

# *IOWA ALCOHOLIC BEVERAGES COMMISSION*

## **MINUTES**

**Iowa Alcoholic Beverages Division  
October 8, 2019 – 1:00 p.m.  
Dial In Number: 1.866.685.1580  
Conference Code Number: 0009991572**

### **Commission Members Present**

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

### **Division Staff Present**

Stephen Larson: Administrator  
Joshua Happe: Bureau Chief, Regulatory Compliance  
Herb Sutton: Bureau Chief, Business Operations  
Erin Verduyn: Administrative Assistant  
Stephanie Strauss: Government and Public Relations  
Tyler Ackerson: Public Affairs  
Leisa Bertram: Comptroller  
Martin Moen: IT Manager  
Jake Holmes: Public Affairs  
Denise Roberg: Public Affairs  
Lolani Lekkas: Administrative Actions  
Jason Hohn: Licensing Clerk  
Jonathan Mader: Financial Management  
Pam Koehn Miller: Secretary  
Madelyn Cutler: Administrative Assistant  
John Lundquist: Assistant Attorney General

### **Guests Present**

Tara Meier: Ruan  
Ron DeVries: Ruan  
John Broadbent: Broadbent Distillery  
Brittany Lumley: LS2 Group  
Nicole Eilers (via phone)

### **CALL TO ORDER**

Chairperson Pauli called the meeting to order at 12:57 p.m. and roll was taken. There was a quorum.

## APPROVAL OF AGENDA

**MOTION:** A motion was made by Commissioner Nystrom and seconded by Commissioner Eubank to approve the agenda for the October 8, 2019, Commission meeting.

**Motion approved.**

## APPROVAL OF MINUTES

**MOTION:** A motion was made by Commissioner Eubank and seconded by Commissioner Nystrom to approve the minutes for the August 27, 2019 meeting.

**Motion approved.**

## ADMINISTRATOR'S REPORT

Administrator Larson recognized Comptroller Leisa Bertram for the financial management update. Ms. Bertram gave the preliminary Fiscal Year 2019 financial analysis and start of Fiscal Year 2020 numbers. She stated that the liquor sales for Fiscal Year 2019 year end were \$339,537,642 which was a 6.09 percent increase. The total General Fund Reversion YTD is at \$125,875,595, up at a 4.85 percent increase. The month of July Fiscal Year 2020 had sales of \$25,784,786, up a 17.51 percent increase from July Fiscal Year 2019.

Commissioner Pauli asked if anything new will be added to the budget for next year. Ms. Bertram replied no, the budget will look very similar. There will be a plan to look at Ruan more specifically next year, however nothing encapsulated in expense amounts.

Commissioner Pauli asked how 50ml bottles are reflected in the Revenue per Bottle metric, if it was addressed by bottle or volume (ml). Ms. Bertram replied that it should be reflected as a price point per volume, but she will need to dive in further to break down that metric to fully understand it.

Commissioner Nystrom asked with all these significant sales increases, who is getting impacted the most? Ms. Bertram answered that quantity discounts are playing a large role in these sales increases and they are much more prevalent in the market right now. So as a retailer, they are buying the alcohol at ABD's price point but also receiving another revenue stream through the quantity discount rebates from suppliers. Retailers can then choose what to list their price point at after evaluating these numbers. It all comes down to what the retailers choose to have as their price point, but we can't control that or even have access to that information.

Commissioner Pauli asked how much of the sales increases can be attributed to a new store's inventory. Ms. Bertram replied we still need to delve into that number. Hyvee stores have many different business models, however Casey's General Stores don't have much space so they have fewer business models. It is difficult to have any easy answer to know what a store's "new inventory" would be, but we are closer to breaking down those analytics.

Commissioner Pauli asked if suppliers are scaling price points for their net cost with quantity discounts, and Ms. Bertram replied "yes".

Commissioner Nystrom asked how quantity discounts are legal and monitored. Joshua Happe, Bureau Chief of Regulatory Compliance, answered quantity discounts are difficult because while the deal is offered to all, it cannot truly be utilized by all. Businesses make the choice on their business model and what their licensed premises is going to be. Commissioner Nystrom requested Ms. Bertram for this data be brought back up in six months to see how quantity discounts will continue to trend.

Commissioner Eubank added it would be interesting to see this sales data broken down to counties and other sociological demographics. Martin Moen, IT Manager, answered while it is a complex metric, it is an analytic that we are starting to look at.

Commissioner Pauli recommended there be a group effort to brainstorm what analytics should be addressed. Administrator Larson agreed that would be beneficial, but ABD does not have the resources set in place yet. Also, we are looking for partnerships with other agencies and other third parties in the private sector to be able to get there.

Ms. Bertram finished her report by announcing the Annual Report will be released in December and new data footnotes will be included in it. Data related to Ruan will be more heavily focused in the FY20 Annual Report. She also remarked that September FY20 sales included an extra sales day and many quantity discount deals that created a 9.31 percent increase, so it will be interesting to see how October's sales numbers will compare.

Herb Sutton, Bureau Chief of Business Operations, provided a six month Ruan transition update. The WMS conversion implementation date moved three times to ensure a proper integration was done correctly. September 30, 2019, was the first operational day of the IT conversion and so far the system is working well. The success of this integration is attributed to honesty, thoroughness, trust, and maintaining consistent project managers between Blue Horseshoe, ABD, and Ruan. Mr. Sutton also credited the efforts of Ruan's IT team and the warehousing staff for their long days and time spent on this system integration.

Mr. Sutton recognized Ron DeVries, Ruan Transportation, for a transition update from a Ruan perspective. Mr. DeVries stated it has been a busy past sixty days for Ruan and ABD to ensure this integration would be successful, and we expect each day to get easier and more efficient as we work through any surprises this integration has provided us.

Commissioner Pauli asked Mr. DeVries if there were any concerns that should be addressed. Mr. DeVries replied no, waiting for the right time to integrate the IT systems was the key decision and prevented any further issues.

Administrator Larson closed his report with some announcements regarding a survey, an award, and the growth of the agency. A survey we will be implemented to class E licensees for their Ruan transition feedback. ABD received the Best Practices Award for Best Distribution/Warehouse Innovation from Stateways Magazine ABD received the award for partnering with Des Moines-based trucking and logistics company Ruan Transportation Management Systems for the warehousing and distribution of spirits. Lastly, Administrator Larson announced that ABD will not be presenting any legislation in 2020.

#### **PUBLIC COMMENT**

None

**OLD BUSINESS**

SLRRRP listing – Tabled by the Commission 8/27/2019

**MOTION:** A motion was made by Commissioner Eubank and seconded by Commissioner Pauli to table the vote for SLRRRP listing appeal until a telephonic meeting is scheduled in October.

A roll call vote was taken.

Commissioner Pauli – aye  
Commissioner Spratt – not present  
Commissioner Wilson – not present  
Commissioner Nystrom – aye  
Commissioner Eubank – aye

Motion approved.

**NEW BUSINESS**

None

**NEXT MEETING DATES**

Tuesday, November 13, 2019 at 8:00 a.m. This will be a telephonic Commission meeting to adopt rules.

Tuesday, December 10, 2019 at 1:00 p.m. at Iowa Alcoholic Beverages Division, Ankeny

**ADJOURNMENT**

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

Motion approved.

The meeting adjourned at 2:37 p.m.



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Commissioner Jay Wilson, Secretary