

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

April 11, 2024 - 10:00 AM
Big Grove Brewery & Taproom
170 1st St SW
Cedar Rapids, Iowa 52404
Dial In Number: 224.501.3412
Access Code: 868.993.757

Commission Members Present

Rachel Eubank, Chairperson
Sarah Winkleman, Secretary
Andrea Chase, Member
Gary Nystrom, Member

Commission Members Present (via telephone)

John Pauli, Vice Chairperson

Department Staff Present

Mary Mosiman, Director
Stephen Larson, Division Administrator
Leisa Bertram, Chief Operations Officer
DeMario Luttrell, Bureau Chief Regulatory Compliance
Steve French, Chief Financial Officer
Spencer Morehouse, Bureau Chief
Anthony Robben, DOM DOIT
Amy Serck, Secretary
Chuck Crabtree, Program Planner
Erin Verduyn, Program Planner
Tiffiney Brown, Administrative Assistant
Brandon Trapp, Executive Officer

Guests Present

Marty Wadle, Ruan
Paul Jensen, Ruan

Jessica Dunker, Iowa Restaurant Association
Jennifer Husmann, Area Substance Abuse Council

Department Staff Present (via telephone)

Stephanie Strauss, Executive Officer
Alana Stamas, Public Service Executive
Jackie Bowlin, Storekeeper
Nicole Scebold, Management Analyst
Scherael Thurston-Shell, Compliance Officer
Jessica Ekman, Executive Officer
Tyler Ackerson, Executive Officer
Madelyn Cutler, Executive Officer
Pam Koehn-Miller, Secretary
Sheila Warrick, Investigator
Tory Reimann, Investigator
Brenda Emelo, Executive Secretary

Guests Present (via telephone)

Heather Hackbarth, Department of Management
John Lundquist, Assistant Attorney General
Lynn Walding, DIAGEO
Jim Moran, Luxco
Isabel Waller, Cornerstone Government Affairs
Jeremy Thompson, Sazerac
Brian Grant, Johnson Brothers
Megan Carlson, Carney & Appleby
Tom Perrick, American Distilled Spirits Alliance
2 unidentified callers

CALL TO ORDER

Chairperson Eubank called the meeting to order at 10:01 AM. Roll was taken and a quorum was met.

APPROVAL OF AGENDA

MOTION: A motion was made to approve the agenda for today's (April 11, 2024) meeting by Commissioner Nystrom and seconded by Commissioner Chase. The motion was approved unanimously.

APPROVAL OF MINUTES

MOTION: A motion was made to approve the minutes from the January 23, 2024, meeting by Commissioner Winkleman and seconded by Commissioner Chase. The motion was approved unanimously.

PUBLIC COMMENT

Jennifer Husmann, of the Area Substance Abuse Council, informed the Commission of the 2024 Cancer in Iowa report that talks about links between alcohol and cancer.

Jessica Dunker, of the Iowa Restaurant Association (IRA) spoke to the Commission about legislation that the IRA is watching. Two pieces of legislation that are awaiting the Governor's signature and the IRA are in favor of are: the bill placing age and milligram per serving restrictions on THC products and the bill allowing ServSafe and TIPS trainings to be used as an affirmative defense for a first time sale to minor offense. Two pieces of legislation that they are watching and not in favor of are the bill creating a 25% excise tax on THC drinks that are served only in bars and restaurants and the bill requiring bars and restaurants to carry dramshop hemp liability insurance coverage.

ALIGNMENT

Director Mary Mosiman gave an update on the alignment of the Department of Revenue (IDR), Alcoholic Beverage Division and Lottery that began on July 1, 2023, and is ongoing. There has been a focus on combining services and creating efficiency throughout the Department.

ADMINISTRATOR'S REPORT

Division Administrator Stephen Larson opened his report by having Leisa Bertram, Chief Operations Officer, give her update on the accounting and operations of the Alcohol & Tax Operations Division (ATOD). Ms. Bertram opened her report by reflecting on the .4% change in liquor sales from FY23 to FY24 resulting in a \$1.2 million increase. In terms of total revenue collected there has been a .5% increase in FY24 from FY23. Bottle deposit and surcharge as well as the split case fee are seeing increases. Cases, bottles and picks being down while deliveries and orders are up are signs of more orders going out with less product on them. There were 2 less selling days this March compared to last year and by the end of this fiscal year there will be one less day overall which means approximately \$1.5 million less in sales. The transfer total estimate for FY24 remains \$151.5 million and ATOD is currently 2.6% or roughly \$4 million behind. Since the last meeting there have been 23 new Class "LE" licenses obtained and the largest growth and overall category remains convenience stores. The amount of gallons sold is starting to flatten and FY24 is about 175,000 gallons behind FY23.

Ms. Bertram launched the operations report by discussing the listing process for new, permanently listed products. A presentation is given to the Products Team that includes: what the product is, what it looks like, market share, marketing strategy and what the price point is among other things. Currently, there are more products being presented as new portfolios are being put together for next year. Ms. Bertram noted that there has been an increase in the higher proof ready to drink category. In March, the category with the most new listings was tequila which matches the trend seen in the United States. Commissioner Eubank asked if there was also an increase in the number of highly allocated tequilas similar to whiskey. Commissioner Pauli inquired about the amount of SKU growth that was being seen with regards to warehouse space. Ms. Bertram responded that at this time, there is a smaller amount of highly allocated tequila compared to

whiskey and that although there has been growth in the amount of SKUs available, it has been small and the space available is a moving target due to delisting and changes in the warehouse that affect available space. She then continued the update by mentioning that both the boiler and phone removal projects are complete. The HVAC and building automation changes are at the approximate mid-project point and proceeding well. In terms of the warehouse redesign, there has been collaboration with Ruan to look at what can be changed or moved to increase efficiency.

Next Ms. Bertram talked to the Commission about the Warehouse Capacity Study. The project has been initiated with high level discussions that include the IDR Project Management Office and the Project Manager from Ruan. The purpose of the project is to evaluate the short and long term warehouse needs. Choices made to meet these needs need to be responsible and thoughtful with an eye to possible impacts. For guidance, the group will look at the recommendations from the Hy-Tek Capacity Study. Subject Matter Experts from various fields will be consulted to consider possibilities and impacts as well as developing communications for those fields.

The Project Sponsor is Division Administrator Larson and the Business Champion is Chief Operations Officer Bertram. The rest of the project team includes the Project Managers from both IDR and Ruan. Support for the team will be given from different areas as needed. Using IDR's Strategic Method & Realization Techniques (SMaRT) tool, internal supporters of the project will be able to stay up to date on its progress while allowing external supporters to view reports and ask questions. Next steps include developing a Project Charter in SMaRT.

At the conclusions of her report, Commissioner Nystrom asked about when there could be a change to the flattening that is being seen in various parts of the operation. Ms. Bertram replied that at this time, ATOD is working within current circumstances and with the help of the capacity

study can look at ways to reduce cost and increase efficiency in the future. Currently, there are several things that are impacting profit that may be more long term than originally thought. Division Administrator Larson followed up the financial report by noting that moving forward the goals of ATOD will continue to align with the strategic goals of the Governor and IDR and that choices made will be data driven.

Chief Financial Officer Steve French informed the Commission he is working with Ms. Bertram to use the integration tools for finance to help align IDR and ATOD's accounting. He noted that it is planned to have an Accounting Supervisor come on board in the next 30 days. He also noted that the discovery phase has begun for the annual reports published in the fall and the the Department of Administrative Services has come out with a new framework for Generally Accepted Accounting Principles (GAAP) packages.

Bureau Chief Spencer Morehouse informed the Commission that there are currently 11,970 active alcohol licenses. He then noted that of those, 1,800 are enrolled in the automatic renewal process. Since January of 2023, there has been a 6% drop in the number of native wineries. Possible factors for this include changes in license types available, changed fees or retirements. When comparing special event licenses from January to April of 2023 to the same period in 2024, there has been an increase from 173 to 255. Mr. Morehouse went on to discuss the dramshop audit of licensees that started in February. 124 were found to not be compliant. 111 brought themselves into compliance, three required emergency suspensions and one is still suspended. He also noted that Lisa Gibson had been promoted to License Manager.

Regulatory Compliance Bureau Chief DeMario Luttrell opened his remarks by mentioning that the ATOD Compliance Unit has been merging well into the IDR Compliance Unit. The IDR unit has been giving the ATOD unit training on sales tax and internal system

capabilities. These trainings have helped since often tax issues have been found when investigating complaints. The number of complaints has increased in 2024 and so far there have been 78 complaints leading to 51 investigations. From January to March there were 334 inspections done in 50 of 99 counties. Inspections each month will focus on a different compliance issue. In February, inspections focused on restaurants and the youth employment law requirements. Several inspected restaurants were found to be in partial compliance with the law and investigators worked to educate them about the parts that they were missing to bring them into full compliance. Mr. Luttrell noted that he wants to focus compliance checks this Spring and Summer on special events other than RAGBRAI and the State Fair. He ended his report by introducing Brandon Trapp as the new Alcohol Compliance/Law Enforcement Partnership Program Lead. Mr. Luttrell plans to work with Mr. Trapp to explore funding opportunities for underage alcohol sale compliance checks. The goal is to find opportunities where it is possible to administer agreements with localities to conduct these checks on our behalf, similar to what is being done with underage sale of tobacco compliance checks.

Legislative Liaison Tyler Ackerson provided an update on legislation relevant to the Division. The first bill discussed was SF2427, the Department's policy bill. It seeks to clarify the prohibited interests in alcohol licenses for Commission Members and the Director, give licensees 45 days instead of 30 to report ownership updates and apply the regulations for infusing drinks and cocktails-to-go to wine slushies. Next was SF2396, the Department's technical bill, which will codify "operating still" for native distillers, allow open containers of beer to be taken from a licensed premises to an immediately adjacent either licensed premises, temporarily closed public right of way or private place and clarify that a native manufacturing retail license spot needs to be physically connected to the manufacturing spot. HF 2448, a bill allowing other training programs

to be used for the affirmative defense for first time sale to minor offenses, and HF2605, a bill explicitly prohibiting licensees from selling an alcoholic drink with THC in it, were then noted. The next two bills discussed were HF2648 which allows a native manufacturer to obtain up to six, 5 day retail licenses and participate in an alternating proprietorship arrangement as well as allowing a special class “C” retail native wine 5 day license to be issued and HF2669 which creates a new wine auction permit to allow the holder to purchase wine from a private collection at auction and resell it to wholesalers and retailers or allow the wholesaler to purchase from private collections and resell to retailers. Mr. Ackerson then brought up SF2425 and SF2417, the same bills that Ms. Dunker spoke of in her statement, and briefed the Commission on their status. The last bill discussed was SF2385, which would change the Commission from a policy maker to an advisor to the Department Director.

Mr. Larson concluded his report by noting that any strategies that will be developed moving forward will be data driven. He then pointed out articles included in the binder concerning emerging trends such as direct to consumer shipping, moderation in drinking and marijuana/low THC drinks.

NEW BUSINESS

No new business

NEXT MEETING DATE

The next Commission meeting date will be determined after coordinating schedules. Information will be posted on the Iowa Alcoholic Beverages website.

ANNOUNCEMENTS

Commissioner Eubank, Division Administrator Larson and Director Mosiman took that opportunity to thank Commissioner Nystrom for his 10 years of service to the Commission.

Commissioner Nystrom was given a letter from the Governor and then took the opportunity to thank Division and Ruan staff and other Commissioners for the work they do to keep ATOD running the way it has.

ADJOURNMENT

MOTION: A motion was made by Commissioner Nystrom to adjourn the meeting. The motion was approved unanimously.

The meeting adjourned at 11:44 AM.

A handwritten signature in black ink, appearing to read "Sara Winkleman", written over a horizontal line.

Commissioner Sara Winkleman, Secretary