Taxable revenues reported by Minneapolis businesses with on-sale liquor licenses before and after enactment of the Indoor Smoking Ordinance:

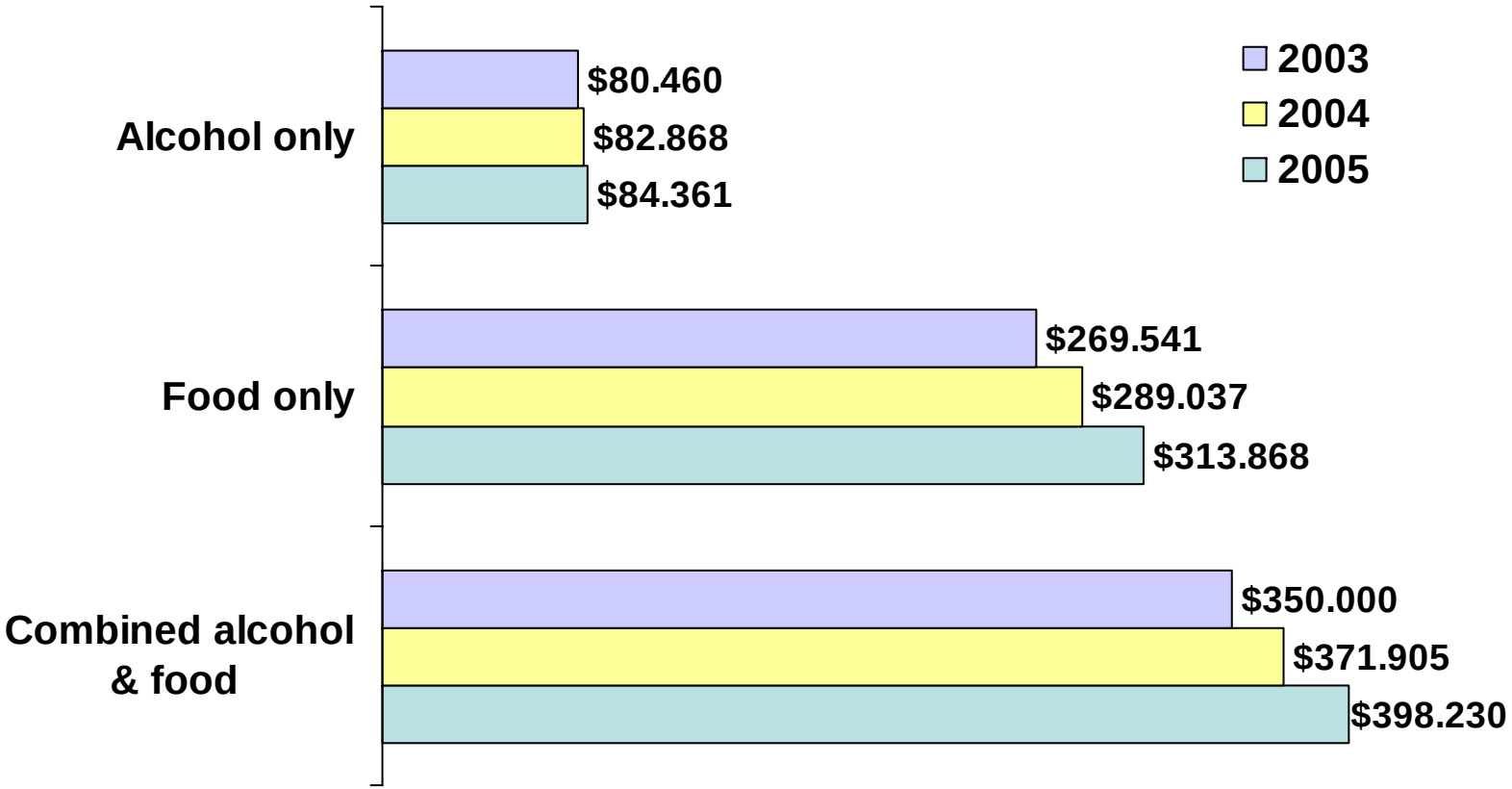
A comparison of revenues for the 6-month periods from April-September in 2003, 2004, and 2005

Presented to the City Council, Health, Energy and Environment Committee by the Departments of Health and Family Support and Regulatory Services, March 20, 2006

Study methods

- Includes all on-sale liquor licensees (“hard” liquor, wine & beer) that reported revenues for the 2nd and 3rd quarters (April-September) after ordinance enactment in 2005, and for the same period in 2004 and 2003.
- All licensees were classified into one of 8 business types.
- Businesses licensed to serve “hard” liquor and located in one of 4 major commercial areas were grouped by location.
- Both classification schemes were made in consultation with hospitality industry representatives.
- Aggregate revenue data for these predefined groups were provided by the Minnesota Department of Revenue.

Sales revenue totals for all on-sale liquor licensees, by year, in $ Millions (n=353)



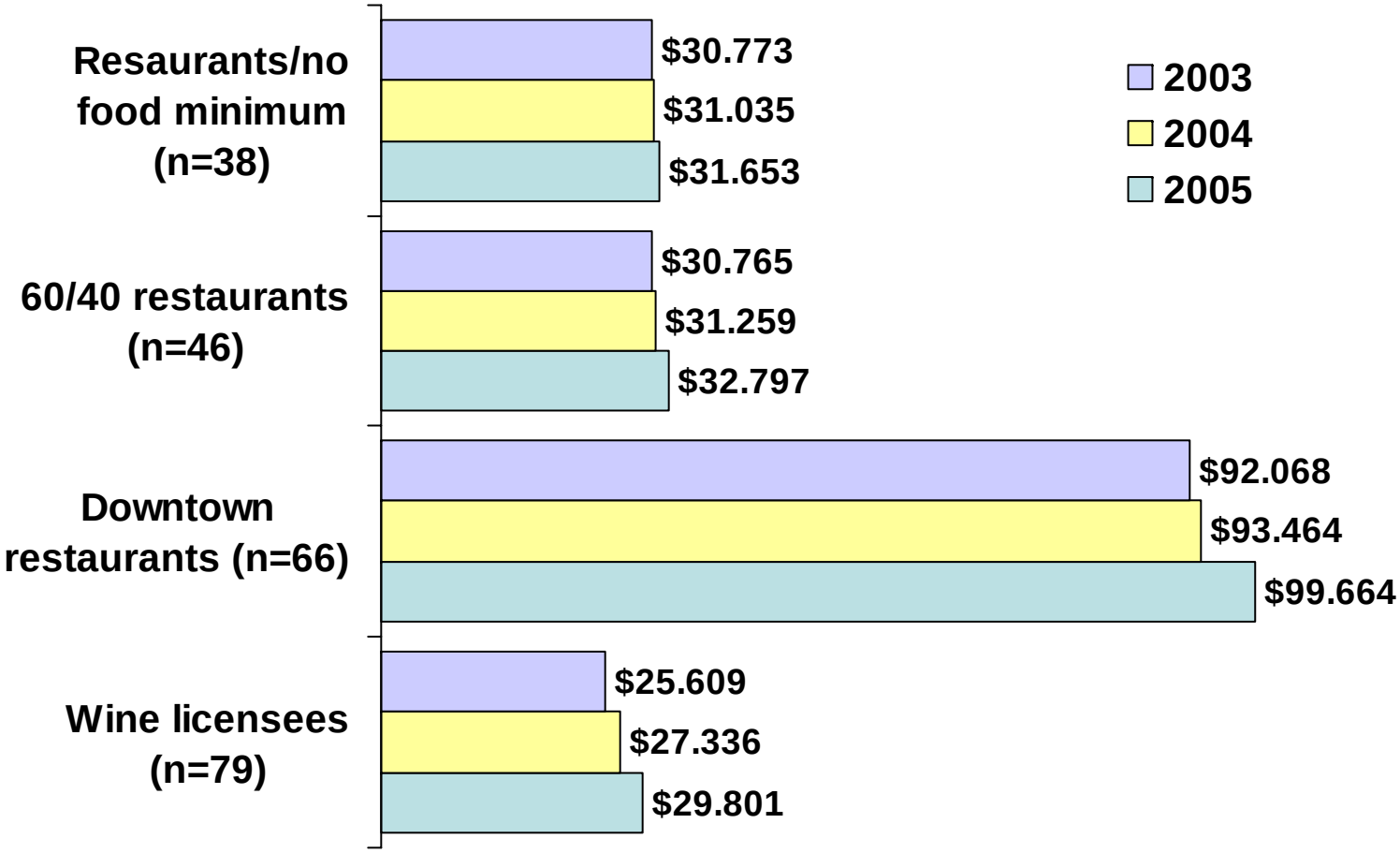
Sales revenue totals for all on-sale liquor licensees, by year, in $ Millions (n=353)

- Revenues for alcohol and food sales combined increased 7.08 percent for the second and third quarters of 2005 (post-ordinance) compared with the same period in 2004. This rate of increase was greater than the 6.26 percent increase from 2003 to 2004.

- Food sales revenues increased 8.59 percent from 2004 to 2005 compared with a 7.23 percent increase from 2003 to 2004.

- Alcohol sales increased 1.80 percent from 2004 to 2005 compared with 2.99 percent increase from 2003 to 2004.

Combined alcohol and food sales revenues for 4 of 8 business types, by year, in $ Millions



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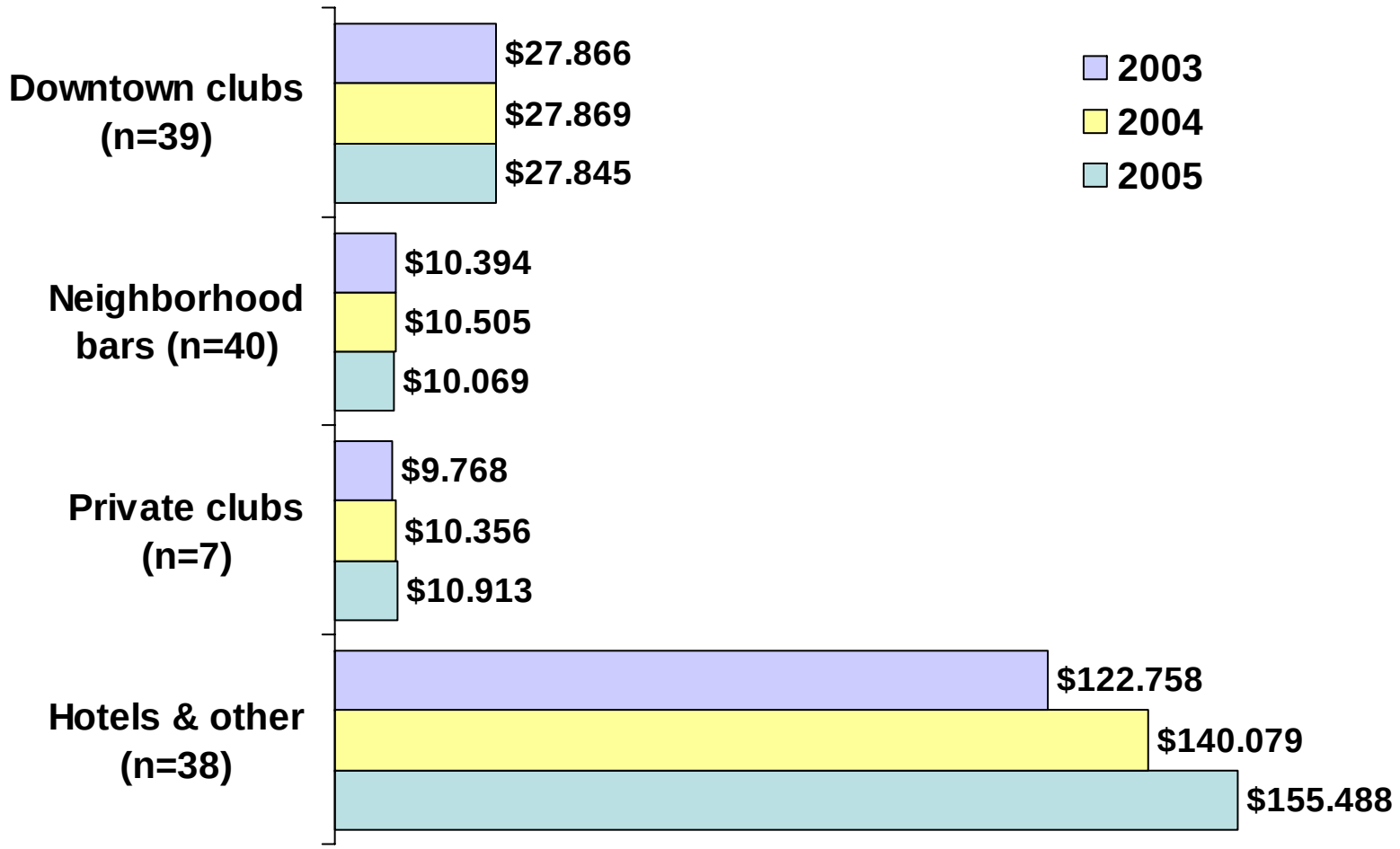


Combined alcohol and food sales revenues for 8 business types

- For 6 of the 8 business categories, revenues increased from 2004 to 2005, sometimes substantially, and for all 4 types of restaurants, the rates of increase exceeded those for the period from 2003 to 2004.

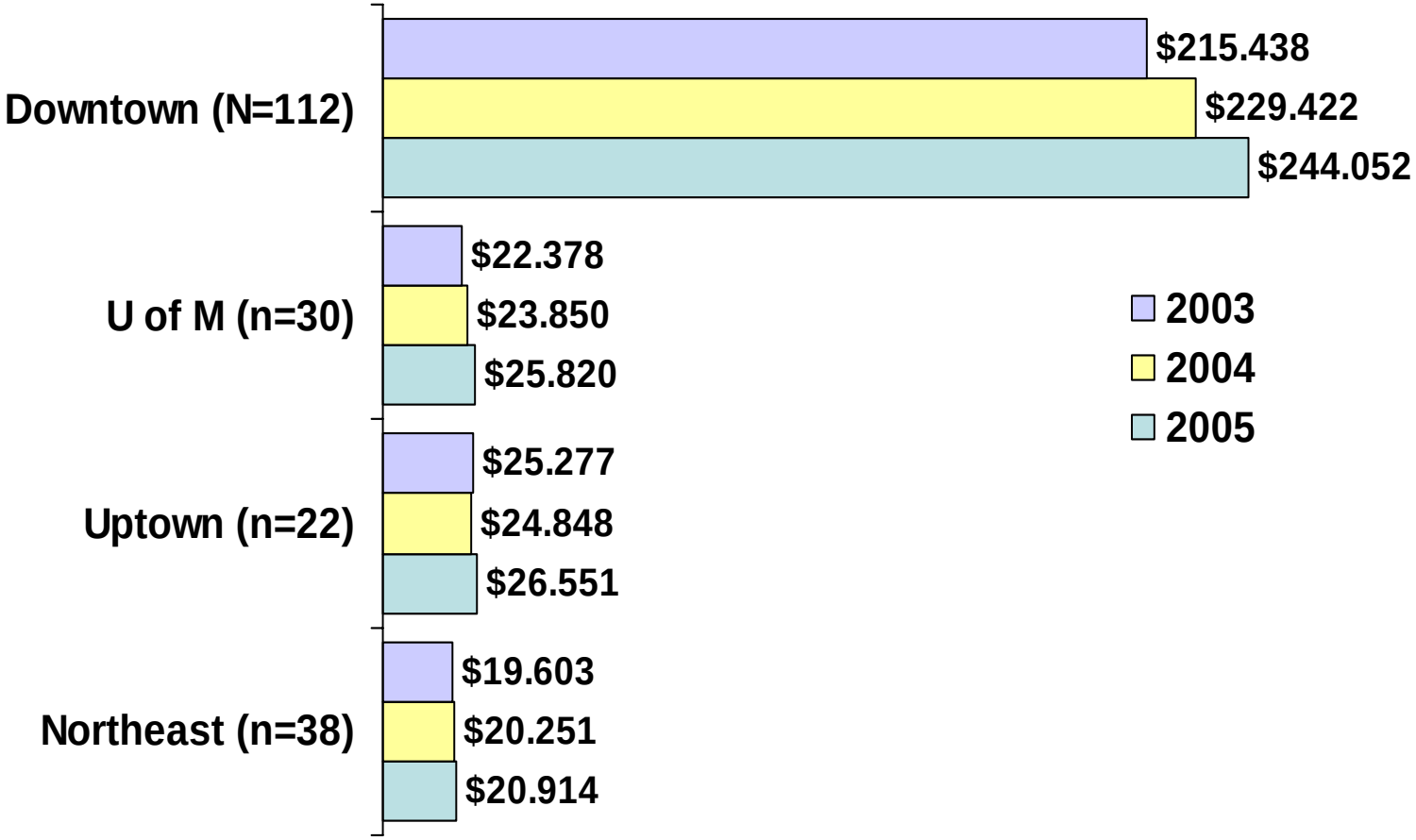
- For the four types of restaurants, increases ranged from 1.99 percent (for those with no minimum food sales requirement) to 9.02 percent for those licensed to serve wine and beer only.

Combined alcohol and food sales revenues for 8 business types

- For private clubs, revenues increased 5.38 percent in 2005. For the category which included hotels and bowling alleys, the rate of increase was 11.00 percent. These rates were somewhat lower than the previous year's increases (6.02 and 14.11 percent).

- For the remaining two categories of businesses, revenues decreased from 2004 to 2005. The rate of decrease for neighborhood bars was 4.15 percent and for downtown clubs, 0.09 percent. Increases from 2003 to 2004 were small: 1.06 percent for neighborhood bars and 0.01 percent for downtown clubs.

Combined alcohol and food sales revenues for "hard" liquor licensees in 4 commercial areas, by year, in $ Millions (n=202)



Combined alcohol/food sales revenues for "hard" liquor licensees in commercial areas

- Revenues increased in all 4 areas from 2004 to 2005; rates of increases exceeded or were comparable to the rates of increases seen from 2003 to 2004.
- Around the University of Minnesota, revenues increased 8.26 percent in 2005 compared with 6.58 in 2004.
- In Uptown, revenues increased 6.85 percent in 2005 compared with a decrease of 1.70 percent in 2004.
- For the Downtown area, revenues increased 6.38 percent in 2005 and 6.49 in 2004.
- In Northeast, revenues increased 3.27 percent in 2005 and 3.31 percent in 2004.

Study limitations

- Short-term comparisons.
- Other recent changes not taken into account. Minimum wage increase and DWI blood alcohol concentration change to 0.08 percent both went into effect August 1, 2005.
- Other economic factors and influences, such as inflation and the effects of weather, were not factored in.
- Revenues cannot be equated with profits, and profits are a better gauge of business success.

Conclusions

- The industry as a whole experienced a higher rate of revenue increase post-ordinance than in a comparable period in the previous year.
- All major commercial areas and 6 of 8 business types experienced increased revenues in 2005.
- The decreases in revenues for two types of businesses were either almost negligible (less than 1 percent for downtown clubs) or relatively modest (4.15 percent for neighborhood bars).
- These findings counter anecdotal reports of a wide-ranging negative impact of the Indoor Smoking Ordinance on liquor licensees, or a deep reduction in revenues for neighborhood bars.