



CITY COUNCIL ACTION REPORT

November 8, 2006

TO: Phillip L. Nelson, City Manager

FROM: John M. Lamerato, Assistant City Manager, Finance and Administration
Jeanette Bennett, Purchasing Director
Carol K. Anderson, Parks and Recreation Director

SUBJECT: Approval to Negotiate a Food Service Contract For Community Center and Sanctuary Lake

A food service provider is desired in order to provide a full service operation at the Community Center and Sanctuary Lake Golf Course, help to generate room rental revenue at the Community Center and generate additional revenue related to the sale of food at these respective facilities.

Background:

- On January 7, 2002, City Council approved a three-year contract with Emerald Food Service (EFS) to provide food service at the Troy Community Center (Resolution #2002-01-14). EFS was the sole bidder.
- On April 12, 2004, City Council approved a new one-year contract (with an option to renew for two one year periods) with EFS for food service at the Troy Community Center and Sanctuary Lake Golf Course (Resolution 2004-04-186) that took effect on May 1, 2005.
- The contract was renewed for one year expiring April 30, 2007. (Resolution #2006-05-208) City Council requested that the contract go out for bid at the appropriate time so as to have continual service.
- On July 17, 2006, an request for proposal was sent out to seventy-seven (77) vendors registered in the JD Edwards database and seventy-three (73) vendors listed on the e-procurement website (www.mitn.info) to provide food service at the Troy Community Center and Sanctuary Lake Golf Course for a five (5) year period with an option to renew for five (5) additional years. Seven interested companies attended a non-mandatory pre-bid meeting on July 25, 2006. The request for proposal asked for a guaranteed minimum of \$100,000 annual rental fee (\$70,000 for Community Center and \$30,000 for Sanctuary Lake Golf Course). Vendors were allowed to submit an alternative rental proposal and given the option to bid on one or both facilities, but the City would not consider a revenue sharing plan at this time.
- On August 14, 2006 one request for proposal was received to provide food service only at the Sanctuary Lake Golf Course at a rent of \$15,000, which was 50% lower than the amount requested in the request for proposal. This proposal was rejected on August 28, 2006 (Resolution #2006-08-341-E4b). Feedback from the vendors who attended the pre-bid meeting but did not submit a request for proposal indicated that the annual rental fee requested (\$100,000) was too high based on the volume of service that both facilities experienced in the previous year of operation. In addition, the vendors were concerned with the reservation process that gave room priority to non-profit and City groups who do not usually order food, and the policy against alcohol being served at the Community Center; thereby reducing the number of profitable, large-scale events that would reserve space at the Community Center.

November 8, 2006

To: Phillip L. Nelson, City Manager
Re: Approval to Negotiate Food Service Contract

Background: continued

- On September 8, 2006, the request for proposal was re-bid with revised specifications and a guarantee of service at both the Community Center and Sanctuary Lake Golf Course. With this proposal, the vendor was asked to submit a revenue sharing plan with a guaranteed minimum to the City.
- The request for proposal opened on September 29, 2006, and again Emerald Food Service was the only vendor to submit a proposal with a \$25,000 guarantee and 5% of all revenue in excess of \$500,000.
- City management has developed a list of pros and cons of a new contract with EFS to provide food service at the Community Center and Sanctuary Lake Golf Course.
- Pro's of Negotiating a Contract with EFS
 - Guaranteed revenue of \$25,000 (Current guarantee is \$16,960 which includes \$10,000 for food and \$6960 for rent; however, revenue sharing option generated a total of \$33,639 during 2005-06 contract period)
 - The guarantee of food service for groups/patrons using the Community Center and golfers at Sanctuary Lake. Food service may increase the number of room rentals at the Community Center and rounds of golf at Sanctuary Lake.
 - Limited City involvement in the food service operation, including planning, staffing and preparing the room/facility for an event. Without a vendor, City staff would provide much of this service, which would increase operating costs.
 - Uninterrupted liquor sales at Sanctuary Lake. The liquor license may take 12 months to transfer, thereby eliminating the opportunity to have liquor sales at Sanctuary Lake in 2007.
 - Continuation of the federally funded Senior Hot Meal Program, which provides fresh meals at the Community Center. This program averages 38 meals per day. If EFS is not the Community Center vendor, they may choose to prepare meals at another location. Meals for seniors would still be provided, but prepared off-site and delivered to the Community Center.
 - Limited use of the kitchen by other outside contractors. Since EFS is virtually the only contractor and responsible for its upkeep, the City's expense for daily maintenance is limited.
 - Food from the cafe and pro shop items would be replaced through the use of vending machines. The vending machines would be open during building hours, whereas the café hours of operation are limited.
- Con's of Negotiating a Contract with EFS
 - Patrons would be required to use EFS as the food service provider and not have the ability to bring in their own food or hire another caterer.
 - Higher food prices for groups (i.e. non-profit groups) or patrons who may be able to get it at a lower cost elsewhere or bring it in themselves.
 - Less overall revenue (\$15,599) for the City based on sales from 2005-06.
 - The request for proposal submitted by EFS proposes to end the current contract on December 31, 2006. The current contract expires April 30, 2007. Less revenue than anticipated will be collected if a new contract begins January 1, 2007.

Financial Considerations:

- The City of Troy earned \$33,639 in revenue in 2005-06 from the food service contract with EFS at the Community Center and Sanctuary Lake Golf Course. This amount was determined based on a \$10,000 guarantee and revenue sharing plan for gross receipts over \$200,000. EFS also rents office space in the Community Center for \$580 per month (\$6960 annually). The total revenue derived from the revenue sharing contract and office rent in 2005-06 was \$40,599.
- In 2005-06, EFS reported \$466,391 in gross income (less sales tax) at both the Community Center and Sanctuary Lake Golf Course.

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Financial Considerations: continued

- The request for proposal submitted by EFS lists a \$20,000 guaranteed minimum plus 5% of all revenue in excess of \$500,000 and \$5,000 in annual rent for the office and storage space in the Community Center. Based on the gross income EFS earned in 2005-06, the City would receive \$25,000 in revenue (\$15,599 less than revenue received in 2005-06) from this proposal.
- The Community Center earned \$89,000 from room rental fees in 2005-06. There were 469 events that ordered food from EFS during that time. If a food service provider was not on-site to provide catered food, it is likely that many of these events would not have taken place at the Community Center, which would negatively affect the room rental revenue.

Legal Considerations:

- Liquor license liability reverts to the City if Emerald Food Service does not continue as the food service provider.
- The food service request for proposal was competitively bid and opened with one bidder responding.
- All bidders were given the opportunity to attend a non-mandatory pre-bid meeting to ask questions and review the facilities.
- The award is contingent upon the recommended bidder's submission of proper contract and proposal documents, including insurance certificates and all other specified requirements.

Policy Considerations:

- Securing a quality food service provider for the Troy Community Center and Sanctuary Lake Golf Course would minimize the cost to the City to directly provide this service (Goal 1), improve customer satisfaction (Goal 3) and generate additional revenue for the City (Goal 1).

Options:

- City management and the Parks and Recreation Department recommend the continuation of a food service provider and seek approval to begin negotiation with Emerald Food Service, the sole bidder, for a food service contract at the Community Center and Sanctuary Lake Golf Course.

Opening Date -- 09/29/06
 Date Prepared -- 11/7/06

CITY OF TROY
 RFP TABULATION
 FOOD SERVICES

FIRM NAME:

**Emerald Food Services
 LLC**

CHECK # 314059004
 CHECK AMT **\$5,000.00**

PROPOSAL: PROVIDE FIVE YEAR REQUIREMENTS OF FOOD SERVICE FOR THE CITY OF TROY COMMUNITY CENTER AND SANCTUARY LAKE GOLF COURSE WITH AN OPTION TO RENEW FOR FIVE(5) ADDITIONAL YEARS

PROPOSAL: A BOTH LOCATIONS

Percentage of Gross Receipts Blank
 Guaranteed Minimum per Year Blank
 Community Center Office \$ \$
 Community Center Storage \$ \$

ALTERNATE - PROPOSAL A:

Alternate suggested return schedule
 for both locations: Y or N

Yes - Listed in RFP
\$20,000 Guaranteed Minimum
Plus \$5,000 in rent for both &
Storage space Plus 5% of all
revenue in excess of \$500,000

Attach Plan Marked Alt A

PROPOSAL: B

B1: Community Center

Percentage of Gross Receipts Blank
 Guaranteed Minimum per Year Blank
 Community Center Office \$
 Community Center Storage \$

ALTERNATE - PROPOSAL B1: Community Center

Alternate suggested return schedule
 for both locations: Y or N

Blank

Attach Plan Marked Blank

B2: Sanctuary Lake Golf Course

Percentage of Gross Receipts Blank
 Guaranteed Minimum per Year Blank

ALTERNATE - PROPOSAL B2: Sanctuary Lake Golf Course

Alternate suggested return schedule
 for both locations: Y or N

Blank

Attach Plan Marked Blank

INSURANCE: Can Meet XX
 Cannot Meet

INSURANCE VERIFICATION: Y or N Yes

PAYMENT SCHEDULE: Y or N Yes - Attached to RFP
marked "Payment Schedule"

SITE REVIEW: Reviewed the Sites XX
 Did not Review Sites

Opening Date -- 09/29/06
Date Prepared -- 11/7/06

CITY OF TROY
RFP TABULATION
FOOD SERVICES

FIRM NAME:

Emerald Food Services

TERMS:

Blank

WARRANTY:

Blank

EXCEPTIONS:

See Attachment marked "Vendor
Exceptions/Unique Benefits"

ACKNOWLEDGEMENT: Y or N

Yes

BOLDFACE TYPE DENOTES SOLE BIDDER

ATTEST:

Jeanetta D. Simmons

John Hug

Linda Bockstanz

Jeanette Bennett

Purchasing Director