

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

Room 116

Iowa State Capitol

August 20, 2015 – 1:00 PM

Dial In Number: 1.866.685.1580

Conference Code Number: 0009991572

Commission Members Present:

Tami Doll: Chair

Gary Nystrom: Secretary

Rachel Eubank: Member

Rick Hunsaker: Member

Commission Members Absent:

Jay Wilson: Vice Chair

ABD Staff Present:

Stephen Larson: Administrator

John Lundquist: Assistant Attorney General

Stephanie Strauss: Executive Officer

Karen Freund: Deputy Administrator of Regulation

Bobby Bailey: Public Information Officer

Tim Iversen: Chief Operating Officer

Anita Volk: Program Manager

Todd Halbur: Comptroller

Tyler Ackerson: Assistant to the Administrator

Guests Present:

E. John Broadbent: Broadbent Distillery

Nathan Cooper: Iowa Wholesale Beer Distributors Association

Jeremy Thompson: Sazerac

Deb Scrowther: Iowa Department of Management

Amy Burgess: Glazers

Kelsey Thies: Iowa House Democrats Caucus Staff

Dave Dollman: Glazers

Christin Mechler: Legislative Services Agency

Jessica Dunker: Iowa Restaurant Association

Guests Present on Conference Call:

None

CALL TO ORDER

Chairperson Tami Doll called the meeting to order at 1:05 P.M. and roll was taken. There was a quorum.

APPROVAL OF AGENDA

MOTION: A motion was made by Commissioner Hunsaker and a second by Commissioner Nystrom to approve the agenda for the August 20, 2015 Commission meeting.

Motion approved.

APPROVAL OF MINUTES

MOTION: A motion was made by Commissioner Nystrom and a second by Commissioner Hunsaker to approve the minutes for the June 23, 2015, in-person Commission meeting and the July 28, 2015, telephonic Commission meeting.

Motion approved.

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

ADMINISTRATOR'S REPORT

Administrator Larson recognized Chief Operating Officer Tim Iversen for a Fiscal Year 2015 financial update.

Mr. Iversen began with an overview of the Division's licensees. In total, there were approximately 11,225 holders of licenses and/or permits to manufacture, transport, and/or sell beer, wine, and spirits in the state of Iowa. Of those, 9,112 sell alcohol for consumption on-premises (Class "C"), 1,303 sell alcohol for consumption off-premises (Class "E"), 107 are native wineries, 34 are native breweries, and 11 are micro-distilleries.

Mr. Iversen indicated that the Division had \$277.72 million in liquor sales during FY15, which was a 5.4 percent growth in sales over FY14. The Division reverted \$108.41 million to the General Fund at the time of the presentation, which was a 6.5 percent increase over the amount reverted in FY14. Mr. Iversen noted that the Division still had one final reversion to make, and estimated that the final reversion would push total reversion for the fiscal year above \$109 million.

Mr. Iversen reported that the Division decreased Total Operating Expenses by 2.81 percent compared to FY14. In FY15 the Division had \$2.6 million in freight expenses, \$1.6 million in warehouse expenses, and \$2 million in other expenses, which encompassed meals, uniforms, and lodging for transport drivers.

Mr. Iversen reported that total order volume for FY15 was 50,053, an increase from FY14's volume of 47,161. Mr. Iversen speculated that increased volume could be attributed to increased ordering via the Division's Customer Portal, which requires a minimum order of \$600 versus a minimum order of 10 cases if ordering via phone, fax, or email. Mr. Iversen also reported that fleet costs per order for FY15 were \$31.99, a decline from \$37.56 in FY14, and that warehouse costs per order in FY15 were \$52.50, an increase from \$51.56 in FY14. The total fleet and warehouse costs per order declined from \$89.12 in FY14 to \$84.49 in FY15.

Mr. Iversen reported that total travel expenses for the Division in FY15 were \$146,535.77, with actual in-state travel expenses totaling \$127,822.20 and actual out-of-state travel expenses totaling \$18,713.57.

Mr. Iversen reported that FY15 workers compensation premiums had increased 25.02 percent. He noted that the rising cost is an ongoing concern for the Division. Discussion took place among commissioners and ABD staff regarding ways to lower premiums moving forward.

Mr. Iversen reported several performance measures related to warehouse. The number of units picked per hour by warehouse workers in FY15 was 163, an increase from 145 in FY14. The Division did not hire any temporary workers during the busy season in FY15 (September to December). The Division had hired 6 temporary workers during the busy seasons in FY14 and FY13. The total cost of breakage in FY15 was \$11,178.97, a decrease from \$14,363.41 in FY14.

Mr. Iversen also reported several performance measures related to the fleet. In FY15, the fleet traveled a total of 719,031.4 miles, with an average of 3,440.3 miles traveled daily. Compared to FY14, total mileage increased 207.2 miles in FY15, while daily average mileage decreased by 190.1 miles. In FY15 the fleet spent a total of 38,590 hours delivering orders, with an average of 184 hours spent each day. Compared to FY14, total hours increased by 960 hours and average hours each day increased by 5 hours in FY15. In FY15, total cost of deliveries (encompassing wages, workers compensation, fuel, leasing, and insurance) was \$2,117,448, an increase of \$364,098 from FY14.

Finally, Mr. Iversen provided a timeline for the release of the Division's annual report. The week of October 12, 2015, a draft of the report will be sent to the Commission for review. At the October 20, 2015, Commission meeting, the report will be presented for approval by the Commission.

Mr. Iversen then recognized Program Manager Anita Volk for a technology update.

Ms. Volk provided statistics regarding the Division's Customer Portal. Of the 1,302 total Class E licensees, 857 have accounts on the Customer Portal and 736 are actively placing orders. As of August 19, 2015, \$51 million in orders had been fulfilled via the Customer Portal.

Ms. Volk also provided statistics regarding Electronic Data Interchange (EDI). Of the 1,302 total Class E licensees, 240 were actively using EDI to place their orders. The Division is currently in the process of setting up Walgreens and Quik Trip on EDI.

Ms. Volk reported that requirements are complete for the Microsoft Dynamics AX component of the Single Platform project. The vendor, Blue Horseshoe, will now begin development of the software, which Ms. Volk said will last approximately two months. The Division's goal is to go live with the Dynamics AX software in June 2016.

Regarding the Microsoft Dynamics CRM component of the Single Platform project, Ms. Volk reported that requirements-gathering by Blue Horseshoe is currently underway. The goal is to have the software implemented in late spring 2016.

Finally, Ms. Volk provided an update on the Division's 6/1 and 9/1 Electronic Initiative. Since June 1, 2015, there were 16 new Class E licensees, all of whom were placing orders electronically. For September 1, 2015, the Division's goal is to move the remaining 329 current Class E licensees to electronic ordering, which will be required at the time their license is renewed.

Administrator Larson then recognized Executive Officer Stephanie Strauss for an administrative rules update.

Ms. Strauss provided a timeline for the implementation of administrative rules pertaining to growers. The Division's goal is to file the rules in early or mid-October, with an effective date sometime in February 2016.

Ms. Strauss also provided an update on the administrative rules pertaining to Tasting, Sampling, and Trade Spending. Ms. Strauss informed attendees that the rules had officially been published in the Administrative Rules Bulletin, marking the official beginning of the rulemaking process. Written comments may now be submitted through 4:30 p.m. September 8, 2015. The Division is scheduled to appear before the Administrative Rules Review Committee the same day.

Administrator Larson then recognized Assistant Attorney General John Lundquist for the Attorney General's Report.

Mr. Lundquist had nothing to report.

OLD BUSINESS

None

NEW BUSINESS

None

NEXT MEETING DATE

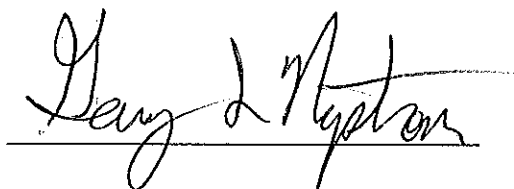
Tuesday, October 20, 2015

ADJOURNMENT

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

Motion approved.

The meeting adjourned at 2:01 P.M.

A handwritten signature in cursive script, reading "Gary L. Nystrom", is written over a horizontal line.

Commissioner Nystrom, Secretary