



Aramark Management Services Limited Partnership

BIZ Committee
November 2, 2022

Michael Yu, Fiscal Administrator II
Tad Bowman, Director of Arenas
Denver Arts & Venues

Resolution 22-1245

Amends a contract with Aramark Management Services Limited Partnership by adding \$34,000,000 for a new total of \$64,000,000 to address increased labor costs and an increase in the number of events for facilities and janitorial services in various City venues including the Denver Performing Arts Complex, the Denver Coliseum, McNichols Civic Center Building, and Red Rocks Amphitheatre. No change to contract duration. (THTRS-201736911/ THTRS-202264155-03).

Background

- In 2017 Denver Arts & Venues (DAV), with the assistance of the General Services Purchasing Division issued RFP number 0441A for facilities and janitorial Services at facilities operated by Denver Arts & Venues.
- Janitorial Services includes services such as trash collection, cleaning and sanitation, and similar housekeeping duties.
- Facilities Services include services such as snow removal and minor maintenance.
- Aramark Management Services Limited Partnership (hereafter Aramark Janitorial) was awarded a \$20M three-year contract beginning January 1, 2018, through December 31, 2020. The contract contained an option to extend the agreement for two one-year periods for services through December 31, 2022.
- In January of 2019, the contract was amended to include updated language and formalize a MWBE participation goal of 17%.

Pandemic Impacts

- In 2020 and 2021 the need for janitorial services was reduced but not eliminated because DAV was able to hold outdoor events at reduced capacity and small indoor events such as blood drives that were held following proper health and safety guidelines.
- In December of 2020, the contract with Aramark Janitorial was amended a second time to address pandemic effects, add Force Majeure language, minimum wage language, and \$10M to the contract value.
 - At that time, DAV exercised the option to extend services through 12/31/22.
 - Aramark and the City of Denver also agreed to add an additional three years to the contract extending services through 12/31/25.
 - Knowing the contract would be extended, additional capacity was added.
 - Larger amounts were not added to the contract at this time due to uncertainty surrounding the pandemic.

Current Considerations

- To date, DAV has expended approximately \$28.5M for janitorial services between January 1, 2018, and October 15, 2022.
 - It is important to account for the reduction of services during the pandemic period.
- Labor costs are determined both by relevant wage rates and the number of events held by DAV annually.
 - Some Aramark services are covered under prevailing wage rates, some are covered under minimum wage rates.
- As minimum wages increase the wages for other positions increase as well.
- As wages increase, mark-ups costs which are based on wages increase as well.

Event Trends

Red Rocks and the Arts Complex are primary cost drivers.

Events at Red Rocks will extend through mid November in 2022. Event dates have grown from 186 in 2018 and are expected to be approximately 220 in 2022.

The number of events may increase at Red Rocks. Events at the Arts Complex vary based the year and the length of show runs.

2022 Projected Number of Events

Event Location	Projected 2022 YTD Events	2019 Events
Boettcher	120	127
Buell	220	246
Coliseum	72	92
Ellie	117	52
Red Rocks	220	193
Sculpture Park/Galleria	10	29
Total	759	539

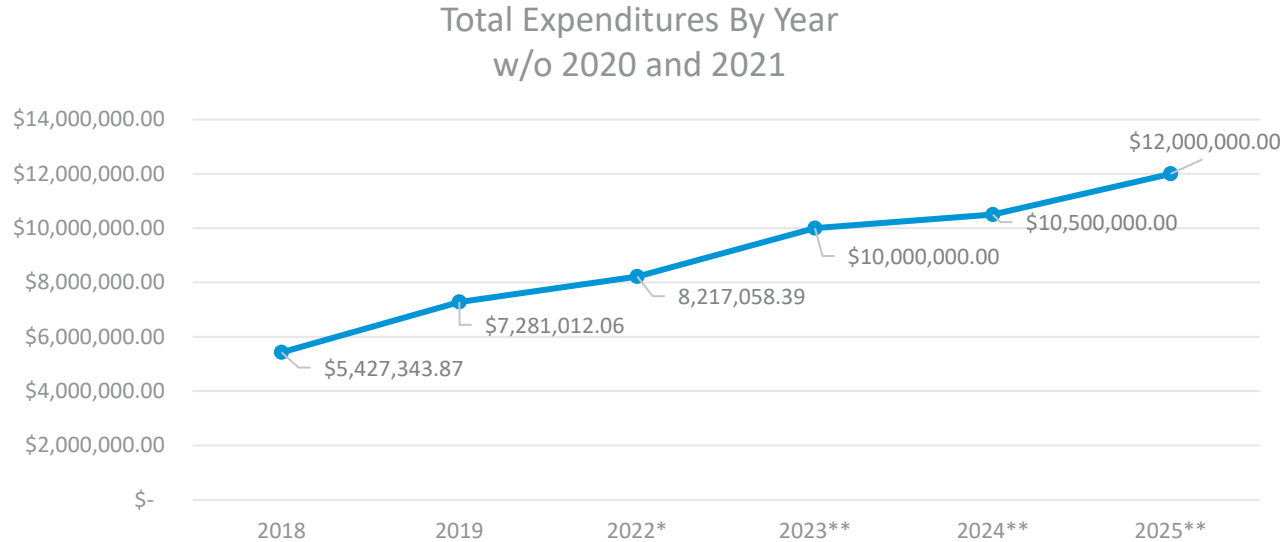
*October events will not be fully recorded until month end.
November and December events have not been added.

Annual Expenditure Trends

Year/Quarter	Total Expenditures	Notes
2018	\$ 5,427,343.87	
Qtr1	252,599.72	
Qtr2	1,688,239.28	
Qtr3	2,116,300.42	
Qtr4	1,370,204.45	
Oct	507,493.20	
Nov	469,911.47	
Dec	392,799.78	
2019	\$ 7,417,353.48	
Qtr1	1,428,582.21	
Qtr2	1,810,746.91	
Qtr3	2,505,795.68	
Qtr4	1,672,228.68	
Oct	605,377.06	
Nov	546,800.37	
Dec	520,051.25	
2020	\$ 2,797,334.55	Pandemic Impact
Qtr1	1,670,448.91	
Qtr2	396,066.30	
Qtr3	467,863.40	

Year/Quarter	Total Expenditures	Notes
Qtr4	262,955.94	
Oct	103,738.35	
Nov	91,531.61	
Dec	67,685.98	
2021	\$ 4,599,627.92	Pandemic Impact
Qtr1	204,436.57	
Qtr2	700,691.42	
Qtr3	1,959,774.71	
Qtr4	1,734,725.22	
Oct	739,833.57	
Nov	740,198.00	
Dec	254,693.65	
2022	\$ 8,217,058.39	
Qtr1	1,943,053.72	
Qtr2	2,826,056.45	
Qtr3	2,996,244.33	
Qtr4	451,703.89	
Oct	451,703.89	Through 10/15
Grand Total	\$ 28,458,718.21	

Annual Expenditure Trends: Graph



* Through 10/15/22; ** Anticipated

Looking to the Future

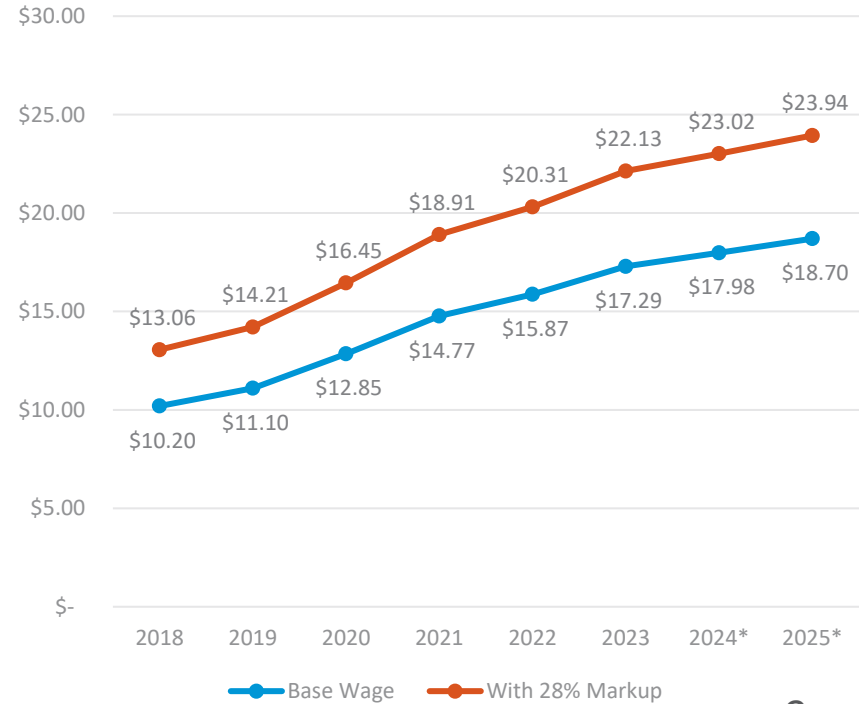
DAV anticipates total 2022 janitorial expenses to be approximately \$9M to \$9.5M

Minimum Wage will increase from \$15.87 to \$17.29 on January 1, 2023.

An increase in minimum wages tends to lead to increases in wages in for other jobs already working above minimum wage.

Because benefits and overhead expenses are charged as a percentage of wages and salaries, shifts in minimum wage result in other increased expenses.

Effect of Percentage Mark Up on Changes in Minimum Wage



Prudence

- DAV believes it is prudent to request a \$34M increase to the existing agreement because:
 - DAV anticipates annual janitorial expenses will reach and/or exceed \$10M annually in 2023 and in future years.
 - This request anticipates janitorial services that will be needed at the future Loretto Heights Theater.
 - This request anticipates all future expenses through the end of the contract term.
 - This request attempts to anticipate future increases in minimum wage.
 - Costs could be higher than anticipated. It will depend on future unknowns such as bookings and runs of show in 2024 and 2025.

Requesting approval of Resolution 22-1245

DAV requests committee approval of Resolution 22-1245, a request to “amend a contract with Aramark Management Services Limited Partnership by adding \$34,000,000 for a new total of \$64,000,000” for facilities and janitorial services through December 31, 2025.

THANK YOU!

Q&A