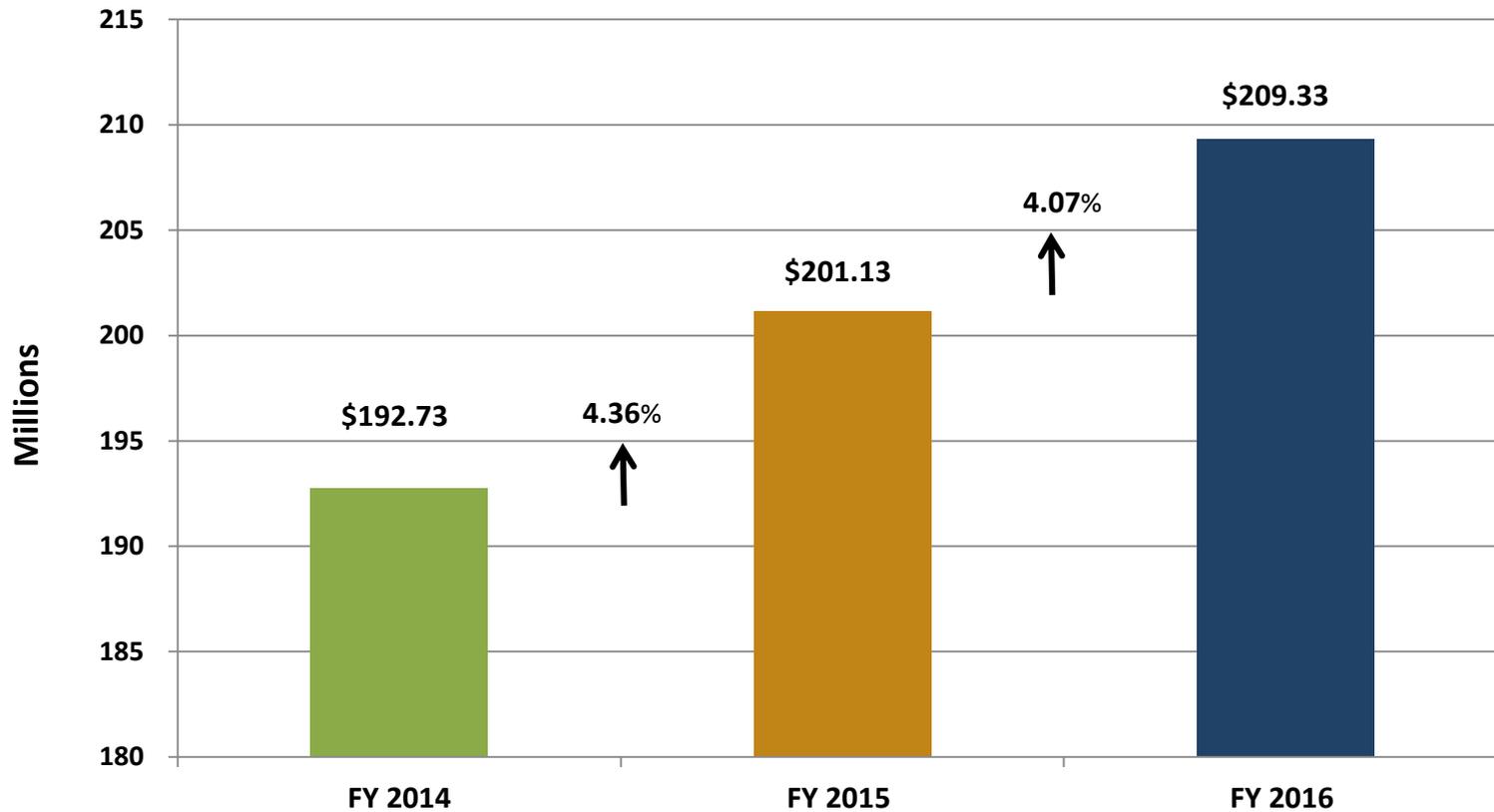


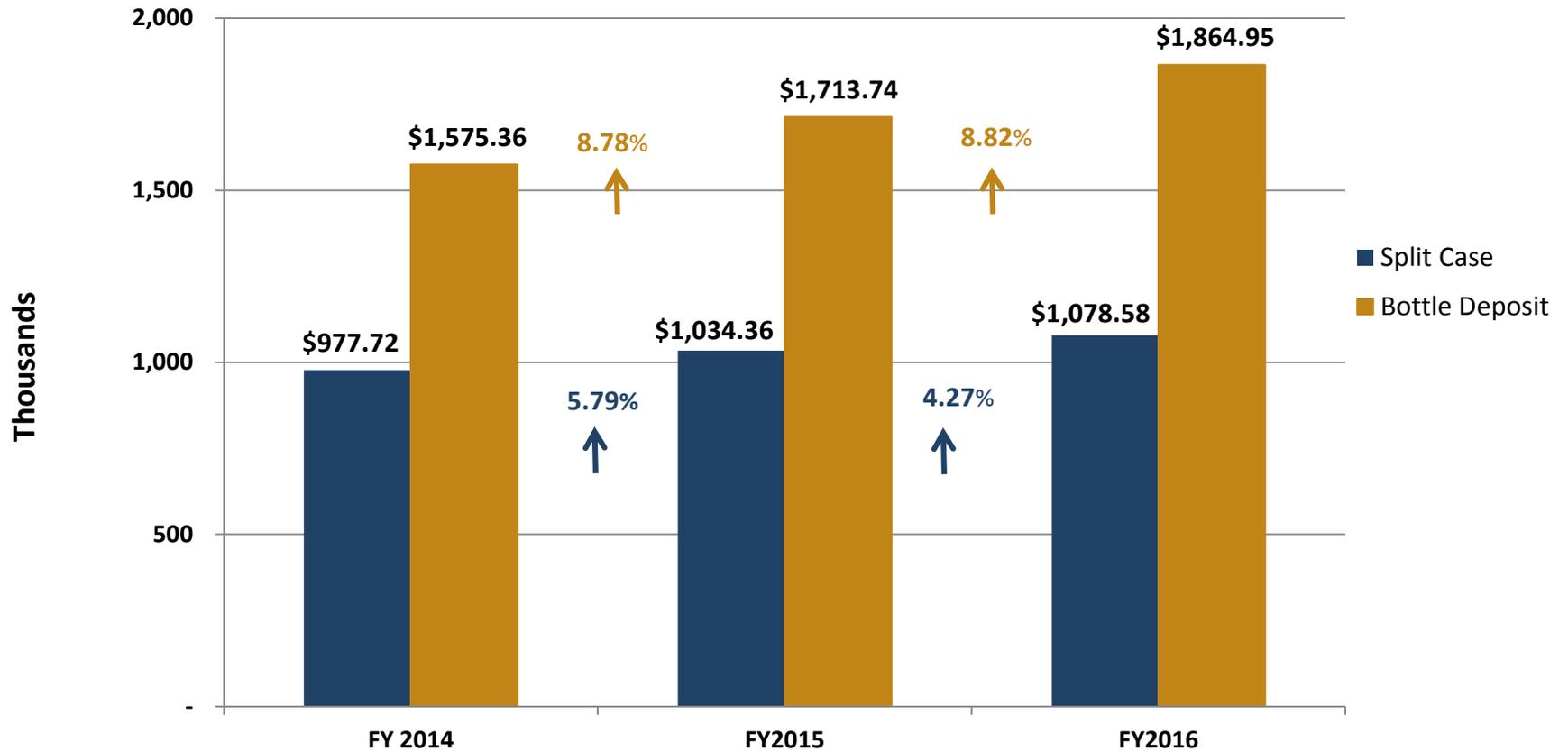
**Financial Overview through 3rd Quarter FY16
July 01 – March 31, 2016**

Total Liquor Sales – YTD FY16



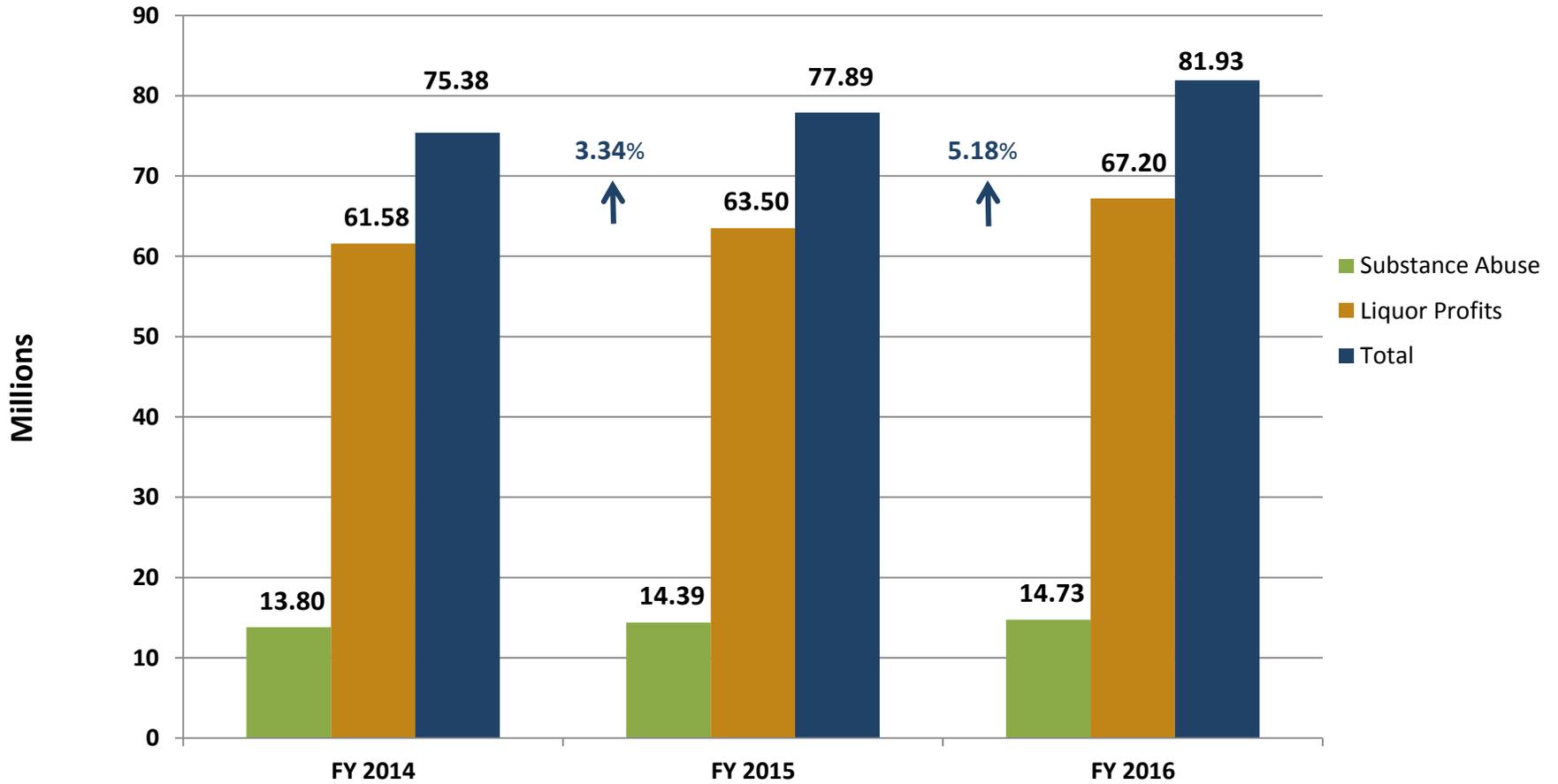
Through 3rd Quarter- 07/01 – 03/31

Split Case and Bottle Deposit Revenue Totals – YTD FY16



Through 3rd Quarter- 07/01 – 03/31

Reversion to General Fund – YTD FY16

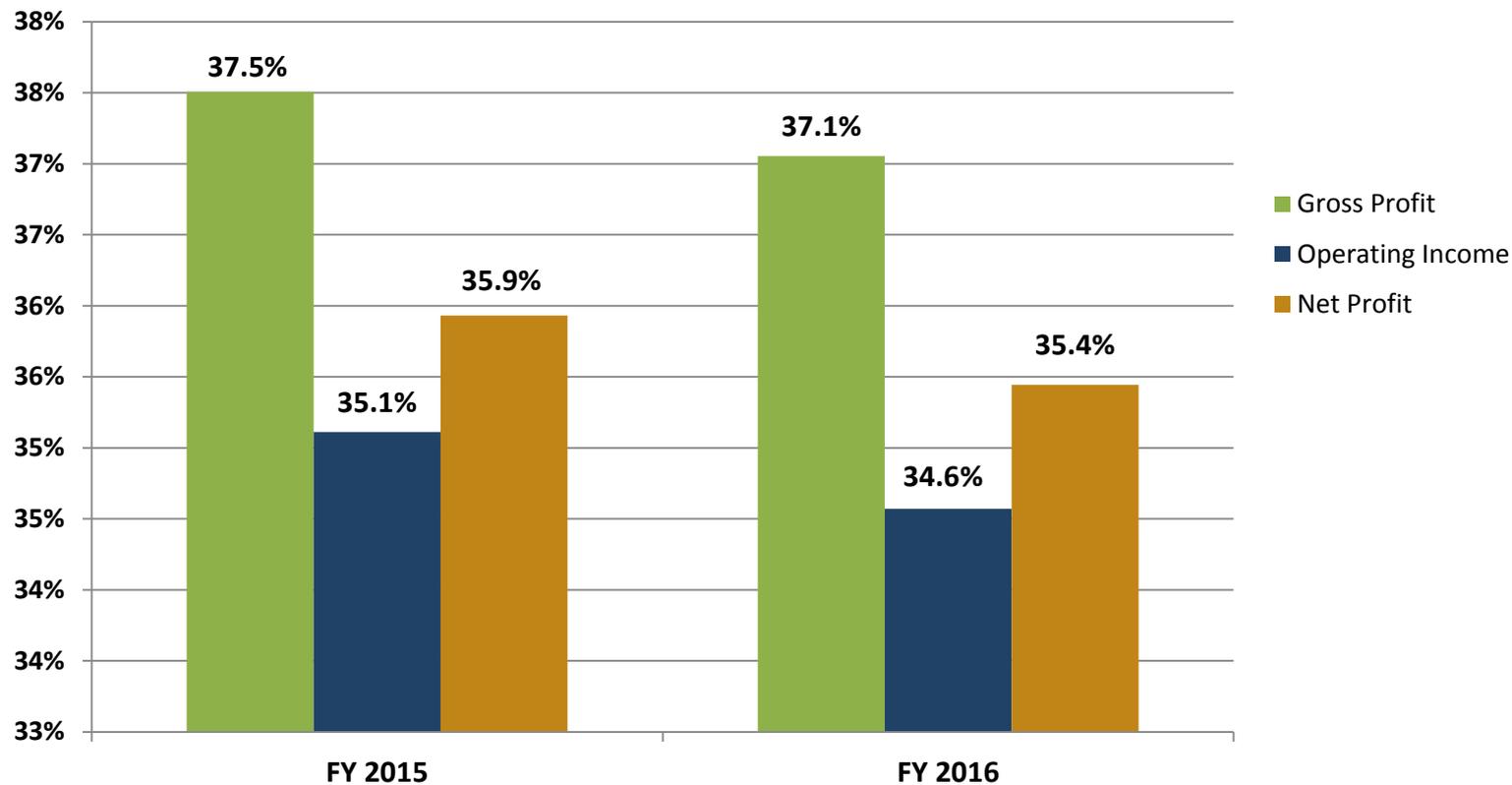


Through 3rd Quarter- 07/01 – 03/31

Profit & Loss Review

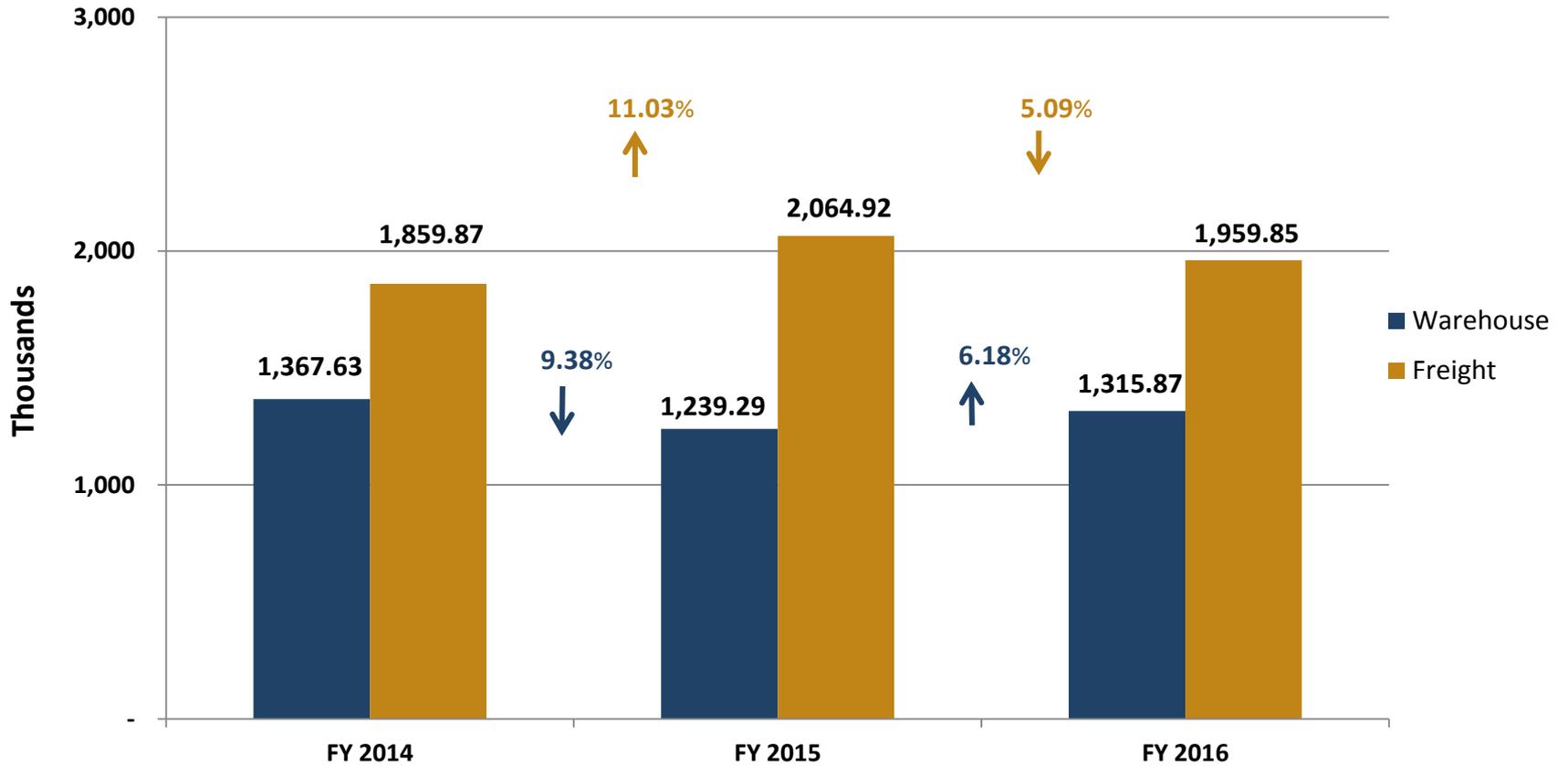
	3rd Quarter FY 2015	3rd Quarter FY 2016	% Change FY16 vs. FY15	YTD FY 2015	YTD FY 2016	% Change FY16 vs. FY15
Liquor Sales Revenue	65,629,089	66,526,277	1.37%	201,133,868	209,325,616	4.07%
Total Cost of Sales	42,879,954	45,146,866	5.29%	125,695,417	131,759,098	4.82%
Gross Profit	22,749,135	21,379,361	-6.02%	75,438,451	77,566,518	2.82%
Gross Profit %	34.7%	32.1%	-7.49%	37.5%	37.1%	-1.07%
Total Operating Expenses	1,392,053	1,187,075	-14.72%	5,315,131	3,275,719	-38.37%
*Total Operating minus Phase 4	1,094,799	1,112,421	1.61%	3,304,213	3,275,719	-0.86%
*General and Administrative Expense Total	673,812	973,434	44.47%	1,812,870	2,635,810	45.39%
Income from Operations	20,683,270	19,218,852	-7.08%	68,310,450	71,655,189	4.90%
Total Other Revenues	909,819	993,336	9.18%	2,768,085	3,022,730	9.20%
Total Other Expense	5,303,941	5,581,933	5.24%	13,919,355	14,307,076	2.79%
Net Profit	16,289,148	14,630,255	-10.18%	57,159,180	60,370,843	5.62%
Return on Sales	24.8%	22.0%	-11.29%	28.4%	28.8%	1.41%

Net Income Analysis, Adjusted – YTD FY16



Through 3rd Quarter- 07/01 – 03/31

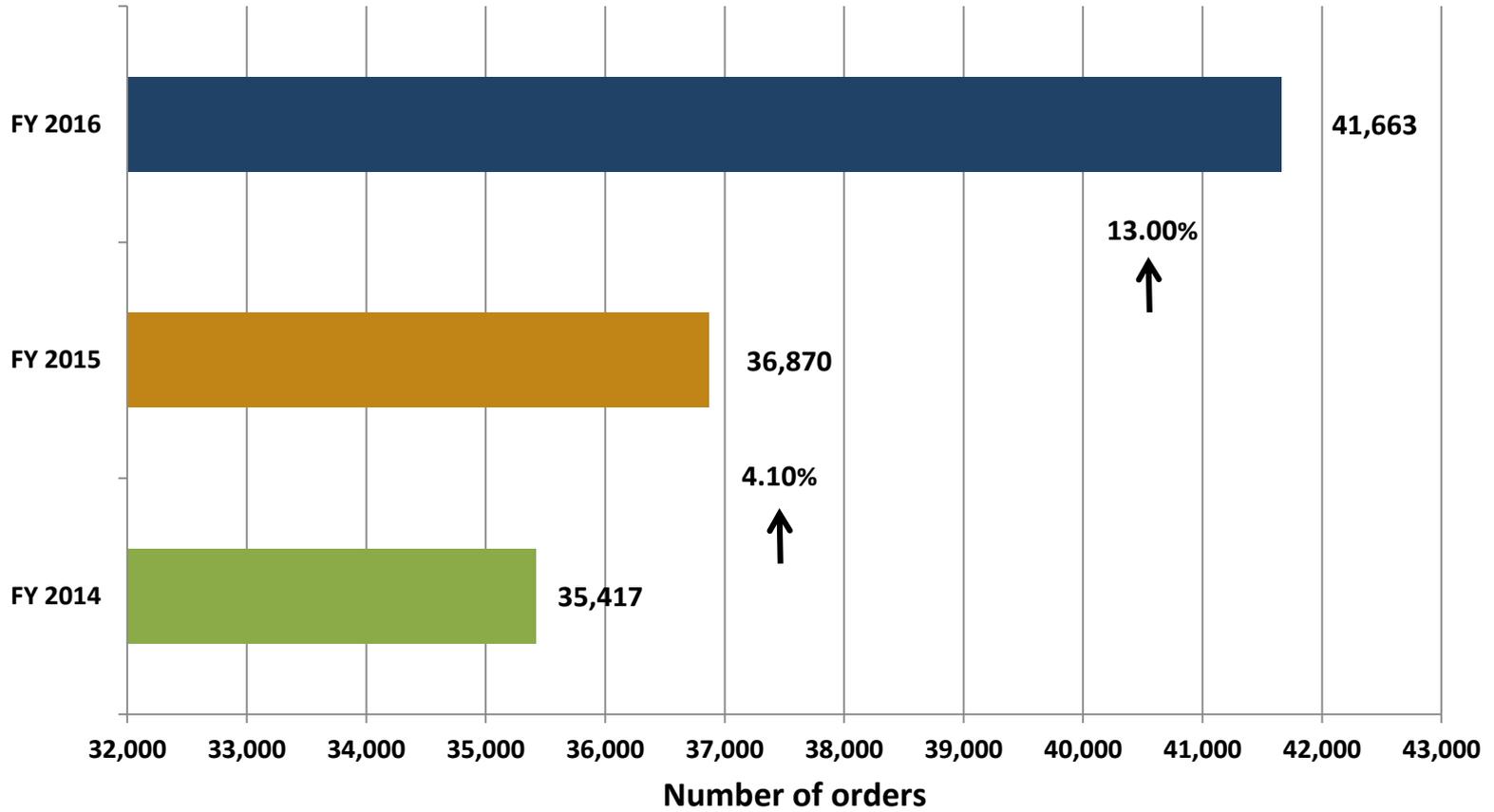
Operating Expenses – YTD FY16



Through 3rd Quarter- 07/01 – 03/31



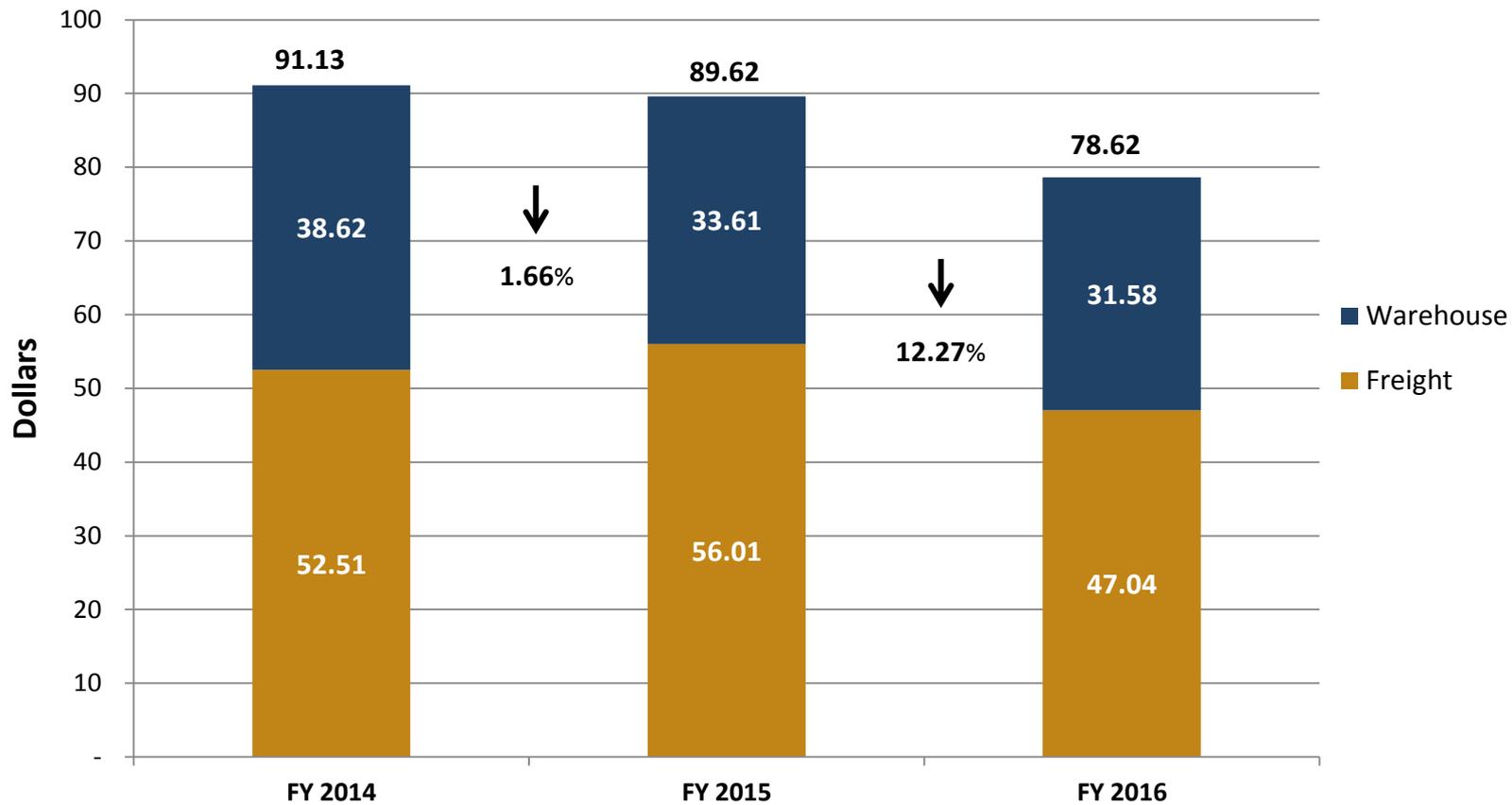
Order Volume – YTD FY16



Through 3rd Quarter- 07/01 – 03/31



Fleet & Warehouse Cost Per Order- YTD FY16

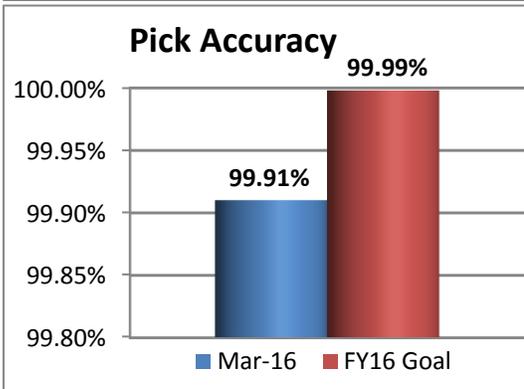
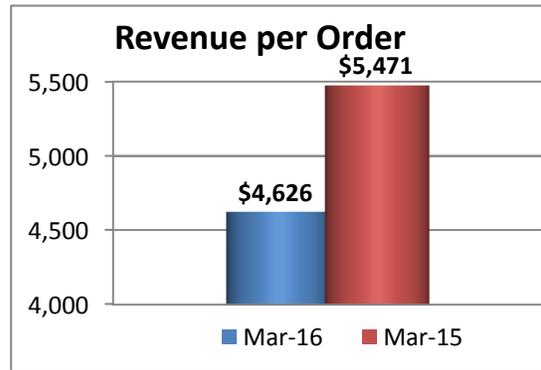
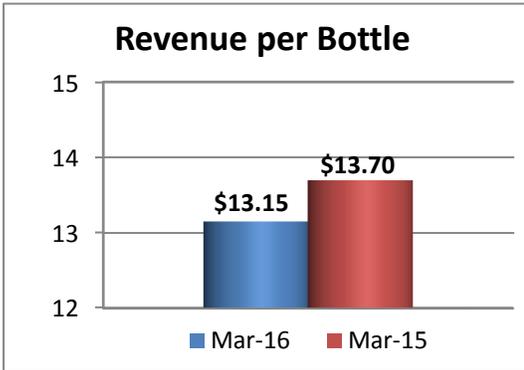


Through 3rd Quarter- 07/01 – 03/31

Iowa ABD
Monthly Financial Meeting

FY 2016 MARCH SALES COMPARISON - YEAR OVER YEAR- CASH BASIS

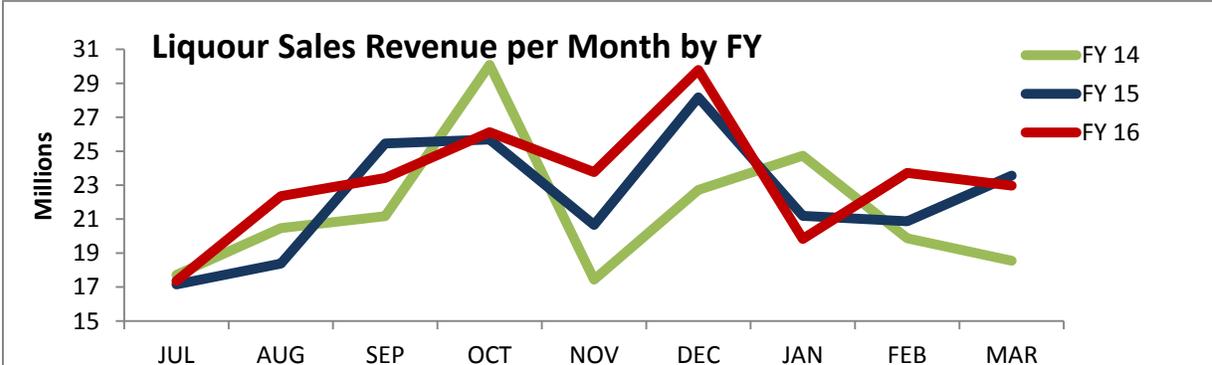
Category	FY 2016	FY 2015	% Change
Liquor Sales	22,973,373	23,561,800	-2.50%
Split Case Fee	123,716	120,035	3.07%
Bottle Dep and Sur	210,851	199,625	5.62%
Total Revenue	23,307,940	23,881,460	-2.40%
Orders	5,039	4,365	15.44%
Bottles	1,772,890	1,743,139	1.71%



July-March Average Sale Days Comparison	
Jul- Sep	0
Oct	-1
Nov	1
Dec	0
Jan	-1
Feb	1
Mar	1
Total For FY	1

JULY - MARCH SALES COMPARISON - YEAR TO DATE

Category	FY 2016	FY 2015	% Change
Liquor Sales	209,325,616	201,133,868	4.07%
Split Case Fee	1,078,579	1,034,364	4.27%
Bottle Dep and Sur	1,864,953	1,713,738	8.82%
Total Revenue	212,269,148	203,881,970	4.11%
Orders	41,663	36,870	13.00%
Bottles	16,247,956	15,272,743	6.39%



Profit and Loss FY16
Year to Date through 03/31/2016

	3rd Quarter FY 2015	3rd Quarter FY 2016	FY16 vs. FY15 % Chg.	YTD FY 2015	YTD FY 2016	FY16 vs. FY15 % Chg.
Liquor Sales Revenue	65,629,089	66,526,227	1.37%	201,133,868	209,325,616	4.07%
Cost of Sales						
Bailment	43,531,145	45,750,163	5.10%	127,494,133	133,501,919	4.71%
Less: Bailment Fees	(476,189)	(496,974)	4.36%	(1,404,534)	(1,451,708)	3.36%
Less: Special Handling Fees	(156,621)	(77,869)	-50.28%	(343,604)	(235,567)	-31.44%
Less: Defective Products	(18,381)	(28,454)	54.80%	(50,578)	(55,546)	9.82%
Total Cost of Sales	42,879,954	45,146,866	5.29%	125,695,417	131,759,098	4.82%
Gross Profit	22,749,135	21,379,361	-6.02%	75,438,451	77,566,518	2.82%
Gross Profit %	34.7%	32.1%	-7.49%	37.5%	37.1%	-1.07%
Operating Expenses						
Freight Expenses	820,126	676,586	-17.50%	2,064,919	1,959,846	-5.09%
Warehouse Expenses	454,764	510,489	12.25%	1,239,294	1,315,873	6.18%
Other Expenses Related To Distribution	117,163	-		2,010,918	-	-100.00%
Total Operating Expenses	1,392,053	1,187,075	-14.72%	5,315,131	3,275,719	-38.37%
General and Administrative Expenses						
Warehouse Administration	184,695	127,740	-30.84%	446,160	496,201	11.22%
Product Administration	89,471	125,458	40.22%	287,323	341,750	18.94%
Accounting	132,616	131,729	-0.67%	316,976	325,446	2.67%
Information Technology	172,342	464,798	169.70%	500,971	1,134,256	126.41%
Buildings and Grounds	94,688	123,709	30.65%	261,440	337,957	29.27%
General and Administrative Expense Total	673,812	973,434	44.47%	1,812,870	2,635,610	45.38%
Income from Operations	20,683,270	19,218,852	-7.08%	68,310,450	71,655,189	4.90%
Other Revenues						
Split Case Fee	346,630	362,157	4.48%	1,034,364	1,078,579	4.27%
Bottle Deposit/Surcharge	558,739	604,929	8.27%	1,713,738	1,864,953	8.82%
Recycling	3,900	4,822	23.64%	11,787	15,556	31.98%
Fuel and Lease & Other Reimbursement	550	1,440	161.82%	8,196	23,666	188.75%
Lottery Lease	-	19,988		-	39,976	-
Total Other Revenues	909,819	993,336	9.18%	2,768,085	3,022,730	9.20%
Other Expenses						
Bottle Deposit Fee	125,262	129,358	3.27%	346,776	366,934	5.81%
Recycle Surcharge Fee	287,632	291,612	1.38%	778,950	827,584	6.24%
Liquor Refunds	(4,272)	-		(4,272)	1,062	-124.86%
Substance Abuse Transfer	4,895,319	5,160,963	5.43%	12,797,901	13,111,496	2.45%
Total Other Expense	5,303,941	5,581,933	5.24%	13,919,355	14,307,076	2.79%
Net Profit	16,289,148	14,630,255	-10.18%	57,159,180	60,370,843	5.62%
Return on Sales	24.8%	22.0%	-11.40%	28.4%	28.8%	1.41%



ABD Technology Update

Anita Volk, Program Manager

April 19, 2016



Iowa Alcoholic Beverages Division Technical Overview-Agenda

1. *Electronic Ordering*
2. *Single Platform-MS Dynamics AX*
3. *eLicensing*



Electronic Ordering

- *Customer Portal & EDI: Currently 99% of all orders are electronic*



Single Platform-MS Dynamics AX

- *Project is in execution stage, testing will begin in June*



eLicensing System

- *BasicGov has been selected for the new eLicensing system that will encompass Compliance, Regulation and Licensing*
 - *Requirements have been collected by vendor*
 - *Timeline of the project is around 18 months*



State of Iowa
**ALCOHOLIC
BEVERAGES DIVISION**

State of Iowa Alcoholic Beverages Division (ABD)

Distribution Operations Improvement Project

Task 5 – Final Report

Confidential

February 25, 2016

Revised February 26, 2016



Johnson Stephens
CONSULTING



Johnson Stephens Consulting Overview

- ▶ Johnson Stephens Consulting is a supply chain operations consulting firm which specializes in providing Lean operations improvement, Labor Management Services, material handling equipment and facility design & implementation, logistics network analysis, site selection services, warehouse management systems, transportation management systems, and transportation management analysis for retail, wholesale, consumer products distribution, non-profit, governmental, and third party logistics service providers (3PLs). Our key strength is in providing the how-to in implementing supply chain solutions, not merely providing recommendations. More detailed information can also be found by visiting our website, www.johnsonstephens.com.

Project Plan

- ▶ This project plan has been developed specifically to assist the Iowa Alcoholic Beverages Division's pursuit of the following objectives in reviewing the current state of their procedures, processes, systems, and provide analysis regarding the impact of changes made over the last eighteen months to the current state of operations, and to identify other potential efficiencies. The goals and objectives are:
 - ▶ To identify strengths and weaknesses
 - ▶ Increase the Return on Investment
 - ▶ Maximize the use of the Division assets
 - ▶ Measure actual data with industry bench marks
 - ▶ Measure the net impact on liquor profits to the general fund
 - ▶ Risk Management Analysis
 - ▶ Use technology and intelligent investment in machinery and people to maximize efficiency and quality in Risk assessment review with recommendations.
 - ▶ To identify areas of improvement on how the delivery of services can be streamlined or improved upon.

Project Plan, continued

The project plan is divided into five (5) tasks:

1. Task 1 – Change Analysis – provide a Diagnostic Report describing the comparison between the operational state of ABD eighteen months ago to present day (period ending June 30, 2015).
2. Task 2 – Current Operational Analysis – provide a Diagnostic Report describing the current operational state of ABD.
3. Task 3 – Identify Opportunities – provide an Opportunities Report comparing existing (from Task 2) view of operations to identified opportunities for improvement, resulting in a value-laden report of improvement opportunities and plans of action for each opportunity. This will include a focus upon: improving warehousing space management; order processing; distribution routes & streamlining of deliveries; utilization of current systems, personnel and assets to their maximum level; Maximizing State assets that provide value and efficiencies and recognition of assets, systems, an processes that hinder the goals of ABD as outlined in the RFP.
4. Task 4 (if necessary) – Request for Information (RFI) – Assist in the creation, development, issuance of an RFI, evaluation of the RFI responses, and recommendation whether to issues a Request for Proposal. *Task 4 (RFI) deemed unnecessary in lieu of a separate RFP to be conducted as an independent project.*
5. Task 5 – Final Report on Iowa Distribution System.

Current Operational Analysis Summary

Metric	Time Period	Previous	Current	Trend	Comments
Liquor Sales Volume	July - Dec. 2013 vs. July - Dec. 2014	\$137,913,051	\$143,475,227	4.0% Growth	Forecasted Marginal Growth Rate of 3.0% per FY
Avg. Monthly Order Volume	July - Dec. 2013 vs. July - Dec. 2014	4,033	4,091	3.9% Growth	Exceeding Annual Growth Projections of 3.0%
Avg. Monthly Case Volume	July - Dec. 2013 vs. July - Dec. 2014	146,308	149,559	2.2% Growth	Case Volume Increasing at Slower Rate than Order Volume
Avg. Monthly Bottle Volume	July - Dec. 2013 vs. July - Dec. 2014	240,332	253,692	5.6% Growth	Bottle Volume Increasing at Faster Rate than Order Volume
Inventory Dollars	June 2014 vs. June 2015	\$22,255,029	\$19,582,357	12% Reduction	Significant Reduction in On-hand Inventory Levels
Inventory Variance	June 2014 vs. June 2015	\$8,520	\$6,526	23% Reduction	Substantial Reduction in Inventory Variance
Warehouse Breakage	July - Dec. 2013 vs. Jan. - Jul. 2014	(\$9,231)	(\$5,101)	45% Reduction	Tremendous Reduction in Warehouse Breakage
Storage Location Capacity (Active)	2012 vs. 2015	1,594	2,784	75% Increase	High-Bay Racking Nearly Doubled Active Pick Locations Available
Storage Location Capacity (Reserve)	2012 vs. 2015	783	2,616	234% Increase	High-Bay Racking More than Tripled Reserve Pick Locations Available
Picks per Warehouse Hour Worked	July - Dec. 2013 vs. July - Dec. 2014	77.6	85.4	10% Increase	Impressive Double-digit Productivity Improvement
Total Freight Cost per Case	FY12 vs. FY15	\$1.33	\$1.20	9.8% Reduction	Significant Reduction in Freight Cost per Case
Driver Cost per Case	FY12 vs. FY15	\$0.682	\$0.662	2.9% Reduction	Small Reduction in Driver Cost per Case Despite Higher Avg. Hourly Wage Rate for Drivers

Iowa ABD data reflects significant improvements have been realized in key functional aspects of operations over recent periods

Transportation – Recommendations Summary

- Hybrid Delivery Model
- Management by KPI's
- Safety
- Roadnet – Next Level
- 5-day Delivery Week
- Increase Asset Utilization



Iowa ABD Distribution Operations Improvement Project
Task 5 – Final Report



Warehouse – Recommendations Summary

- Bottle Pick Line
- Management by KPI
- Raise Minimum Order Requirements
- Receiving Process
- Reduce Inventory Levels
- Stretch / Stage / Load Function
- Pick Process
- 5-day Week



Overall Summary

- Improvement of the Distribution Model
- Opportunity to increase profits to General Fund
- Control Risk Management
- Safety & Security



Terry E. Branstad *Governor of Iowa*
Kim Reynolds *Lieutenant Governor*
Stephen Larson *Administrator*

April 19, 2016

TO: Alcoholic Beverages Commission
FR: Stephen Larson, Administrator
RE: Proposed rulemaking - 185 IAC 16 Trade Practices

This memo provides an update on the rulemaking and other regulatory activities of the Alcoholic Beverage Division concerning various trade practices issues.

In 2014, the Alcoholic Beverages Commission directed the Division to begin the rulemaking process to reorganize 185 IAC 16 Trade Practices. The Division also was instructed to provide regulatory clarity on the issues of tastings, samplings, and trade spending; stocking and product rotation; and sponsorships and special events. Over the course of the past 16 months, the Division has addressed the above-stated regulatory issues in the following manner:

1. Reorganization of 185 IAC 16 Trade Practices.

The Division reorganized 185-16 to create clarity by defining terms and grouping rules to more closely align with the layout of the Federal regulations. **Effective June 17, 2015**

2. 16.10 Tastings, samplings, and trade spending. (185 IAC 16.10) This was one of the rules identified in the October meeting as a potential starting place for amending 185-16. The Division adopted three new rules to address the subject matter separately. **Effective December 31, 2015**

3. 16.15 Stocking and product rotation. (185 IAC 16.15)

The Division addressed issues related to stocking and product rotation in a letter to industry members and retailers. **November 1, 2014**

At the time of this writing, the Division is preparing to initiate rulemaking on sponsorships and special events. In conjunction with the proposed rulemaking, certain clarifications may be suggested by the Division regarding the use of advertising and retailer advertising utensils, consumer souvenirs, and wearing apparel. This broadened scope is response to stakeholder comments received in an earlier rulemaking.

Before the formal rulemaking process is initiated, the Division will carefully review all applicable Federal regulations and letters or guidance issued by the Tobacco, Tax, and Trade Bureau of the Federal Department of Commerce. Doing so will help the Division identify and incorporate the substance of the Federal regulations in 27 C.F.R. parts 6 (Tied-House), 8 (Exclusive Outlet), 10 (Commercial Bribery), and 11 (Consignment Sales) that it feels will provide further clarification.