

# IOWA ALCOHOLIC BEVERAGES COMMISSION

## MINUTES

Iowa Alcoholic Beverages Division  
June 25, 2019 – 1:00 p.m.  
Dial In Number: 1.866.685.1580  
Conference Code Number: 0009991572

### Commission Members Present

Rachel Eubank: Chair  
John Pauli: Vice Chair  
Crissy Riesenbeck-Spratt: Secretary  
Jay Wilson: Member  
Gary Nystrom: Member

### Division Staff Present

Stephen Larson: Administrator  
Erin Carpenter: Assistant to the Administrator  
Tyler Ackerson: Government and Public Relations  
Leisa Bertram: Comptroller  
Martin Moen: IT Manager  
Jodi Christensen: Safety/Security & Brand Management  
Josh Happe: Bureau Chief, Regulatory Compliance  
Heather Schaffer: Compliance Officer 2  
Jake Holmes: Education and Outreach  
Denise Roberg: Education and Outreach  
Lolani Lekkas: Compliance Officer 2  
Stephanie Strauss: Government and Public Relations  
Herb Sutton: Bureau Chief, Business Operations  
Jonathan Mader: Accounting  
Madelyn Cutler: Reception

### Guests Present

John Lundquist: AAG  
Ron DeVries: Ruan  
Marty Wadle: Ruan  
Lance Cheney: Ruan  
Mackenzie Nading: IWBA  
E John Broadbent: Broadbent Distillery  
Kyle Doyle: Iowa Distilling Company  
Stuart Oxer: Dehner Distillery  
J. Wilson: Iowa Brewer's Guild  
Tom Cope: Distiller's Alliance  
Eric Goranson: Iowa Restaurant Association

Brittany Lumley: LS2 Group  
Angel Banks- Adams: LSA

### **CALL TO ORDER**

Chairperson Eubank 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 Spratt and seconded by Commissioner Pauli to approve the agenda for the June 25, 2019, Commission meeting.**

**Motion approved.**

### **APPROVAL OF MINUTES**

**MOTION: A motion was made by Commissioner Spratt and seconded by Commissioner Wilson to approve the minutes for the March 26, 2019 meeting.**

**Motion approved.**

### **ADMINISTRATOR'S REPORT**

Administrator Larson thanked the Commission and attendees for attending the meeting today. He announced this meeting will primarily focus on business operations, legislative updates from this year's session, and any policies initiatives planned for FY2020.

Administrator Larson recognized Business Operations Bureau Chief, Herb Sutton. Mr. Sutton gave an overview of business operations announcements which include the Ruan transition updates, warehouse expansion construction, administrative office remodel for additional staff, and a record high month in sales for May. When you combine the difficulty of transition, changing routes, new personnel, and a record sales month it was a notable achievement for ABD and Ruan to persevere. The first contract oversight meeting was held June 13<sup>th</sup> which provided a more in depth transition report and was attended by members from the Department of Management, ABD Commission, and our policy advisor from the Governor's Office. Mr. Sutton remarked he thought the transition so far was a success and was excited to see where this partnership will lead us.

Business Operations Bureau Chief, Herb Sutton recognized Comptroller Leisa Bertram for a financial management update. Ms. Bertram gave the financial analysis through May 2019. The month of May FY2019 had a record high in sales with \$31,010,524, up a 7.36 percent increase from May FY2018. She stated that the liquor sales for May YTD were \$305,687,888 which was a 6.83 percent increase. The total General Fund Reversion YTD is at 112,995,321, up at a 4.21 percent increase.

Commissioner Wilson asked why the split case fee was down if the bottles are increased so much. Ms. Bertram replied she believes that correlation could be linked to how convenience stores ordering several individual bottles on each order, along with the method 50ml bottles are packaged. Commissioner Spratt stated in the beer industry that their data is measured in ounces to make up the difference of can sizes. Ms. Bertram replied that liquor measurements use comparisons of nine liter bottle measuring and that is something we would like to do more of in the future.

Ms. Bertram next went through budget and expense breakdowns with Ruan. The expense comparisons are not apples to apples in many categories, like personnel, truck fuel, and various warehouse supplies like boxes and shrink wrap, along with other categories. Ms. Bertram explained she took the weekly Ruan invoices and made an average cost analysis and compared that with ABD's invoicing to be able to show a more accurate comparison of costs.

Commissioner Eubanks asked if May's record sales month was accounted for in the averages. Ms. Bertram replied no, it wasn't because the cash basis invoicing on ABD's side made it a nonissue.

Commissioner Pauli asked if financials are arising as they expected to, and Ms. Bertram replied yes.

Commissioner Pauli asked what is driving the increased number in sales. Ms. Bertram answered she was not entirely sure yet, however with the increased number of stores being added many require an entire inventory purchase.

Commissioner Eubanks asked if it would be possible to compare liquor sales to wine and beer. Ms. Bertram replied that we do monitor that in the annual report based on tax reports, however it could be possibly generated monthly to display more details.

Administrator Larson remarked that analytics on consumption versus pricing need to be presented based on what Iowans want to know. It will require the right personnel, IT system platforms, and outsourcing useful data creation. He added that if there were specific analytics that the Commission would like to see, to bring that information to ABD for us to obtain.

Commissioner Nystrom added it was important as a Commission to know that information has always been easy and static to ask for, and now with Ruan it will be different and we need to be more patient for this information to be obtained and analyzed. A lot of these financial comparisons could take several months to analyze and have comparisons really make sense to us as a Commission. Ms. Bertram replied this was true and she plans to change up the metric sheets that we have been using to try and make these financials make more sense.

Commissioner Eubanks reminded everyone the reversion is why we are here and that is key data.

Commissioner Pauli asked Ms. Bertram how she expected inflation to impact liquor sales numbers, especially broken down per product. Ms. Bertram replied the prices on products change too often and the mark-up typically negates many of these financial changes.

Administrator Larson reiterated that the monthly contractual administration meetings are important to maintain to ensure the contract is being up held and to monitor the invoices closely. He invited the Commission to attend and to speak to Mr. Sutton regarding any questions. Administrator Larson also added that while analytics are great, we cannot measure risk, only hard costs and stability.

Administrator Larson recognized Ron Devries, Ruan Transportation, for a brief update. Mr. Devries announced since the transition started nine weeks ago, there was a route change on day one and nearly 100 stores have been added since that date. If we continue to see a growth increase of stores then there may be another route change needed and with these changes, there has been no increase in expense for trailers. Mr. Devries then gave an update on the IT cutover date progress. Commissioner Wilson asked if we are prepared to proceed with the August 5<sup>th</sup> IT cutover date. Mr. Devries replied that the system is set up and the testing phase is currently under way. Employees on both sides are also being trained to use it. Mr. Sutton added that the IT cutover will be a conversion weekend, not a one day event, and AX can kick in as a backup if any significant problems arise.

Commissioner Wilson asked if a communication will be sent to any stakeholders. Mr. Sutton and Ms. Bertram stated they were still reviewing if that should be an option, however it may not need to be since there is a backup system already in place. Administrator Larson remarked we will make that decision in July on whether or not a communication will be sent out.

Administrator Larson recognized Governmental and Public Relations, Stephanie Strauss, to give a legislation update. Ms. Strauss announced it was a busy and active 104 day session and went into detail about the ABD Technical Bill, SF230 (Toppling Goliath), SF323 (Canned Cocktail), and HF668 (Tied House Reform Bill). Ms. Strauss added that for SF323, the next steps include requesting beer wholesalers to track their products and how they obtain liquor to create the product. The next steps for HF668 are to review all licensing agreements that expire by July 1, 2019, and to note that all future licensing agreements will be escalated to the Administrator. There will also be some rule-making involved in the future for this bill as well.

Administrator Larson added that some of these bills will also require additional educational resources to be sent out to affected stakeholders in the future. Administrator Larson announced there will not be any legislation submitted in FY2020 by the Division. Rulemaking and policy development will be the focus for FY2020 with the Commission's help. We also plan to work closely with legislature and the Governor's Office to ensure we follow the Governor Reynold's future plans and initiatives.

Commissioner Wilson asked regarding SF230, how can a change be made to some industry members but not all? How is that a level playing field? Administrator Larson replied that bill was submitted by outside stakeholders, not ABD, and that the Commission can make a stance on this legislation, however ABD cannot due to being the regulator of the marketplace.

#### **PUBLIC COMMENT**

None

#### **OLD BUSINESS**

None

#### **NEW BUSINESS**

**MOTION: A motion was made by Commissioner Pauli and seconded by Commissioner Wilson to elect officers for 2020 fiscal year: Commissioner Pauli as Chair, Commissioner Spratt as Vice Chair, and Commissioner Wilson as Secretary.**

**Motion approved.**

**MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Pauli to hear the appeal of the Administrator's denial of the listing requested for Heroes Vodka.**

**Motion approved.**

**MOTION: A motion was made by Commissioner Pauli and seconded by Commissioner Nystrom to hear the appeal of the Administrator's denial of the listing requested for SLRRRP Jello Shots.**

**Motion approved.**

The Commission set a date to hear the listing appeal hearings to take place in person on the next Commission meeting date for Tuesday, August 27, 2019 at 1:00 p.m. at Iowa Alcoholic Beverages Division, Ankeny.

**NEXT MEETING DATES**

**Tuesday, August 27, 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 2:50 p.m.



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**Commissioner Jay Wilson, Secretary**