

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

Iowa Alcoholic Beverages Division
August 27, 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

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

Guests Present

Alan Nagel: AAG
John Bobleter: Ruan
Marty Wadle: Ruan
Scott Gstell: RS Lipman Co, Heroes Vodka
Stephen Houck: SLRRRP LLC
Sara Allen: Cornerstone Government Affairs
Tara Meier: Ruan
Ron DeVries: Ruan
Kyle Doyle: Iowa Distilling Company
Eric Goranson: Iowa Restaurant Association
Angel Banks- Adams: LSA
Kelsey Seay: Iowa Brewers Guild
Troy Hargrove: (via phone)
Jeremy Thompson: Sazarac (via phone)

Brittany Lumley: LS2 Group (via phone)

CALL TO ORDER

Chairperson Pauli called the meeting to order at 12:58 p.m. and roll was taken. There was a quorum.

APPROVAL OF AGENDA

MOTION: A motion was made by Commissioner Wilson and seconded by Commissioner Nystrom to approve the agenda for the August 27, 2019, 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 June 25, 2019 meeting.

Motion approved.

NEW BUSINESS

Stephen Houck, SLRRRP LLC, displayed his presentation for appeal of the denial of the permanent listing requests of SLRRRP Vodka. The first listing featured a product as a 50mL pre- packaged gelatin shot infused with flavored vodka presented in a 20- pack tub. A second listing request was also filed for a 3- pack of SLRRRP. The listing requests were denied due to the product and its packaging did not meeting ABD's social responsibility guidelines as outlined in the ABD listing manual. Nicole Scebold, ABD, explained why the listing was denied by reading the social responsibility public policy.

Commissioner Nystrom expressed concern with young children not being able to discern alcoholic gelatin products with non- alcoholic gelatin products.

Commissioner Spratt remarked that the concern over young children confusing this product is similar to frozen alcoholic popsicles she has purchased in Missouri. She stated she believed the responsibility should be held to parents.

MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Pauli to affirm the Administrator's decision on the listing request from SLRRRP.

A roll call vote was taken.

Commissioner Pauli – aye

Commissioner Spratt -- nay

Commissioner Wilson -- nay

Commissioner Nystrom -- aye

Commissioner Eubank – not present

Motion failed: Due to a lack of a majority the motion failed. Further conversations were held between the Commissioners and the Assistant Attorney General, Alan Nagel on options to proceed.

MOTION: A motion was made by Commissioner Pauli to table to a future Commission meeting when all five commissioners are present, a continuance of the SLRRRP appeal.

A roll call vote was taken.

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

Motion approved.

Scott Gstell with R.S. Lipman Company displayed his appeal for the denial of the permanent listing request of Heroes Vodka. The product is an 80- proof American Vodka as 750mL and 1.75L sizes. The listing request was denied due to oversaturation of the product category, size, and price point, with a negative overall category trend for American Vodka. Subsequently, the product was approved for a 90 day temporary listing. Ms. Scebold stated that while Heroes Vodka has been approved for a 90 day listing it has only been for sale for two weeks so there are not strong analytics of sales to present for comparison with other products in the category.

MOTION: A motion was made by Commissioner Pauli and seconded by Commissioner Nystrom to affirm the Administrator's decision regarding Heroes Vodka.

A roll call vote was taken.

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

Motion approved.

ADMINISTRATOR'S REPORT

Administrator Larson's designee, Business Operations Bureau Chief, Herb Sutton, started the Administrator's Report. He made various comments about legislation, Ruan transition and sales numbers. Additional information will be provided at the next meeting when Leisa Bertram, Comptroller does a financial deep dive.

Business Operations Bureau Chief, Herb Sutton recognized Comptroller Leisa Bertram for a 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 ABD has obtained a solid number on what amount of money is diverted to a new store's inventory. Ms. Bertram replied that is a hard number to quantify. Due to business model differences, Casey's General Stores can be easier to guess but still not very predictable. Martin Moen, IT Manager, added

that when it comes to Casey's Stores, there is a difference between older stores and new stores in regards to size and demographic needs. There will be additional analytics broken down in this year's annual report.

Mr. Sutton recognized Ron Devries, Ruan Transportation, for a brief transition update. He remarked all the Ruan trailers have arrived and there are only three leased trailers left. He added with the explosion of Sam's Club orders and additional Casey's General Stores, it has created more work than usual. There has been a twenty percent increase in warehouse orders, so two new standing forklifts have been added to assist with that workload. He announced that since the transition has begun, there has not been any personnel turnover and the efficiency has increased significantly. Mr. Devries then gave an update on the IT cutover date progress that will proceed to start September 30th.

Commissioner Wilson commented that his overall transition feedback has been positive from a retail perspective.

Commissioner Pauli recognized Governmental and Public Relations, Stephanie Strauss, to give an overview of the action being taken today. She stated there will not be any legislation submitted in FY2020 by the Division, but rulemaking will be the focus for FY2020 with the Commission's help.

Commissioner Wilson asked how Administrative Rule 185-16.41 will be regulated. Heather Schaffer, Compliance Officer, replied that ABD investigates any complaints necessary but very few apply to this rule.

MOTION: A motion was made by Commissioner Wilson and seconded by Commissioner Spratt to approve ABD to move forward with rule making.

Motion approved.

PUBLIC COMMENT

None

OLD BUSINESS

None

NEXT MEETING DATES

Tuesday, October 8, 2019 at 1:00 p.m. at Iowa Alcoholic Beverages Division, Ankeny

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

ADJOURNMENT

The meeting was informally adjourned.



Commissioner Jay Wilson, Secretary