

**County of Milwaukee  
Interoffice Communication**

Date: April 30, 2013

To: Supervisor Gerry Broderick, Chair, Parks Energy and Environment Committee

From: Josh Fudge, Interim Fiscal and Budget Administrator, Department of Administrative Services

Subject: Due Diligence Report for a Catering and Facilities Management Service Agreement with Grandview Management, Inc. d/b/a Zilli Hospitality Group to provide food, beverage, bar, banquet, and facility management services at Boerner Botanical Gardens Educational & Visitors Center in Whitnall Park.

**Request**

The Department of Parks, Recreation, and Culture (Parks) requests approval to enter into a ten-year agreement with Zilli Hospitality Group (Zilli) to provide food, beverage, bar, banquet, and facility management services at Boerner Botanical Gardens Educational & Visitors Center in Whitnall Park.

**Background**

In August 2012, Parks issued a Request for Proposals (RFP) for catering and facility management services at the Boerner Botanical Gardens at Whitnall Park. Zilli was selected as the successful bidder to replace the current vendor, whose agreement expires on December 31, 2013. In the past five years, Parks has received an average of \$67,184 in annual revenue from the concession<sup>1</sup>. Zilli has current agreements with the County to provide food and beverage catering services at the Mitchell Park Domes and to operate Coast Restaurant at the O'Donnell Park Pavilion.

**Review & Analysis**

The Department of Administration - Fiscal Affairs (DAS), Corporation Counsel, Risk Management, and Community Business Development Partners have reviewed the draft proposal with Zilli.

The term of the proposed agreement is ten (10) years with a five (5) year mutual option for an extended term. The start date is January 1, 2014 and the original term expires on December 31, 2023. If the mutual option is exercised, the agreement will expire on December 31, 2028. The agreement may be terminated by either the County or Zilli if either party fails to comply with any provision of the agreement, provided the failure continues for 30 days after written notice.

Per terms of the proposed agreement, the County will receive a percentage of total gross receipts as follows:

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<sup>1</sup> Based on data from the Milwaukee County Fiscal Intranet for actual revenues (Functional Code VH02; Activity Code KRSE; Revenue Sources 3560, 3603, 3613, 3649; Agency 900; Fund 001)

<u>Annual Gross Receipts</u>	<u>Percentage Paid to County</u>
\$500,001 - \$1,000,000	11%
\$1,000,001 - \$1,500,000	13%
\$1,500,000 +	17%

The County is also guaranteed an annual minimum commission. For the first five years of the proposed agreement (2014 to 2019), the County's guaranteed minimum is \$84,000. For the subsequent five years of the initial term and the extended term, the County is guaranteed \$96,000 annually.

Per the terms of the proposed agreement, Zilli may determine that any County-owned catering and kitchen equipment requires repair. Zilli may then repair or replace such equipment at its own expense. If Zilli chooses to replace such equipment, the equipment becomes property of Zilli rather than the County.

Should the County and Zilli agree to the to the additional five year term, Zilli will make \$75,000 in capital improvements during the 11<sup>th</sup> contract year (2024). If the additional five year term is not mutually agreed to, the contract will expire on December 31, 2023 with no requirement for capital improvements.

Per the terms of the proposed agreement, Zilli is responsible for all necessary repairs to catering equipment in areas of the facility covered by the agreement, provided the total cost of each individual repair does not exceed \$5,000. The County is responsible for all major repairs in excess of \$5,000. Zilli must also keep plumbing, electrical, lighting, doors, windows, and HVAC systems in good condition so the facility will be returned to the County in the same or better condition (ordinary wear and tear excepted).

**Recommendation**

Upon review of the available information, DAS recommends approval of the vendor permit agreement, with the following recommendation:

1. Section 6.2 – Equipment and Fixtures
  - i. Part of this section provides that the County is responsible for replacing any County-owned kitchen and catering equipment that is not in good order and working condition at the start of the agreement. At any other point of the agreement, Zilli is responsible for such replacement and would retain ownership of the equipment. In order to provide a financial safeguard to the County, DAS recommends that Zilli be responsible for replacement of equipment at the start of the agreement as well as throughout the agreement.



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Josh Fudge, Interim Fiscal and Budget Administrator

cc: Chris Abele, County Executive  
Supervisor Marina Dimitrijevic, Chair, County Board of Supervisors  
Amber Moreen, Chief of Staff, County Executive's Office  
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