

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

Boardroom

Iowa Alcoholic Beverages Division

June 23, 2016 – 1:00 p.m.

Dial In Number: 1.866.685.1580

Conference Code Number: 0009991572

Commission Members Present

Tami Doll: Chair

Jay Wilson: Vice Chair

Gary Nystrom: Secretary

John Pauli: Member

Commission Members Absent

Rachel Eubank: Member

ABD Staff Present

Stephen Larson: Administrator

Tyler Ackerson: Assistant to the Administrator

Robert Bailey: Public Information Officer

Leisa Bertram: Accountant 2

Erin Bothwell: Education and Outreach Program Planner

Jeff Cam: Compliance Officer 1

Jodi Christensen: Safety and Security Coordinator

Jessica Ekman: Tobacco Program Planner

Tessa Fabian: Administrative Intern

Karen Freund: Deputy Administrator of Regulatory Affairs

Todd Halbur: Comptroller

Jason Hohn: Clerk Specialist

Tim Iversen: Chief Operating Officer

Matt Jones: Investigator 3

Pam Koehn-Miller: Secretary

John Lundquist: Assistant Attorney General

Nolan Miller: Administrative Intern

Nathan Oakley: Accounting Tech 2

Anthony Robben: Administrative Intern

Nicole Scebold: Products Manager

Heather Schaffer: Compliance Officer 2

Stephanie Strauss: Executive Officer

Paul Swesey: Investigator 1
Anita Volk: Program Manager

Guests Present

Jason Bassett: Kum & Go
Mike Brewington: Iowa Beverage Systems
Nathan Cooper: Iowa Wholesale Beer Distributors Association
Eric Goranson: Iowa Restaurant Association
Brian Guillaume: Iowa House Democrats Staff
Lisa Knake: Ingenioz Vodka
Christin Mechler: Legislative Services Agency
Brittany Telk: Iowa House Republicans Staff

Guests Present via Phone

Nicole Eilers: Iowa Wine Growers Association
Jeremy Thompson: Sazerac
J. Wilson: Iowa Brewers Guild

CALL TO ORDER

Chairperson Tami Doll called the meeting to order at 1:05 p.m. and roll was taken. There was a quorum. Chairperson Doll asked newly-appointed Commissioner John Pauli to introduce himself. Mr. Pauli's term will expire in April 2021 and he will be eligible to serve a second term.

APPROVAL OF AGENDA

MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Wilson to approve the agenda for the June 23, 2016, Commission meeting.

Motion approved.

APPROVAL OF MINUTES

MOTION: A motion was made by Commissioner Doll and seconded by Commissioner Wilson to approve the minutes for the April 19, 2016, Commission meeting.

Motion approved.

Chairperson Doll recognized Administrator Stephen Larson for the Administrator's Report.

ADMINISTRATOR'S REPORT

Administrator Larson recognized Education and Outreach Program Planner Erin Bothwell for a report on ABD's educational outreach efforts toward compliance on the 2016 Register's Annual Great Bike Ride Across Iowa (RAGBRAI) route. Ms. Bothwell reported that ABD staff rolled out a meeting plan in four phases: 1) local authorities, 2) industry members that included wholesalers, beer distributors, wineries, and breweries, 3) all licensees or retailers along the route, and 4) law enforcement. All are receiving the same information about alcohol laws, processes, timelines, and trade practices. A timeline was developed for licensees to help them

know when information needs to be to ABD. Administrator Larson pointed out the list of talking points used with the licensees. ABD will have assets in the field meeting with law enforcement and will be enforcing the Smokefree Air Act.

Administrator Larson recognized Assistant to the Administrator Tyler Ackerson for a report on an invitation from the Iowa Economic Development Authority (IEDA) to ABD to attend informal brainstorming sessions regarding law changes. Since March 2016, the IEDA has been hosting meetings for Iowa alcohol manufacturers for the purpose of bringing together representatives from beer, wine and spirits manufacturing to discuss law changes that they would like to see to spur economic growth. The goal of the group is to decide upon those law changes that can be agreed upon, then to present those changes during the 2017 legislative session. So far, there have been no concrete changes decided upon. ABD's role has been to attend the meetings and serve as an information source regarding current law and to fulfill research requests at the agency's discretion. Mr. Ackerson and ABD Executive Officer Stephanie Strauss have been attending the meetings.

Administrator Larson recognized Ms. Strauss for a final review of the 2016 legislative session. ABD introduced three bills. Only the technical bill, SF2151, was signed into law, which clarified wording in ABD's practices and established consistent wording throughout the chapter. Issues that were introduced this year and did not advance would have to be introduced next year.

Administrator Larson presented an update on the compliance program. He has worked with the Iowa Department of Management to realign ABD using upgraded Full Time Equivalent (FTE) that will be positioned to register and administer a regulatory compliance focus. Current Position Description Questionnaires (PDQ) have been developed and a Bureau Chief [Public Service Manager 2] will be hired that will have the credentials and background to verify and manage various types of examinations for breweries, micro-distilleries, wholesalers and wineries, as well as managing staff. A regulatory compliance program organizational chart was presented that illustrated the positions reporting directly to the Public Service Manager 2, including the Education and Outreach Program, Tobacco Program, Licensing Program, Compliance Program and Administrative Actions. The Tobacco Program receives funding from the Iowa Department of Public Health (IDPH) to administer the program in partnership with local authorities across the state. The program also secures grant money from the Food and Drug Administration (FDA). ABD will be incorporating the Smokefree Air Act into compliance visits. As a part of the appropriation the program receives from IDPH, ABD will do more to educate licensees about the Smokefree Air Act and conduct timely on-premises site inspections.

Administrator Larson recognized Chief Operating Officer Tim Iversen for a technology and operations update. Mr. Iversen recognized Program Manager Anita Volk for a technology overview. Ms. Volk reported that 99 percent of all orders are being placed electronically through the Customer Web Portal and EDI, with only five remaining licensees ordering manually. The single platform-MS Dynamics AX project is in the execution stage, with testing through June and July. BasicGov has been selected for the eLicensing system that will encompass licensing, regulation and compliance. The requirements have been collected by the vendor and the timeline of the project is approximately 18 months.

Mr. Iversen reviewed financial reports. There was a 6.4 percent growth in the month of May. Sales year to date are up 3.91 percent. The number of orders is up 12 percent. Mr. Iversen reported ABD went over the 1,350 class "E" licensee mark recently. He distributed and reviewed an analysis report for forecasting projected growth. Forecasting will help ABD plan costs and workforce, as well as helping plan from a risk management perspective as the agency moves ahead with a new Strategic Plan.

Mr. Iversen recognized Products Manager Nicole Scebold. She indicated noticeable spirits industry trends: whiskey, tequila, flavored vodka and brandy, especially peach and apple flavors, and flavored rum. Smaller sizes (100, 200, and 375 mL) are still popular, trending at a 6 percent to 15 percent increase.

Mr. Iversen referenced ABD's five-year Strategic Plan that will go into effect January 2017. He reviewed the mission statement, vision statement, the three core functions, and the four platforms supporting the mission, vision, and core functions. There are committees of ABD employees working on the plan.

Administrator Larson pointed out that the goal of Platform 1, to modernize rules and regulations that affect the alcoholic beverages industry, is to make the rules easier for businesses to understand how to operate and to ensure that rules and regulations reflect the modern marketplace. He also emphasized ensuring both public safety and public health are protected, and that local authorities are not superseded in the regulation of alcohol. He added that the goal of Platform 2, refresh the regulatory program that ensures licensee compliance, supports Platform 1 because ABD wants to ensure that licensee compliance is fair and equitable.

Mr. Iversen reported that Platform 3, demonstrate ongoing improvement in the distribution of spirits to Iowa licensees, focuses on the full extent of distribution. ABD will be initiating a five-day work week beginning July 15, 2016, due to increased order volume. The goal is to be a better partner with customers both upstream and downstream, and to continue creating efficiency up and down the supply chain. The goal of Platform 4, integrate technology into all Division processes to optimize the delivery of goods and services, has been a catalyst for ABD through e-commerce. ABD will be re-engineering and re-designing its licensing and regulation platforms to be more timely and accurate, and provide licensees information. Automation in the warehouse is included in the technological focus.

Administrator Larson recognized Ms. Strauss for an administrative rules update. There was nothing to report.

Administrator Larson recognized Assistant Attorney General John Lundquist regarding the Valero appeal. There is an appeal in District Court challenging a decision Administrator Larson made. New Midwest Rentals, LLC, d/b/a Des Moines Valero #202 and #204, operates four or five convenience stores in the central Iowa area. A question was identified through the licensing process as to whether or not there was a prohibitive connection between the owner of New Midwest Rentals and a winery, another company in which he is both owner and officer, that manufactures wine in the state of California. This matter had been to District Court before in which Judge Hutchison did not overrule Administrator Larson's prior ruling which denied license renewal per Iowa Code section 123.45, but ordered Administrator Larson to provide his statutory interpretation of the Code section. New Midwest Rentals is seeking a court ruling that ABD is wrong in the interpretation and should not be limiting persons who manufacture a different type of beverage from the beverage that they retail from holding a retail license in the state. Mr. Lundquist will file a brief and by fall 2016 we should know the District Court's decision.

OLD BUSINESS

None

NEW BUSINESS

Chairperson Doll recognized Ms. Strauss. She reported an issue had been brought to ABD's attention regarding tastings and growlers. Class "C" beer permit holders can fill, seal, and sell beer in growlers for consumption off-premises pursuant to administrative rules that became effective March 9, 2016. ABD consulted with stakeholders during the rulemaking process, and issued press releases and other informational materials to make the public aware of the new

rules. Shortly after the rules became effective, retailers determined that they wanted to give tastings at the growler filling stations prior to the filling of a growler. Currently, ABD's administrative rules do not allow the practice. The Commission instructed ABD to draft amendment language to the growler rules to allow tastings to be provided prior to the filling and selling of a growler.

ELECTION OF OFFICERS

MOTION: A motion was made by Commissioner Nystrom and seconded by Commissioner Wilson that Commissioner Wilson be elected Chair, Commissioner Nystrom be elected Vice Chair, and Commissioner Eubank be elected Secretary.

Motion approved.

NEXT MEETING DATE

Thursday, September 22, 2016, at 1:00 p.m.

ADJOURNMENT

MOTION: A motion was made by Commissioner Doll and seconded by Commissioner Pauli to adjourn the meeting.

Motion approved.

The meeting adjourned at 2:50 p.m.

A handwritten signature in black ink, reading "Rachel Eubank", written over a horizontal line.

Commissioner Rachel Eubank, Secretary