



MANAGEMENT SERVICES AGREEMENT FOR MIXED BEVERAGE SERVICES

RS-25-032

March 4, 2025

Background

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- The City of Killeen obtained mixed beverage license from Texas Alcoholic Beverage Commission (TABC) for the Civic & Conference Center (KCCC) Complex in 2005.
- In 2011, the city obtained Mixed Beverage Catering permits to provide mixed beverage services to other city facilities.
- The current management agreement for mixed beverage services is with Let Us Do the Cooking, LLC.
 - They have provided this service to the city since March 12, 2019.

Mixed Beverage RFP Process

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- The Mixed Beverage RFP was advertised on City of Killeen Website January 6, 2025, then closed on January 22, 2025.
- Notice of the bid opportunity was advertised in Killeen Daily Herald on January 6th and 13th, 2025.
- Two proposals received:
 - ▣ Let Us Do the Cooking, LLC.
 - ▣ AyeBartender.

Request for Proposal Process

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- City staff evaluated the proposals based on five (5) criteria:
 - ▣ Compensation to the City of Killeen.
 - ▣ Concept for mixed beverage and products to be offered.
 - ▣ Experience and qualifications in the mixed beverage service business.
 - ▣ Business plan for operation of mixed beverage service.
 - ▣ References.

Improvements to Mixed Beverage Operations

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- Two significant changes were implemented at the start of Fiscal Year 2025 to streamline operations and ensure continued progress in the delivery of services.
- Inventory Spreadsheet:
 - A redesigned the spreadsheet was implemented October 2024.
 - Corrected broken formulas and inaccurate calculations from original spreadsheet.

Improvements to Mixed Beverage Operations Cont.

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- **Enhanced Calculation Methods:**
 - ▣ Adjusted inventory loss calculations to reflect wholesale cost instead of sale price.
 - ▣ Ensured shrinkage reflects actual financial loss rather than potential revenue.

- **Signature Drink Tracking:**
 - ▣ Introduced calculations for the value of signature drinks.
 - ▣ Reduced human error by improving formula accuracy and data entry consistency.

Improvements to Mixed Beverage Operations Cont.

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- Industry Standards
 - The average cost of goods sold (COGS) for alcohol inventory is typically 15-20%.
 - Previously, KCCC had not set a target percentage for vendors.
 - Fiscal Year 2025, a 20% maximum was set COGS for all alcohol purchases.
 - Vendors have been instructed to meet this benchmark monthly, and progress is being made to achieve compliance.
- Unexplained Loss Control:
 - Industry benchmarks for unexplained losses (e.g., spillage, over-pouring, or theft) are 2-5%.
 - Since implementing updated inventory controls in October 2024, monthly losses have consistently remained within this 2-5% range, demonstrating improved accountability.

Improvements to Mixed Beverage Operations Cont..

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□ Inventory Adjustments

□ Beer and Wine:

- Reduced beer options from 13 to 6 brands. Remaining inventory will be sold but not reordered.
- Wine inventory has been streamlined to maintain a focused selection without sacrificing customer satisfaction.

□ Hard Liquor:

- Eliminated 5 additional spirits from inventory, with plans to further reduce options while still offering a diverse range to meet customer needs.

□ These changes aim to reduce overstock, streamline inventory, and maintain a high-quality customer experience.

Recommendation

- Staff recommends that City Council approve acceptance of the Mixed Beverage Services proposal from Let Us Do the Cooking, LLC, and authorize the City Manager or his designee to enter into an agreement for an initial term of three (3) years with option to extend for up to three (3) additional one-year renewal terms.