

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: March 9, 2011

Board Item: V-E-2

Approval of Two Forks, Inc. Cafeteria Management Contract

Action by Consent

Action

Information

This Board item recommends approval of contract #13528A with Two Forks, Inc. (Two Forks) for two years to manage Denver Water's on-site cafeteria in an amount not to exceed \$350,000.

In April, 2010 staff requested Board approval for a 3 year renewal of the Two Forks cafeteria management contract. The Board approved a 1 year renewal and directed staff to seek ways to reduce Denver Water's costs for the cafeteria, including an evaluation of the cafeteria's operations by an external consultant. Under the agreement with Two Forks, all operating costs, cost of food services provided for meetings and special events, and a monthly management fee are paid by Denver Water. Denver Water's costs for the cafeteria from April 2009 through February 2010 totaled \$210,136.00 or \$229,239.00 for the contract year which runs April 1 through March 31st. By comparison, the total cost to Denver Water for April 2010 through February 2011 was \$168,575.00 which translates to \$183,000.00 for the contract year.

Over the past year, staff continued to work with Two Forks to reduce operating costs through several methods including price increases, charging "to go" orders for the use of Styrofoam containers and cups, and reducing hours worked by the cafeteria staff. From the period of April, 2010 through February, 2011, Two Forks further reduced operating costs by changing food distributors. These efforts resulted in a reduction of \$41,562.00 over the same period in the previous year. The reduction was achieved in spite of lower sales, which occurred when 80 Customer Care employees were moved to the Quivas building.

National Restaurant Consultants (NRC) was selected to perform an evaluation of Two Forks' operations. Their review was completed in November, 2010. In its report NRC made particular note of the many years of operational success that have been provided by Two Forks, Inc, the quality of the food served and the clean and neat operations. The report also included several recommendations to reduce Two Forks' operating costs through improved systems and reducing staff and management payroll costs.

Specific recommendations from NRC related to reducing food costs were:

- *RECIPE BOOK*: Two Forks does not have a recipe book which means that all menu and daily special items are created "out of the head." Product inconsistency and quality, as well as higher costs, are the result.
- *MENU COSTING*: Two Forks, Inc. does not have an accurate picture of what the portion of plate costs are. The posted retail prices are estimates rather than being based on the actual cost of goods.
- *MENU DESIGN*: NRC felt that items on the menu were under-priced and suggested it may be difficult to justify keeping some items on the menu at their current retail price.

NRC noted that the salaries of Two Forks' owners were slightly above those made by similar positions in the restaurant industry. However, they also noted that these higher salaries may be justified because the owners cannot build up any equity in the business. The only profit they make is the monthly management fee paid by Denver Water.

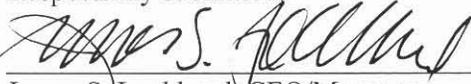
Since the evaluation, Two Forks has started implementing some of the recommendations including a recipe book and costing out all food items to determine accurate pricing. Human Resources staff will continue to work with Two Forks to implement NRC's recommendations and to monitor payroll costs in efforts to reduce total operating costs.

Two Forks has provided quality service to Denver Water's employees since 2005. The on-site cafeteria is a convenient and time saving option for those who would otherwise travel "off campus" for lunch breaks. Although the projected annual cost for this past contract year of \$183,000 is higher than the \$175,000 per year requested in this Board item, additional savings are expected as costs are monitored and NRC's recommendations are implemented.

Recommendation:

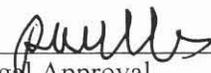
It is recommended that the Board approve contract #13528A with Two Forks, Inc. for two years in an amount not to exceed \$350,000 for cafeteria management services.

Respectfully submitted,


James S. Lochhead, CEO/Manager

Approvals:


Director of Human Resources


Legal Approval