

TOPIC: Towson University: Dining Services Contract Renewal

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: March 29, 2018

SUMMARY: Towson University (TU) requests approval to renew its dining services contract with Compass Group USA, by and through its Chartwells Division, for student meal plans, cash dining, and catering services on campus. This request for approval is made pursuant to University System of Maryland Procurement Policies and Procedures: Section VII.C.2 for procurements exceeding \$5 million.

The term of the contract renewal is for five (5) years to commence on July 1, 2018, and continue through June 30, 2023. With estimated gross sales of \$128 million and expenses of \$87 million, the contract is expected to generate \$41 million in revenue during the five-year renewal term. This renewal represents years six (6) through ten (10) of the contract with Chartwells.

CONTRACTOR(S): Compass Group USA, Inc. – Chartwells Division

ALTERNATIVE(S): The current contract would have to be extended until an award could be made as a result of a new competitive procurement.

FISCAL IMPACT: The Contractor provided a capital investment of \$5.9 million during the initial five-year term of the contract for food service facilities renovations and upgrades. These renovations and upgrades included Au Bon Pain, Newell Dining, Starbucks and Panda Express. The contractor's investment is amortized on a straight-line basis over the potential ten-year contract that commenced on July 1, 2013. Should the contract not be renewed, Towson would have to pay the contractor for the remaining five years of the unamortized investment. If a new procurement resulted in an award to a new contractor, TU would also forgo \$6.5 million of scheduled investment in facilities and equipment upgrades. If the contract is renewed, the University is guaranteed annual commissions of \$1 million per year, including 12% on franchise sales, 15% on non-franchise sales, 13% on general catering and summer conferences, 18% on external catering and 35% on concessions. The contractor will make capital investments of \$6.5 million in dining area renovations and food service equipment upgrades to enhance the student experience. The contractor will also provide an annual capital campaign gift of \$50,000, \$75,000 in program marketing funds, and \$116,000 in cash and in-kind contributions to campus groups and operations each year, in addition to a continuity bonus of \$1.5 million in year one of the renewal term.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for Towson University to renew the contract with Compass Group USA, Inc. by and through its Chartwells Division for a term of five (5) years in the amount of approximately \$87 million to commence on July 1, 2018.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923
