

BEMIDJI CITY COUNCIL

Special Work Session Agenda

Monday, September 25, 2017

**City Hall
Conference Room
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL

2. LIQUOR STORE FINANCING & SUNDAY SALES

3. ADJOURNMENT

COUNCIL AGENDA ITEM



Meeting Date: September 25, 2017

Action Requested: Liquor Store Related Topics

Prepared By: Ron Eischens, Finance Director *Ron*

Reviewed By: Nate Mathews, City Manager *Nate*

Sunday Sales

The Council met in May to review options regarding City liquor stores being open on Sunday. At that time, Council direction was to remain closed, due in part to competitors expressing their desire to remain closed on Sunday. Shortly before July 2, the first Sunday of legal alcohol sales, staff learned the local competition was opening. Therefore, with Council consensus, City liquor stores were open on Sunday.

As projected, Sunday sales cover slightly more than labor costs, which does not consider the impact on Friday and Saturday sales. The summer and holiday season represent the strongest months of the year for customer traffic and sales. Sales in June to August represent 30% of annual totals.

Average Sunday sales since July 2nd (total of 12 Sundays) are \$9,640 for the two stores. Since Labor Day, Sunday sales are hovering at the \$7,000 level. Staff anticipate the \$7,000 trend will continue unless there is a special event or holiday weekend.

The benefit of being open on Sunday is primarily for customer convenience, which in turn should generate a loyalty factor. However, being open on Sunday is not generating significant new profits for the City. July 2017 sales were \$7,600 lower than July 2016, even though stores were open on Sunday. However, August 2017 sales were \$20,400 higher than August 2016. Net increase in sales over the two months was \$12,800. Two months is an insufficient time line to determine any trends.

Summary

If the Council desire is to remain open on Sunday, staff suggest closing the Lakeview location at this time, with possibility of opening both stores at the start of next summer.

New Liquor Store Update/Financing

The architectural contract was recently completed and signed. Preliminary estimates for building size and related costs are not yet available. Staff plan to have this information available in the next 90 days.

The Liquor fund currently has cash of \$1 million. While these funds can be used to pay for land acquisition, staff recommend bonding for land and construction costs in 2018. While bonding does increase City debt, having cash reserves available for unplanned projects or emergencies has value as well. Bonds can be structured to allow for prepayment if future liquor profits can accommodate doing so, saving interest costs.

Recommendation

When construction cost estimates become available, staff recommends bonding in early 2018 to cover land and building costs, saving liquor reserves for unplanned and/or unexpected needs.