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June 16, 2016

VIA E-MAIL
rsecrist@mesquitenv.gov

Richard Secrist, AICP, EDFP
City of Mesquite
Director of Development Services Department
10 E Mesquite Boulevard
Mesquite, Nevada 89027

Re: Proposed Bill No. 495/Liquor License Fees

Good afternoon Mr. Secrist,

Thank you very much for the opportunity to provide some additional information to you and to the Mesquite City Council.

The top five (5) selling alcoholic beverages at our Mesquite Store and their Mesquite vs. Utah prices are as follows. As I am sure you know, Cedar City prices are similar to those in St. George; and while we do not get a significant number of Cedar City residents into our Mesquite store, their numbers are significant enough to include them in this price analysis. All sizes stated are 1.76 Liters:

1) Crown Royal—Mesquite $39.99; Utah $55.99

2) Jack Daniels Black—Mesquite $34.99; Utah $48.99

3) Smirnoff Vodka 80—Mesquite $19.99; Utah $25.99

4) Captain Morgan Spiced—Mesquite $20.00; Utah $31.99

5) Black Velvet—Mesquite $12.99; Utah $18.99

For Utah residents, the amount of gas used to and from Mesquite must be added to the Mesquite prices. In this regard, the trip from St. George to Mesquite and back is roughly 80 miles. Assuming the average car gets 20 miles per gallon of gas and assuming the average price per gallon of gas is $2.60 that means that the cost in gas from St. George to Mesquite and back is roughly $10.40. The trip from Cedar City to Mesquite and back is roughly 160 miles. Assuming the average car gets 20 miles per gallon of gas and assuming the average price per gallon of gas is $2.60 that means that the cost in gas from Cedar City to Mesquite and back is roughly $20.80.

Also for Utah residents there must be added to the Mesquite prices the cost of wear and tear on the car AND perhaps as importantly, the intangible represented by the loss in time spent driving, which since I drive from Mesquite to St. George and back at least 10 times a year, I know the trip to be around 40 minutes each way or a total of a roughly one and one half hour drive.

So, without including applicable sales tax, it presently costs the St. George resident $10.40 more in gas dollars alone, plus wear and tear on his/her car, plus roughly an hour and a half of drive time to come to Mesquite. For the Cedar City resident, that is $20.80 more in gas dollars alone, plus wear and tear on his/her car, plus roughly two and one half hours of drive time to come to Mesquite.

Using the above assumptions, and assuming that virtually no one will drive to Mesquite to purchase just *one bottle* of his or her favorite alcoholic beverage* (our records show the average Utah purchase is around $100.00), then we arrive at the following conclusions:

1) Two bottles of Crown Royal in Utah is $111.98. The adjusted price in Mesquite (with cost of gas added in) is $90.38. The difference presently is $21.60. If you add on the 3% tax ("fee") to $79.98 (2 x $39.99) that adds an additional $2.40 to the Mesquite purchase price and takes the actual Mesquite price to $92.78. The difference becomes just $19.20. From Cedar City, the difference in price lowers to just $8.80.

2) Two bottles of Jack Daniels: Utah price is $97.98; adjusted Mesquite price (with gas and 3% fee) from St. George is $82.48 for a difference of just $15.50. The Cedar City difference in price lowers to just $5.10.

3) Four bottles of Smirnoff Vodka 80: Utah price is $103.96; adjusted Mesquite price (with gas and 3% fee) from St. George is $92.76 for a difference of just $11.20. The Cedar City difference in price lowers to just eighty cents ($.80).

4) Three bottles of Captain Morgan Spiced: Utah price is $95.97; adjusted Mesquite price (with gas and 3% fee) from St. George is $72.20 for a difference of $23.77. The Cedar City difference in price lowers to $13.37.

5) Five bottles of Black Velvet: Utah price is $94.95; adjusted Mesquite price (with gas and 3% fee) from St. George is $77.30 for a difference of $17.65. The Cedar City difference lowers to just $7.25.

Again, the above assumptions assume the price paid to be around $100 and that the same alcoholic beverage is purchased. The fact is that while many come into our Mesquite store with a single purpose (and a single choice of alcoholic beverage) in mind; there are obviously many others who purchase more than one type of alcoholic beverage. In that case, the differences between Mesquite and Utah prices vary depending on what is purchased and in what amounts**.

It cannot be emphasized enough, and our experience clearly shows, that anything (including a tax or a fee and regardless of the percentage to be imposed) that serves to increase the price of our product in Mesquite increases, to at least some degree, the chances that some of our Utah customers, will choose to stay home and shop. That certainly is not good for us and just as importantly is not good for the other Mesquite businesses, as we all enjoy derivative benefits when Utah residents visit Mesquite.

Finally, we understand the argument that a 3% fee is *only* $3.00 more on each $100.00 of purchases. But in business, as in so many aspects of life, perception is reality; and here the perception will not be that it is only $3.00 more on each $100.00, but that Mesquite is now "taxing" alcoholic beverages to an extent other jurisdictions are not. And 3% is the proposed "tax" for now. It cannot be denied (and experience clearly evidences) that once a "tax door" is opened, the temptation and the ability exists for government to open it wider and wider.

Thank you very much for allowing us to provide this information to you. The prices provided and the conclusions offered herein have been provided and verified by representatives of Lee's Liquor. We would respectfully ask that you please share this letter and the information contained herein with the Mayor and City Council members, and please let me know if and when a follow-up hearing on Proposed Bill No. 495 is scheduled. We do want to participate. Thank you again.

Sincerely,

KAEMPFER CROWELL

Christopher L. Kaempfer

CLK/adb
cc: Mr. Hae Un Lee
Frank Flansburg, Esq.
Nami Lee
Stephanie Sivertson

*In virtually every instance, there would be no monetary benefit for a Utah resident to drive to Mesquite to purchase a single bottle of any alcoholic beverage.

**By way of illustration, if a Utah customer purchased one bottle each of our top 5 selling alcoholic beverages, the Utah cost would be $181.95. The Mesquite adjusted price from St. George would be $143.82 for a difference of $38.13. The Cedar City difference in price would be $27.73. So obviously, if someone purchased a wide variety of alcoholic beverages the cost difference would make a trip to Mesquite more likely, but the fact is that a Jack Daniels man/woman is not likely to buy Crown Royal or Smirnoff Vodka or Captain Morgan Spiced. He/she buys the alcoholic beverage he/she prefers. And where and when that occurs (which is more often than not) the monetary justification for traveling to Mesquite from either St. George or Cedar City lessens, and in some cases lessens considerably.