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3 (ITEM) From the Director, Milwaukee County Zoo, requesting authorization to
4 execute a Concessions, Catering, and Novelty Operations contract with Service
5 Systems Associates for a ten-year term with possible five-year extensions pending
6 Milwaukee County Board approval, by recommending **REJECTION** of the following:
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8 **A RESOLUTION**
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10 WHEREAS, Milwaukee County continues to face financial challenges from
11 expenditure funding pressures and from addressing revenue aid gaps from State and
12 Federal mandated services which has put considerable burden on the County's
13 discretionary services that rely more heavily on County taxpayers; and
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15 WHEREAS, even though the Milwaukee County Zoo (Zoo) generates 73% of its
16 budget from revenues, it still relies on an average of 27% of its budget from property
17 taxes and continually looks for ways to enhance revenue streams, foster funding
18 partnerships, enrich the guest experience, and identify industry leading programming for
19 growth returns; and
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21 WHEREAS, the Zoo is currently working on building the West Entrance and
22 parking lot and will begin the planning stages for a new elephant exhibit; and
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24 WHEREAS, the Zoo is moving forward with updating its exhibits to meet
25 Association of Zoos and Aquariums accreditation standards and is refreshing its exhibits
26 to maintain and increase attendance; and
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28 WHEREAS, the Zoo also needs to look for additional funding partners so a
29 Request for Proposals (RFP) for a new service model for Concessions, Catering, and
30 Novelty Operations at the Zoo was issued; and
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32 WHEREAS, the Zoo worked with the Procurement Division, Department of
33 Administrative Services (DAS), and a consultant from Schultz and Williams, Inc., who
34 has extensive experience in the business operations of zoos, in order to develop a RFP
35 seeking a new service model for Concessions, Catering, and Novelty Operations; and
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37 WHEREAS, the RFP was released on July 18, 2014, posted on the Procurement
38 Division, DAS, website, and 1,631 emails were sent out by Procurement staff
39 announcing the RFP; and
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41 WHEREAS, 11 companies responded with interest, 10 companies submitted
42 letters of intent and participated in a site visit over a two-day period, six companies
43 submitted proposals that were due on August 15, 2014, and the proposals were
44 evaluated by a review panel and the two highest scoring companies were interviewed,
45 including site visits to ensure what they said they could do was actually happening at
46 their service locations; and

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48 WHEREAS, Service Systems Associates (SSA) was chosen because of the
49 following: SSA has 40 years of service with both public and private zoological
50 institutions across the nation; SSA has 31 zoo partners in 16 different states serving
51 approximately 25 million guests annually; SSA is recognized as the national leader in
52 the zoo and aquarium visitor service industry; and SSA received the highest overall
53 score and the consultant's evaluation on the financials showed the highest confidence
54 factor in SSA's revenue and commissions package; and

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56 WHEREAS, the contract includes guaranteed commission rates, guaranteed
57 revenue streams, a \$3 million guaranteed capital investment, and \$150,000 in
58 guaranteed marketing support; and

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60 WHEREAS, the table below shows the percentage of gross sales and
61 commission rates for the Zoo:

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Category	Sales	Commission
Concession Food, Beverages, and Vending	\$0 - \$2,000,000	25%
	In excess of \$2,000,000	28%
Retail Gifts	All Sales	30%
External Catering Food and Beverage	All Sales	15%

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66 WHEREAS, the table below shows the five-year projected commissions and
67 revenue guarantees:

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	2015	2016	2017	2018	2019
ATTENDANCE	1,309,500	1,329,143	1,349,080	1,369,316	1,389,856
Projected Commissions	\$1,740,623	\$1,908,647	\$2,013,545	\$2,096,498	\$2,174,535
Guaranteed Commissions	\$1,450,000	\$1,650,000	\$1,700,000	\$1,750,000	\$1,800,000

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72 WHEREAS, in exchange for Concessions, Catering, and Novelty Operations
73 exclusivity rights, SSA will invest \$3 million in capital spending to improve the Zoo's
74 physical amenities, which totals \$600,000 per year over a five-year period with most of
75 the improvements completed in the first three years of the contract; and

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WHEREAS, the improvement of Zoo facilities will increase the visitor's perceived value of the amenities, increase efficiencies, and allow for a broader menu and merchandise mix that will drive revenue increases by increasing the per capita spending, improve speed of service, and enhance the guest experience; and

WHEREAS, the table below shows the impact to the 2015 Operating Budget expenditures and revenues and the value of SSA's capital improvements and marketing support (note: for presentation purposes, the capital investment of \$3 million and \$150,000 in marketing support is spread over the first five years of the contract):

Budget Impact Analysis	Expenditures	Revenue	Tax Levy
<i>Zoological Gardens</i>			
Net 2015 Operating Impact	\$ (3,665,874)	\$ (3,665,874)	\$ -
<i>2015 Service Systems Associates</i>			
Capital Investment	\$ -	\$ 600,000	\$ (600,000)
SSA Annual Marketing Support	\$ -	\$ 30,000	\$ (30,000)
Total Additional Support from SSA	\$ -	\$ 630,000	\$ (630,000)
Net 2015 Contract Impact	\$ (3,665,874)	\$ (3,035,874)	\$ (630,000)

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WHEREAS, the 2015 net value of the contract is a savings of \$630,000 for 2015 and there are benefits, savings, and/or revenues to the Zoo, County, and the State that cannot be measured at this time but include the following:

- Revenue growth will translate into increased taxes paid by SSA to the County and State.
- Enhanced visitor experience that will increase attendance and return visits, which increases other Zoo revenue accounts.
- Higher quality food service and novelty items available.
- SSA will pay sales tax on purchases whereas the County is exempt.
- Reduction in workers compensation claims with a reduction of approximately 200 seasonal employees, moving the risk to SSA.
- Transfer of food liability to SSA.
- Future equipment repairs and transfers will be done by SSA.
- Human Resources/Ceridian payroll savings with less employees.
- Reduce financial impact of the Affordable Care Act health care costs for year-round seasonal employees.
- Fuel savings.
- Cash handling risk mitigation and transfer to SSA.
- Reduced training costs.
- Additional full-time employees will be added to the Zoo creating additional income taxes to the State.

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115 WHEREAS, the Committee on Finance, Personnel, and Audit, at its meeting of
116 April 16, 2015, recommended **REJECTION** of the resolution due to a failed motion to
117 recommend adoption (vote 3-5); now, therefore,

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119 BE IT RESOLVED, the Director, Milwaukee County Zoo, is authorized to execute
120 a contract with Service Systems Associates for Concessions, Catering, and Novelty
121 Operations at the Milwaukee County Zoo for a period of 10 years and, with the approval
122 of the Milwaukee County Board of Supervisors, the term of the Agreement may be
123 extended for additional five-year terms.

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