



**FINANCE DEPARTMENT
MUNICIPAL COLLECTOR'S DIVISION
M E M O R A N D U M**

TO: Mayor Prussing & Ron Eldridge, Comptroller
FROM: Delora Siebrecht, Finance Office Manager
DATE: July 23, 2007
RE: Liquor License Fee Review

Brief Description of the item

Review of fees for all classes of liquor licenses and comparison of Urbana's fees with those of other cities, especially Champaign. While comparison of liquor license fees is extremely difficult (as illustrated below), I believe that we can agree that Urbana's fees are higher than Champaign's. This is because, Champaign has made a political decision not to increase liquor license fees, even though their staff has recommended this action and acknowledged that costs to administer liquor licenses increases annually by at least an inflation factor. In effect, they are underwriting or supporting the cost of administering liquor licenses by other general revenues, i.e. property taxes. Liquor licenses generate \$240,000 year in Urbana (1/2 of this amount in Class A) and all types of fees, licenses, permits and charges generates \$5.1 million annually to the general fund (many of these fees are paid by businesses).

Background / facts

The method that each city uses to calculate fees for each class of liquor license is quite different which makes a comparison difficult. While the base fee is lower in Champaign, they require various riders for additional services, with limits on each of the types of liquor that can be sold under each of these riders. Along with these limits, they require substantial record keeping and documentation to be submitted to the City to verify that these license holders are not exceeding these limits. Along with the additional burden placed on the license holders, City staff is required to spend considerable time in verifying these records, calculating various ratios, and possible subsequent followup, as illustrated below:

Urbana

- Fees are based on the types of liquor being sold - wine, beer or hard liquor.
- How it is sold to the public, by drink or package or a combination of both.
- Whether it is consumed on or off premise.
- Whether the establishment also does catering.

Champaign

- Fees are based on how the liquor is sold, by drink or package (Champaign does not separate wine and beer from other types of liquor.)
- The size of the establishment, based on occupancy.

- Whether the business is a restaurant or a bar – determined by the percent of food to liquor sales.
- If a restaurant has a separate lounge – size of lounge is restricted.
- Whether package liquor is sold – limited to a specific percent of liquor sales.
- Whether the establishment also does catering.
- Businesses that obtain R licenses (restaurants) must track and separately report food and liquor sales.

Below is more detail on the different classes and how the fee is calculated.

Class A – All Types of Liquor

Urbana:

Issued to bars and restaurants

Permits the unlimited sale of all types of liquor by drink on premise

Permits the unlimited sale of package liquor for off premise consumption

Fee - \$4,270.

Champaign:

Issued to bars

Permits the sale of all types of liquor by drink on premise

Base Fee \$1900 – Occupancy under 150

Occupancy 150 and over, \$5 per seat up to a maximum of \$3,200.

Additional rider: Package Liquor \$200 (limited to 15% of total alcohol sales)

Maximum fee - \$3,400.

Comparisons:

A small business in Urbana, such as the Embassy, pays \$4,270 for a license that allows sales by drink and package. A bar the size of the Embassy located in Champaign would pay approximately \$1,900 but they would not be allowed any package sales.

A business the size of The Office pays \$4,270 for a license that allows sales by drink or package. A similar size business in Champaign would pay \$2,050 but must limit package sales to 15%.

A business the size of The Canopy Club pays \$4,270 for a license that allows sales by drink or package. A similar size business in Champaign would pay \$3,200 but must limit package sales to 15%.

Class B – Wine and Beer

Urbana:

Issued to restaurants and convenience stores

Sales limited to wine and beer only

Fee - \$2,296 by drink or package liquor

Fee - \$2,919 for package liquor only

Champaign does not have a separate license for wine and beer only.

An example of Urbana businesses that pay \$2,296 and can sell wine and beer only by drink or package are The Bread Co. and Monical's Pizza. Businesses that pay \$2,919 to sell package liquor only are convenience stores like Super Pantry and Mac Stores.

Class R-1 and R-2 - Restaurants

Urbana does not have a separate license class for restaurants that sell liquor.

Champaign:

Class R-1 licenses can sell by drink on premise

A separate lounge is allowed but cannot exceed 25% of the public area

Must have a kitchen to dining areas ratio of 25% to 75%

Alcohol sales cannot exceed 40% of combined food and liquor sales

Package liquor rider - \$200, sales are limited to 15% of liquor sales

Must track and separately report food and liquor sales

Base Fee – Occupancy under 150 - \$1,900

Occupancy 150 and over, additional \$5 per seat up to a maximum of \$3,200.

Inside dining areas calculated at \$2.50 per person.

Total fee \$3,400

Class R-2 is basically the same as above but does not allow a separate lounge area and a package rider is \$300. Base Fee – Occupancy under 150, \$1,050

Occupancy 150 and over, additional \$5 per seat up to a maximum of \$3,200.

Total fee \$3,500

Comparison:

An example of an Urbana business is Kennedy's that sells all types of liquor by drink or package - Fee \$4,270. A similar business in Champaign would pay approximately \$3,000 for an R-1 but must stay within the 40% limit on liquor sales, have package sales limited to 15% and meet the kitchen and lounge size and ratio restrictions. Additional reporting of types of sales required.

Class C – Package Liquor

Urbana:

Permits the sale of all types of package liquor - Fee \$4,165

Permits the sales of packaged wine and beer - Fee \$2,919

Champaign:

Permits the sale of all types of package liquor - Fee \$1,900

Class AA - Hotel-Motel

Urbana:

Multiple classes of licenses for hotels

Conference center and banquet services - Fee \$4,270

Additional lounge - Fee \$2,493

Banquets only - Fee \$765

Liquor cabinets - Fee \$1,145

Champaign:

Base fee - \$1900 for Occupancy under 150

Occupancy 150 and over, additional \$5 per seat up to a maximum of \$3,200

Additional fee of \$50 per convention and banquet room (not to exceed \$500)

Maximum fee - \$3,700

Comparison:

Urbana's Holiday Inn pays liquor license fees of \$7,908 and Park Inn pays \$4,270. In Champaign, a similar hotel without a lounge pays \$2,050. A reception/banquet hall pays \$3,000.

Class CA - Catering

Urbana:

Catering only license - Fee \$1,145 (cannot exceed 40% of gross revenue per event)
In coordination with another class of license – Fee \$765

Champaign:

Catering only license - Fee \$1,050 (cannot exceed 40% of gross revenue per event)
In coordination with another class of license - Fee \$300

Sidewalk Café and Special Event type licenses for both Urbana and Champaign are similar and minimal amounts.

Recommendation: Given the financial projections of the next 3-4 years for the City of Urbana, which indicate the City will be searching for additional revenues or possibly forced to reduce service levels, I believe that the City should continue to increase the charge for all permits and licenses by a factor that corresponds with the increased cost of administering the services provided under these permits and licenses.