

# AGENDA

## IOWA ALCOHOLIC BEVERAGES COMMISSION MEETING

Boardroom

Iowa Alcoholic Beverages Division

1918 Hulsizer Road

Ankeny, Iowa 50021

January 12, 2016 – 1:00 PM

Dial in Number: 1.866.685.1580

Conference Code Number: 0009991572

**Call to Order** ..... Chairperson Doll

- I. Announcements/Opening Remarks
- II. Approval of Agenda – **ACTION ITEM**
- III. Approval of October 20, 2015, and November 17, 2015, Minutes – **ACTION ITEM**

**Administrator’s Report** ..... Administrator Larson

- IV. Financial Management Update
- V. Technology Update
- VI. Administrative Rules Update
  - a. Adoption of Growler Rules – **ACTION ITEM**
- VII. Attorney General’s Report

**Public Comment...** .....Chairperson Doll

**Old Business**.....Chairperson Doll

**New Business** .....Chairperson Doll

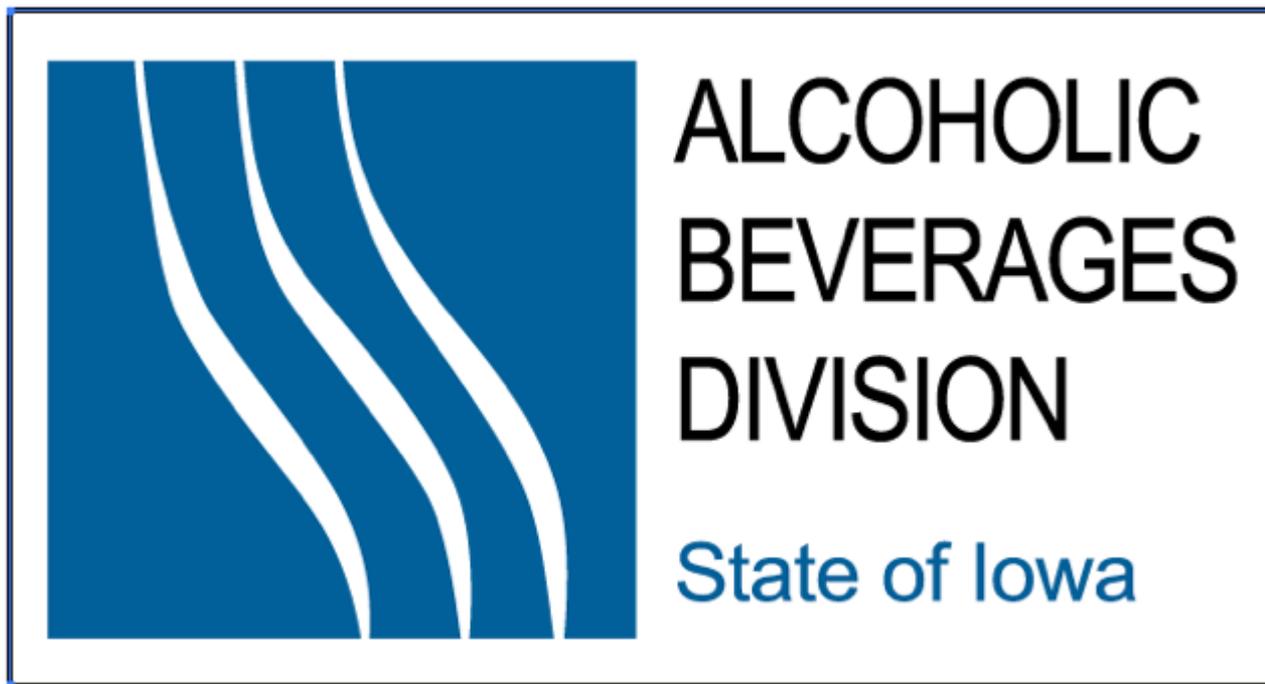
**Next Meeting Date** .....Chairperson Doll

- To Be Determined

**Adjournment**.....Chairperson Doll

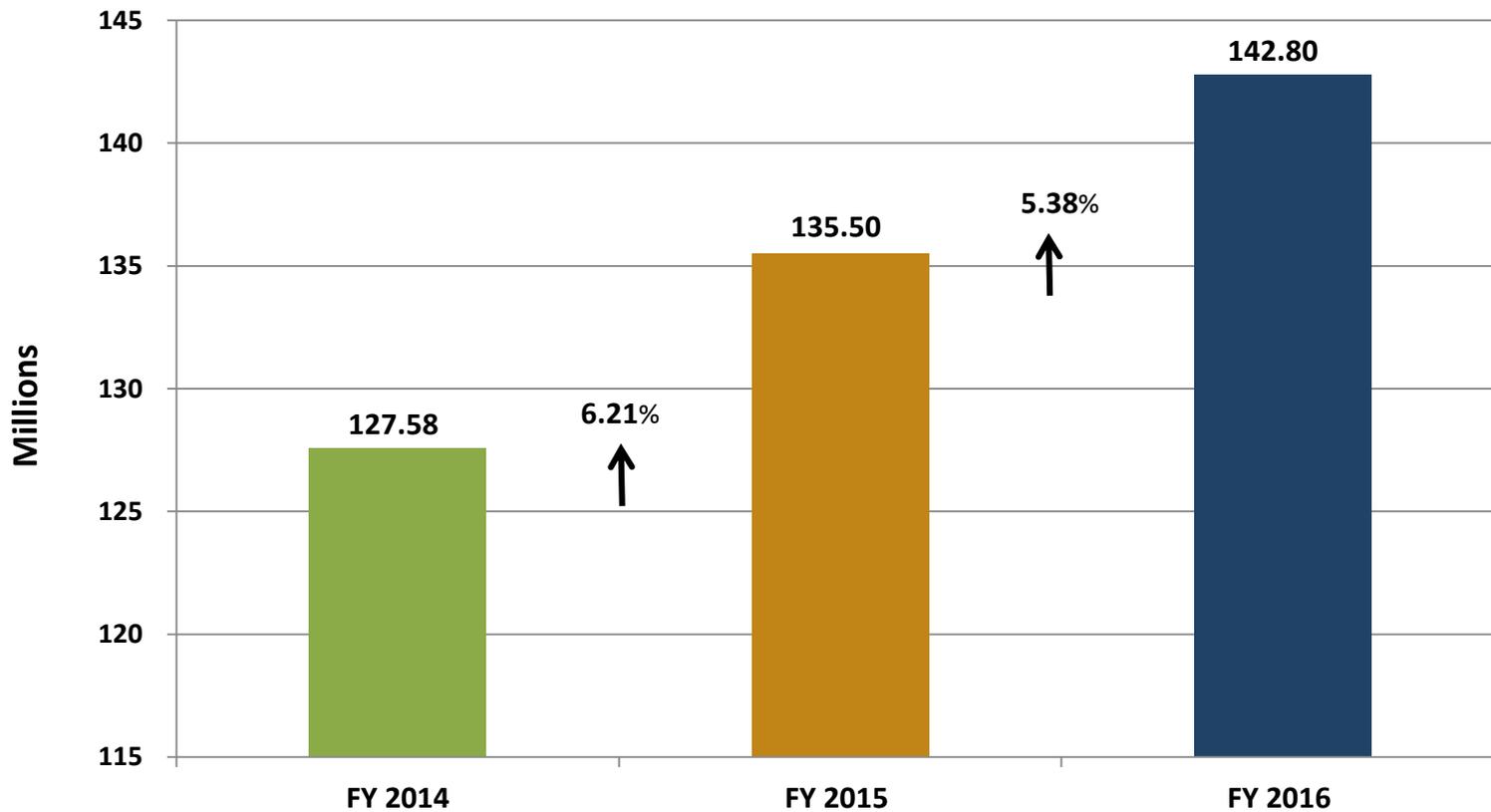
NOTE: Committee and Board agendas may be amended any time up to 24 hours before the meetings. Agenda items may be considered out of order at the discretion of the chair. Meetings will not convene earlier than stated above.

If you require accommodations to participate in this public meeting, call 515.281.7407 or TTY at (toll-free) 866.IowaABD to make your request. Please notify ABD at least 48 hours in advance.



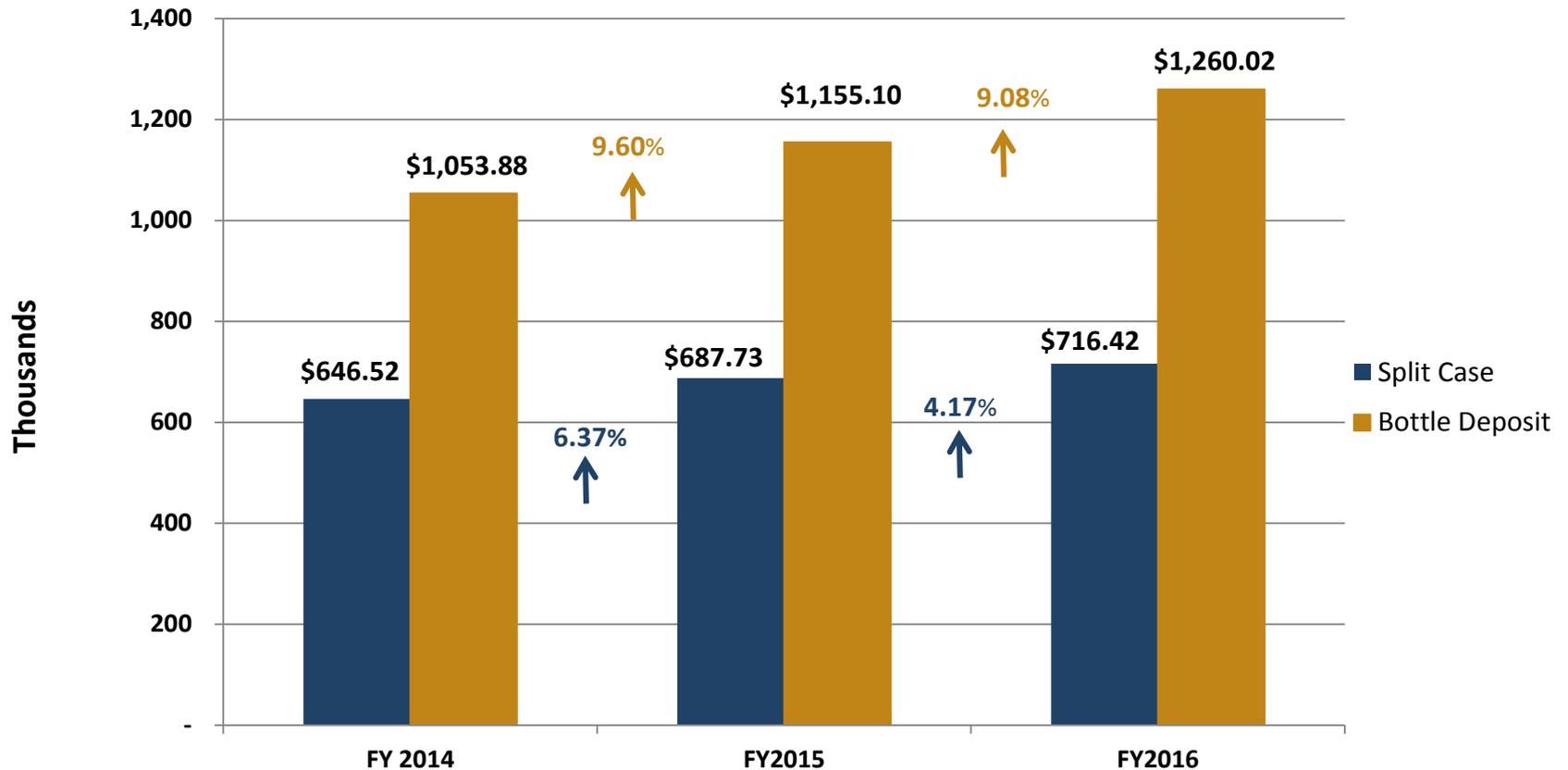
**Financial Overview for Mid-Year FY16  
July 01 – December 31, 2015**

## Total Liquor Sales – YTD FY16



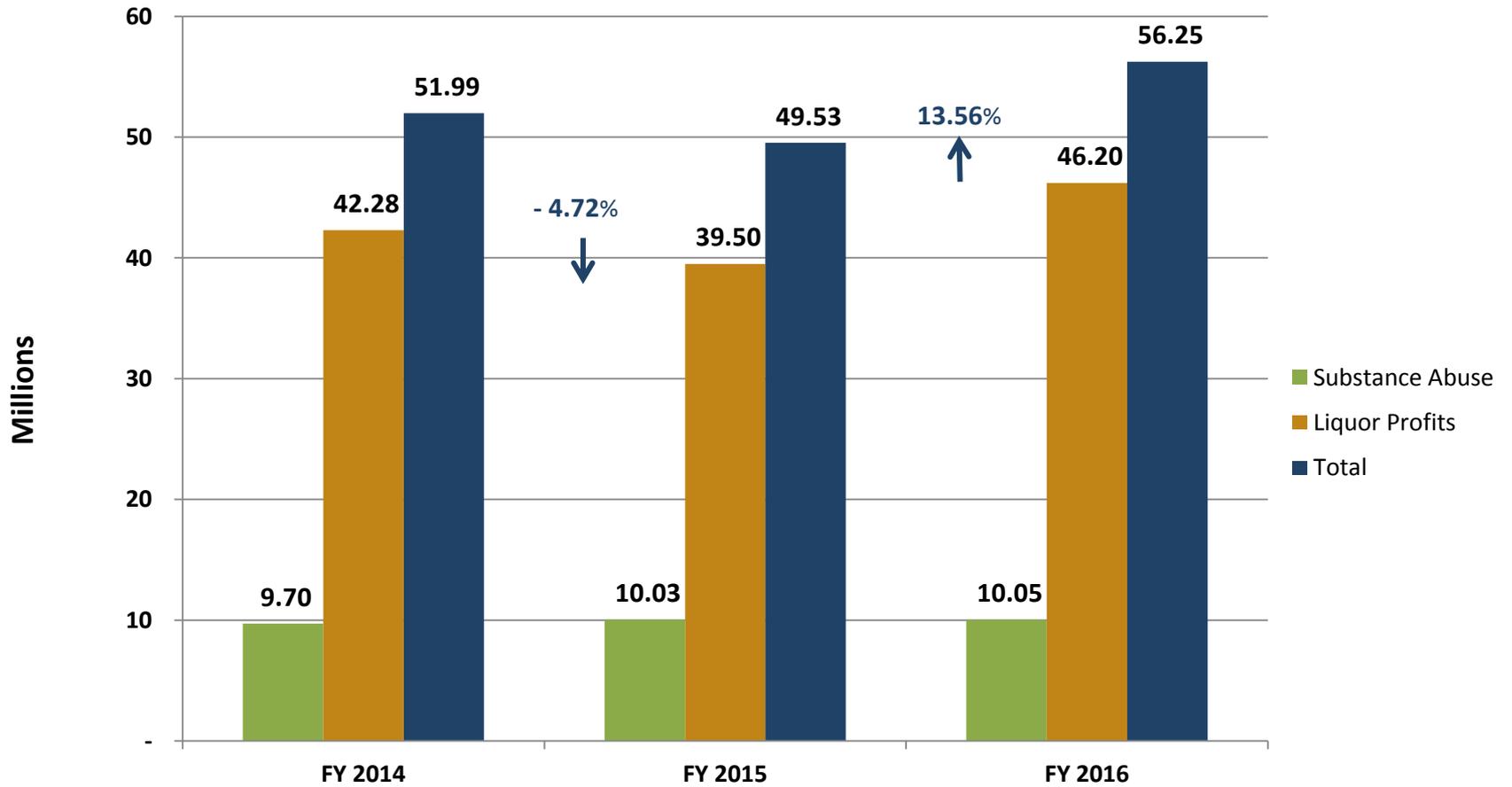
Mid-Year to Date - 07/01 – 12/31

## Split Case and Bottle Deposit Revenue Totals – YTD FY16



Mid-Year to Date - 07/01 – 12/31

# Reversion to General Fund – YTD FY16

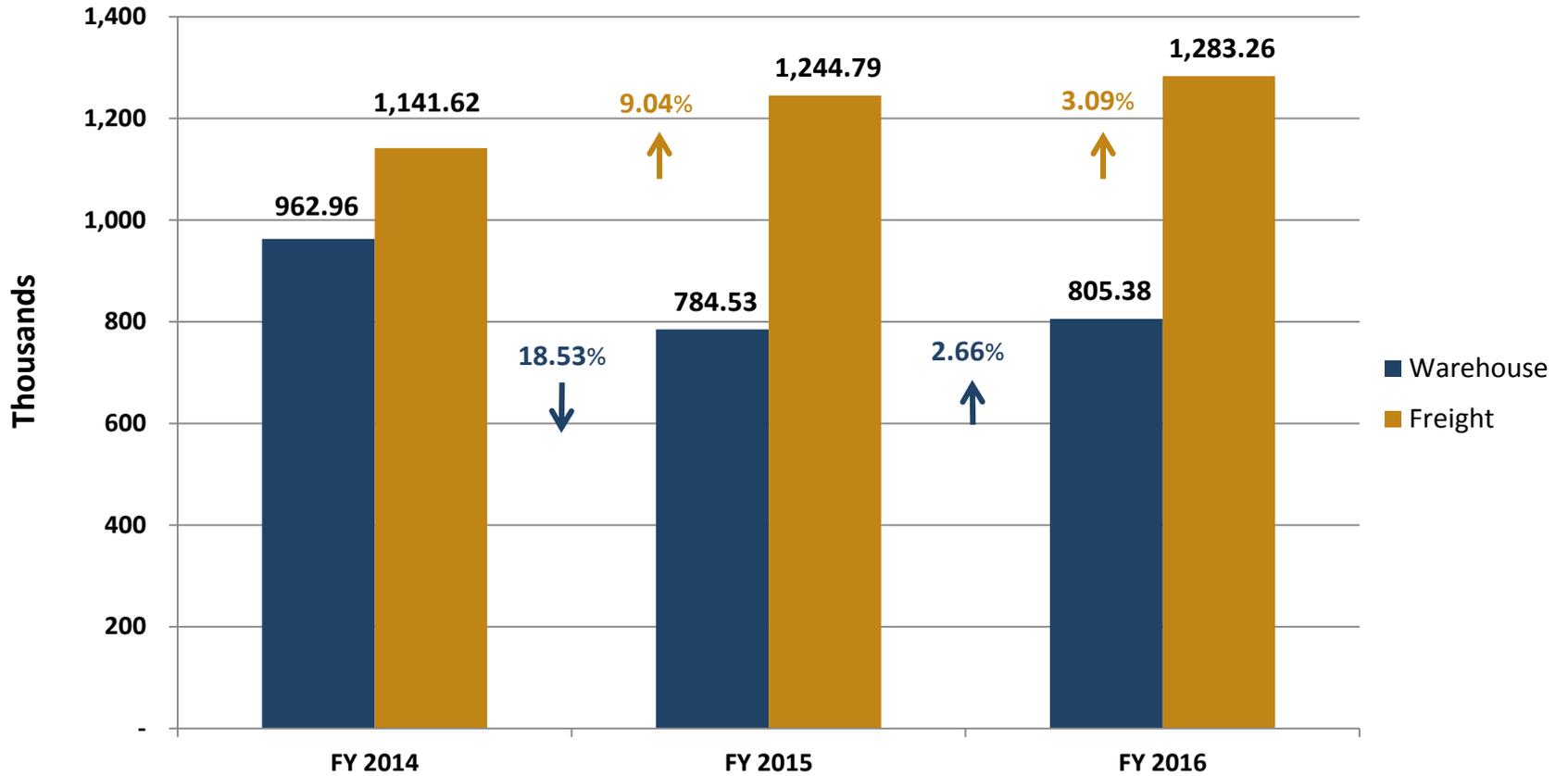


Mid-Year to Date - 07/01 – 12/31

## Profit & Loss Review

	2nd Quarter FY 2015	2nd Quarter FY 2016	% Change FY16 vs. FY15	YTD FY 2015	YTD FY 2016	% Change FY16 vs. FY15
Liquor Sales Revenue	74,513,637	79,671,963	6.92%	135,504,779	142,799,389	5.38%
Total Cost of Sales	47,421,346	49,724,983	4.86%	82,815,463	86,612,232	4.58%
Gross Profit	27,092,291	29,946,980	10.54%	52,689,316	56,187,157	6.64%
Gross Profit %	36.4%	37.6%	3.30%	38.9%	39.3%	1.03%
Total Operating Expenses	2,907,511	1,112,421	-61.74%	3,923,078	2,088,644	-46.76%
<b>*Total Operating minus Phase 4</b>	<b>1,094,799</b>	<b>1,112,421</b>	<b>1.61%</b>	<b>2,110,366</b>	<b>2,088,644</b>	<b>-1.03%</b>
<b>*General and Administrative Expense Total</b>	<b>597,852</b>	<b>797,011</b>	<b>33.31%</b>	<b>1,139,058</b>	<b>1,662,176</b>	<b>45.93%</b>
Income from Operations	23,586,928	28,037,548	18.87%	47,627,180	52,436,337	10.10%
Total Other Revenues	997,760	1,094,882	9.73%	1,858,266	2,029,394	9.21%
Total Other Expense	5,294,881	5,607,693	5.91%	8,615,414	8,725,143	1.27%
Net Profit	19,289,807	23,524,737	21.95%	40,870,032	45,740,588	11.92%
Return on Sales	25.9%	29.5%	13.90%	30.2%	32.0%	5.96%

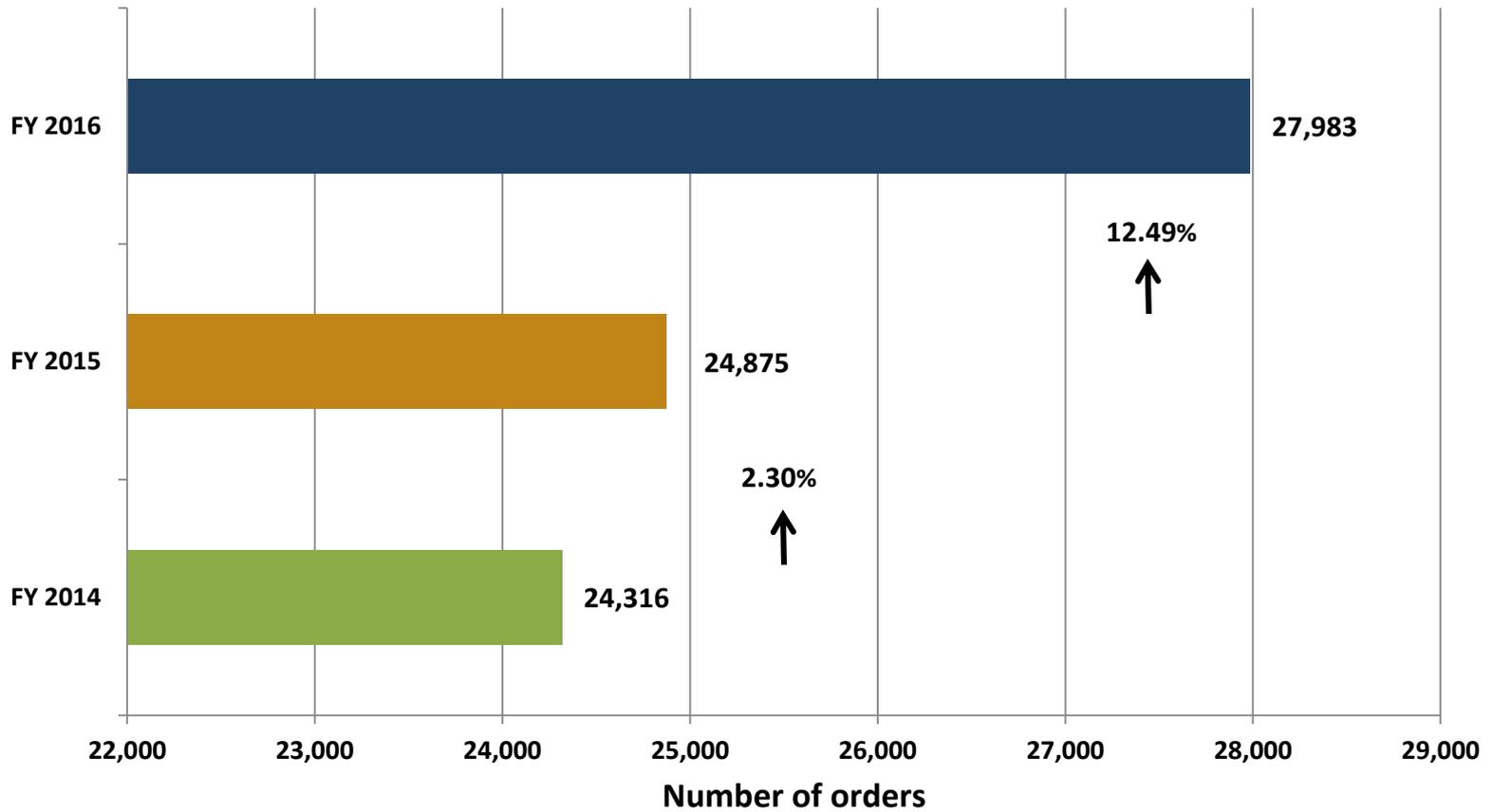
# Operating Expenses – YTD FY16



## Mid-Year to Date - 07/01 – 12/31



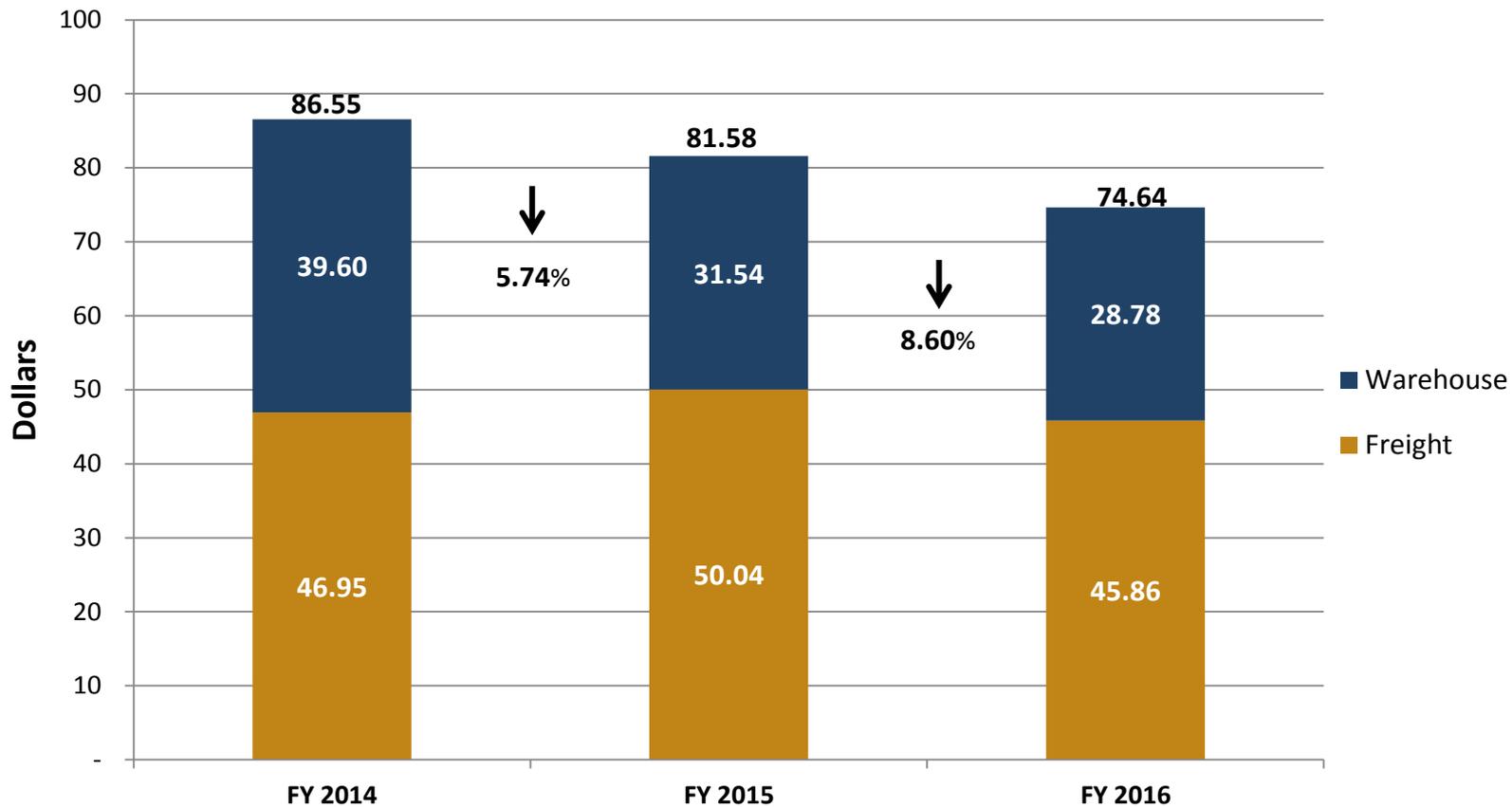
## Order Volume – YTD FY16



## Mid-Year to Date - 07/01 – 12/31



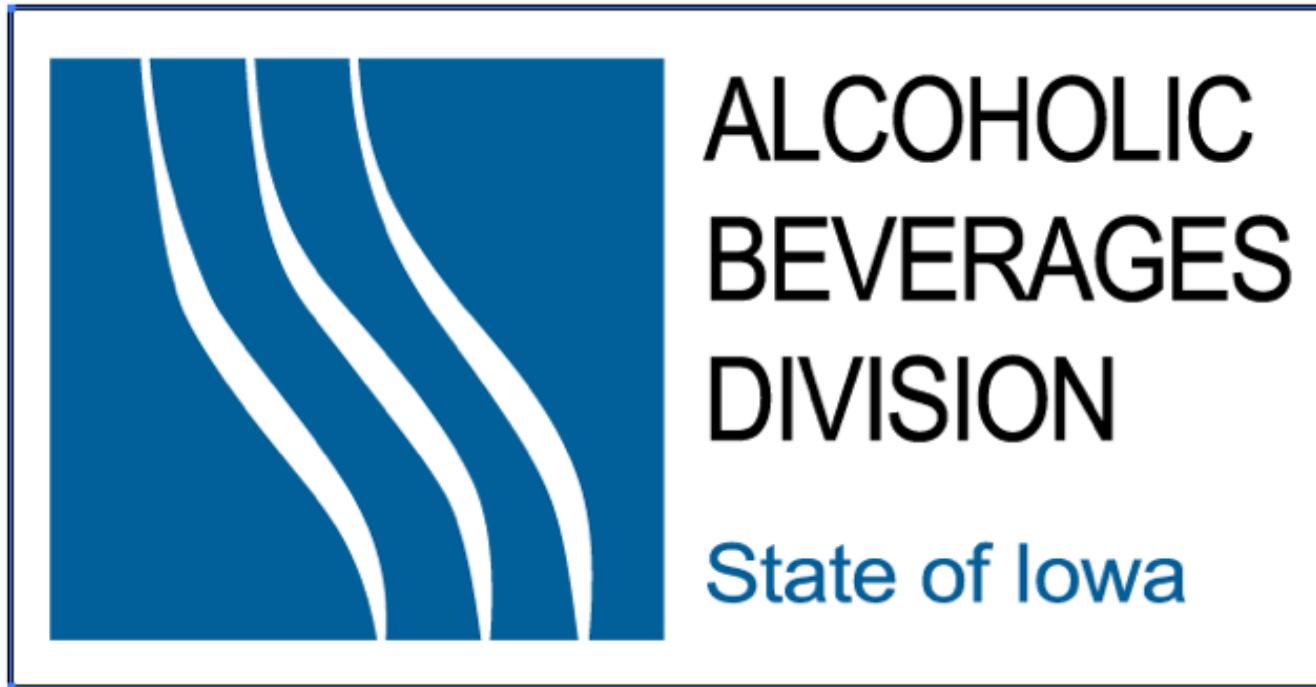
# Fleet & Warehouse Cost Per Order- YTD FY16



Mid-Year to Date - 07/01 – 12/31

**Profit and Loss FY16**  
**Year to Date through 12/31/2015**

	2nd Quarter FY 2015	2nd Quarter FY 2016	FY16 vs. FY15 % Chg.	YTD FY 2015	YTD FY 2016	FY16 vs. FY15 % Chg.
<b>Liquor Sales Revenue</b>	<b>74,513,637</b>	<b>79,671,963</b>	<b>6.92%</b>	<b>135,504,779</b>	<b>142,799,389</b>	<b>5.38%</b>
<b>Cost of Sales</b>						
Bailment	48,076,165	50,362,622	4.76%	83,962,988	87,751,756	4.51%
Less: Bailment Fees	(525,071)	(542,726)	3.36%	(928,345)	(954,734)	2.84%
Less: Special Handling Fees	(107,452)	(80,550)	-25.04%	(186,983)	(157,698)	-15.66%
Less: Defective Products	(22,296)	(14,363)	-35.58%	(32,197)	(27,092)	-15.86%
<b>Total Cost of Sales</b>	<b>47,421,346</b>	<b>49,724,983</b>	<b>4.86%</b>	<b>82,815,463</b>	<b>86,612,232</b>	<b>4.58%</b>
<b>Gross Profit</b>	<b>27,092,291</b>	<b>29,946,980</b>	<b>10.54%</b>	<b>52,689,316</b>	<b>56,187,157</b>	<b>6.64%</b>
<b>Gross Profit %</b>	<b>36.4%</b>	<b>37.60%</b>	<b>3.30%</b>	<b>38.90%</b>	<b>39.30%</b>	<b>1.03%</b>
<b>Operating Expenses</b>						
Freight Expenses	706,779	706,394	-0.05%	1,244,793	1,283,260	3.09%
Warehouse Expenses	388,020	406,027	4.64%	784,530	805,384	2.66%
Other Expenses Related To Distribution	1,812,712	-		1,893,755	-	
<b>Total Operating Expenses</b>	<b>2,907,511</b>	<b>1,112,421</b>	<b>-61.74%</b>	<b>3,923,078</b>	<b>2,088,644</b>	<b>-46.76%</b>
<b>General and Administrative Expenses</b>						
Warehouse Administration	84,665	95,018	12.23%	261,465	368,461	40.92%
Product Administration	91,190	105,383	15.56%	197,852	216,292	9.32%
Accounting	102,171	104,450	2.23%	184,360	193,717	5.08%
Information Technology	235,595	384,031	63.00%	328,629	669,458	103.71%
Buildings and Grounds	84,231	108,129	28.37%	166,752	214,248	28.48%
<b>General and Administrative Expense Total</b>	<b>597,852</b>	<b>797,011</b>	<b>33.31%</b>	<b>1,139,058</b>	<b>1,662,176</b>	<b>45.93%</b>
<b>Income from Operations</b>	<b>23,586,928</b>	<b>28,037,548</b>	<b>18.87%</b>	<b>47,627,180</b>	<b>52,436,337</b>	<b>10.10%</b>
<b>Other Revenues</b>						
Split Case Fee	362,715	376,686	3.85%	687,734	716,422	4.17%
Bottle Deposit/Surcharge	624,905	689,898	10.40%	1,154,999	1,260,024	9.09%
Recycling	5,157	5,678	10.10%	7,887	10,734	36.10%
Fuel and Lease & Other Reimbursement	4,983	2,632	-47.18%	7,646	22,226	190.69%
Lottery Lease	-	19,988		-	19,988	
<b>Total Other Revenues</b>	<b>997,760</b>	<b>1,094,882</b>	<b>9.73%</b>	<b>1,858,266</b>	<b>2,029,394</b>	<b>9.21%</b>
<b>Other Expenses</b>						
Bottle Deposit Fee	127,912	139,031	8.69%	221,514	237,576	7.25%
Recycle Surcharge Fee	283,709	313,654	10.55%	491,318	535,972	9.09%
Liquor Refunds	-	(793)		-	1,062	
Substance Abuse Transfer	4,883,260	5,155,801	5.58%	7,902,582	7,950,533	0.61%
<b>Total Other Expense</b>	<b>5,294,881</b>	<b>5,607,693</b>	<b>5.91%</b>	<b>8,615,414</b>	<b>8,725,143</b>	<b>1.27%</b>
<b>Net Profit</b>	<b>19,289,807</b>	<b>23,524,737</b>	<b>21.95%</b>	<b>40,870,032</b>	<b>45,740,588</b>	<b>11.92%</b>
<b>Return on Sales</b>	<b>25.9%</b>	<b>29.5%</b>	<b>13.90%</b>	<b>30.2%</b>	<b>32.0%</b>	<b>5.96%</b>



## ABD Technology Update

Anita Volk, Program Manager

January 12, 2016



# Iowa Alcoholic Beverage Division Technology Update - Agenda

1. *Customer Portal, Vendor Portal, EDI*
2. *Single Platform-MS Dynamics AX*
3. *eLicensing*
4. *ABD Website*



# Customer Portal, Vendor Portal, EDI

- *+85% of all orders are electronic (Customer Portal/EDI)*
- *Customer Portal:*
  - *1,319 class “E” licensees*
  - *1,072 licensees actively ordering*
- *Vendor Portal: In development stage of adding the Purchase Order process to eliminate manual processing*
- *EDI: 275 licensees actively ordering*



# Single Platform-MS Dynamics AX

1. *Development Phase Gate Review Completed 12/18/15*
2. *Project execution will begin February 2016*
3. *Voice Pick & Delivery System RFPs have been awarded*
4. *The Delivery System project kicked off on 12/18/15*
  - *Blue Horseshoe is working with vendor MiTSys on development*
5. *Project timelines and schedules are being developed*



# eLicensing System

- *Reviewing different systems for licensing and regulation.*



# ABD Website ([iowaabd.com](http://iowaabd.com))

- *OCIO & ABD are working to convert the old website to a new site using Drupal*
- *Targeting February 2016 for a go-live date*

# ALCOHOLIC BEVERAGES DIVISION[185]

## Adopted and Filed

Pursuant to the authority of Iowa Code section 123.21, the Alcoholic Beverages Division hereby amends Chapter 4, “Liquor Licenses—Beer Permits—Wine Permits,” Iowa Administrative Code.

The amendments adopt a new rule 185—4.6(123), which establishes guidelines for class “C” beer permit holders to fill and sell beer in a container other than the original container, subject to and mandated by Iowa Code section 123.132 as amended by 2015 Iowa Acts, Senate File 456, section 1, and Senate File 510, section 14, and pursuant to rules adopted by the Alcoholic Beverages Division.

The amendments are necessary to:

- Establish filling and refilling requirements,
- Establish sealing requirements, and
- Establish restrictions for the filling, refilling and selling of beer in a container other than the

original container.

The amendments also define three terms to provide clarity for the reader. One definition is added in new rule 185—4.6(123), while two definitions are added to rule 185—4.1(123) because the definitions are equally applicable to other retail permit holders.

Notice of Intended Action was published in the Iowa Administrative Bulletin on November 25, 2015, as **ARC 2255C**. A meeting to hear requested oral presentation, scheduled for December 18, 2015, was canceled with notice because no request was made.

The Division received no written comments.

Upon further review of the amendments, the Division made a change to the proposed amendments as published under Notice of Intended Action to further clarify the requirements associated with an original container. Specifically, a change was made to subrule 4.1(4) to clarify that an original container must be obtained in a lawful manner permissible under Iowa Code chapter 123, Iowa Administrative Code section 185, and any other applicable federal and state laws, rules, and regulations.

These amendments do not provide for waivers in specified situations. An agencywide waiver

provision is provided in 185—Chapter 19.

The Alcoholic Beverages Commission adopted these amendments on January 12, 2016.

After analysis and review of the rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code chapter 123 as amended by 2015 Iowa Acts, Senate File 456, section 1, and Senate File 510, section 14.

These amendments will become effective on March 9, 2016.

The following amendments are adopted.

ITEM 1. Adopt the following **new** subrules 4.1(3) and 4.1(4):

**4.1(3)** “*Growler*” means any fillable and sealable glass, ceramic, plastic, aluminum or stainless steel container designed to hold only beer or high alcoholic content beer.

**4.1(4)** “*Original container*” means a vessel containing an alcoholic beverage that **has been lawfully obtained**, bears a label approved by the Alcohol and Tobacco Tax and Trade Bureau, and has been securely capped, sealed or corked at the location of manufacture.

ITEM 2. Adopt the following **new** rule 185—4.6(123):

**185—4.6(123) Filling and selling of beer in a container other than the original container by class “C” beer permit holders.** Class “C” beer permit holders and their employees may fill, refill and sell beer in a container other than the original container, otherwise known as a growler as defined in subrule 4.1(3), subject to the requirements and restrictions provided in Iowa Code section 123.132 as amended by 2015 Iowa Acts, Senate File 456, section 1, and Senate File 510, section 14, and in this rule.

**4.6(1) Definition.**

“*Beer*,” for the purpose of this rule, means “beer” as defined in Iowa Code section 123.3(7) and “high alcoholic content beer” as defined in Iowa Code section 123.3(19).

**4.6(2) Sales criteria and restrictions.** All sales made pursuant to this rule shall be made in-person. Beer packaged and sold pursuant to this rule shall not be delivered or direct-shipped to consumers.

**4.6(3) Filling and refilling requirements.**

- a. A growler shall have the capacity to hold no more than 72 ounces.
- b. A growler shall be filled or refilled only by the permittee or the permittee's employees who are 18 years of age or older.
- c. A growler shall be filled or refilled only on demand by a consumer at the time of the in-person sale.
- d. A growler shall be filled or refilled only with beer from the original container procured from a duly licensed wholesaler.
- e. A retailer may exchange a growler to be filled or refilled, provided the exchange occurs at the time of the in-person sale.
- f. The filling or refilling of a growler shall at all times be conducted in compliance with applicable state and federal food safety statutes and regulations.

**4.6(4) Sealing requirements.** A filled or refilled growler shall be securely sealed at the time of the sale by the permittee or the permittee's employees in the following manner:

- a. A growler shall bear a twist-type cap, screw-on cap, flip-top lid, swing-top lid, stopper, or plug.
- b. A plastic heat shrink wrap band, strip, or sleeve shall extend around the twist-type cap, screw-on cap, flip-top lid, or swing-top lid or over the stopper or plug to form a seal that must be broken upon the opening of the growler.
- c. The heat shrink wrap seal shall be so secure that it is visibly apparent when the seal on a growler has been tampered with or a sealed growler has otherwise been reopened.
- d. A growler shall not be deemed an open container, subject to the requirements of Iowa Code sections 321.284 and 321.284A, provided the sealed growler is unopened and the seal has not been tampered with and the contents of the growler have not been partially removed.

**4.6(5) Restrictions.**

- a. Beer shall not be consumed on the premises of a class "C" beer permit holder.
- b. A growler shall not be filled in advance of a sale.
- c. A growler filled pursuant to this rule shall not be delivered or direct-shipped to a consumer.

- d.* A growler filled pursuant to this rule shall not be sold or otherwise distributed to a retailer.
- e.* A permittee or a permittee's employees shall not allow a consumer to fill or refill a growler.
- f.* The filling, refilling and selling of a growler shall be limited to the hours in which beer may be legally sold.
- g.* A filled or refilled growler shall not be sold to any consumer who is under legal age, intoxicated, or simulating intoxication.
- h.* An original container shall only be opened by the permittee or the permittee's employees for the limited purpose of filling or refilling a growler as provided in this rule.

**4.6(6) *Violations.*** Failure to comply with the requirements and restrictions of this rule shall subject the permittee to the penalty provisions provided in Iowa Code chapter 123.

This rule is intended to implement Iowa Code section 123.132 as amended by 2015 Iowa Acts, Senate File 456, section 1, and Senate File 510, section 14.