



Report to: General Committee

Report Date: April 11, 2013

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**SUBJECT:** Contract extension 112-S-08 Cafeteria Services for Markham Civic Centre  
**PREPARED BY:** Alex Moore, Extn 4711

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**RECOMMENDATION:**

THAT the report entitled "Contract Extension 112-S-08 Cafeteria Services for Markham Civic Centre" be received;

AND THAT the tendering process be waived in accordance with Purchasing By-Law 2004-341, Part II, Section 7.1 (c) which states: when the extension of an existing contract would prove more cost-effective or beneficial;

AND THAT Contract 112-S-08 for Cafeteria Services for the Markham Civic Centre be extended to Unique Caterers (Unique) for a term of four (4) years with revised financial terms and conditions, commencing January 1, 2013 – December 31, 2016;

AND THAT the fixed annual revenue in the amount of \$41,500.00 be credited to the account # 890 890 8902 Cafeteria Revenue;

AND THAT Unique be responsible for payment of property taxes based on the annual assessed value for provision of food services, in the approximate annual amount of \$2,300.00;

AND THAT the Mayor and City Clerk be authorized to execute an agreement with Unique in a form satisfactory to the City Solicitor and the Commissioner of Corporate Services;

And that Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to obtain Council authority to extend the contract for Cafeteria Services at the Markham Civic Centre to Unique for a term of four (4) years.

**BACKGROUND:**

In 1998, the existing contractor walked away from the cafeteria contract due to financial reasons. On short notice, Unique was awarded the contract and has been the cafeteria service operator since that date.

On May 14, 2002 Council awarded Request for Proposal 014-R-02 to Unique for a term of four (4) years, commencing on August 1, 2002, with an option to renew for an additional three (3) years.

The City exercised the option to renew the contract for two (2) years up to 2008, and entered into discussions in 2008 with Unique to extend the contract with revised terms, financial return, environmental considerations and conditions such as purchasing food products from local farmers through Local Food Plus (LFP).

In May 2008, Council approved the extension with Unique under a non-competitive process for a term of three (3) years with an option to renew for an additional two (2) years based on mutual agreement. The option years were mutually agreed upon, and the current contract expires on May 31, 2013.

Unique has non-exclusive rights to operate the food service, and the agreement does not prohibit third parties, including charities and service clubs, from providing food during the official opening ceremony and other special functions which the City may establish from time to time, in its absolute discretion. The area currently occupied by the cafeteria includes the kitchen, office and dining space, and is approximately 4,700 sq. ft.

In order to assess the performance of Unique, a catering and cafeteria services survey was undertaken in 2011. The survey was released to all Staff, Councillors and Councillor Assistants in order to obtain feedback on quality of service and opportunities for improvement.

The survey results were as follows:

84.8% of Staff were satisfied, very satisfied or extremely satisfied with catering services.

78.2% of Staff were satisfied, very satisfied or extremely satisfied with cafeteria services.

## **OPTIONS/ DISCUSSION:**

### **City Revenue (2008 – 2012)**

Under the current contract, Unique provides revenue on a percentage basis for City-related catering, till sales, coffee cart sales, non-City catering, maintenance (monthly fee) and cafeteria rentals (e.g. weddings). The following is the breakdown of financial return included in the current contract:

	2008-2012 <u>Contract</u>
Percentage of Revenue on Gross Sales	5.0%
Percentage of Revenue on Non-City Catering	5.0%
Percentage of Revenue on Sales > 400k/year	2.5%
Maintenance Fees (Fixed monthly rental fee w/CPI)	\$409/month
Rental Fees per event at Civic Centre (Fixed)	\$250/event

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	2008	2009	2010	2011	2012
	\$	\$	\$	\$	\$
City-Catering, Till, Coffee Cart	17,373	17,015	16,091	15,287	14,632
Non-City related Catering	7,250	1,872	3,380	3,130	8,097
Maintenance	4,200	4,355	4,490	4,610	4,911
Rental	1,000	1,250	1,500	0	250
<b>Total Revenue</b>	<b>29,823</b>	<b>24,492</b>	<b>25,461</b>	<b>23,027</b>	<b>27,891</b>

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Note: In addition, Unique is responsible for payment of property taxes based on the annual assessed value with respect to the area for provision of food services. In 2012, the property taxes were \$2,304.

### **Unique's Proposal**

Unique provided a proposal to extend the contract for a further four (4) years under a non-competitive process. The proposal included the following:

1. Fixed rental revenue
  - Unique will provide annual revenue in the amount of \$41,500, which represents a 49% increase over 2012 revenue.
2. Property taxes
  - Unique will continue to pay the annual assessed property taxes in the approximate annual amount of \$2,300.00.
3. Food prices
  - Unique will maintain the current fee structure for cafeteria and City catering services.
4. Capital investment
  - Unique will invest \$10,000 in capital improvements to the cafeteria area.
5. Local food
  - Unique will continue to support the current contract clause that mandates 25.0% of its material and produce purchases be from Local Food Plus (LFP) certified farmers.
6. Cafeteria consumables
  - Unique will supply and maintain all consumables (cups, cutlery etc.) whereas the original contract had the City responsible for this obligation.
7. Retroactive payment
  - Unique will commence payment of the proposed contract effective January 1, 2013 instead of June 1, 2013. By commencing the revised fees on January 1st, 2013 it is estimated based on 2012 revenue that the City will receive an additional \$6,100.
8. Menu variety
  - Unique will continue to provide a menu consisting of more than 50 items.

**Comparators**

Staff contacted a number of other municipalities to determine how the food service provider operates within the respective municipality. The following provides a summary of the results.

**City of Vaughan**

City of Vaughan (Vaughan) contracts out the provision of food service operations and last went to the market in 2010. Vaughan receives approximately \$15,000/year which is utilized to offset cafeteria operational expenditures (i.e. utilities, maintenance, lighting, janitorial).

**City of Brampton**

City of Brampton (Brampton) contracts out the provision of food service operations and last went to the market in 2010. The contractor only offers coffee and pre-packaged food and the annual sales are approximately \$50,000 with Brampton receiving revenue of \$2,400/year to offset utility costs.

**City of Mississauga**

Since 2010, Mississauga has operated a restaurant style cafe for both employees and residents which is managed, operated and staffed by Mississauga employees.

**Region of York**

In 2010, the operator walked away from the food services contract for financial reasons. Region of York currently contracts out the provision of food service operations and receives approximately \$25,000/year (7.0% of sales) from the current food service operator. York last went to the market in 2012.

Additionally, Staff contacted the property managers at a local office building and a manufacturing firm that provide cafeteria services within each building complex. Both organizations receive no revenue from the service provider for cafeteria services.

During evaluation of Unique's proposal, Markham received an unsolicited proposal from another company to manage and operate the City's cafeteria at the Civic Centre. This company has been in the catering business for over 35 years and the owner previously owned and operated a high end restaurant in Richmond Hill. In Staff's opinion this unsolicited proposal represents a competitive quote.

Due to receipt of this proposal, Staff believed it was prudent to compare both proposals.

The following is a comparison between Unique and the "unsolicited bid" company as it relates to key parameters for this contract.

**Revenue**

Unique's proposal includes a fixed annual amount of \$41,500 plus applicable property taxes (approx \$2,300/year), whereas, the "unsolicited bid" is based on 15% commission of sales and no payment of property taxes.

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Based on 2012 sales, the “unsolicited bid” revenue based on 15% of sales would be similar to Unique’s offer (\$41,500); however, the revenue proposed would not be guaranteed.

### **Food Prices**

Unique’s proposal includes prices at the same level as the current contract, whereas, the “unsolicited bid” identifies food prices at a considerable higher rate.

	<u>Unique</u>	<u>“Unsolicited Bid”</u>
Soup	\$1.90	\$ 6.95
Sandwiches	\$3.50- \$5.95	\$ 8.95
Main course item (e.g. pasta)	\$6.95	\$11.95

The “unsolicited bid” included a limited menu compared to Unique’s menu of over 50 items.

### **Capital Investment**

Unique will invest \$10,000 in capital improvements to the cafeteria area, whereas, the “unsolicited bid” did not identify any capital investment.

### **Local Food Purchases (LFP)**

Unique identified the continued commitment to Local Food Plus whereby 25.0% of Unique’s purchases will be from Local Food Plus (LFP) certified farmers. In addition, Unique is prepared to increase this percentage of food purchases through non-certified York Region farmers.

The ‘unsolicited bid’ included a commitment to purchase up to 5% from LFP certified farmers and future increments of 5% each year thereafter.

### **Zero Waste**

Unique and the “unsolicited bid” both accept the City’s Zero waste initiative and both agree to continue supporting and implementing requirements such as:

- Bio-degradable cutlery (forks, spoons, knives)
- 100% recyclable paper products (cups, plates, bowls)
- Unbleached napkins

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**Recommendation**

Staff recommend that the contract for Cafeteria Services at the Markham Civic Centre be extended to Unique Caterers for a term of four (4) years for the following reasons.

1. Financial confidence based on historical payment performance
2. Fixed rental revenue of \$41,500/year for four (4) years for a total of \$166,000
3. Payment of annual property taxes in addition to the fixed rental revenue
4. Food prices will remain at the same level as the current contract for cafeteria and City catering services
5. Capital investment of \$10,000 to the cafeteria
6. 25% of food purchases from Local Food Plus certified farmers
7. Supply of all consumables (cups, knives, spoons, forks etc.)
8. Contract effective date to be retroactive to January 31, 2013 (\$6,100 additional benefit)
9. Menu offering of more than 50 items
10. Positive Feedback from customers

**FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)**

Total revenue to be received based on the four (4) year contract will be \$166,000, or \$41,500/year.

**ENVIRONMENTAL CONSIDERATIONS:**

The contract for extension includes clauses relating to providing healthy choices menu, Local Food Plus, as well as conformance to the City's policy on "Zero Waste".

**ACCESSIBILITY CONSIDERATIONS:**

Not Applicable

**ENGAGE 21<sup>ST</sup> CONSIDERATIONS:**

Not Applicable

**BUSINESS UNITS CONSULTED AND AFFECTED:****RECOMMENDED BY:**

X 

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Joel Lustig  
Treasurer

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Trinela Cane  
Commissioner, Corporate Services