

County of Milwaukee  
Interoffice Communication

Date: March 24, 2015  
To: Supervisor Marina Dimitrijevic, Chairwoman, Board of Supervisors  
From: Josh Fudge, Director, Office of Performance, Strategy, and Budget  
Subject: Due Diligence Report for operation of concessions with Ferch's Beachside LLC Park LLC.

**Issue & Background**

I respectfully request that this report be forwarded to the appropriate standing committee(s).

The Department of Parks, Recreation, and Culture (Parks) requests authority to enter into a five-year agreement with Ferch's Beachside, LLC (Ferch's) to operate a concession in Grant Park and to make improvements to the associated building.

The Department of Administration – Office of Performance, Strategy, and Budget (DAS-PSB), Corporation Counsel, and Risk Management (Risk) have reviewed the draft agreement.

**Analysis**

Applicable portions of the requirements of MCGO 32.88(4) are listed below:

**Letter of Full Disclosure**

Ferch's provided a letter outlining their intention to comply with the provisions of MCGO 32.88 and attached the required documentation.

**Cash Flow Projections**

Ferch's provided cash flow and budget projections for the venture. The figures appear to be reasonable and attainable.

**County Operating Budget Impact**

Per the terms of the proposed agreement, Ferch's will pay the County a commission of 15% of gross sales on alcoholic beverages/equipment rentals and 10% on all other sales. Ferch's will also contribute the entire cost of electricity costs from April through October. Based on the figures provided by Ferch's the total direct commission paid to the County in 2015 is estimated at \$41,500.

**Debt Management**

Ferch's does not hold any debt and has no plans to incur any debt.

**Legal Liability**

An attorney representing Ferch's provided a letter stating that there are no pending lawsuits or claims against Ferch's

**Financial Reporting Systems**

Ferch's uses retains an accounting firm to manage monthly financials reports and provide annual tax forms.

**Right-To-Audit Provisions**

Section 27 of the proposed agreement contains the standard provision allowing the County (or an agent of its choosing) to audit any and all records related to the partnership.

**Project Feasibility**

There were no feasibility studies conducted. Based on the experience and observation of Ferch's and Parks staff, they believe there is sufficient demand at Grant Park for the concession to be successful.

**Governance Structure and Procedures**

Ferch's is a privately owned Wisconsin LLC, who operates in accordance with the laws of the State of Wisconsin, Milwaukee County and the City of South Milwaukee.

**Employee/Labor Relations Impacts**

Ferch's is not involved in any labor contracts.

**Environmental Concerns**

Ferch's is not aware of any environmental concerns regarding this proposal sight and facility.

**Governance Structure and Procedures / Tax Consequences**

Ferch's operates as a for profit agency.

**Capital Management/Maintenance**

Ferch's plans to make at least \$90,000 of capital improvements to the facility during the first three years of the agreement. Ferch's is responsible for all costs of construction and improvements to the facility. The plans must be approved by the Architecture and Engineering Section of DAS-Facilities Management prior to the start of work. The County is responsible for certain major repairs related to the structural components of the premises.

**Conflict of Interest/Ethics**

Ferch's states that to their knowledge no potential conflicts of interest exist.

**Performance Measurements**

Ferch's has metrics in place to monitor the following areas: customer satisfaction, product quality, food cost, and labor cost.

**Org Chart / Mission Statement**

Ferch’s provided an organizational chart. Their mission statement is:

*“Set forth on a mission to provide a unique food, custard and beverage concession in a Milwaukee County Park. Principal to this concept is to add value for the greater good of the community.”*

**Name of Bank to Determine Single or Combined Reporting**

Ferch’s maintain financial accounts at Landmark Credit Union located at 5445 S. Westridge Dr., New Berlin, WI 53151.

**Recommendation**

Upon review of the available information, and upon consultation with Corporation Counsel, and Risk Management, DAS-PSB recommends approval of the draft agreement.

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Josh Fudge, Director, Office of Performance, Strategy, and Budget

- cc: Chris Abele, County Executive  
Supervisor Gerry Broderick, Chair, Committee on Parks, Recreation, & Culture  
Raisa Koltun, Chief of Staff, County Executive’s Office  
Kelly Bablitch, Chief of Staff, County Board of Supervisors  
John Dargle, Director, Parks, Recreation & Culture  
Laura Schloesser, Chief of Admin & External Affairs, Parks, Recreation, & Culture  
Teig Whaley-Smith, Director, Department of Administrative Services  
Jessica Janz-McKnight, Office of the Comptroller  
Stephen Cady, Office of the Comptroller