still be on the AX system. Ruan's IT system, JDA, needs to be continually developed and will tie in to work directly with AX. On April 26, development of integration points will be complete, and on May 3, all testing will be completed, then throughout the entire month of May the testing will occur between both systems. Ideally, June 10, 2019, is the predicted go live date. There was a 26 week timeline expectation and we anticipate being on time. Administrator Larson added that we will be tracking many analytics throughout the Ruan transition. These analytics will be important to ensure the addressed patterns will be effective trends for all and be prepared for government oversight, auditors, etc.

Administrator Larson recognized Regulatory Compliance Bureau Chief, Joshua Happe, for five regulatory updates. First, a program planner 2. Second, ABD is unfortunately two positions down in licensing, which will impact special event license applications that increase during the spring and summer seasons.

Commissioner Nystrom asked for the worst case scenario regarding being down two licensing clerks. Mr. Happe replied that there is no required time period for filing or approving a license, but the current three licensing clerks are working their hardest to prioritize the time sensitive applications and delays are prevalent. Commissioner Nystrom asked when the bulk of special events take place, and Mr. Happe replied between May and August.

Commissioner Eubanks asked if the current licensing clerks were salary or hourly. Mr. Happe replied they are salary & currently typically working two hours of overtime daily.

Mr. Happe's third update was regarding RAGBRAI, and announced July 12th is the cutoff date for anyone applying for a license on the route. Fourth, ABD will be releasing a regulatory bulletin advising on CBD oils under the current law. Lastly, ABD issued the Tied House Study regarding issues on Chapter 123.45, and announced any licensing agreements will be reviewed by July 1.

Administrator Larson added an announcement regarding RAGBRAI and how the agency will be updating its strategy this year. ABD will be identifying and meeting with key contacts in all overnight towns. Governmental and Public Relations will be recognizing how many meetings will be needed and be forming deeper relationships with stakeholders throughout the education process.

Administrator Larson recognized Governmental and Public Relations, Tyler Ackerson and Stephanie Strauss, to give a legislation update. Mr. Ackerson directed everyone to HF668, the bill signed by Governor Reynolds relating to limitations on business interests of certain manufacturers, wholesalers, and retailers of alcoholic beverages, commonly known as Iowa's Tied House Laws.

Commissioner Pauli asked what a principal office is. Mr. Ackerson replied "principal office" is defined in Iowa Code section 490.140(25) and means "the office, in or out of this state, so designated in the biennial report [filed with the Iowa Secretary of State], where the principal executives offices of a domestic or foreign corporation are located." In laments terms, it is the office where a corporation is located. Commissioner Pauli also asked if there was a specific case that HF668 was made for. Mr. Ackerson replied that yes there was a specific case, and stated this was not addressed from our Tied House Study.

Commissioner Eubanks asked what the 30,000 barrels signifies. Mr. Ackerson replied that is equal to approximately 960,000 gallons and does not apply to any brewer in the state of Iowa currently.

Stephanie Strauss next went into detail of the remaining bills that ABD was watching in legislation. The bills currently being monitored were: SF230, SF323, SF413, and HF745.

Administrator Larson announced that on March 18, 2019, ABD submitted the recommendations regarding Licensing Reform to Governor Reynolds. This initiative was to give a scrutinizing look at the relevancy of the licensing process at this date and to evaluate improvements that could be made. With this released report, local authorities now have a pathway to work with us and legislators in the future.

Administrator Larson next mentioned the changes coming in the future regarding category management. Analytics will be an imperative part of this process in the decision making. He directed the Commission members will need to weigh in on feedback regarding products getting declined in the state of Iowa when the suppliers appeal that directive.

Commissioner Pauli asked if there are a set of guidelines already in place regarding listing. Administrator Larson replied that yes there is a listing manual in place and this process is being reevaluated in the future. Administrator Larson reiterated the future items ABD will focus on are Ruan, category management, analytics, and any public policy conversations about the liquor model.

Commissioner Pauli asked if there were any plans on limiting SKU's for space management. Mr. Sutton replied that there were no plans to do so, however there were 2,300 SKU's currently with many products having different sizes listed. There is also the option to special order products as well.

PUBLIC COMMENT

Commissioner Eubanks announced the floor opening for public comment, and reminded everyone to please keep their comments to five minutes or less so we can hear from everyone that would like to speak. She introduced John Broadbent, owner of Broadbent Distillery, to begin public comment.

John Broadbent, Broadbent Distillery, congratulated the Commission and ABD for all the hard work it has done over the past few years, but wanted to address how changes to category management have impacted him as a small native distillery. Mr. Broadbent voiced his concerns and advised ABD and the Commission to consider how decisions and policies are affecting native distilleries as well as the bottom line for ABD.

Administrator Larson announced there would be an upcoming meeting with native distillers on April 2, 2019, and invited Commissioners to be in attendance.

OLD BUSINESS

None

NEW BUSINESS

None

NEXT MEETING DATES

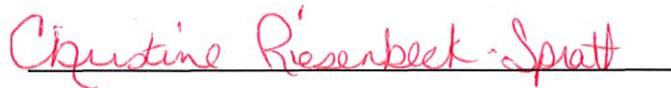
Tuesday, June 25, 2019 at 1:00 p.m. at Iowa Alcoholic Beverages Division, Ankeny

ADJOURNMENT

MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Spratt to adjourn the meeting.

Motion approved.

The meeting adjourned at 3:39 p.m.



Commissioner Crissy Riesenbeck-Spratt, Secretary