

## Meeting Agendas/Info

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**01-138**

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

**AGENDA**

MARCH 26, 2001

**SUBJECT**

ASSIGNMENT OF  
CONCESSION  
AGREEMENT FROM  
CREATIVE HOST  
SERVICES, INC. TO  
GLADCO  
ENTERPRISES, INC.

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

WILLIAM F.  
FLANNERY  
AVIATION  
DIRECTOR

**SYNOPSIS -**

Creative Host Services, Inc., the Airport Food and Beverage Concessionaire, has notified the Department of Aviation staff of Creative Host Services' planned purchase of GladCo Enterprises, Inc., an airport food services provider based in Pittsburgh, Pennsylvania. As a result, staff began to examine GladCo operations at other airports, looked at their present and historical financial condition, and interviewed their references and business relationships.

Shortly after the investigation and review, Creative Host Services, Inc. formally notified Department of Aviation staff of their desire to assign the Agreement with the City of Des Moines to GladCo. As a result, legal counsel has drafted an Assignment Agreement for the transfer; both Creative Host Services, Inc. and GladCo, Inc. have agreed to the terms.

Since the term of the Agreement is for a period of ten years, and there is still over three years remaining in the term of the Concession Agreement for Food and Beverage Operations at the Des Moines International Airport, this agreement will require approval by City Council. At their January 9, 2001 meeting, by Resolution No. A01-11, the Airport Board recommended approval of the assignment of the Concession Agreement for Food and Beverage Operations at the Des Moines International Airport from Creative Host Services, Inc. to GladCo Enterprises, Inc. by City Council.

**FISCAL IMPACT -**

Under the proposed assignment, Creative Host Services, Inc. would remain responsible for all terms under the original Agreement.

**RECOMMENDATION -**

**Approval of the assignment of the Agreement from Creative**

## **Host Services, Inc. to GladCo Enterprises, Inc.**

### **BACKGROUND-**

On December 30, 1996, the City's Purchasing Agent issued an Invitation to Bid and Notice to Bidders for the "Operation and Management of food and beverage concessions and gift/news concessions at the Des Moines International Airport." Bid opening was on March 27, 1997. As a result of the bidding procedure and review of proposals, on May 6, 1997, by Resolution No. A97-129, the Airport Board recommended approval of the proposed Agreement with St. Clair Corporation, d/b/a Creative Croissants, for food/beverage concession operations at the Des Moines International Airport to City Council.

As the proposed term of the Agreement would be ten years, it required approval by City Council. On June 2, 1997, by Roll Call No. 97-1974, the City Council approved the Agreement with St. Clair Development Corporation, d/b/a Creative Croissants. The name of the corporation was later changed to Creative Host Services, Inc., d/b/a Creative Croissants.

GladCo presently has food and beverage facilities at airports in Pittsburgh, PA; Albany, NY; Atlantic City, NJ; and Midland Bay-Saginaw, MI. In addition, GladCo will soon begin operations at Newark, NJ, and Harrisburg, PA. With the addition of these new airports, GladCo expects annualized sales of approximately \$15,000,000 per year. Reviews found that GladCo has the experience and success of operating food and beverage concessions with a high level of customer service. References indicate GladCo has been a "Good Tenant," and the City can reasonably expect to be "very pleased" with their results.

Our review of their financial condition indicates they are reasonably indebted and appear to have operated responsibly. A comprehensive credit report was also obtained from Dun and Bradstreet. The report states GladCo employs approximately 200 persons, the general payment and credit scores have been good to average, and the financial stress ranking is of the lowest risk. In essence, it has been concluded that GladCo does not appear to present a significant financial risk as a concessionaire at the airport.

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