

 ST. CHARLES SINCE 1834	AGENDA ITEM EXECUTIVE SUMMARY		
	Title:	Motion to Approve a Class B Liquor License for Main Street City Pub to be located at 104 E Main Street, St. Charles	
	Presenter:	Chief Keegan	

Please check appropriate box:

<input type="checkbox"/>	Government Operations (4/18/16)	<input type="checkbox"/>	Government Services
<input type="checkbox"/>	Planning & Development	<input checked="" type="checkbox"/>	City Council (6/20/16)
<input type="checkbox"/>	Public Hearing	<input type="checkbox"/>	Liquor Control Commission

Estimated Cost:		Budgeted:	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
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If NO, please explain how item will be funded:

Executive Summary:

The petitioner returns to City Council seeking approval for a Class B Liquor License after this was vetted and advanced from the Liquor Control Commission and Government Operations Committee on April 18, 2016. The delay in advancing this agenda item forward was due to financing. All other outstanding matters appear to be in order and the applicant will be present to answer questions.

This is an application request for a new Class B liquor license for Main Street City Pub to be located at 104 E Main Street, St. Charles (former Riverhouse BBQ). This will be a standard class B license requesting a 1:00 a.m. late night permit. All paper work is in order, background checks have been completed by the Police Department as well as fingerprints have been taken, and BASSET certification is complete.

At the April 18, 2016 Government Operations Committee this was recommended to go forward for Council approval. The vote was Ayes: 7; Nays:1; Absent: 1.

Attachments: *(please list)*

Background Check

Recommendation / Suggested Action *(briefly explain):*

Motion to approve a Class B liquor license for Main Street City Pub to be located at 104 E Main Street, St. Charles.

<i>For office use only:</i>	<i>Agenda Item Number:</i> IIA2
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**MAIN STREET
CITY PUB
BUSINESS PLAN
104 E MAIN ST
ST. CHARLES IL 60174**

**PDS ENTERPRISES BARTLETT LLC.
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BARTLETT IL 60103
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APRIL 13TH 2016



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1.0 Executive Summary

The City Pub will be a unique gathering place in the suburb of St. Charles IL. By providing exemplary service (imagine walking into a cozy environment and being warmly greeted each day with a smile), a simple, yet unique, themed menu and atmosphere will create a sense of ‘belonging’ for locals and visitors alike. Our credo is: “happy enthusiastic employees create a happy enthusiastic guest”.

The success of the Bar is in its owners – with collectively 30+ years’ experience in the restaurant and bar industry. We are committed to making this operation a successful one. We are making this building our primary residence by occupying the apartment above, by living above the bar it will allow us to give the necessary attention to the bar starting up. I am keeping my current Job with The City of West Chicago and assisting my wife with the operations. We are planning to either sell or rent our current home in Bartlett IL. Employees have been hand selected and share the same views as the owners, that is, keeping the customer happy assures repeat business.

The City Pub has plans to capitalize on the excellent location.

The City Pub is looking to purchase the property in the City of St. Charles.

The following business plan summarizes the future of The City Pub, and its future plans for growth.

The City of St. Charles is also running a Downtown Business Incentive Award

The Downtown Business award is a 50/50 matching award designed to help new businesses renovate commercial 1st floor spaces needing upgrades. They will help us renovate with up to \$25,000 award. See attached at last page

1.1 Business Objectives

The City Pub will be capitalizing on a growing market in the city of St. Charles. The bar will cater to local resident and tourists during the day, and at night, the bar will cater to local patrons coming home from work for some relaxation. The bar will provide a menu featuring gourmet burgers and a variety of comfort foods for our patrons to enjoy.

To launch the venue with a highly publicized grand opening event in the spring of 2016.

The City Pub plans to generate a profit within the first 24 months of operations and add at least 4 jobs for the community.

The bar will accomplish these goals by holding itself apart from competition as a premium relaxing experience, offering a vast selection of beer and wine, by providing gourmet burgers and flat-breads in addition to standard fare, all in a relaxing environment designed to make patrons return.

1.2 Mission Statement

The City Pub will provide a comfortable place for locals to come for a premium relaxing experience, striving to be the bar of choice for the locals in the St. Charles neighborhood and surrounding suburbs. The City Pub will be known as the “Cheers Bar” – where everybody knows your name and the business will do this by: providing a relaxed atmosphere encouraging patrons to unwind specifically targeting professionals between the ages of 30 and 65 making \$50,000 annually. The City Pub is based on the guiding principles that life is to be enjoyed and this is reflected in its vast selection of beverages, it’s delicious food offerings and the professional team members. The City Pub wants to be synonymous with country singer Toby Keith’s song “*I Love This Bar*”.

1.3 Guiding Principles

The City Pub philosophy is simple: enjoy life and treat others as you’d want to be treated. These sound principles apply to all life’s situations, both personal and professional. At The City Pub, these principles are applied to management, employees, customers and suppliers alike.

Life is to be enjoyed! The City Pub employees love their jobs and their customers! This is not only reflected in the outstanding service – it is because management personally selects and trains each employee putting them in the position that is ideally suited for them.

Integrity – In the spirit of all great bartenders, treat each customer with utmost respect and professionalism. The City Pub bartenders and wait staff are trained to act professionally in all situations. If a regular patron happens to become disorderly say after a particularly stressful day, The City Pub staff is trained to promptly and discreetly order a cab or find a friend to drive them home. No one wants to work with drunken and disorderly individuals and the patrons do not want to be known as such either.

1.4 Keys to Success

The City Pub key to success will be based on:

- Outstanding customer services – The City Pub goal is be the place “where everyone knows your name” All team members are hand selected and love what they do.
- Customer Satisfaction – By providing a quiet and relaxed environment, where friends can meet and unwind and relax.
- Provide a vast offering of specialty beer and wine offerings – catering to the public’s increased requirement for variety and sophistication in alcoholic beverages.

2.0 Company Description

The City Pub will be a locally owned neighborhood bar Owned and operated under PDS Enterprises Bartlett LLC.

The City Pub will occupy a 2,200 square foot facility located in St. Charles.

The Bar will seat 30 to 80 pending City approval

2.1 Ownership

PDS Enterprises Bartlett LLC.

X Daniela Zaikowski 20+ experience years in management and operations of four successful bar and restaurants businesses in the Chicagoland area.

Peter Zaikowski 10+ years' experience in the restaurant and bar industry managing 2 bars for over 10 years, located in Rosemount and Schiller Park Illinois.

2.2 Legal Form

TBA

2.3 Start-Up Summary

Following is a summary of required funds to establish the business:

Tenant improvement costs will be in the form of carpentry, flooring, and painting and new equipment.

Total starts costs are under \$70,000

2.4 Location and Facilities

The location was a key component for The City Pub. We specifically sought this location because the demographics aligned with their target customer.

With 2,200 square feet The City Pub is centrally located between Geneva, South Elgin, West Chicago and Campton Hills.

The Bar location specifically meets the needs of the owner's patron profile – that is professionals between the ages of 30-65 with incomes between \$30,000 to \$50,000. The following table briefly summarizes the population in the 5 and 10 mile radius:

Demographic neighboring town Geneva IL	
Population	19,515
Median Age	36
Est. Average Household Income	65,103

Demographic neighboring town South Elgin IL	
Population	16,100
Median Age	31
Est. Average Household Income	71,190

Demographic neighboring town West Chicago IL	
Population	27,086
Median Age	28
Est. Average Household Income	65,744

3.0 Products

The City Pub will have a high end the selection of the products, and will adjust to customer demand.

3.1 Products/Services Descriptions

The City Pub will offer a broad and deep variety of specialty beers and wines which will appeal to the public's ever changing and increasingly more sophisticated demands for variety in beer and wine.

Patrons desiring food will not be disappointed by the bar's food offerings either. We plan on starting with gourmet burgers and flat-breads along with weekly specials.

The kitchen will never close; patrons will always be able to have food

Competitive Comparison

Within a 2 mile radius of the subject are 3 comparable establishments:

The Office
 201 E main St
 St. Charles IL 60174

Pub 222
 12 N 3rd St
 St. Charles IL 60174

The House Pub
 16 S Riverside Dr S. Charles IL 60174

3.2 Product/Service Sourcing

The key food suppliers for the business will be Sysco Foods

Alcoholic beverages will be purchased from local distributor.

3.3 Inventory Management

The POS system will be instrumental in The City Pub success. Bartender theft and employee theft can quickly be the financial demise of any business. The POS systems will alert the owner when inventory levels are low and the bar manager when to place his order.

3.4 Warehousing and Fulfillment

N/A

3.5 Future Products/Services

The owners of The City Pub realize the customer is the key to the success of the business and will work continually to improve/enhance the patron experience. Comment cards will be available throughout the bar and management will keenly review these comments, making adjustments as needed.

4.0 Market Analysis

The City Pub will be located next to existing business with an established customer base. We will be able to capitalize on the foot traffic as well as the car traffic.

4.1 Industry Analysis

Although people still gather to socialize in bars, just as they have for hundreds of years, other factors have come into play for the industry as well. Problems with driving while intoxicated have changed patterns of people in United States. The growing concern with health and fitness toward the end of the 20th century took its toll on the bar industry. Keeping tabs on this industry requires a look at the alcoholic beverage industry as a whole--what people buy in the store doesn't differ much from what they buy in a bar. The distilled spirits industry generates around \$100 billion in U.S. economic activity annually. (Distilled Spirits Council)

The US bar and nightclub industry includes about 45,000 establishments (single-location companies and branches of multi-location companies) with combined annual revenue of about \$20 billion. No major companies dominate; varying state liquor laws complicate the ability to form large chains. The industry is highly fragmented: the 50 largest companies account for about 5 percent of revenue. (First Research)

Personal income and entertainment needs drive demand. The profitability of individual companies depends on the ability to drive traffic and develop a loyal clientele. Large companies can offer a wide variety of food, drinks, and entertainment, and have scale advantages in purchasing, financing, and marketing. Small companies can compete

effectively by serving a local market, offering unique products or entertainment, or providing superior customer service. The industry is labor-intensive: average annual revenue per worker is about \$60,000. (First Research)

Major sources of revenue include beer (about 35 % of sales), distilled spirits or hard liquor (30 %), food and non-alcoholic beverages (20 %), and wine (7 %). (First Research).

4.1.1 Market Size

The US bar and nightclub industry includes about 45,000 establishments (single-location companies and branches of multi-location companies) with combined annual revenue of about \$20 billion. No major companies dominate; varying state liquor laws complicate the ability to form large chains. The industry is highly fragmented: the 50 largest companies account for about 5% of revenue. (First Research)

4.1.2 Industry Participants

There are few barriers to entry in the neighborhood bar industry, and the capital costs of starting a new neighborhood bar are low. However, competition among bars and taverns is intense due to the large number of bars in the target market. When combined with a small industry growth rate, market share gains by one bar will be at the expense of others.

Competing for the neighborhood bar are other small neighborhood bars and larger chain restaurants with full service bars. Additional competition for The City Pub is other types of bars, for example, sports bars, pubs, coffeehouses, and wine sellers. The slower economy resulted in some patrons purchasing from grocery stores, package stores and convenience stores.

4.1.3 Main Competitors

There are 3 competitors The Office, Pub222 and the House Pub

Market Segments

- Women age 30 – 65 is our target market
- Tourists and workers on their lunch hour – the Pub is located across the street from the Arcada Theater an established businesses that will generate foot traffic making it an ideal location for both tourists and residence alike.
- Late night crowd seeking comfort food and libations – The City Pub will have offer a place to relax and enjoy premium gaming experience.

We the potential owners of The city Pub are targeting the following individuals for their target market:

- Household income of \$50,000
- Between the ages of 30 and 65
- Gender Demographic (75% Female, 25% Male)
- Lives within a 10 miles radius of the subject location

4.2 Market Tests

As potential owners we specifically targeted this location because of the established business in the area that would generate instant advertisement for our establishment. ‘Neighborhood bar’ in the suburbs – a Pub that is quaint and cozy – but also provides a great option for locals and visitors to enjoy.

While patrons can find similar Venues throughout the downtown area we believe that with the right atmosphere and attitude we can draw even their customers to the City Pub. Experienced in the business, we as potential owners listen to patrons and will create ideas based on their requests and needs.

The local distributors support this business venture as well and based on the area demographics and are anxious tap into this lucrative market.

4.3 Target Market Segment Strategy

The City Pub specifically targets individuals in the local market with incomes between \$30,000 and \$50,000 desiring a quiet neighborhood place to relax and unwind while enjoying premium relaxing experience.

This target group was selected primarily because of

- the location,
- the setting is designed to appeal to this target market and

- **Market Needs**

As the manager of two bars, Daniela Zaikowski was repeatedly told by her patrons, that they are visiting this type of establishment more and more.

4.3.1 Market Trends

- Recent market trends focus increasingly on healthier lifestyles. Studies have shown that although consumers are drinking less alcohol, their tastes are becoming more discriminating.
- A greater emphasis on technology (POS) and training (“Star Servers and Bartenders”) resulting in increased productivity and earnings.
- Upgrades in improvements and interior décor – the days of the dimly lit and dark smoky bar rooms are quickly becoming a thing of the past.

The City Pub is designed to embrace these trends. The City Pub will feature a vast assortment of locally crafted and imported beer offerings. The wine selection will be somewhat smaller but just as impressive. Food offerings will consist of gourmet burgers along with, finely prepared daily gourmet specials. The owners will rely on POS system for orders, inventory control, accounting functions, time management and other functions. All bartenders will be hand selected and trained to cross sell appetizers or higher margin items. The City Pub interior is designed to be a comfortable, sociable and enjoyable environment.

4.3.2 Market Growth

Liquor sales and the bar industry overall is demonstrating improving trends. The following is a summary from the February 2012 U.S. Distilled Spirits Council Report:

- Volume / revenue growth at pre-recession levels.
- Revenue up 6.3% to \$20.3 billion
- Volumes up 2.9% to 196 million 9-liter cases
- Growth driven by improving economy/consumer confidence, increase in restaurant sales, stable pricing environment and product innovation
- Improved economy = return of premiumization
- Sales growth has pushed market share to 34.1% of revenue, 33.8% of volume
- Future growth dependent upon state of economy (Industry Review Distilled Spirits Council 02/2012)

4.4 Positioning

The City Pub will position itself as the Bar of choice for patrons desiring a comfortable and relaxing experience. We will appeal to suburbanites living in the area who don't care to travel more than a few minutes from home.

5.0 Marketing Strategy and Implementation

The City Pub will position itself as the Pub of choice by providing top notch service, offering a vast selection of beverages, and providing both gourmet burgers as well as daily market specials. The ambience and décor will be comfortable and relaxing, it will be a one of a kind experience in the suburbs. The owners and staff are constantly aware of patrons changing likes and dislikes and the bar and grille will act quickly to make changes to meet these needs.

5.1 SWOT Analysis

The following information summarizes the SWOT analysis. SWOT stands for strengths, weaknesses, opportunities and threats. A SWOT analysis is a method for strategic planning that evaluates these four elements as they relate to the business objectives.

5.1.1 Strengths

- Relatively easy entry and low capital outlay.
- Committed owners with combined 30 years industry experience.
- THE CITY PUB will be a unique one of a kind experience in its suburban location.
- Targeted, specific focus on its customers creates a memorable experience for its patrons resulting in repeat business.

5.1.2 Weaknesses

- Disorderly patrons can potentially harm both business reputations or cause collateral damage
- Employee theft can make or break a bar business. Management's exclusive use of the POS system mitigates this risk.
- Very specific target market – if the target market was broader the owners could increase market share in the segment that was the strongest.
- High turnover in bar industry – many bars are here today and gone tomorrow

5.1.3 Opportunities

- Opportunity to obtain a share of a \$16.7 million market

5.1.4 Threats

- Another new entrant could potentially hurt market share; competition is fierce

5.2 Strategy Pyramid

Strategy: Be the neighborhood bar of choice

Tactics: Provide exceptional customer service in a relaxed and inviting environment encouraging patrons to return again

Programs: Extensive and ongoing employee training. Employees will be rewarded financially for providing impeccable service with opportunities to benefit in profit sharing.

All staff are hand selected and share the same core beliefs of the owners; everyone will be trained to be keenly aware of patrons and anticipate their needs before the customer does, for example always offering to promptly show them to their table, graciously asking to hang their coats, and bring them their drinks expediently.

5.3 Unique Selling Proposition (USP)

The City Pub will be a small, casual local bar. The bar features a vast selection of hand crafted beers – both local and imported, as well as an impressive wine selection. The bar features gourmet burgers, flat-breads as well as daily specials.

5.4 Competitive Edge

The City Pub specifically caters to its target market and is truly a unique local experience. The Bar differs in its décor, its extensive beer and wine offerings, The City Pub patrons cannot get this experience in any other bar within a 5 mile radius.

5.5 Marketing Strategy and Positioning

The City Pub is located on Main St.. Traffic counts approximate 12,000 daily. In addition to its prime location, The City Pub will rely on:

- Advertising
 - Outdoor Signage
 - Grand Opening
- Word of Mouth

According to the Bob Johnson with Beverage Management Institute in Clearwater, South Carolina, the only cost-effective way to advertise a bar is word-of-mouth. "When you don't have word-of-mouth working for you, you are in serious trouble. It's not necessarily terminal. There are still ways to get some advertising and marketing out there without spending a ton of money. But anytime you reach into your own pocket to buy advertising for a bar, it's not good.

"Word-of-mouth advertising is priceless," he continues. "It means everything is right. Everything is happening. The bar is alive. Your employees love working there. They are talking and saying great things about the place, and that is passed on to your customers. The customers love being there, and they tell other customers. If you can get to that point, it's just priceless."

5.5.1 Positioning Statement

The owners have a combined 30+ year's industry experience in restaurant and bar management and fully support the operation. The City Pub will provide a vast collection of handcrafted beers and wine, and gourmet burgers and flat-breads, and will strive to be the premier bar 'where the locals go' in suburban Kane County. The City Pub will go above and beyond the call of duty making patrons come back and tell everyone they know.

5.5.2 Pricing Strategy

The City Pub pricing will be similar to the competitor's (competition based pricing) initially and management may consider lowering drink prices initially to attract initial patrons. However, near term, when The City Pub captures at least 2% of the local market, management plans to price alcohol and food to be more reflective of acquisition costs.

The menu items are moderately priced. Appetizer range from \$6-8, gourmet flat-breads wraps range from \$6-\$12 and the daily gourmet plates average \$8.00.

5.5.3 Promotion and Advertising Strategy

The City Pub primary promotion and advertising strategy will be outdoor street signage and word of mouth. Additionally the bar is planning a grand opening in summer of, 2016.

In addition, The City Pub will participate in select promotions annually. Once the bar is up and running, management will determine which nights need a boost. Historically, bars are busiest Friday and Saturday nights, with Thursdays coming in third place. The City Pub might decide to create a promotion night say on Tuesdays or Wednesday evenings. In addition, the Pub will have promotional events on holidays such as Cinco de Mayo and the 4th of July. Management anticipates profit to equate to 3X the cost of advertising the promotion. In order to maintain the high energy levels during the promotions, all prizes will be awarded at the end of the evening. That way, patrons will have to stay all night to see whether or not they've won the grand prize.

5.5.4 Website

The City Pub will have website featuring the menu items, phone number, hours of operation, events calendar and map. The website will also have links to its Facebook Page.

5.5.5 Marketing Programs

The owners of The City Pub will rely on a combination of customer feedback / sales reports captured from the POS to determine how well the bar is performing. Customer comment cards will be available tableside and guests will have the option to receive discounts on appetizers when the card is submitted. Additionally, the neighborhood market will utilize a local 'mystery shopper' company. All employees will be made aware of The City Pub commitment to customer service and this additional tool to be used to evaluate employee performance.

5.6 Sales Strategy

The patrons will be warmly greeted immediately upon entering the bar. The objective at The City Pub is to make everyone feel at home and be the place ‘where everyone knows your name’. Upon finding a comfortable location either at the bar , table, patrons will be asked for their drink and food order. The City Pub truly values its employees and provides them with the very best training – and therefore the best service. Management believes that this investment in its employees ensures satisfied customers and in turn repeat business, leading to increased revenues.

The City Pub will be one of the few places that will truly make people happy. The employees will engage in a friendly conversation in hopes of building new relationships with the patrons.

At The City Pub, the staff goes above and beyond the call of duty which makes patrons come back and tell everyone they know.

5.6.1 Sales Forecast

The following table demonstrates the annual sales forecast:

Table 5.6.1 Annual Sales Forecast

Avg Sales forecast	Year 1	Year 2	Year 3
Avg Food & Drink	520,000	624,000	748,780
Year	1	2	3
Cost of sales	493,300	566,900	669,400
Total Income	26,700	57,200	79,380

5.6.2 Sales Programs

The City Pub employees will be the primary salespeople and will participate daily in the tip pool. Employees will participate in ongoing training and be compensated for their accomplishments as well. The City Pub has a strong belief that the business only performs as well its employees.

5.7 Legal

The City Pub will obtain the following licenses: liquor liability license, food service license, sales tax license, and entertainment permit.

5.8 Milestones

The following milestones will guide The City Pub to meet its goals:

Table 5.8 Milestones

Milestone	Date
Secure mortgage	April 2016
Obtain and meet necessary licensing requirements	April 2016
Furnish restaurant and bar area	May 2016
Complete Retrofit and Build-Out	June 2016
Purchase inventory, kitchen equipment and POS system	June 2016
Interview and hire employees	June 2016
Grand Opening	July 2016
Hire accountant when revenues exceed \$500,000	Year Five

5.9 Exit Strategy

In the event that sales drop more than 20% for more than four consecutive quarters, the bistro' will have to liquidate. After employee's compensation, furniture, and equipment will be sold at auction to repay lenders.

6.0 Organization and Management

The following information provides the organizational components germane to The City Pub.

6.1 Organizational Structure

The City Pub will be owned by PDS Enterprises Bartlett LLC.

General duties will include review of daily operations, inventory control, employee training, employee hiring and firing, ordering supplies, and routine maintenance and upkeep of the bar, equipment and facilities management.

The owners will also hire bartenders.

All full time employees will be compensated with benefits including health insurance and education and training.

6.2 Management Team

Daniela Zaikowski, with over 20 years' experience helped establish two neighborhood-based, independently owned bar and restaurants. These gathering places showcase fine wines with exemplary food offerings.

Peter Zaikowski has over two decades of experience in management, project development, and marketing providing the foundation for his business operations, including site selection,

6.3 Management Team Gaps

Until The City Pub reaches \$500,000 in annual revenues, they will utilize a part time bookkeeper to assist in payroll and income tax preparation (Reference legal and accounting line item on income statement).

6.4 Personnel Plan

The following chart shows employee salaries over the next three year period:

Table 6.4 Personnel Plan

Position	Year 1	Year 2	Year 3
Staff	70,000	80,000	90,000
owner	20,800	20,800	41,600
Total Personnel Cost	90,800	108,800	113,600

*While the salaries appear low, these employees all benefit from the daily tip pool. Average take home pay is \$24,000 and compares favorably with industry peers.

6.5 Board of Directors

N/A

7.0 Financial Plan

The financial plan will cover the following:

- Required Cost of Start-Up
- Profit and Loss
- Cash Flow
- Balance Sheet
- Financial Ratios

7.1 Important Assumptions

- All 5 employees will be hired from day one of operations (the analysis does not assume employee growth during the initial two years of operations)
- Zero growth in employees' salaries over the first two years, then after initial two years, employees' salaries will be re-evaluated.
- Management salaries remain constant as well - \$1,733 monthly over the initial two years of operations
- Average drink sales price: \$3.25
- Average appetizer sales price: \$5.00
- Average meal sales price: \$7.00

7.2 Startup Cost Details

Kitchen	
Fryer	699.00
Stove/Oven	1,336.00
Char/broiler	808.00
Broiler	799.00
Fire Suppression	2,200.00
Refrigerator	1,800.00
Freezer	1,100.00
Prep tables	561.00
Sink	525.00
Total	9,828.00

Bar	
Beer coolers	2,400.00
Ice bins and racks	840.00
sink	425.00
Total	3,665.00

Restaurant Furniture	
8 tables	1,376.00
40 chairs	1,318.00
Total	2,694.00

Bar Furniture	
20 Bar Stools	1,580.00
total	1,580.00

Supplies	
Kitchen Pot/pans etc.	2,300.00
Restaurant Plates forks etc.	3,150.00
Total	5,450.00

Bathrooms	
sinks	600.00
new tile	1,200.00
paint	300.00
Totals	2,100.00

7.3 Source and Use of Funds

Following is a summary of required funds to establish the business:

Use of Proceeds	BMO Harris Bank	Borrower	Total	Other
Purchase Real Estate	247,500.00	27,500.00	275,000.00	10,000 earnest
Improvements			0.00	
Bathroom and Floors		4,500.00	4,500.00	
Purchase FF & Light Equipment		4,274.00	4,274.00	
Purchase Inventory		4,500.00	4,500.00	
Permanent Working Capital	25,558.00	13,175.00	38,733.00	
SBA Guarantee Fee (approx.)	6,896.00		6,896.00	
Bank Packaging fee	500.00		500.00	
Appraisal Report (approx.)		2,000.00	2,000.00	
Environmental Study (approx.)	400.00		400.00	
Title, Survey etc. (approx.)	1,000.00		1,000.00	
Total	281,854.00	55,949.00	337,803.00	Project Cost
Percentage	83.44%	16.56%	100.00%	

7.4 Break-Even Analysis

Total fixed costs are estimated to be \$94,150. The variable cost (overhead) is estimated to be \$4.25 per unit. Units are assumed to be: the combined average of: the average drink, the average appetizer, and the average meal. Based on the assumption of \$12.00 as the average sales price per unit, plus the average use of video gaming of 40.00 the breakeven revenue then is 2,241 units. Or 6 units per day

7.4.1 Projected Profit and Loss

The City Pub estimated profit and loss for the initial three years of operations is reflected below:

7.4.2 Projected Cash Flow

The statement of cash flow shows the incoming and outgoing cash of the business.

Avg Sales forecast	Year1	Year2	Year3
Avg Drink	\$208,000.00	\$249,600.00	\$299,500.00
Avg Food	\$312,000.00	\$374,400.00	\$449,280.00
Total Income	\$520,000.00	\$624,000.00	\$748,780.00
Cost of sales			
Avg Drink	\$104,000.00	\$124,000.00	\$148,000.00
Avg Food	\$218,400.00	\$262,000.00	\$314,500.00
Taxes			
Total Cost	\$322,400.00	\$386,000.00	\$462,500.00
Gross Margin	\$197,600.00	\$238,000.00	\$286,280.00
Expenses			
Owners			
Compensation	\$20,000.00	\$20,000.00	\$25,000.00
Salaries	\$70,000.00	\$80,000.00	\$90,000.00
Advertising	\$3,000.00	\$3,000.00	\$5,000.00
Insurance	\$4,000.00	\$4,000.00	\$4,000.00
Legal	\$1,000.00	\$1,000.00	\$1,000.00
Accounting	\$3,200.00	\$3,200.00	\$3,200.00
Office expense	\$2,000.00	\$2,000.00	\$2,000.00
Repairs	\$5,000.00	\$5,000.00	\$10,000.00
Telephone	\$500.00	\$500.00	\$500.00
Internet	\$3,000.00	\$3,000.00	\$3,000.00
Equipment Lease	\$7,200.00	\$7,200.00	\$7,200.00
Mortgage	\$36,000.00	\$36,000.00	\$36,000.00
Marketing	\$2,000.00	\$2,000.00	\$4,000.00
Utilities	\$12,000.00	\$12,000.00	\$14,000.00
Liquor license	\$2,000.00	\$2,000.00	\$2,000.00
Total expenses	\$170,900.00	\$180,900.00	\$206,900.00
Net Profit	\$26,700.00	\$57,200.00	\$79,380.00

Table 7.5.2 Pro Forma Cash Flow

Pro Forma cash Flow	Year 1	Year 2	Year 3
Beginning Cash Balance	0.00	26,700	83,800
Cash Flows			
Income from sales	197,600	238,000	286,280
Accounts Receivables			
Total Inflows			
Total cash outflows	170,900	180,900	206,900
	26,700	83,800	163,180

1st Floor

Front Entrance
North Av Route 64

