



Request for City Council Committee Action from the Minneapolis Convention Center

Date November 27, 2007
To Ways & Means/Budget Committee
Subject **Amendment to Contract C99-14181 with Kelber Catering Inc. for MCC food services and concessions.**

Recommendation

That Contract C99-14181 with Kelber Catering Inc. be amended to exercise its Section 5.5 extension, extending the contract through 2016. With this amendment, Kelber will be upgrading and enhancing its food service equipment and will be adding a coffee facility to the MCC Lobby area. Kelber has committed to \$750,000 worth of upgrades to their food operations and \$1,250,000 to the capital expenses of the Convention Center.

Previous Directives

In 1999, the City of Minneapolis and Kelber Catering, Inc. entered into a new contract for operation of food services at the expanded Convention Center. The Contract commenced on January 1, 2002 with an initial 10 year term through December 31, 2011. Section 5.5 of the Contract granted to the City an option to at any time extend the initial term for an additional 5-year period.

Submitted by: Jeff Johnson, Interim Assistant City Coordinator, Minneapolis Convention Center.

Approved by: Steven Bosacker, City Coordinator

Permanent Review Committee (PRC) Approval N/A Date

Policy Review Group (PRG) Approval ____ Date of Approval ____ Not Applicable X

Note: The Policy Review Group is a committee co-chaired by the City Clerk and the City Coordinator that must review all requests related to establishing or changing enterprise policies.

Presenters in Committee: Jeff Johnson, Interim Assistant City Coordinator, Convention Center.

Financial Impact (Check those that apply)

No financial impact (if checked, go directly to Background/Supporting Information).

Action requires an appropriation increase to the Capital Budget or Operating Budget.

Action provides increased revenue for appropriation increase.

Action requires use of contingency or reserves.

Business Plan: Action is within the plan. Action requires a change to plan.

Other financial impact (Explain):

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals

Comprehensive Plan

Zoning Code

Other

Background/Supporting Information

Food and beverage quality is a crucial factor in the success of our operation and creates lasting impressions on our guests. Our focus is to make sure that these impressions are positive by working with our exclusive contractor Kelber Catering. We feel that Kelber Catering has been and continues to be a great partner. Their quality and customer service continues to rate highly with our guests.

Currently, the Convention Center feels the urgency of extending the current Kelber Catering contract in order to be able to gain the enhancements needed to continue as an industry leader in food and beverage service. By extending the current contract through its 5 year renewal to 2016, the Convention Center will gain the leverage needed to bring our food and beverage to the next level of service and revenue.

The contract extension allows the Convention Center to gain \$2 million in capital investment from Kelber Catering that will lead to a franchised Coffee Shop, Point of Sale system which includes the ability to accept credit cards, and approximately \$150,000 in yearly upgrades to MCC authorized Capital projects. The Coffee Shop will give our customers a comfortable place to purchase good coffee. Industry research shows that customers will spend 10-300% more on brand name products. The Coffee Shop will prove to be a great addition to our amenities and revenue. The Point of Sale System will bring our concession stands up to industry standards of accepting credit card transactions quickly and efficiently. Industry research also shows that guests will spend 10-20% more when they are able to use a credit card. The inability to use credit cards for purchases at concession stands has been a major complaint from our guests. The MCC authorized upgrades of \$150,000 each year will allow MCC management to direct Kelber Catering funds to food service areas that are the most needed and return the best revenue. A major focus of this money will go toward upgrading the concession stands to make them more inviting and to allow more food options. Kelber Catering would not be motivated to invest this money into the Convention Center without this contract extension.

We have also made some positive changes to the existing contract that will help our revenue gained from food and beverage sales even if the above enhancements don't provide the expected increase in sales. Kelber Catering will pay 1% of their gross adjusted revenue for Utility Costs. This payment will be approximately \$120,000 per year. We have never received any money to offset Kelber Catering's utility costs. Kelber Catering returns revenue to the Convention Center as a percentage of each sale. We have changed some of the percentage classes in order to make them easier to understand, operate, and gain more revenue. The Catering percentage stays the same at 17% of all sales. The Concessions percentage stays the same at 30% without an increase after \$1.5 million in sales to 35%. In place of the escalator at \$1.5 million, portable kiosks sales and cafeterias have been increased from 17% to 30% as part of the concessions percentage. This change to the concessions classification should produce \$25,000 in additional revenue to the convention center on a yearly basis.

Other small changes were made to the contract including removing language about the expansion and including better language about Kelber Catering's commitment to recycling.

In general, the Convention Center would not receive these needed enhancements without extending the Kelber Catering contract. While waiting 4 years for the contract to expire and going out to bid could produce different enhancements, the history of quality product produced by Kelber Catering and the additional revenue opportunities outlined above during this time period are significant. This contract extension fits well with our Enhancement Plan and creates great opportunities for our facility.