Administration and Regulation Subcommittee

February 25, 2020

Iowa Alcoholic Beverages Division

Our Mission

To serve Iowans through responsible and efficient licensing, regulation and distribution of alcohol.

Our Vision

The Iowa Alcoholic Beverages Division provides clarity, consistency and equity to all stakeholders within the alcohol beverage industry.

Maintaining a responsive and effective organization requires state agencies to look at their business processes and operations strategically.

Core Values / Focus

- **Integrity** — Our employees, partners and licensees can count on the Division to be honest and trustworthy.
- **Mission Oriented** — We will keep a constant focus on the Iowans our programs benefit.
- **Purposeful Work Ethic** — We nurture a culture of outstanding work ethic, teamwork, and diligence.
- **Accountability** — Willingness to accept responsibility and honor our commitment.
- **Customer Service Focus** — We are courteous, responsive, and respectful.
- **Trusted Resource** — We are a reliable resource for Iowans.

Division Administration

Stephen Larson . . . . . Administrator

Herbert H. Sutton, Jr. . . . . Operations Bureau Chief

Joshua Happe . . . . Regulatory Compliance Bureau Chief

Leisa Bertram . . . . . Controller

Stephanie Strauss . . . . . Government Relations

Strategic Plan Overview

Goal 1:

Maximize revenue to the General Fund through ongoing improvements in the distribution of spirits.

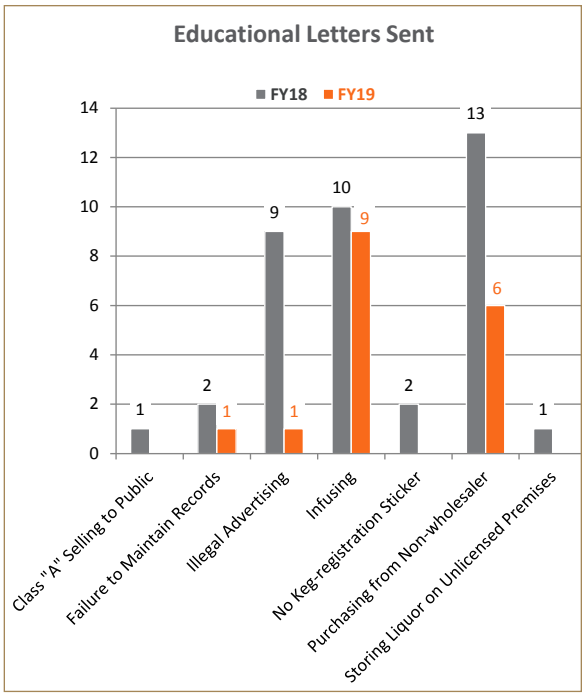
Goal 2:

Provide educational opportunities for internal and external stakeholders, and refresh the regulatory program that ensures licensee compliance.

Goal 3:

Maintain a competitive and transparent environment for Iowa businesses.

Administrative Actions Unit

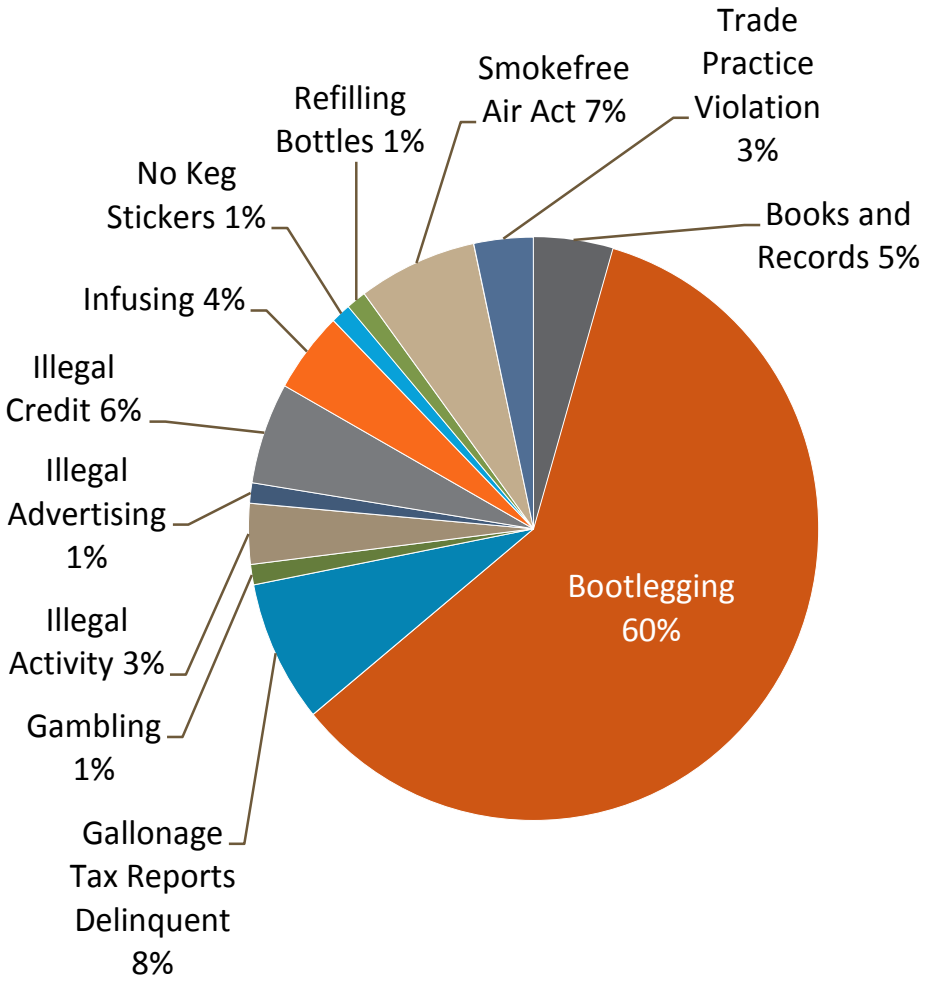


Hearing Complaints

	FY18	FY19
ABD INVESTIGATIONS / INSPECTIONS		
After Hours	2	0
Books and Records	7	4
Bootlegging	40	53
Gallonage Tax Reports Delinquent	0	7
Gambling	0	1
Illegal Activity	6	3
Illegal Advertising	7	1
Illegal Credit	3	5
Infusing	7	4
No Keg Stickers	0	1
Refilling Bottles	1	1
Smokefree Air Act	12	6
Trade Practice Violation	0	3
Total ABD Investigations/Inspections	85	89
INVESTIGATIONS REFERED BY LAW ENFORCEMENT		
1st Sale of Alcohol to Minor	58	51
2nd Sale of Alcohol to Minor	5	2
Sale of Alcohol After Hours	5	4
Total Referred Investigations	68	57
Total ABD Investigations/Inspections	85	89
Total Referred by Law Enforcement	68	57
Total Complaints Processed	**153**	**146**

Administrative Actions Unit

Hearing Complaints from ABD Investigations / Inspections FY19



Retail Licenses and Permits Issued Annual report FY 2019

RETAIL LICENSES / PERMITS	12-Month		8-Month		6-Month		Total		
	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	%Change
On-Premises									
Class "B" Beer Permit (BB)	454	448	14	19	83	71	551	538	-2.4%
Class "A" Liquor License (LA)	129	127					129	127	-1.6%
Class "B" Liquor License (LB)	138	142			1		139	142	2.2%
Class "C" Liquor License (LC)	4,071	4,296	43	45	59	56	4,173	4,397	5.4%
Class "C" Native Distilled Spirits Liquor License (LCN)	5	5					5	5	0.0%
Class "D" Liquor License (LD)	22	21			1	1	23	22	-4.3%
Special Class "C" Liquor License (BW)	555	569	7	6	33	25	595	600	0.8%
Class "C" Native Wine Permit (WCN)	74	96			1		75	96	28.0%
Total	**5,448**	**5,704**	**64**	**70**	**178**	**153**	**5,690**	**5,927**	**4.2%**
Off-Premises									
Class "C" Beer Permit (BC)	1,684	1,658					1,684	1,658	-1.5%
Class "E" Liquor License (LE)	1,473	1,797					1,473	1,797	22.0%
Class "B" Wine Permit (WB)	27	29	1		1		29	29	0.0%
Class "B" Native Wine Permit (WBN)	309	346		1	9	1	318	348	9.4%
Total	**3,493**	**3,830**	**1**	**1**	**10**	**1**	**3,504**	**3,832**	**9.4%**
Special Class "A" Beer Permit (Brewpub)									
Class "B" Beer Permit (BB)	3	4					3	4	33.3%
Class "C" Liquor License (LC)	42	44					42	44	4.8%
Total	**45**	**48**					45	48	6.7%
Charity Beer, Spirits, and Wine Auction Permit (CP)	**89**	**86**					89	86	**-3.4%**
Total of 12 Month to 6 Month Licenses and Permits	**9,075**	**9,668**	**65**	**71**	**188**	**154**	**9,328**	**9,893**	**6.1%**

Retail Licenses and Permits Issued (cont'd) Annual Report FY 2019

RETAIL LICENSES / PERMITS	14-Day		5-Day		Sub-Permit		Total		
	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	%Change
On-Premises									
Class "B" Beer Permit (BB)	24	23	412	467			436	490	12.4%
Class "A" Liquor License (LA)			9	9			9	9	0.0%
Class "B" Liquor License (LB)			1				1	0	-100.0%
Class "C" Liquor License (LC)	14	15	352	399			366	414	13.1%
Class "C" Native Distilled Spirits Liquor License (LCN)									
Class "D" Liquor License (LD)									
Special Class "C" Liquor License (BW)	6	5	195	242			201	247	22.9%
Class "C" Native Wine Permit (WCN)		1	9	27	43	64	52	92	76.9%
Total	**44**	**44**	**978**	**1,144**	**43**	**64**	**1,065**	**1,252**	**17.6%**
Off-Premises									
Class "C" Beer Permit (BC)					1,373	1,696	1,373	1,696	23.5%
Class "E" Liquor License (LE)									
Class "B" Wine Permit (WB)					1,885	2,385	1,885	2,385	26.5%
Class "B" Native Wine Permit (WBN)	3	1	22	3	905	879	930	883	-5.1%
Total	**3**	**1**	**22**	**3**	**4,163**	**4,960**	**4,188**	**4,964**	**18.5%**
Total of 14 Day, 5 Day Licenses and Sub Permits	**47**	**45**	**1,000**	**1,147**	**4,206**	**5,024**	**5,253**	**6,216**	**18.3%**

	FY18	FY19	%Change
Total of All Retail Licenses and Permits, pages 4-5	**14,581**	**16,109**	**10.5%**

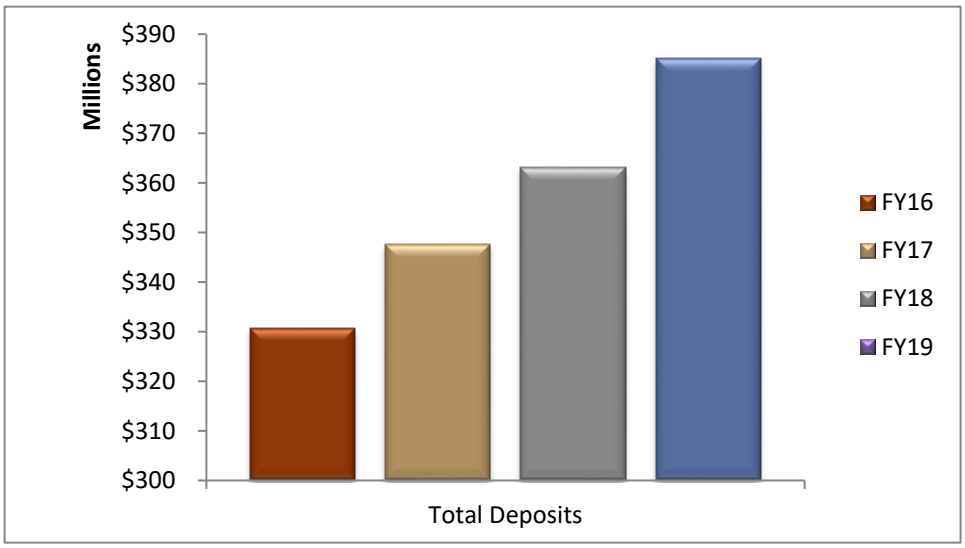
Non- Retail Licenses, Permits, Certificates Annual Report FY 2019

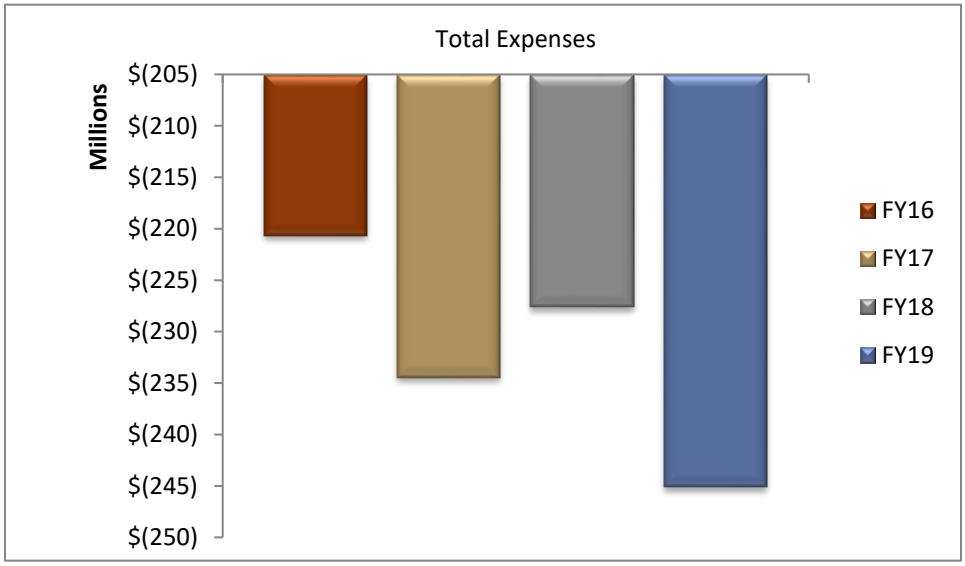
CERTIFICATES	FY18	FY19	FY19 vs. FY18 % Change
Importer/Manufacturer			
Brewer's Certificate of Compliance (CB)	181	181	0.0%
Distiller's Certificate of Compliance (CD)	214	225	5.1%
Vintner's Certificate of Compliance (CV)	627	604	-3.7%
Total	**1,022**	**1,010**	**-1.2%**
Wholesaler			
Class "A" Beer Permit (BA)	40	43	7.5%
Class "A" Wine Permit (WA)	33	33	0.0%
Total	**73**	**76**	**4.1%**
In-State Manufacturer			
Class "A" Beer Permit (BAN)	63	66	4.8%
Class "A" Wine Permit (WAN)	112	119	6.3%
Class "A" Native Distilled Spirits (ND)	16	16	0.0%
Manufacturer's License (CM)	16	10	-37.5%
Total	**207**	**211**	**1.9%**
Special			
Broker's Permit (SP)	**35**	**37**	**5.7%**
Wine Direct Shipper Permit (DS)	**942**	**1,007**	**6.9%**
Wine Carrier Permit (AC) *	**4**	**4**	**0.0%**
* All AC's issued a one-time permit in 2010.			
Total of all Non-retail Licenses and Permits	**2,283**	**2,345**	**2.7%**

	FY18	FY19	% Change
Total of all Retail and Non-retail Licenses and Permits, pages 4-6	**16,864**	**18,454**	**9.4%**

Liquor Control Trust Fund Summary Annual Report FY 2019

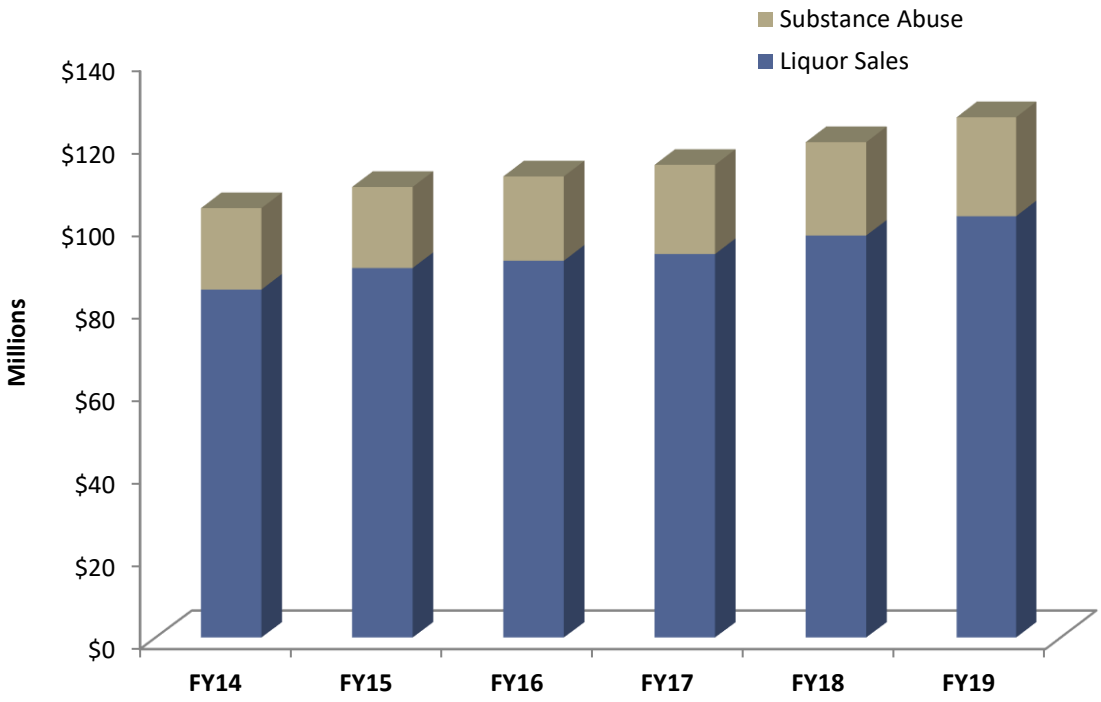
	FY2017	FY2018	FY2019
Sale of Liquor	$ 305,619,126	$ 320,049,812	$ 339,537,641
Sale of Licenses	$ 15,664,468	$ 16,613,682	$ 18,733,557
Beer Tax Collected	$ 13,904,082	$ 13,592,912	$ 13,438,680
Wine Tax Collected	$ 8,078,043	$ 8,166,553	$ 8,219,810
Miscellaneous Revenue	$ 4,503,333	$ 4,731,204	$ 5,290,473
Total Deposits	**$ 347,769,052**	**$ 363,154,163**	**$ 385,220,161**
Total Expenses	$ (234,511,967)	$ (227,665,459)	$ 245,151,122)
Total Revenues	**$ 113,257,085**	**$ 135,488,704**	**$ 140,069,039**





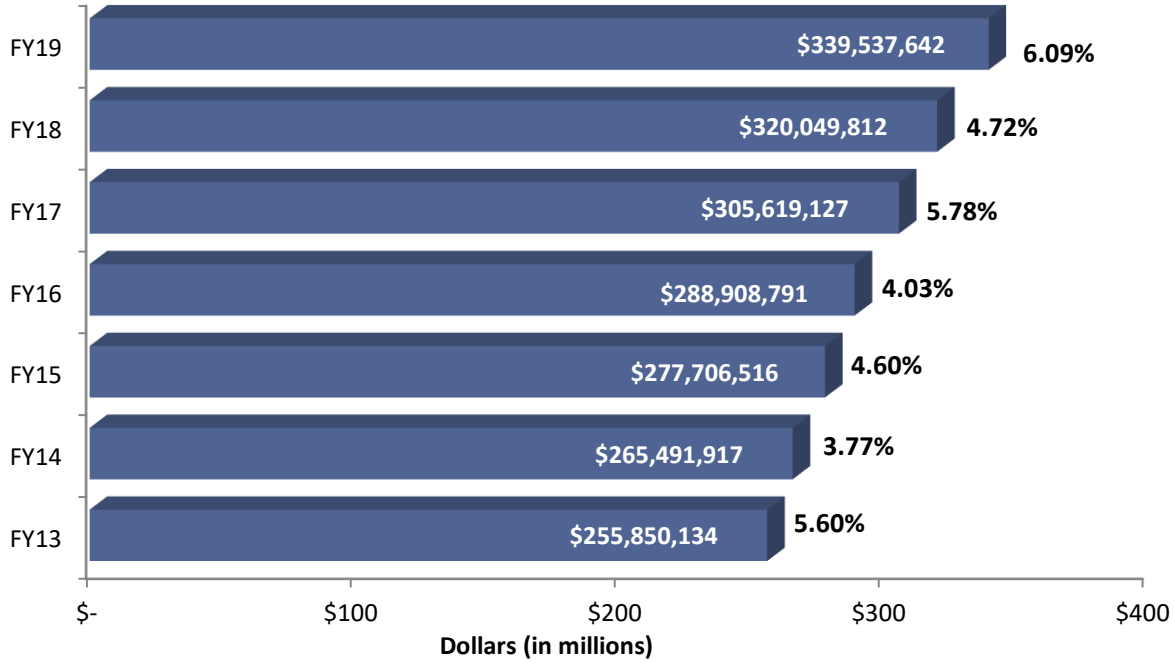
Reversion Analysis Summary Annual Report FY 2019

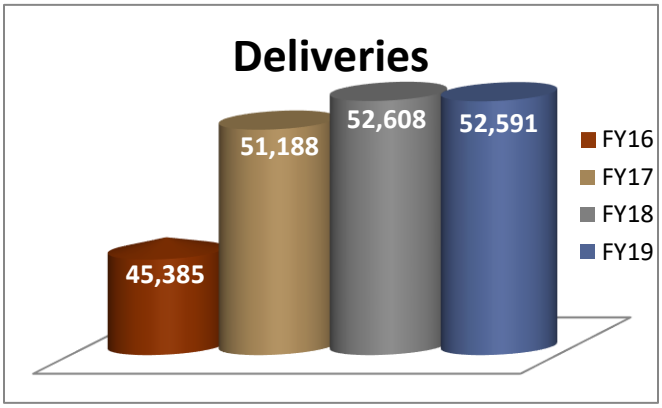
Each year the Division transfers as monthly reversion amount of all revenues from liquor sales, license fees, and other sources back to the State General fund. This reversion is then appropriated out to other departments and agencies throughout the state. The Division provides an estimate of this total number to be used in budgeting and is required to fulfill this estimated amount. The estimate is derived using past and current sales and reflects the overall growth of the Division as it continues to serve Iowans through the responsible regulation, sale and distribution of spirits.

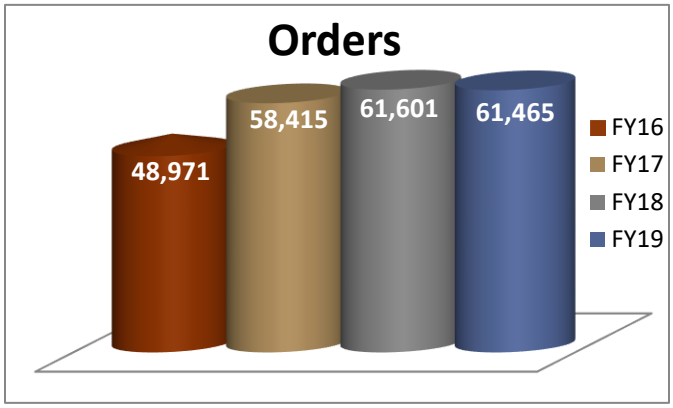


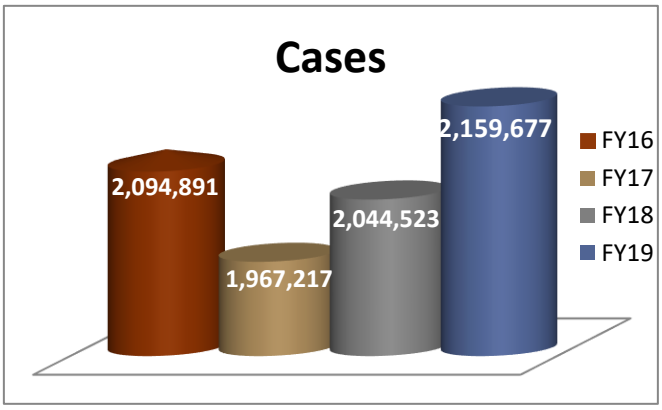
Fiscal Year	Liquor Sales	Substance Abuse	Total Reversion
FY14	$84,500,000	$19,635,954	$104,135,954
FY15	$89,697,323	$19,539,339	$109,236,662
FY16	$91,460,077	$20,328,191	$111,788,268
FY17	$93,067,415	$21,502,071	$114,569,486
FY18	$97,534,820	$22,513,750	$120,048,570
FY19	$102,180,835	$23,875,595	$126,056,430

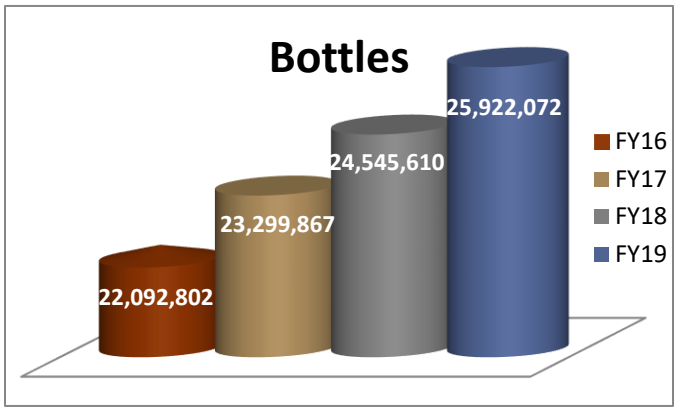
Annual Liquor Sales Comparison Annual Report FY 2019





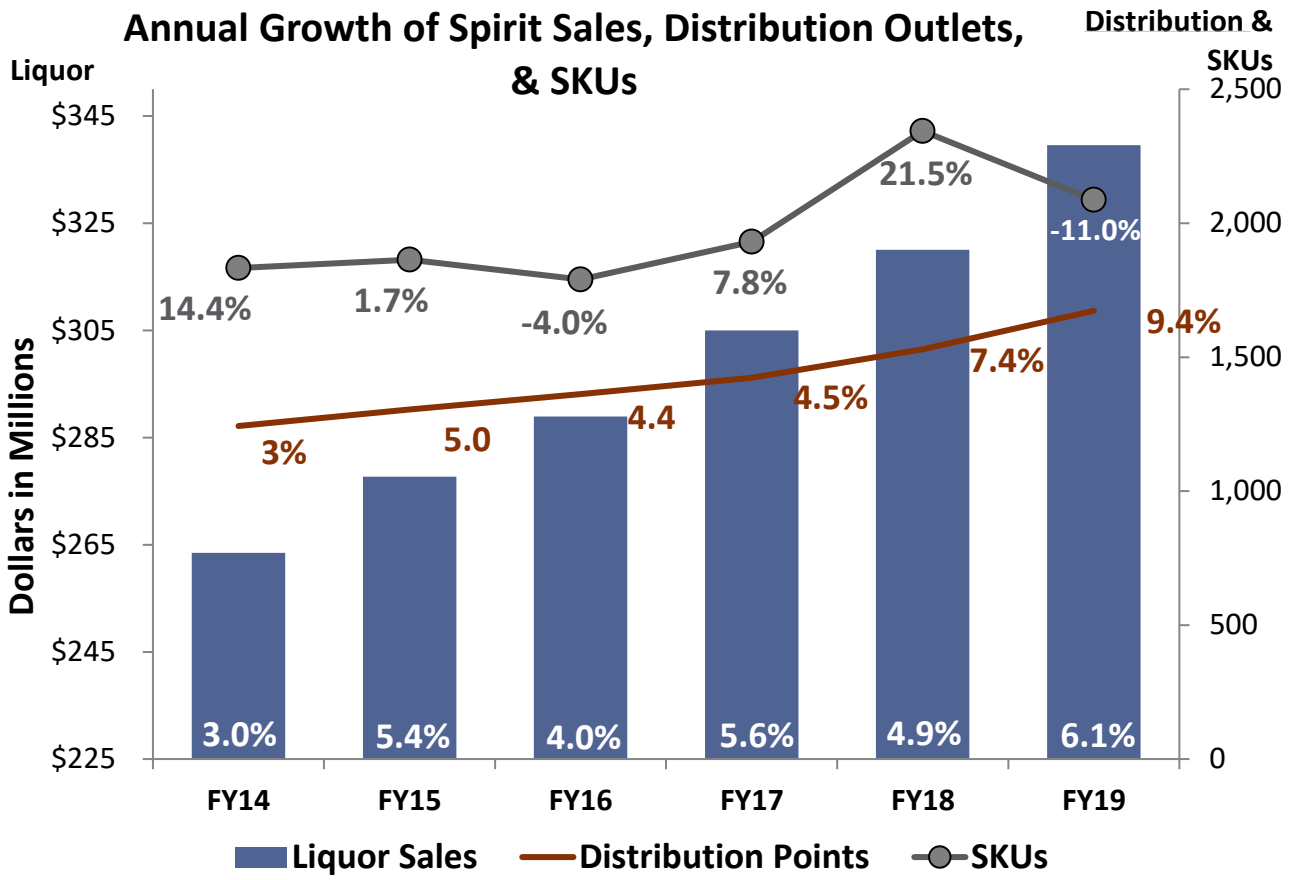






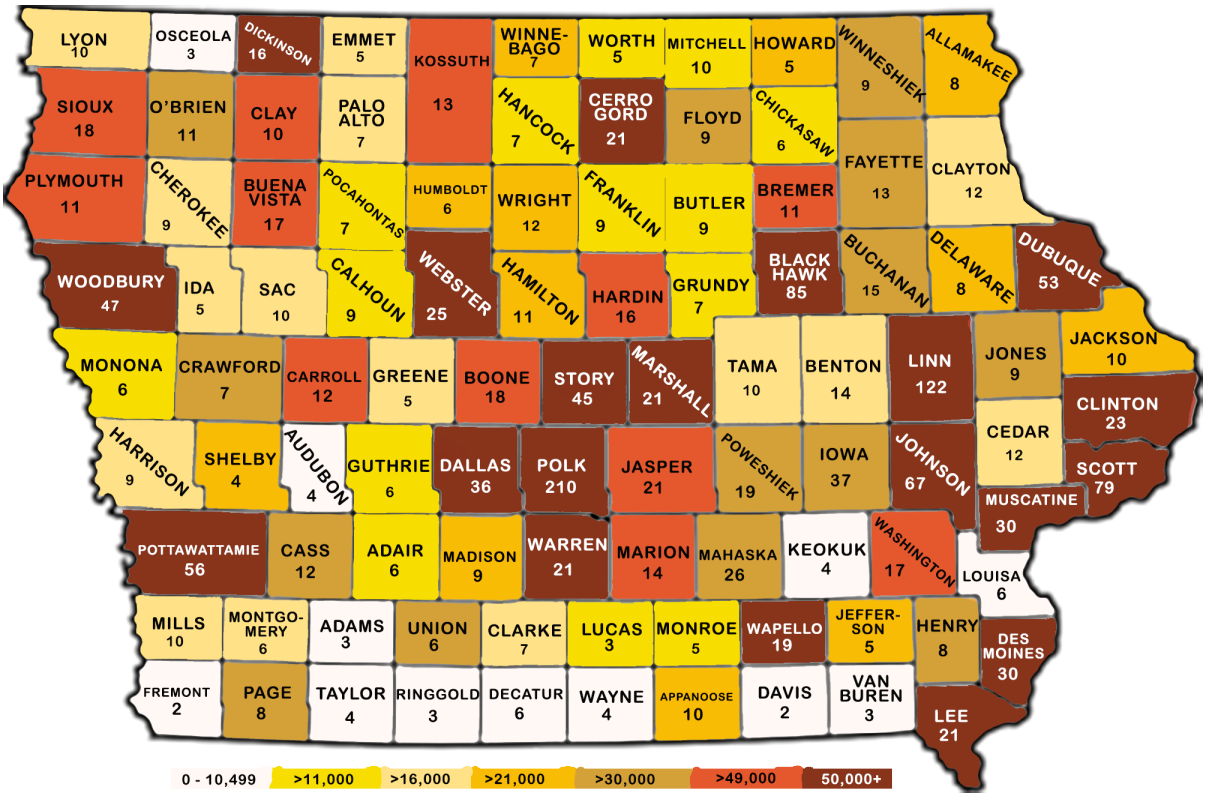
Class "E" License and SKU Growth Annual Report FY 2019

The Division has experienced growth in many aspects of the business model, including class "E" licensees and SKUs. More class "E" licenses increase the number of distribution points delivered to on a weekly basis. The number of SKUs refers to the diverse catalog of products offered for distribution to class "E" licensees. The following graph depicts the growth of liquor sales as well as the distribution and SKU growth over the last 5 years.



Fiscal Year	Liquor Sales	Distribution Points	SKUs
FY14	$ 263,495,000	1,243	1,833
FY15	$ 277,706,000	1,305	1,864
FY16	$ 288,908,000	1,362	1,790
FY17	$ 305,000,000	1,423	1,930
FY18	$ 320,049,812	1,529	2,344
FY19	$ 339,537,642	1,673	2,087

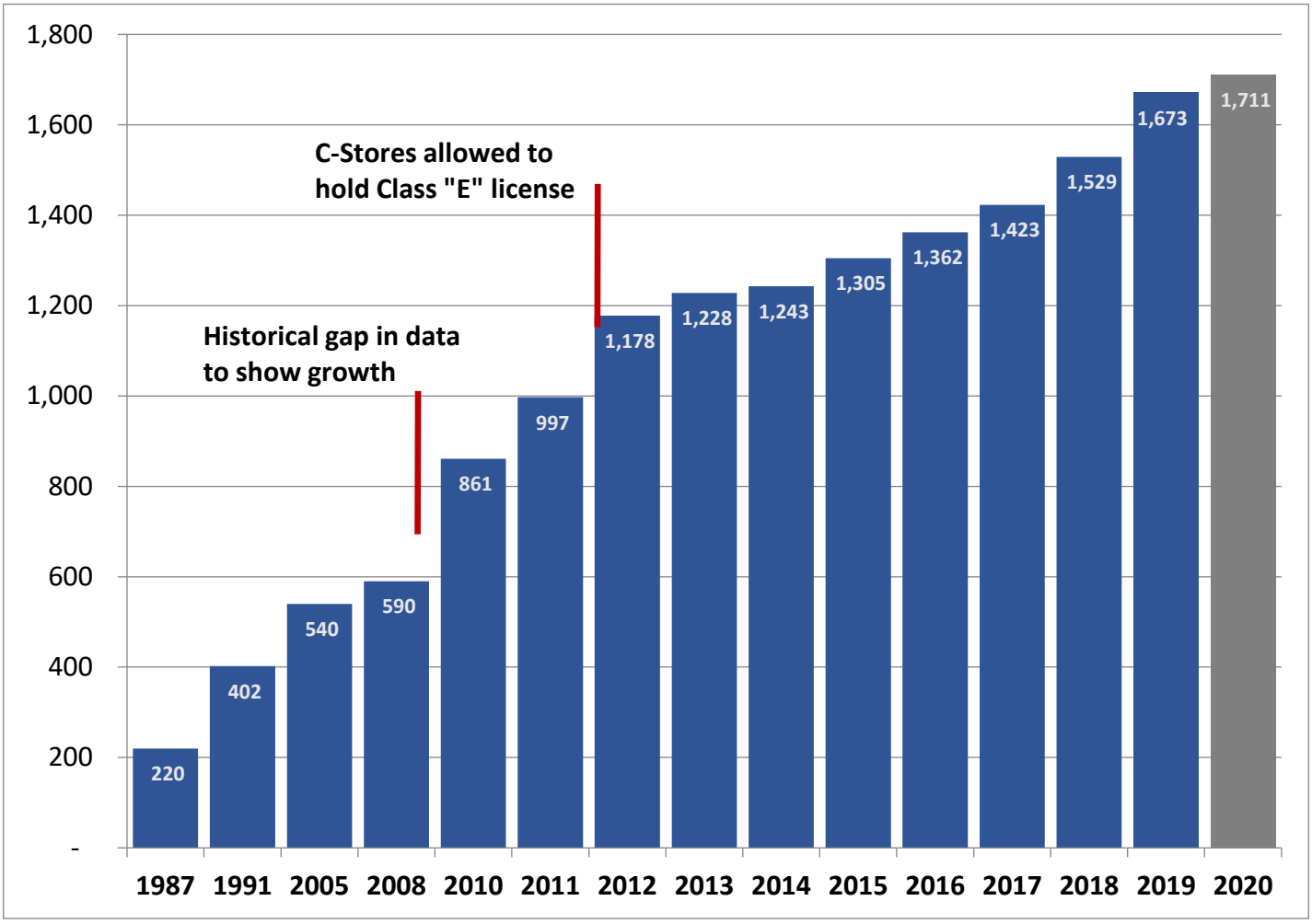
Gallons Sold and Total Distribution Points by County



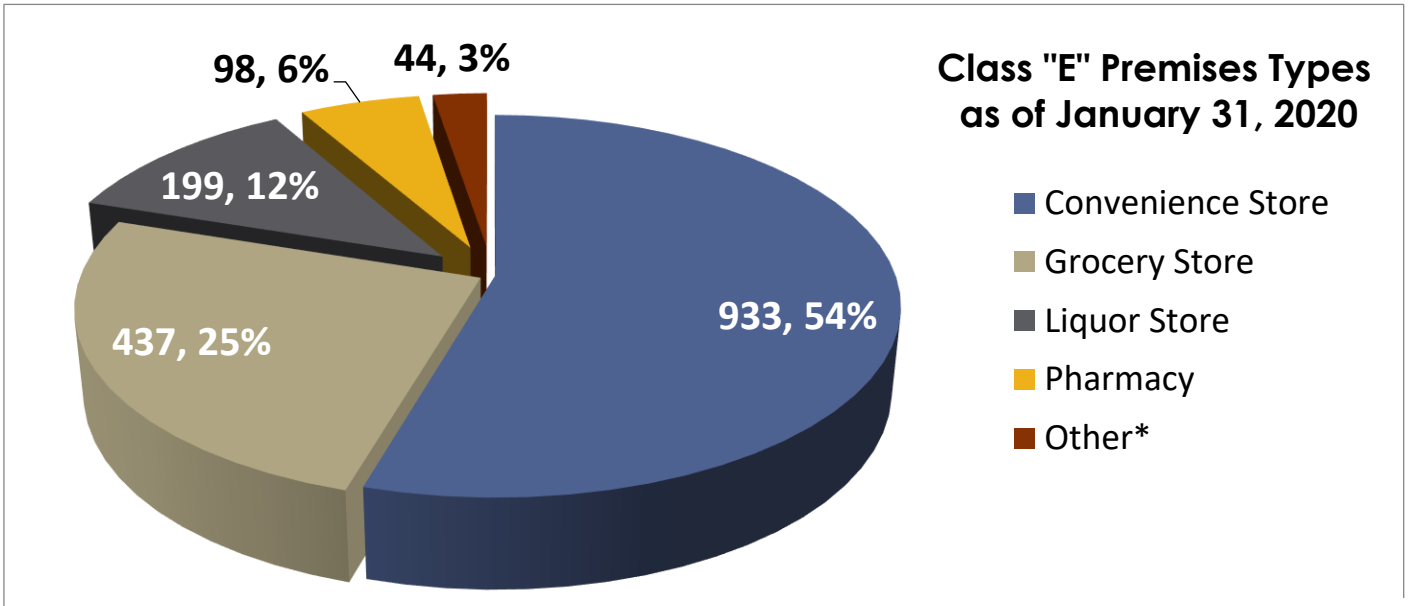
* Iowa Alcoholic Beverages Division distributed to 1,673 retailers in the state of Iowa

The above heat map shows the total number of class "E" licensees per county. The Division distributes to all of these license holders from one central warehouse located in Ankeny. The color of the county corresponds to the total amount of liquor sales sold from the Division to the class "E" licensees within that county. The darker the county, the greater amount of liquor sales. Class "E" license holders sell directly to the public via retail sales or to on-premises liquor license holders. To sell to on-premises license holders, a class "E" must hold a federal wholesale permit.

Class "E" License Growth Current Operations FY 2020



In 2012 there was an increase in the number of Class E License holders due to a change in the licensing that allowed convenience stores to be license to sell liquor. Since that time, the number of Class E license holders continues to grow and increases the number of distribution points across the State of Iowa. As we continue to pursue our mission, the Division is committed to serving these Class E customers through the responsible and efficient distribution of alcohol.

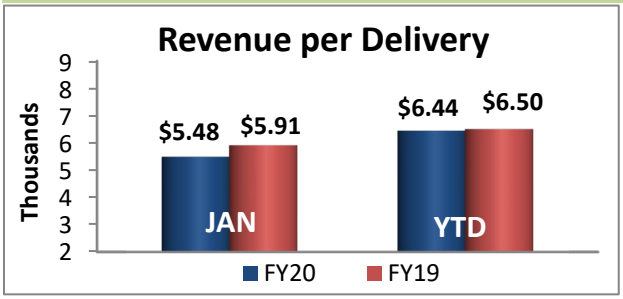


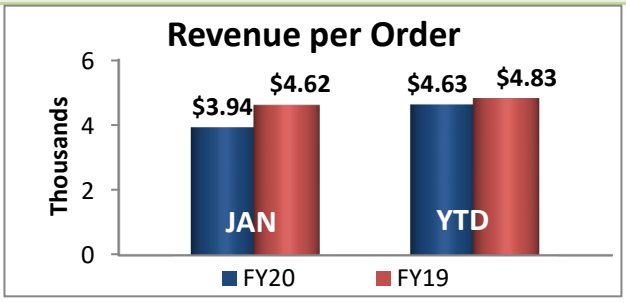
*Other Category represents Discount Store, Casino, Hotel, Redemption Center, Specialty Shop

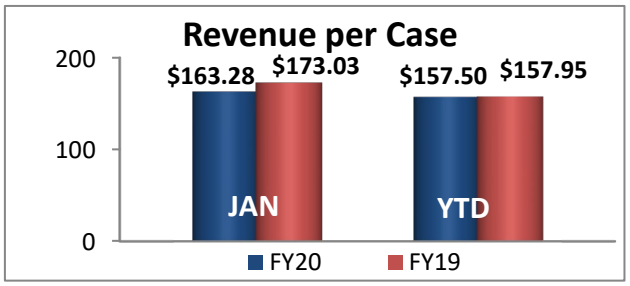
Revenue and Sales Comparison Current Operations FY 2020

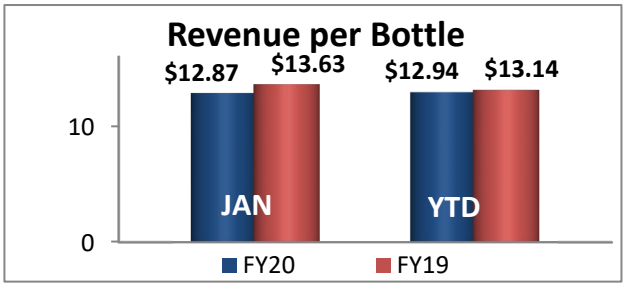
Month of January FY20

Category	FY 2020	FY 2019	% Change
Liquor Sales	25,333,038	25,368,632	-0.14%
Split Case Fee	128,658	135,720	-5.20%
Bottle Dep and Sur	262,593	257,369	2.03%
Total Revenue	25,724,289	25,761,721	-0.15%
Deliveries	4,691	4,361	7.57%
Orders	6,536	5,578	17.17%
Cases	157,544	148,885	5.82%
Bottles	1,999,285	1,890,270	5.77%
Picks	411,365	407,073	1.05%



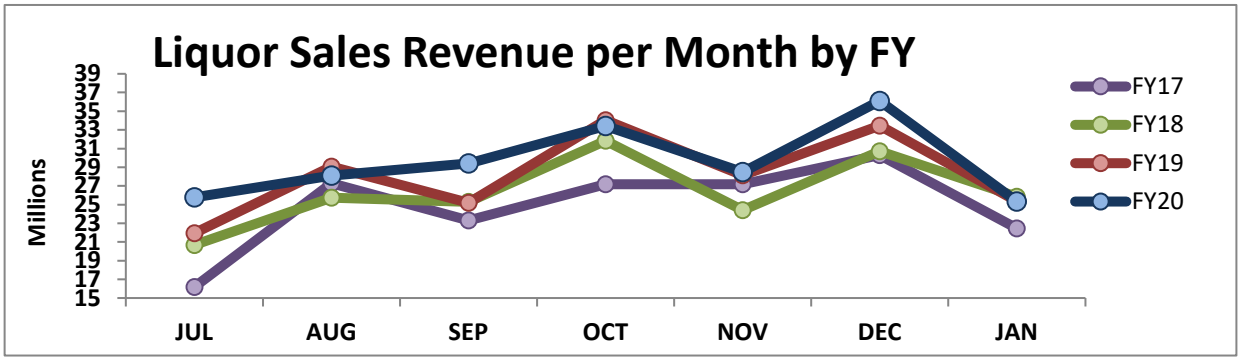






July - January Sales Comparison FY20 Year to Date

Category	FY 2020	FY 2019	% Change
Liquor Sales	206,617,532	197,207,694	4.77%
Split Case Fee	909,800	903,204	0.73%
Bottle Dep and Sur	2,067,342	1,892,066	9.26%
Total Revenue	209,594,674	200,002,964	4.80%
Deliveries	32,538	30,766	5.76%
Orders	45,247	41,446	9.17%
Cases	1,330,758	1,266,274	5.09%
Bottles	16,194,852	15,221,447	6.39%
Picks	3,217,004	3,142,368	2.38%
JUL- JAN Average Sale Days Comparison	+1		JAN - Even



1934

- **March 6:** The Iowa Liquor Control Act is enacted.
- Iowa assumes direct 'control' over the wholesale and retail sale of all alcoholic liquors except beer.
- The Iowa Liquor Control Commission is established.
- There were 71 different brands available in 1934. Today there are over 2,100.
- Seagram's 7 Bourbon cost $2.95 for one quart. One quart today would cost around $10.

1987 — 220 LE Licenses

- State Stores are Privatized

1991 — 402 LE Licenses

- **October 1:** RFP Issued
- **November 22:** Contract Signed with JA Jones

1992 — 450 LE Licenses

- Services Begin with JA Jones

2004 — 520 LE Licenses

- **May 5:** JA Jones Declares Bankruptcy & ABD Resumes Services

2005 — 540 LE Licenses

- **July 7:** RFP Issued
- **October 17:** Bids Due
- **November 29:** Bid Awarded to Crystal to Warehouse & ABD for Transportation Services

2006 — 555 LE Licenses

- **February 1:** Crystal Begins Warehouse Operations
- **May 1:** Contract Terminated & ABD Resumes All Services

2016 — 1377 LE Licenses

- **April 19:** Johnson Stephens Consulting Firm Report Released
- **December 1:** ABD and DAS Procurement begin forming RFP

2017 — 1459 LE Licenses

- **May 8:** RFP Issued
- **May 9:** Solicitation of Proposals Began
- **September 25:** Evaluation of Proposals Began

2018 — 1555 LE Licenses

- **February 5:** DAS Procurement RFP Proposal Evaluation Report Issued
- **February 15:** Intent to Award Announced
- **March 5:** Introduction Meeting with Ruan
- **June 1:** Contract Development with Ruan Began
- **November 1:** Implementation/ Transition Phase Begins
- **December 5:** Contract Signed with Ruan
- **December 15:** Ruan Kickoff with ABD Staff

2019 — 1575 LE Licenses

- **April 11:** ABD's Final Day Picking Inventory
- **April 12:** ABD's Final Day of Deliveries
- **April 15:** Services Began with Ruan

2020

- **January 31:** 1711 Active Class LE Licensees

Fulfillment of Spirits Operations 1934- 2020

ALCOHOLIC BEVERAGES DIVISION
State of Iowa

Ruan Operational Forecast Current Operations FY 2020
Through February 2020

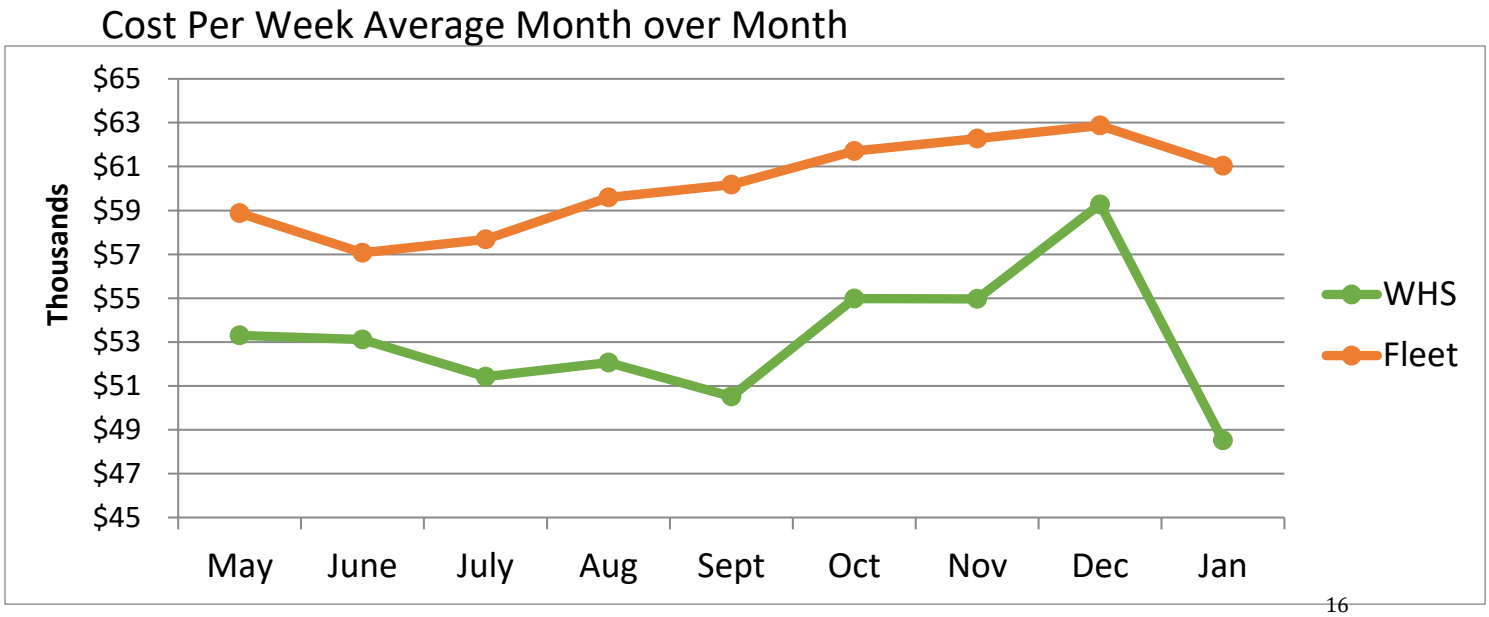
Average Ruan Weekly Invoice amount for FY20

- Warehouse $53,029.29
- ABD Overhead $5,428.50
- Fleet $60,249.58

Yearly Estimation*

- Warehouse $3,039,805
- Fleet $3,132,978

	ABD Estimate Based on Cost Analysis FY2018	Ruan Estimate* WHS and ABD combined	Amount Change	Percent Change
Warehouse	$2,832,430	$3,039,805	$208,375	7.32%
Fleet	$3,251,967	$3,132,978	($118,989)	(3.66%)
Total	$6,084,397	$6,172,783	$88,386	1.45%



FACT SHEET

WWW.RUAN.COM |

RUAN

OUR MISSION

Empower the best team in logistics to deliver exceptional experiences that create value for our partners.

COMPANY FACTS

+ Privately held, family-owned corporation
+ Founded in 1932 and headquartered in Des Moines, IA
+ Asset-based 3PL
+ Manage over $1.35 billion in annual transportation spend
+ Customer-dedicated warehouse space
+ 16,000 active carrier partnerships
+ 300 operations nationwide
+ 6,000 employees
+ 4,600 professional drivers
+ Own or operate 4,000 power units and 10,000 trailers

FLEXIBLE INTEGRATED SUPPLY CHAIN SOLUTIONS

Ruan's Integrated Supply Chain Solutions combine the flexibility of non-asset and asset-based capabilities with optimal technology and superior service. We partner with you to evaluate, optimize, and deliver a one-source, customized supply chain solution focused on continuous improvement, cost reduction initiatives, and overall supply chain efficiency.

FOUNDED IN 1932

Megasafe
Ruan Safety Program

6,000 team members

more than 300 operations nationwide

24/7 customer care

RUAN'S INTEGRATED SUPPLY CHAIN SOLUTIONS SERVICES

Managed Transportation

+ Capacity management and sourcing
+ Supply chain network optimization
+ Invoice audit and freight payment
+ Real-time shipment visibility
+ Resource scheduling

Dedicated Contract Transportation

+ Superior service with true dedicated transportation, not simply capacity
+ Drivers, equipment, and execution team are assigned to each client, creating lower turnover, more effective training, and improved security and product safety
+ Expertise with various equipment types, industries, and specialized commodities

Value-Added Warehousing

+ Dedicated and agile value-added warehousing
+ Engineered facility design
+ Site selection
+ Labor management
+ Inventory management
+ Kitting and subassembly

Brokerage Services

+ Annual or short-term contracted rates and capacity
+ Single-source capacity provider
+ Support for dedicated or private fleets
+ Brokerage services assists our clients with DCT fleets, warehousing services, and contract logistics agreements

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DEDICATED CONTRACT TRANSPORTATION + MANAGED TRANSPORTATION + VALUE-ADDED WAREHOUSING + BROKERAGE SERVICES

FACT SHEET

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RUAN

State of Iowa ALCOHOLIC BEVERAGES DIVISION

Integrated Supply Chain Solution

+ Delivering to 1,500 locations and managing approximately 2,300 SKUs
+ 18 professional drivers and 30 warehouse personnel
+ Providing state-of-the-art technology
+ Complying with all regulatory and safety requirements
+ Implementing an equipment and maintenance strategy to keep IABD's operation running efficiently and safely

Results

+ IABD has reduced risk, built flexibility and scale, and maximized profits.

"This partnership with Ruan enables ABD to provide the highest level of service to our customers. With a trusted and capable partner, we are able to focus on our core responsibility of governing the alcoholic beverages marketplace in Iowa."

- State of Iowa ABD Administrator Stephen Larson

Contact Ruan's supply chain experts at solutions@ruan.com to explore your options.

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