

CITY OF SAN ANTONIO  
INTERDEPARTMENTAL MEMORANDUM  
ALAMODOME

TO: Mayor and City Council

FROM: Michael Abington, Director, Alamodome

THROUGH: Terry M. Brechtel, City Manager

COPIES: Roland Lozano, Assistant to the City Manager; File

SUBJECT: Alamodome Concessions Contract

DATE: May 8, 2003

**SUMMARY AND RECOMMENDATION**

An ordinance authorizing the City Manager to negotiate and execute a five-year agreement with Aramark Sports and Entertainment Services, Inc. for the operation of food, beverage and catering services at the Alamodome.

Staff recommends approval.

**BACKGROUND**

Since the Alamodome's opening in May 1993 the San Antonio Spurs, d.b.a. San Antonio Concessions, Inc. (SACI) have operated the food and beverage concessions, including all catering operations for luxury suites, the Sports Club and Top of the Dome restaurants. This agreement will terminate in May 2003. The Sports Club and the Top of the Dome restaurants were not part of the SACI agreement with the City, however the Alamodome acquired these areas along with all furniture, fixtures and equipment as a result of an agreement with the San Antonio Spurs to purchase all electronic systems and other improvements previously owned by the Spurs. Under the proposed Aramark agreement the Alamodome will receive revenue from these areas.

Also in 1993, the City contracted with four local companies to provide general catering services for all areas not served by SACI. These agreements will terminate in June 2003.

The Alamodome retained the consulting services of the Bigelow Companies, Inc. to provide overall assistance in the process of developing an RFP, evaluating proposals, and negotiating an agreement with the successful company.

In October 2002 the Alamodome distributed requests for proposals both locally and nationally, for concessions and catering services. The RFP was advertised in the Express-News, La Prensa, Tha Tymes, S.A. Observer, Daily Commercial Recorder, IAAM News, the City website and the Alamodome website.

A pre-proposal conference and SBEDA Workshop was held at the Alamodome on October 29, 2002 with 13 food service firms attending the conference. One proposal was received, *Aramark Sports and Entertainment Services, Inc.* The primary reasons only one proposal was received include lack of primary tenant, and high start-up costs.

Staff from the departments of Parks and Recreation, Economic Development, Convention Facilities, Aviation, Asset Management and the City Attorney's Office reviewed the proposal and determined that it met or exceeded all requirements as set forth in the RFP.

Aramark Sports and Entertainment Services has 25 years experience in facility food service and is the largest food service business in the U.S. They are a stable organization with 176 clients, including 36 major league stadiums and arenas and 29 convention centers. Aramark has vast experience in Alamodome operations and a strong local and regional presence (Verizon Wireless, SBC Center, Reliant Park, Compaq Center, HB Gonzalez Convention Center). Aramark employs experienced personnel and have made a strong SBEDA commitment.

As part of Aramark's proposal, the company has retained *Texas Finest, All Stars, Polanco & Co.*, *William Franklin/Chelsea's Blimpie* and *Rosario's/Lisa Wong* as SBEDA sub-contractors for concessions services; and *Catering by Nick, Gerald Franklin, Rosario's*, and *Joe Linson* for catering services.

### **POLICY ANALYSIS**

In the RFP the Alamodome sought two different types of proposals for operating concessions and catering:

Fee-Based Management Agreement  
Straight Percent of Sales Agreement

#### **Fee-Based Management Agreement**

The City owns total rights to all food services; contracts with professional firm for operations. City retains 100% of net revenue (total revenue less operating expenses). City pays operator flat annual fee plus a percentage of profits.

Pros: Greater control of service delivery  
Higher financial returns in good years  
Greater leverage for event development

Cons: Risk of lesser returns in soft years  
Subject to profit margins  
Subject to operating expenses

#### **Straight Percent of Sales Agreement**

Contracted operator owns all rights to food and beverage services and pays a flat percent of gross sales to City.

Pros: Guaranteed percent of gross sales  
Not subject to profit margins  
Not subject to operating expenses

Cons: Less return in good years  
Lack of control of service delivery  
Less leverage for event development

Based on the pros and cons of each type of agreement, the lack of a permanent tenant and the volatility of expense-to-revenue ratio, staff recommends the guaranteed Straight Percent of Sales Agreement.

## FINANCIAL IMPACT

### Business Points - Fee-Based Management Agreement

Annual Management Fee to Aramark                      \$100,000  
    Plus 8% of profits  
 Alamodome retains 92% of profits

### Business Points - Straight Percent of Sales Agreement

<u>Source</u>	<u>Return to City</u>
Aramark Sales (63.4% or 142 P.O.S)	35% to \$1.25 mil 40% over \$1.25 mil
SBEDA Sales (36.6% or 82 P.O.S.)	27.5%
Catering (includes Sports Club, T.O.D., Suites)	16.5%
Merchandise	Negotiated on case-by-case basis

Based on projected event mix through FY 2006, the straight Percent of Sales Agreement is anticipated to yield the following net revenues:

	FY 2004	FY 2005	FY 2006
Aramark Sales	\$705,438	\$730,834	\$757,114
SBEDA Sales	\$407,240	\$421,901	\$437,089
Total Concession Sales	\$1,112,678	\$1,152,735	\$1,194,203
Catering	\$59,114	\$61,242	\$63,446
Total Food & Beverage	\$1,171,792	\$1,213,977	\$1,257,649

## SBEDA Compliance

SBEDA goals for *Concessions* were based on a total of 224 points of sale in the facility.

	<u>Points of Sale</u>	<u>Goal</u>	<u>Aramark Compliance</u>
MBE	73	32.5%	36%
WBE	29	13%	18%
AABE	8	3%	4%
SBE	101	45%	37%

SBEDA goals for *Catering* were established based on the annual gross receipts from catering operations. Catering services will be provided 100% by SBE/MBE/AABE/WBE firms.

	<u>Goal</u>	<u>Aramark Compliance</u>
MBE	32.5%	Yes
WBE	13%	Yes
AABE	3%	Yes
SBE	45%	Yes

The MBE companies that will provide *concession* services are *Texas Finest* (26 p.o.s.), *All Stars* (12 p.o.s.), *Polanco & Co.* (20 p.o.s.), *William Franklin/Chelsea's Blimpie* (10 p.o.s.) and *Rosario's/Lisa Wong* (14 p.o.s.). Aramark *catering* services will be provided 100% by SBE/MBE/AABE/WBE firms. These firms are *Catering by Nick*, *Gerald Franklin*, *Rosario's*, and *Joe Linson*.

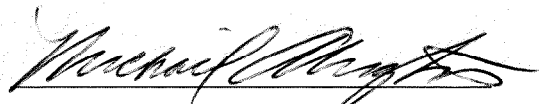
### SUPPLEMENTAL INFORMATION

As part of the proposal Aramark will invest a minimum of \$225,000 in improvements to the Alamodome concession areas, including new color schemes, signage and electronic handling systems.

### COORDINATION

This item has been coordinated with the City Attorney's Office, Economic Development, Parks and Recreation, Asset Management, Convention Facilities and Aviation Departments.

### SIGNATURES

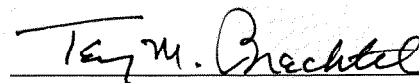


Michael Abington, Director  
Alamodome

### APPROVED



Roland Lozano  
Assistant to the City Manager



Terry M. Brechtel  
City Manager

## ADDENDUM NO. 04

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# EXHIBIT K ADDENDUM NO. 04

## City of San Antonio Discretionary Contracts Disclosure\*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

\* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

### Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract.

Betty McCann, President

(2) the identity of any business entity that would be a party to the discretionary contract, and the name of:

Any individual or business entity that would be a party to the discretionary contract.

All Star Concessions	Chelsea's Sandwiches of Texas, Inc.
Polanco	Rosario's Mexican Cafe y Cantina &
Texas Finest	Chin Gow, Inc. dba LMR Concessions
Catering by Nick	

By any individual or business entity that would be a party to the discretionary contract, or any individual or business entity who would be a party to the discretionary contract.

ARAMARK Sports & Entertainment Services, Inc. - Parent  
ARAMARK Concession Services Joint Venture - Subsidiary

(3) the identity of any person or entity who is employed by or has a business relationship with the business entity who would be a party to the discretionary contract.

N/A

<sup>1</sup> A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

## ADDENDUM NO. 04

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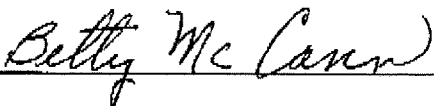
**Political Contributions**

Any individual or business entity seeking a contract with the City must disclose in connection with a proposal for a discrete contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty (20) months made directly or indirectly to any current or former member of City Council, any member of City Council or to any political action committee or committee for or against candidates by any individual or business entity. Those individuals must also disclose all direct and indirect contributions made by the individual's spouse, whether state or federal, to any political action committee or registered lobbyist or entity.

To Whom Made:	Amount:	Date of Contribution:
N/A		

**Disclosures in Proposals**

Any individual or business entity seeking a contract with the City shall disclose any information which reasonably tends to raise a question as to whether any City official or employee would violate Section 1 of Part 5 of the Code of Ethics by participating in official action relating to the discretionary contract.

<b>Signature:</b> Betty McCann 	<b>Title:</b> President  <b>Company:</b> ARAMARK Sports & Entertainment Services of Texas, Inc.	<b>Date:</b> December 18, 2002

<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

END OF ADDENDUM NO. 04