

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

**Iowa Alcoholic Beverages Division
1918 SE Hulsizer Road, Ankeny, IA
May 9, 2018 – 1:00 p.m.
Dial In Number: 1.866.685.1580
Conference Code Number: 0009991572**

Commission Members Present

Gary Nystrom: Chair
Rachel Eubank: Vice Chair
John Pauli: Secretary
Crissy Riesenbeck-Spratt: Member (via phone)
Jay Wilson: Member

Division Staff Present

Stephen Larson: Administrator
Erin Carpenter: Assistant to the Administrator
Tyler Ackerson: Education & Outreach Program Planner
Leisa Bertram: Accountant 2
Madelyn Cutler: Receptionist
Jodi Christensen: Purchasing Agent 3
Josh Happe: Bureau Chief, Regulatory Compliance Bureau
Todd Halbur; Comptroller
Jason Hohn: Licensing Clerk Specialist
Jake Holmes: Education and Outreach Program Planner
Pam Koehn-Miller: Secretary
Lolani Lekkas: Compliance Officer 1
John Lundquist: Assistant Attorney General
Stephanie Strauss: Government Relations
Herb Sutton: Manager, Business Operations

Guests Present

Mackenzie Nading: Iowa Wholesale Beer Distributors Association
Mike Brewington: Iowa Beverage Systems
Brittany Lumley: LS2 Group
Tom Cope: IDA
Edgar McGuire: Bootleggin' Barzini's

CALL TO ORDER

Chairperson Gary Nystrom 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 Wilson and seconded by Commissioner Pauli to approve the agenda for the May 9, 2018, Commission meeting.

Motion approved.

APPROVAL OF MINUTES

MOTION: A motion was made by Commissioner Wilson and seconded by Commissioner Pauli to approve the minutes for the April 4, 2018 and April 27, 2018 meetings.

Motion approved.

Chairperson Nystrom recognized Administrator Stephen Larson for the Administrator's Report.

ADMINISTRATOR'S REPORT:

Administrator Larson then recognized Comptroller Todd Halbur for a financial management report. Mr. Halbur reported that Year- to - Date through April FY18, the Division had \$257,262,736 in total liquor sales, which was a 5.52 percent growth in sales over April FY17. The average monthly order volume for FY18 was 5,155 compared to 4,834 in FY17, a 6.64 percent increase. Reversion to the General Fund increased 3.80 percent. Mr. Halbur indicated many of the categories are trending above FY17 and expenses in warehouse costs are lowering.

Administrator Larson remarked that deliveries have not been impacted by \$1000 minimum started January 1, 2018.

Commissioner Nystrom reiterated liquor sales growth and asked if metrics could be highlighted for cities on Iowa Border to see if competitive pricing is affecting their growth. There was a recommendation that five cities or counties along the Iowa Border be evaluated over a five year period to verify if Border State competition is prevalent.

Administrator Larson recognized Business Operations Manager Herb Sutton and Safety/Security and Brand Manager Jodi Christensen to give an update on product management.

Mr. Sutton focused on cost recovery proposals for both split case bottle fees and disorder fees. The split case bottle fee was first implemented in 1986 at \$.20 per bottle and was raised in 2011 to \$0.50 per bottle. Mr. Sutton proposes two changes for the future: to increase the split case fee to \$1.25 per bottle and to review the split case fee every four years.

Mr. Sutton's second cost recovery initiative was for disorder fees. In order to follow the Tobacco Tax and Trade Bureau there are specific guidelines for returns to be accepted. Once ABD transitioned to

electronic ordering in 2015 there was an expectation of fewer disorder returns, however that was not the case. Returns are time consuming for drivers, warehouse staff, and accounting staff to ensure merchandise is processed back to ABD properly. Mr. Sutton's proposal was to implement a disorder fee of \$5 per case returned and \$2 per bottle returned, effective July 1, 2018.

Jodi Christensen reviewed the product management reform update. In this update she broke down the changes to: delist procedure, over maximum level procedure, the highly allocated product process, size extensions, and special order on hand. Ms. Christensen emphasized the biggest changes and compared them to what they are currently.

The board recessed for a break at 3:01 p.m. and reconvened at 3:09 p.m.

Administrator Larson recognized Joshua Happe, Bureau Chief of Regulatory Compliance Bureau for a licensing and regulatory update. The Voluntary Disclosure Program regulatory announcement was released for licensees to voluntarily disclose violations of the laws and rules administered by ABD to maintain good faith and a positive working relationship. Mr. Happe's second update is a pilot project for collaboration with other state agencies through an organized automated system. The State Agencies Data Sharing and Field Resource Collaboration Project, which between ABD, the Iowa Lottery, and Iowa Department of Revenue will utilize categories of good citizen checks, change notifications, compliance checks, and automated data transfers to EDW.

Administrator Larson gave an update to the RFP for a public/private partnership in the distribution of spirits. In update to previous commission meetings, the bid evaluation process has reached a selection with Ruan Transportation Corporation and the Intent to Award process has been started. We will have a decision before the June commission meeting whether or not we will be committing a formal contract with Ruan Transportation.

Administrator Larson commented on the upcoming licensing reform public forum meeting and Commission meeting on the Iowa Liquor Wholesale model in June. These meetings will be hosted to have more input from local city government, law enforcement, and licensees.

Stephanie Strauss, Government Relations, commented on the closing days of session, Legislature adjourned and the final recap will be provided after the final bill is signed.

Administrator Larson provided an overview of the key initiatives he will be focusing on in FY19 and FY20. Primarily these will consist of revisions on Iowa Code Chapter 123 and Administrative Code 185. Administrator Larson encourages input from commission members, stakeholders, and the public for these revisions on licensing. Administrator Larson also mentioned that ABD staff has been advised to utilize the Commission as an approachable pathway for a safe haven in reference to transparency, violence in the workplace, and sexual harassment.

Commissioner Nystrom recognized Attorney General John Lundquist for an attorney general's report. Mr. Lundquist stated he had no updates to provide at this time.

Commissioner Nystrom thanked Administrator Larson and congratulated him on his reappointment.

PUBLIC COMMENT

Edgar: (Bootleggin' Barzini's) Requested for more time to discuss proposed fee structures

OLD BUSINESS

None

NEW BUSINESS

None

NEXT MEETING DATES

June 13, 2018 at 1:00pm at the Hilton Garden Inn Riverfront in Sioux City, IA. This will be a public forum on the Iowa Liquor Wholesale Model.

June 12, 2018 at 1:00pm at Arrowwood Resort & Conference Center in Okoboji, IA. This will be a licensing reform public meeting and all commissioners are encouraged to attend.

ADJOURNMENT

MOTION: A motion was made by Commissioner Wilson and seconded by Commissioner Eubank.

Motion approved.

The meeting adjourned at 4:04pm.



Commissioner Pauli, Secretary