

**OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-222  
MAY 28, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
CLOSE-OUT OF DOWIE CONTRACT	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JOHN P. BRYAN MANAGER'S OFFICE

**SYNOPSIS —**

The contract for catering services with Fred Dowie Enterprises, Inc. at the Des Moines Convention Center required the City of Des Moines (City) to pay to the company, at the end of the contract, the unamortized depreciation on Dowie equipment purchased for use at the Center. The contract established a payment formula which provided to the City the more favorable of a ten year depreciation schedule, or Dowie's depreciation for income tax purposes.

As a result of a final inventory conducted from December 27, 1995, through March 1996, a payment to Dowie Catering, Inc. has been negotiated in the amount of \$14,596. The payment covers \$18,797.65 for actual adjusted inventory, less \$4,201.65 for repairs to kitchen and catering equipment at the Center.

**FISCAL IMPACT —**

Payment in the amount of \$14,596 will be made by the City to Dowie. Under terms of the new contract with Fine Host, that firm will then purchase the capital assets from the City for their current value (\$18,797.65), and depreciate them on a straight line basis over 60 months at \$313.26 per month.

**RECOMMENDATION —**

**Approval of the final settlement, authorization for the payment by the City to Dowie, and execution of a bill of sale from the City to Fine Host pursuant to the new contract.**

**BACKGROUND —**

The payment to Fred Dowie Enterprises, Inc. is covered by the Second Amendment to the Food Services Contract dated October 2, 1989. That contract provides the following language:

"6. All improvements and equipment as authorized by the Manager, up to the amount of the required expenditures, during the term of the Contract, shall become the property of the City at the end of the Contract period subject to the terms provided herein. It is assumed that these items will be depreciated over a ten (10) year period, and the City agrees, in the event Dowie is not retained by the City, to purchase Dowie's remaining interest in those improvements and equipment at the time of termination. The City's purchase price for an item shall be the cost of said item minus the greater of its depreciation on an equal basis over ten years or the depreciation claimed by Dowie for income tax purposes, said depreciation calculated to the date of termination."

As part of the transaction between the City and Fine Host, the City is required to provide Fine Host with a bill of sale for the equipment. As part of the closing process with Dowie Catering, a bill of sale for the equipment, and a release of all claims will be required.