

**IOWA ALCOHOLIC BEVERAGES COMMISSION**  
**MINUTES**

Iowa Alcoholic Beverages Division  
May 14, 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 (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  
Brenda Emelo: Assistant to the Administrator  
Dominique McNab: Receptionist  
Leisa Bertram: Comptroller  
Martin Moen: IT Manager

**Division Staff (via phone)**

Erin Verduyn: Administrative Assistant  
Madelyn Cutler: Administrative Assistant  
Jake Holmes: Public Affairs  
Nicole Scebold: Product Management  
Jodi Christensen: Product Management  
Paul Swesy: Regulatory Compliance  
Deanne Krumm: Regulatory Compliance  
Alexis Miner: Licensing  
Jason Hohn: Administrative Actions  
Jonathan Mader: Financial Management  
Tyler Ackerson: Rules Coordinator  
Stephanie Strauss: Government Relations

**Guests Present (via phone)**

Jeremy Thompson: Sazerac  
Lynn Walding: Diageo  
Scott Petersen: Ruan  
Greg King: Coastal Pacific Wine & Spirits  
Dave Filippi: Coastal Pacific Wine & Spirits  
Brad Epperly: Nyemaster Goode, P.C.  
Robinson Cooper: Southern Glazer's Wine & Spirits  
John Albert: Phillips Distilling Company  
Angel Banks-Adams: Legislative Services Agency  
Lyle Stutzman: Johnson Brothers of Iowa  
Kevin Hyberger: Deutsch Family Wine & Spirits  
Scott Oeltjenburns: Johnson Brothers  
Andy Deloney: Johnson Brothers  
Terry Doherty: E&J Gallo Winery  
Eric Brandstad, Iowa Restaurant Association  
Stacy Kluesner: Iowa Restaurant Association  
Rick Przebieda: Luxco  
David Adelman: Iowa Wholesale Beer Distributors Association  
John Cacciatore: DISCUS  
Christopher Rants: DISCUS  
Tara Meier: Ruan  
Jim Obradovich, JDSO, Inc.  
John Lundquist: Assistant Attorney General

## CALL TO ORDER

Chairperson Pauli called the meeting to order at 12:59 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 May 14, 2020 Commission 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 February 18, 2020 Commission meeting.

Motion approved.

## ADMINISTRATOR'S REPORT

Administrator Larson began his report by providing opening remarks in regard to the Division's response efforts during the COVID-19 pandemic and Governor Reynold's State Emergency Disaster Proclamation.

Administrator Larson announced that since the first day of the proclamation of Emergency Disaster, the ABD leadership team and staff have worked diligently to develop and implement plans to mitigate the economic effects of the marketplace by working in partnership with Ruan, Iowa Lottery, The Department of Public Safety, The Iowa Department of Public Health, Iowa Prison Industries, The Iowa Department of Economic Development, The Department of Inspections and Appeals and various other state and local agencies as a supporting member of the state executive branch.

Administrator Larson praised the Division for doing a great job of pivoting quickly and carrying out various demands that are ongoing in a very fluid situation. Noting that the team continues to bring forward ideas to assist stakeholders, customers, and policy advisors. Administrator Larson also commended Ruan for their exceptional performance on the distribution of spirits in all 99 counties since the pandemic started in early March.

Administrator Larson announced that the leadership team would provide a high level overview of various examples regarding business operations, financial management, education and data analytics which involves sales trends, licensing, and compliance. Administrator Larson gave closing remarks and invited the Commission to ask questions.

Mr. Sutton, Bureau Chief Business Operations, was invited to provide the business operations report.

Mr. Sutton provided an update regarding business operations at ABD amid the pandemic. Mr. Sutton announced that the number of staff onsite at ABD had been reduced to approximately 7 to 10 employees at a time with the majority of staff working from home. Mr. Sutton also announced plans to take a systematic approach for bringing employees back into the office over the next couple of months.

Mr. Sutton invited Ruan's Operations Manager, Scott Petersen to provide an update regarding warehouse operations.

Mr. Petersen reported that Ruan's business continuity team developed a response plan early on amid the pandemic that embraced CDC guidelines. The plan included an emphasis on increasing cleaning measures, the elimination of shared items, social distancing, limiting the number of visitors and increased communication with employees. Mr. Petersen also announced that Ruan added additional team members in order to assist with the increased workload and reported a seamless transition in their overall response efforts.

Mr. Sutton announced the Division's efforts regarding the distribution of hand sanitizer. ABD worked together with Iowa Prison Industries and other industry members to disperse hand sanitizer throughout the state to charitable organizations, the State Emergency Operations Center, the Hoover building, The Iowa Department of Economic Development, Iowa Lottery, and ABD employees. Administrator Larson took the opportunity to invite distributors who may be interested in providing

hand sanitizer to reach out to the Division.

Administrator Larson also publicly thanked DISCUS and Diageo for their efforts with hand sanitizer and noted that the Division is appreciative of the industry support. Mr. Sutton recognized ABD staff Ms. Christensen and Ms. Liu who volunteered to make over 150 masks for employees during the shortage.

Mr. Sutton invited Comptroller, Leisa Bertram to present the financial management update.

Ms. Bertram gave the financial update concerning a number of areas affected by the pandemic and the Governor's State Emergency Disaster Proclamations. The key areas include sales trends (gallons, bottles, cases sold), returns, expense impacts and beer and wine tax payment deferrals.

Mr. Sutton announced that sales in March and April for FY20 were trending similar to October and November with the average sales trending at 30 million dollars per month.

Administrator Larson emphasized the Divisions goal to provide data in real time on how the pandemic has affected sales.

Commissioner Wilson asked Ms. Bertram if the report was able to reflect the sales in cases in order to see the correlation in actual cases compared to the number of gallons sold. Ms. Bertram replied that she would make the requested adjustments to the report for future Commission meetings.

Ms. Bertram reviewed data involving case-by-case analysis, showing the increase in sales resulting from the closure of bars and restaurants, and how the proclamations affected sales when these establishments were allowed to sell alcohol to go. Ms. Bertram reported that overall cash sales were up by 6.5% year to date for the month of April.

Ms. Bertram gave an overview of the return process during the emergency proclamation measures and stated that the Division allowed retailers who purchased on or after March 1, 2020 to make returns. Noting that retailers had to provide copies of invoices in order to justify their returns, and in some instances allowed for returns without invoice justification. Ms. Bertram mentioned that returns started to trend down in April and announced that the Division will return to the standard return policy in the month of May.

Ms. Bertram also reviewed the impact on the Divisions expenses; and noted that Crinc payment expenses are down during this time. Since retailers are allowed to stop accepting these returns those expenses have been eliminated, however, the future impact is still unknown. Administrator Larson advised that this is a major expense for the Division, and stressed the importance of the need to footnote this information for the annual report to come later this year especially as the proclamations continue.

Ms. Bertram also reviewed the effects of the Beer and Wine tax monthly payments that have been deferred until June 10, 2020. The deferral would include the months of February, March and April. In the interim, the Accounting team will communicate with licensees to inform them when the funds are being pulled.

Commissioner Pauli asked when we foresee getting back on track. Ms. Bertram replied July, and that there is a process in place for tracking that will allow the Accounting Department to process the payments. Ms. Bertram stated that the data tracked thus far, is showing reports are still being filed in a timely manner and that the Division is waiving fees for reports that were marked as late for months that fall under the proclamation.

Ms. Bertram gave a brief overview of trending return obligations to ABD stating that key areas affected are liquor sales and licenses fees. Ms. Bertram also noted that NSF's have increased for a number of reasons and her team is continuing to track the data on a daily basis.

Mr. Sutton invited Nicole Scebold to provide an overview of trends for Class E licensees affected by the emergency proclamations that started on March 16, 2020, stating that overall sales were down 85% for the month of April, which shows a huge dip downward when comparing weekly sales year to date.

Mr. Moen, IT Manager, announced some of the key highlights from the SAS and Power-BI project initiatives. Mr. Moen gave the Commission a brief demonstration of the SAS forecasting models for the investigations and alcohol sales data screens and Power-BI reporting screens for alcohol sales tracking. Mr. Moen emphasized that the key distinctions between the data platforms is that SAS is a forecasting tool and Power-BI is a reporting tool.

Mr. Holmes, Public Affairs provided an overview regarding the Education & Outreach Departments response efforts in relation to the emergency proclamation. Mr. Holmes announced the teams approach for responding to licensees, local authorities, and law enforcement, which included sending out email communications, responding to phone inquiries, updating the ABD website, and the use of social media platforms. Mr. Holmes stressed that the data analytics as well as the decrease in phone calls demonstrate that the response efforts have been positive.

Mr. Happe, Bureau Chief Regulatory Compliance recognized the Licensing and Regulatory team for exceptional flexibility during the pandemic.

Mr. Happe provided an update for the Regulatory Compliance and Licensing Department's response efforts amid the pandemic. Mr. Happe reviewed the licensing trends resulting from the various emergency proclamations, which included the effects on 5 and 14-day temporary licenses, Class E and Class C licensees as well as economic impacts in surrounding communities. Mr. Happe indicated that the trends are showing a significant drop off for 5 and 14-day licensees, but are continuing to see an upward trend for 6 to 8 month licenses, which are primarily Class C's.

For the Regulatory Compliance update, Mr. Happe provided an overview of the current effects that COVID-19 has had on the department. Noting that the majority of the departments focus has shifted toward addressing incoming complaints. Mr. Happe mentioned that most of the complaints are centered on licensees not adhering to the proclamation guidelines as well as defying local law enforcement and that this presents an opportunity to assess a licensee's moral character at the time of renewal. Mr. Happe also announced future plans for the investigators to slowly return to fieldwork.

Administrator Larson gave closing remarks by announcing that the Divisions future objectives will include data analytics, rules reform, and other policy initiatives. Administrator Larson also stated that future Commission Meetings will focus on governance, licensing, educational support and working with our stakeholders to explain the rules of the road as the market opens up.

#### **PUBLIC COMMENT**

Mr. Eric Brandstad from the Iowa Restaurant Association publically thanked the Division for their response efforts during the pandemic. Mr. Brandstad also announced plans for his association to petition with the legislature to make some of the privileges granted during the emergency proclamation permanent, such as mixed drinks to go and requested the Divisions support.

John Cacciatore: DISCUS and Lynn Walding: Diageo publically thanked the Division for their response efforts and announced their support to also petition with the legislature.

#### **OLD BUSINESS**

None

#### **NEW BUSINESS**

None

#### **NEXT MEETING DATES**

June 23, 2020 at Iowa Alcoholic Beverages Division, Ankeny. This will be a tele-meeting.

#### **ADJOURNMENT**

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

Motion approved.

The meeting adjourned at 3:32 p.m.

*Jay Wilson*

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Commissioner Jay Wilson, Secretary