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**CITY OF OAKLAND**  
**SUPPLEMENTAL AGENDA REPORT**

2004 APR 29 PM 3:45

TO: Office of the City Administrator  
ATTN: Deborah Edgerly  
FROM: Finance and Management Agency  
DATE: May 4, 2004

RE: **A SUPPLEMENTAL INFORMATIONAL REPORT ON THE ARENA CONCESSION LICENSE AGREEMENT BY AND BETWEEN THE OAKLAND ALAMEDA COUNTY COLISEUM AUTHORITY AND LEVY PREMIUM FOOD SERVICE LIMITED PARTNERSHIP**

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## SUMMARY

At the Finance and Management Committee meeting of April 27, 2004, the Committee requested an analysis of the proposed agreement with the prior concession agreements. This report discusses the significant changes in the proposed agreement and the potential fiscal impact on the City.

## FISCAL IMPACT

The proposed commission structure, when applied to the previous year's actual sales, results in increased revenues to the Oakland Alameda County Coliseum Authority (Coliseum JPA) of over \$320,000, or an increase of 15% (See Attachment A). Actual revenues received will be dependent on actual concession sales figures in the coming five years.

The RFP process used to select Levy Premium Food Service Limited Partnership (Levy's) as the Concession Licensee recognized that a number of factors influence concession sales and the resulting JPA revenues. Estimated return to the JPA received a weighting factor in the process of 45%. The return was calculated based on sales projections developed by JPA staff and a sensitivity analysis was performed to determine the effects of lower and higher sales levels. Other factors (weighted 55%, in total) were concerned with the quality of food service and operations. Levy's higher scores on these "quality" factors should lead to increased concession sales, which would result in additional increases in JPA revenues.

## BACKGROUND

The Coliseum JPA previously had two agreements for concessions in the Arena – one with ARAMARK for general concessions and one with Levy's for premium food concessions. The proposed agreement with Levy's covers both general and premium concessions at the Arena.

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Levy's was selected as the concession licensee through an RFP process, which included a selection committee made up of two City and two County representatives, an outside industry consultant and the Executive Director of the JPA. The JPA Board approved the proposed contract at a special meeting on April 15 by a vote of 6-1, with one member absent. The management agreement between the City and County and the JPA requires that the City and County approve major concession agreements at the Coliseum.

## **KEY ISSUES AND IMPACTS**

### Term

The previous ARAMARK contract was originally a five-year agreement, but was extended for two additional years to coincide with the end of the prior Levy's agreement. The prior Levy's agreement was a seven-year agreement. The proposed agreement with Levy's has a five-year term, with an option to extend an additional five years at the Coliseum JPA's discretion.

### Ongoing Costs

This element is the same as in the previous agreements. The licensee is responsible for the repair and maintenance of all equipment and the Coliseum JPA is responsible for any necessary equipment replacements.

### Definition of Gross Receipts

This contract language applies to premium food service only (the concession that Levy's previously held). Commissions were not previously paid on service charges levied on suite service. The Golden State Warriors have agreed to make the Coliseum JPA whole on commissions on service charges. This will result in additional revenue to the JPA of approximately \$20,000 per year.

### Employee Retention

The Coliseum JPA Board was very concerned that long-term employees of the Arena concessionaires retain their jobs under the new concession license agreement. Levy has agreed to offer employment to all non-management food service employees, who formerly worked in the Arena, who meet Levy's employment qualifications. This language is new to this agreement.

### Local Businesses

The Board was also concerned that the new concessionaire encourages local small vendor participation. The new contract provisions in this agreement provide incentives and vehicles to attract local participation and provide for regular reporting from Levy's to the JPA on these activities.

Audit Requirement

The previous contract with ARAMARK contained an audit provision. ARAMARK, at their own expense, provided a one-page report from their auditor, which, in the opinion of the JPA staff, did not provide adequate assurance that the JPA was receiving all commissions due. The proposed agreement includes substantially improved rights for the JPA to inspect cash collection procedures and records and to audit, at its own expense, Levy's books for the term of the contract and one year beyond.

Food Banks

Under the proposed agreement, Levy's will make reasonable efforts to donate leftover food to local food banks and community groups. No such provision was included in previous agreements.


**SUSTAINABLE OPPORTUNITIES**

The proposed agreement provides for local small vendor participation and donation of leftover food to local food banks and groups.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council adopt the resolution approving the execution and delivery of an Arena Concession License Agreement between the Coliseum JPA and Levy's.

Respectfully submitted,

  
William E. Noland  
William E. Noland  
Agency Director  
Finance and Management Agency

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APPROVED AND FORWARDED TO THE  
CITY COUNCIL:

  
Jayne Becker  
OFFICE OF THE CITY ADMINISTRATOR

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Percent of Sales Commissions Received by the Coliseum JPA

	<u>Former Contract</u>	<u>Proposed Contract</u>
General Concessions up to \$3.5 mil	45%	47%
General Concessions over \$3.5 mil	47%	50%
Suites & Catering	15%	18%
Courtside Club	15%	18%
Sideline Clubs		
Warriors games	15%	18%
non-Warriors events	30%	33%
In-seat service	5%	8%
Subcontractor sales and vending	50%	50%

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ORA/COUNCIL

MAY 4 2004