

# *IOWA ALCOHOLIC BEVERAGES COMMISSION*

## MINUTES

Old Supreme Court Chamber (Room 103)

Iowa State Capitol

June 23, 2015 – 1:00 PM

Dial In Number: 1.866.685.1580

Conference Code Number: 0009991572

### Commission Members Present:

Rick Hunsaker: Chairperson

Tami Doll: Vice Chair

Jay Wilson: Secretary

Gary Nystrom: Member

Rachel Eubank: Member

### Commission Members Absent:

None

### ABD Staff Present:

Stephen Larson: Administrator

John Lundquist: Assistant Attorney General

Stephanie Strauss: Executive Officer

Heather Schaffer: Compliance Officer

Karen Freund: Deputy Administrator of Regulation

Bobby Bailey: Public Information Officer

Tim Iversen: Chief Operating Officer

Anita Volk: Project Manager

Tyler Ackerson: Assistant to the Administrator

### Guests Present:

E. John Broadbent: Broadbent Distillery

Lynn Walding: Diageo

Mike Brewington: Iowa Beverage Systems

Alex Brewington: Iowa Beverage Systems

Joe Foster: Glazer's

Nick Grieder: NASWB

Tim Byrne: Diageo

Colleen Murphy: Iowa Economic Development Authority

Lyle Stutzman: Johnson Brothers

Brittany Telk: Iowa House Republicans Caucus Staff

Joseph Dehner: Dehner Distillery

Stacy Kluesner: Iowa Restaurant Association

Anna Hyatt-Crozier: Iowa House Democrats Caucus Staff  
Brian Guillaume: Iowa House Democrats Caucus Staff  
Sam Crowder: Southern Wine and Spirits  
John Cacciatore: DISCUS  
Christin Mechler: Legislative Services Agency  
Julie Simon: Iowa Senate Democrats Caucus Staff

**Guests Present on Conference Call:**

Garrett Burchett: Mississippi River Distilling

**CALL TO ORDER**

Chairperson Rick Hunsaker 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 a second by Commissioner Doll to approve the agenda for the June 23, 2015 Commission meeting.

Motion approved unanimously.

**APPROVAL OF MINUTES**

**MOTION:** A motion was made by Commissioner Nystrom and a second by Commissioner Wilson to approve the minutes for the April 7, 2015 Commission meeting and the April 24, 2015 telephonic Commission meeting.

Motion approved unanimously.

Chairperson Hunsaker recognized Administrator Steve Larson for the Administrator's Report.

**ADMINISTRATOR'S REPORT**

Administrator Larson recognized Chief Operating Officer Tim Iversen for a technology update and a financial management update.

Mr. Iversen informed attendees of two key dates: June 1, 2015 and September 1, 2015. Effective June 1, 2015, all new Class E licensees will be required to submit their orders electronically via the Customer Portal or EDI. Effective September 1, 2015, any Class E that renews their license will be required to order electronically via the Customer Portal or EDI.

Currently, the Division has over 1,300 Class E licensees. Of those, 413 Class E licensees are still ordering via phone, fax, or email. However, 887 Class E licensees are currently ordering via the Customer Portal or EDI. Mr. Iversen provided breakdowns of licensees using EDI, which included 49 Hy-Vee stores, 60 Wal-Mart stores, 9 Sam's Club stores, and 155 Casey's stores.

Mr. Iversen also updated attendees on the Division's Single Platform initiative, which would bring the operating systems of all of the Division's operations under one single platform of software. The requirements for the software, Microsoft Dynamics AX, have been written and baseline education of staff has begun. On July 20, 2015, Conference Room Pilot 1 will begin, where the requirements will be tested to ensure they match expectations. Conference Room Pilot 1 will end on August 13, 2015, and any necessary revisions to the software

will be made. Customer Resource Management (CRM) was added to the Single Platform contract as a scope addition. It will bring all of eLicensing, IPACT, IPLEDGE, and other licensing, regulation, and compliance software under one single platform as well.

Mr. Iversen also informed attendees that the Division is exploring ways for Class C licensees to place their orders electronically with Class E licensees.

Mr. Iversen provided a financial update. The Division ended the month of May with YTD sales of \$251 million, an increase of 4.83 percent over last year. There was an 8 percent increase in sales during the month of May. June sales were flat thus far, which is consistent with last year at the same time. Mr. Iversen projected that the Division will close the year with approximately \$274 million in sales. The Division had an order accuracy rate of 97.5 percent. The Division's total revenues were up 5.1 percent and operating expenses were up 4.3 percent, resulting in an increase in net income of 25.67 percent in FY15 over FY14 YTD. The Division's net profit was up 1.2 percent over last year YTD. The Division reverted \$10.5 million to the State's General Fund in the month of May, bringing total reversion YTD to \$97.6 million. Mr. Iversen anticipated the Division would increase its reversion for FY15 over FY14.

Administrator Larson recognized Executive Officer Stephanie Strauss for a legislative update.

Ms. Strauss informed attendees that 7 bills were passed by the legislature related to Chapter 123. Senate File 125 and House File 386 were bills introduced by the Division. HF386 made a change to requirements for wine gallonage tax reporting, allowing online reporting semi-annually. SF125 made technical changes to Chapter 123. It changed the word "tasting" to "sampling" where it appears, removed obsolete language, and made other non-substantive changes. The bill was also amended to allow brew pubs to sell their beer to wholesalers outside the state. Senate File 134 removed the bond requirement for Iowa wineries that obtain a wine direct shipper license. Senate File 456 granted Class C beer permit holders the ability to fill and sell growlers. Administrator Larson informed attendees that until administrative rules are filed by the Division regarding growlers, the Division will be requiring approval by the Administrator of the business models of Class C beer permit holders who plan to fill and sell growlers. There were 17 bills referred back to committee.

A discussion took place on powdered alcohol. Administrator Larson informed attendees that the Division's policy would be for the Administrator to deny any request to list powdered alcohol in Iowa.

Administrator Larson distributed a matrix of key emerging alcohol policy issues. It is the recommendation of the Administrator that a review of Iowa's alcohol laws and rules take place to ensure they are relevant to emerging policy issues in today's marketplace. The Division will continue to discuss these issues with legislators and other stakeholders, and Administrator Larson encouraged the Commission to do the same.

Administrator Larson recognized Commissioners Doll and Wilson to present draft proposals regarding changes to Tasting, Sampling, and Trade Spending.

Commissioner Doll presented the draft proposals and informed the Commission and attendees that there will be a three-week comment period during which suggestions for changes may be made. Administrator Larson informed attendees that beginning July 15 the formal rule-making process would begin, with a final draft filed with the Administrative Rules Review Committee on July 31. Discussion took place among Commissioners, Division staff, and attendees on the draft proposals.

Administrator Larson recognized Colleen Murphy with the Iowa Economic Development Authority regarding the Iowa Craft Brewing Industry economic impact study.

Ms. Murphy said the study was conducted because a similar study was conducted for the wine industry in 2008 and that because an economic impact study of the Iowa craft brewing industry had yet to be done. Ms. Murphy shared findings of the study, including approximately \$100 million in output from the industry, over 1,500 jobs generated, and an increase in personal income of over \$42 million. Administrator Larson made the following statement regarding the study:

*In general the report addresses an argument for finding ways to grow the craft brewing industry in Iowa. The economic impact of the craft beer industry in Iowa is just one piece of the overall picture, and there are other factors that should be taken into consideration.*

*An example is that, throughout the country, retailers, wholesalers and manufacturers of alcohol take steps to educate consumers and implement policies to prevent underage access and promote safe, legal consumption.*

*And we should encourage the craft beer folks to give careful consideration to these social and legal functions.*

*Again, while it is understood that this was an economic impact study, it did not address – as it should not – any possible downsides. Therefore, as we look towards the future and partner with craft beer producers, wholesalers and retailers, our role is to ensure that, as the craft brewing industry in Iowa continues to expand, other social and legal functions should be considered.*

*In closing, this report emphasizes why a three-tier system exists: to be sure that safe products that contain alcohol are available to the public.*

*And we look forward to working with the Iowa Wine and Beer Promotion Board and the Iowa craft brewing industry to make that happen.*

Administrator Larson recognized John Lundquist from the Iowa Attorney General's Office for a report.

Mr. Lundquist introduced himself to Commissioner Eubank and offered to answer any questions she may have moving forward in her role on the Commission.

### **OLD BUSINESS**

None

### **NEW BUSINESS**

Commissioners elected new officers for Fiscal Year 2016.

**MOTION: Commissioner Wilson made a motion, with Commissioner Nystrom as a second, to elect Commissioner Doll as Chairperson, Commissioner Wilson as Vice Chair, and Commissioner Nystrom as Secretary of the Commission.**

**Motion approved unanimously.**

**NEXT MEETING DATES**

**Tuesday, July 28, 2015 (telephonic meeting)**

**Thursday, August 20, 2015**

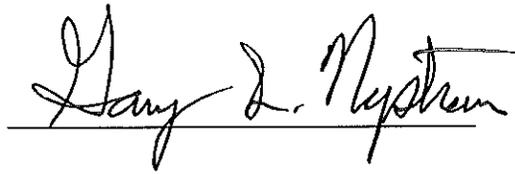
**Tuesday, October 20, 2015**

**ADJOURNMENT**

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

**Motion approved unanimously.**

The meeting adjourned at 2:13 P.M.

A handwritten signature in black ink, reading "Gary D. Nystrom", is written over a horizontal line. The signature is cursive and includes a long horizontal stroke at the end.

Commissioner Nystrom, Secretary