

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

Iowa Alcoholic Beverages Division

February 18, 2020 - 1:00 p.m.

Dial In Number: 1.866.685.1580

Conference Code Number: 0009991572

Commission Members Present

John Pauli: Chair

Christine Riesenbeck-Spratt: Vice

Jay Wilson: Secretary

Gary Nystrom: Member (via phone)

Division Staff Present

Stephen Larson: Administrator

Joshua Happe: Bureau Chief, Regulatory Compliance

Herb Sutton: Bureau Chief, Business Operations

Brenda Emelo: Assistant to the Administrator

Erin Verduyn: Administrative Assistant

Leisa Bertram: Comptroller

Martin Moen: IT Manager

Wade Chappellear: Storekeeper

Sara Jacobson: IT Specialist

Scherael Thurston-Shell: Administrative Actions

Jessica Ekman: Tobacco Program

Heather Schaffer: Lead Compliance Officer

Sheila Warrick: Administrative Assistant

Mike Grady: Accountant

Jake Holmes: Public Affairs

Denise Roberg: Public Affairs

Lolani Lekkas: Administrative Actions

Nicole Scebold: Product Management

John Lundquist: Assistant Attorney General

Guests Present

Marty Wadle: Ruan

Alex Besch: Iowa Wholesale Beer Distributors Association

Jessica Dunker: Iowa Restaurant Association (via phone)

Jeremy Thompson: Sazerac (via phone)

Lynn Walding: Diageo (via phone)

Scott Petersen: Ruan

Kyle Boyle: Iowa Distilling Company

CALL TO ORDER

Chairperson Pauli called the meeting to order at 1:02 p.m. and roll was taken. There was a quorum.

APPROVAL OF AGENDA

MOTION: A motion was made by Commissioner Pauli and seconded by Commissioner Wilson to approve the agenda for the February 18, 2020 Commission meeting.

Executive Session prior to adjournment. This will be a closed meeting.

Motion approved.

APPROVAL OF MINUTES

MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Wilson to approve the minutes for the December 10, 2019 Commission meeting.

Motion approved.

ADMINISTRATOR'S REPORT

Administrator Larson invited Mr. Happe, Mr. Sutton, and Ms. Bertram to introduce new employees and to announce any recent promotions to the Commission.

Mr. Happe introduced Scherael Thurston-Shell as Compliance Officer 2 to the Commission. Ms. Thurston-Shell will work closely with Lolani Lekkas, as a part of the Administrative Actions team. Mr. Happe also recognized Alexis Miner's promotion to Program Planner 3. Alexis will play an integral role in overseeing the Licensing Department.

Mr. Sutton introduced Sheila Warrick as Administrative Assistant 2 to the Commission. Mr. Sutton announced that Ms. Warrick's role is a newly created position within the Education and Outreach Department and noted that she would be cross-trained in licensing and education.

Ms. Bertram introduced Wade Chappellear as Storekeeper 2 to the Commission. Ms. Bertram also announced Mike Grady's promotion to Accountant 1.

Mr. Moen introduced Sara Jacobson as IT Specialist 2 to the Commission. Ms. Jacobson's role will focus on web development.

Administrator Larson announced plans for Jake Holmes to lead the Education team going forward.

Administrator Larson recognized Herb Sutton, Bureau Chief, Business Operations, for the business operations report. Mr. Sutton outlined Ruan's 2020 initiatives regarding key account management, and data analytics. Mr. Sutton announced the completion of the warehouse expansion, which allowed Iowa Lottery to move into their own space while freeing up additional warehouse space for Ruan. Mr. Sutton provided an update on the initiative to build and develop relationships within the marketplace. High level meetings with distributors and beer wholesalers have been arranged with an emphasis on open communication regarding ABD's processes and procedures. Mr. Sutton announced that ABD signed a contract with Iowa Spirits Magazine, which is available free of cost to industry stakeholders.

Administrator Larson emphasized the importance of data analytics and quantifying data driven decisions made at the Division.

Mr. Sutton announced that high level meetings with Ruan began last week, which resulted in Ruan being tasked to provide cost saving ideas regarding deliveries. Mr. Sutton provided an update regarding the warehouse management conversion

which was completed on September 20, 2019. Mr. Sutton noted that there are still some adjustments that need to be made, but ultimately deemed the project successful, as productivity losses were minimized as a direct result of the transition.

Mr. Sutton recognized Comptroller, Leisa Bertram, for the financial management update. Ms. Bertram gave the financial update for FY18 and FY19 audit analysis. Ms. Bertram discussed some areas for improvement resulting from the audit, which are as follows: segregation of duties, financial reporting, procurement practices, inventory systems and capital assets. Ms. Bertram stated that the accounting team has already shifted their focus to address those findings, which will drop off in time for the FY20 audit. Ms. Bertram announced that the accounting team requested a performance audit regarding the Ruan contract. As a result, the audit showed an average cost savings of \$349,000 over a five year period based on the procurement of fuel, proving the RFP contract with Ruan to be successful. Administrator Larson emphasized that this will be the model for future procurements as contract management is critical to overall business operations. Ms. Bertram advised that future reports will focus on sales trends and supporting data.

Commissioner Wilson asked if there was a way to track which stores were adding products to already submitted orders or placing multiple orders. Ms. Bertram explained that many stores place separate orders so they can receive invoices designated for promotional discounts through suppliers, and are required to keep separate invoices for wholesale and retail purchases. Commissioner Pauli asked what the negative impact was. Ms. Bertram replied that it can sometimes add significant time for delivery drivers to do their product counts with multiple invoices.

Mr. Moen, IT Manager, announced key projects concerning data analytics platform initiatives for FY20. Noting that ABD and OCIO have partnered with SAS, a world leader in data analytics. SAS will focus on the forecasting of alcohol sales as well as predictive investigations analytic models. PowerBI, will be used to focus on reporting and data utilization with the goal of creating a large scale centralized location data repository for trends and reporting, while also using that data to create new trends.

Administrator Larson emphasized that the data analytic projects directly align with ABD's 2020 initiatives for data information regarding state government. Highlighting that the ability to obtain data in real time would prove to be invaluable to decision making and business strategies.

Mr. Happe, Bureau Chief Regulatory Compliance, announced that the Regulatory Compliance Department is involved in a work group with the Iowa Department of Public Health to further investigate alcohol related deaths within the state as there has been an increase in alcohol related deaths. Mr. Happe also announced that his department is working on a separate commission with the IDPH and the FDA regarding the federal age change for tobacco from 18 to 21.

Commissioner Pauli asked if the age change would drive the need for an increase within the compliance workforce. Mr. Happe replied that the initial data is showing an increase in compliance sales to minors but believes the age change is having a positive effect on retailers.

Ms. Strauss announced the Legislative Report for week 6 of the Legislative Session. Which is currently in the first funnel of the legislative process, requiring bills to move to a certain position in order to remain viable. Adding that there are two bills that are fillable, Senate file 21-24 and House bill 23-14, which are canned cocktails expansion bills.

Ms. Strauss also provided an update regarding the ABD/Ruan customer service survey results. The survey was sent out to licensees concerning the transition from ABD to Ruan, drivers and overall quality of services. Over 200 licensees have responded with positive feedback. We are currently reviewing the written comments sections, and will continue to send out additional surveys throughout the year. Administrator Larson expressed appreciation to Ruan for their partnership and stated both departments will continue to closely monitor sustainable outcomes within the Iowa marketplace regarding the distribution of spirits.

Commissioner Wilson asked whether or not the survey results were done internally. Ms. Strauss responded that the surveys were done internally which allows her team to obtain the results with ease.

Administrator Larson announced the objectives on how the team would move forward in regard to administrative rules.

These objectives will include four key phases:

Phase 1 - Clarify terms, remove, and update redundant language.

Phase 2 - Continue to move forward with legislation that was incorporated in FY18, FY19 and FY20, in which no rules were adopted or the process was started but were not filed. In addition, if canned cocktail legislation passes, ABD will pursue in 2020 rules.

Phase 3 - Investigatory procedures, product management, bailment system, administrative actions within Chapter 185, implementation of new chapters or changes, and compliance initiatives.

Phase 4 - Trade practices in partnership with industry.

PUBLIC COMMENT

None

OLD BUSINESS

None

NEW BUSINESS

A motion was made by Commissioner Wilson and seconded by Commissioner Spratt to go into executive session. A roll call vote was taken.

Commissioner Pauli - aye

Commissioner Spratt - aye

Commissioner Wilson - aye

Commissioner Nystrom - aye

Motion approved.

Administrator Larson gave closing remarks by announcing that future Commission Meetings will focus on rules, business operations, and policy conversations.

The board came back out of closed session and adjourned.

NEXT MEETING DATES

Thursday, May 14, 2020 at 1:00 p.m. at Iowa Alcoholic Beverages Division, Ankeny

ADJOURNMENT

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

Motion approved.

The meeting adjourned at 3:02 p.m.

Jay Wilson

Commissioner Jay Wilson, Secretary