

September 19, 1996

**SUBJECT: FOOD SERVICE OPERATION AT FRASERVIEW, LANGARA  
AND MCCLEERY GOLF COURSES CLUBHOUSES**

**RECOMMENDATION:**

- A. THAT the Board award a three year contract to Beaver Foods Ltd. for the operation of the Board's Golf Course Clubhouses, including the collection of green fees, for the period of December 1, 1996 to November 30, 1999, with an option for a two (2) year extension which the Board reserves the right to exercise.**
- B. THAT Beaver Foods Ltd pay the Board in the first year of operation a guaranteed amount of \$10,000 or 2% of gross food and liquor revenues, whichever is the greatest; in the second year a guaranteed amount of \$28,000. or 4% of gross food and liquor revenues, whichever is the greatest, and in the third year a guaranteed amount of \$47,000. or 5.2% of gross food and liquor revenues, whichever is the greatest.**
- C. THAT no legal rights shall be created by the passage of these resolutions and none shall arise hereafter except by the signing of the contemplated documents.**

**BACKGROUND**

Net revenues to the Board from food service operations at the Board's clubhouses have been in decline since 1988.

A four year review shows that on revenues of \$2,673,428. the Board has lost \$210,005 (see Appendix I., Board Report dated May 1, 1996).

An additional \$324,200. was spent on employee wages for the collection of green fees during the same period. The net cost of the combined service was \$534,205.

It is important to note that the Board's clubhouse staff have the dual role of providing food services to the public, as well as collecting green fees.

On May 7, 1996 a letter was sent to Mr. Jim Gorman, Business Manager of C.U.P.E. Local 15 informing the Union of the Board's intentions to issue a Request for Proposal from firms interested in operating the Board's Golf Course Clubhouses (see Appendix 2.).

Around July 8, 1996 various food service contract firms, were invited to submit a proposal. These firms included Versa Services, I.C.L. Services, Beaver Foods Ltd., Restauronics Services Ltd., Red River Cooking Corp., Marriott Management, and Servomation Inc.. C.U.P.E. Local 15 was also provided with the same information.

A site meeting took place on July 15, 1996 at Langara and McCleery Golf Courses to discuss any questions arising from the R.F.P.. Representatives of interested firms as well as C.U.P.E. local 15, were in attendance. The deadline for proposal submission was July 29, 1996.

Two firms (I.C.L. Services and Beaver Foods Ltd.) submitted proposals.

During the course of proposal analysis C.U.P.E. Local 15, requested that the Board provide copies of the submissions received from I.C.L. and Beaver Foods Ltd.

Both companies declined to provide this information under section 21 of the "Freedom of Information and Protection of Privacy Act" stating that this information could jeopardize their competitive situation if it were disclosed. However, after obtaining their consent, the bid forms from both companies, stating the guaranteed and variable remunerations offered to the Board were circulated.

At the Board meeting of September 9, 1996 Ed Janowicz, a member of CUPE 15, gave a presentation about possible changes to the clubhouse operation. Management staff met with employees from the clubhouses on September 12th and listened to their ideas and suggestions. The meeting was fruitful but there was no evidence that the matters discussed would significantly change the financial impact of the clubhouse operations.

## **DISCUSSION**

Beaver Foods Ltd. is a well established food service management company, with a good reputation in the Food Service Industry.

Their head office is in London, Ontario with a local office in Burnaby. They have over 30 accounts in the Lower Mainland with the largest being the Workers Compensation Board in Richmond.

They have indicated service levels, menus, marketing initiatives, and hygiene and safety measures that would satisfy Board requirements.

Beaver Foods have also indicated that they will abide by all existing and future corporate sponsorship agreements as entered into by the Board.

Although Beaver would maintain a unionized environment they have indicated that they would seek to achieve this through the Hotel Restaurant Culinary and Bartenders Union, Local 40 with whom they are already affiliated and act as the bargaining agent in other unionized Beaver locations.

They would endeavour to provide employment opportunities within their organization both to existing staff in the bargaining unit and our two contracted managers.

## **THE COMPENSATION OPTIONS**

The collection of green fees in the Board' s golf courses have been performed by the food service cashiers. This was believed to improve security for the Board as those staff involved in controlling the start of play, did not participate in the fee collection.

However, the great majority of golf courses no longer separate the starting activities from fee collection, and as such, the Board requested on its R.F.P. two distinctive options.

Under one option the Board would continue to collect green fees and an agreement would have to be negotiated with the golf professionals to carry out this task. An amount (\$43,500. per course per annum) has been allocated in previous budgets. Based on proposals received it would not be viable to pursue this option at this time.

The second option included the collection of green fees by food service staff. Due to the experience and resources of Beaver Foods we believe they have the necessary financial controls to monitor the collection of green fees on behalf of the Board.

## **THE COMPENSATION PACKAGE**

The analysis focused on comparisons between the bidding companies and the Board' s existing operation. Since the proposal from Beaver Foods was considerably better than I.C.L. it was decided not to pursue the latter to the same detailed analysis.

There are savings and costs that impact the award of this contract and they are as follows:

### **1. Projected Loss If The Board Continues To Operate**

Over the next three years it is forecast that the Board will continue to operate in a deficit position at the clubhouses despite new facilities. The budgeted loss, inclusive of taking green fees is \$413,293

### **2. Acceptance Of Beaver Foods' Proposal**

The proposal from Beaver Foods will pay the Board estimated rent of \$108,042 over the next three years.

### **3. Janitorial Services**

Beaver Foods will assume the cleaning and supply of the clubhouse washrooms which will result in a saving of an estimated \$56,000 over the next three years.

#### 4. Utility Costs

The estimated utility costs over the next three years are \$160,248. Beaver Foods have agreed to pay the Board 2% of gross sales which is projected to be \$54,345. The balance of \$105,903 would be the Board' s cost and this is identified in the final analysis.

#### FINANCIAL IMPACT OF PROPOSAL

Board' s projected loss		\$413,293 (1)
Acceptance of Beaver Foods Proposal		
Rent	\$108,042 (2)	
Janitorial	56,000 (3)	
Less Utility Costs	(105,903) (4)	
	58,139	58,139
Total net gain over 3 years:		\$471,432

Appendix 3 shows the comparison between Beaver Foods' proposal and the Board' s existing peration.

A strict payment schedule would be instituted with Beaver Foods Ltd. ensuring that the flow of green fee funds would be smooth and timely. Auditing procedures would be built into the agreement with Beaver Foods.

The contract would be for three years and the Board has an option to extend it for a further two years subject to agreement between the two parties.

#### JUSTIFICATION

Transferring the management of the combined food service operations and the collection of green fees at the Boards' s Golf Course to a contract firm such as Beaver Foods Ltd. would convert a considerable projected loss into a profitable situation.

Beaver Foods Ltd. has the reputation and the capabilities to capably discharge this mandate.

The firm has resources that will hopefully generate added sales, and enhanced service levels to the golfing patrons.

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