



Memorandum

TO: Town Council

FROM: Ryan Kenney, Police Commander
Kathleen Halloran, Finance Director

DATE: May 17, 2022

SUBJECT: E- Delivery Program Funding Options

I. SUMMARY

The purpose of this memorandum is to present options for sustainable funding of the Vail Loading and Delivery program. At the end of this memo, staff is requesting feedback from Town Council on the following:

- Does Town Council support moving forward with implementation of an expanded year round E-Delivery program?
- Does Town Council support the proposed dock fee to delivery companies?
- Does Town Council support the proposed doubling of business license fees -OR- a new loading & delivery fee charged to businesses in Zone 1?
- Does Town Council support town subsidy?

II. BACKGROUND

The E-delivery pilot program has been in operation since November of last year (2021). The program is operating with 1 dockmaster, 4 delivery drivers and 2 low speed electric vehicles (LSEV's). The program is servicing 40 businesses which is a total of 18 trucks. The program has expanded to include deliveries to businesses on E. Meadow Dr. including La Bottega and La Nonna. Christmas week had the highest volume of goods when the program delivered 26,000 pounds of goods and 90 kegs in one day. Currently the program is averaging between 30,000 and 40,000 pounds a day with busy days topping 60,000. On Thursdays alone, the program delivers 20,000 pounds of kegs into the village. The pounds of goods translate into \$30,000 to \$50,000 worth of products with heavy days topping \$70,000. The staffing and infrastructure have proven sufficient to handle the current volume.

Data

One of the primary goals of the program is to collect data on the amount of goods coming into the village. The data collected indicates that on average, approximately 35,000 pounds of goods are

coming into the Village each day. As indicated above, **the program is servicing 18 trucks which is approximately 40% of the overall volume coming into the Village.**

Although the program is servicing 18 trucks, the 24 remaining trucks represent the highest volume of goods coming into the Village. Sysco, Shamrock, Southern Glaziers and Quality Brands represent the highest volume of goods. 106 West has spoken to each of these companies, and they are ready to opt in when the program can handle their volume. Of the remaining 20 trucks, 2 are waiting on liquor permits from the state and the majority of the other 18 have said they will not join the program until they are forced by the Town.

Current Status

The E-delivery pilot program will end September 30th. With the data that has been collected and the success of the current operational plan, we feel confident full implementation of the program will be a success. Based on the current volume of goods coming into the Village, 106 West has submitted a budget of \$1.3 million per year for full implementation. The budget includes additional manpower and infrastructure to handle the entire Village.

The next challenge for the program is determining a sustainable funding model that does not overburden any sector of the business community.

III. DISCUSSION

106 West has submitted a \$1.3 million budget for full implementation. This budget includes approximately \$125K for the purchase of equipment needed to expand the program to cover the entire Village. These capital and start-up expenses include refrigeration, LSEV delivery carts, trailers, radios, electric pallet lifts, etc. It is proposed that the town cover the cost of capital and equipment out of the Capital Projects Fund. Without those expenses tied to start-up infrastructure, leaves an annual operational budget of \$1.2 million per year.

To fund full implementation without overburdening any one sector of the business community would require identifying multiple funding sources. The first source that has been identified is a **loading dock usage fee:**

1. Loading Dock Fee

The loading dock fee would be charged for delivery businesses that want to access **any** loading dock in the Vail Village or Lionshead. The loading dock fee would be charged on an annual basis through a permit process managed by the police department and intended to offset the costs of both the loading & delivery program as well as operating costs of both loading docks. The proposed fee is tiered based on several factors such as number of delivery days/week, number of delivery locations in Lionshead/Vail Village, time for delivery (at the dock), and size (per axle) of truck. Assigning each tier is based on the following proposed point system:

- Number of days per week: 1 day = 1 point, 2 - 3 days = 2 points, and 3 or more days = 3 points.
- Number of delivery locations: 0 - 9 = 1 point, and 9+ = 2 points

- Amount of time spent making deliveries (at the dock): 0 - 1/2 hour = 1 point, and 1/2 hour or longer = 2 points.
- Size of trucks (per axel): 2 axles = 1 point, 3 axles = 2 points, and 4 or more axles = 3 points.

Points earned	Tier	Annual Fee	Examples
9 or greater	1	\$27,000 (\$2,250/mo)	Sysco
6-8	2	\$18,000 (\$1,500/mo)	Mountain Beverage
5	3	\$12,000 (\$1,000/mo)	Western Slope
Less than 5	4	\$3,000 (\$250/mo)	Avon Bakery

Fees charged to the delivery companies are reasonable considering the cost savings each vendor will experience with implementation of a full-time loading and delivery program. The cost savings stems from fewer hours spent delivering goods to each individual business. Rather, goods are dropped only at the loading and delivery dock.

Data collected during the pilot program shows that delivery companies have cut their delivery times, on average, by 60%. Large delivery companies are paying drivers a minimum of \$25 an hour and saving an average of 4 hours daily on deliveries. They deliver 5 days a week regularly, with some weeks at 6 days. This is an average savings of \$500 per week which more than offsets the new fees proposed above. Based on the net cost savings to each delivery company under the new system, we would expect that delivery charges to local businesses would remain largely unchanged.

The above fee schedule is estimated to generate approximately \$600,000/year. With annual operating expenses of nearly \$1.2 million, staff is proposing additional funding options to ensure sustainability of the program.

2. **Business License Fees**

Business license fees in Vail currently generate \$340,000 per year and are restricted to special events and marketing. An increase in business license fees would be allocated to the loading & delivery program by a 50/50 split with special events. While staff has not included a detailed fee increase proposal, staff is estimating the license fees would generally need to double for all businesses in Vail, generating another \$340,000. This leaves a remainder of approximately \$260,000 subsidized by the General Fund to fully fund the program.

Current Business License structure:

Business Type	Zone 1 Base Fee +Additional	Zone 2 Base Fee + Additional	Examples
Restaurant	\$325 + \$8 per seat	\$243.75 + \$6 per seat	Sweet Basil \$1,205 Westside Café \$603.75 McDonald's \$447.75

Retail	1,500 s/f = \$325 2,500 s/f = \$650 3,500 s/f = \$975 10,000 s/f = \$1500 Over 10,000 = \$2,200	1,500 s/f = \$244 2,500 s/f = \$488 3,500 s/f = \$732 10,000 s/f = \$1,125 Over 10,000 = \$1,650	Lululemon \$650 Burton (LH) \$975 Golden Bear \$325
Lodging	\$325 + \$17 per unit	\$243.75 + \$12.75 per unit	Arrabelle \$1,787 Lodge at Vail \$3,130
Real Estate	\$325 + \$50 per broker	\$243.75 + \$37.50 per broker	Slifer, Smith, Frampton \$1,127 & \$1,897 VV
Professional	\$325 + \$50 per professional	\$243.75 + \$37.50 per professional	

Please note this chart is not all-inclusive for every Vail business. The purpose is to show an overview of common fees charged and provide examples for context.

While the E-delivery program is most impactful in the village core areas, it will elevate the experience for Vail guests and local customers, impacting all Vail businesses for the better.

Town staff has gathered information on license fees charged by peer communities, which had mixed results. For example, the Town of Breckenridge has a base fee of \$200 plus \$10 per employee. Lodges are also charged \$50 per bedroom. Using the above lodging example, in Breckenridge a business license would cost the Arrabelle \$4,760 per year compared to the current \$1,787 charged in Vail. In Aspen, the business license fee is calculated based on number of employees (0-5 costs \$150 per year; 6-15 \$200, 16-49 \$400 and 50 or more \$750. Under the Aspen model, the Arrabelle would pay \$400 per year.

3. Loading & Delivery Fee

Another option is to charge a "Loading & Delivery Fee" to businesses located in "Zone 1" business license holders (village core areas) who are serviced by both loading docks. The town currently shares operating costs of the Lionshead and Vail Village loading docks with Vail Resorts. This fee would apply to businesses in both locations and be tiered based on category of business following the business license structure:

BL Category	Proposed Annual Fee
Lodging	\$1,000
Restaurant / Retail / Food & Bev	\$ 750
Other (Home Occ., Real Estate, Prof Svcs)	\$ 200

The proposed annual fees for the businesses located in Vail Village and Lionshead "Zone 1" would generate approximately \$260,000 for the Loading and Delivery program. This leaves a remainder of approximately \$340,000 subsidized by the General Fund to fully fund the program.

IV. ACTION REQUESTED OF COUNCIL

- Does Town Council support moving forward with implementation of an expanded year round Loading & Delivery program?
- Does Town Council support the proposed loading dock fee structure?
- Does Town Council support a business license fee increase or a loading dock fee?
- Does Town Council support town subsidy for the remaining funds needed?

V. NEXT STEPS

Staff will return with an ordinance reflecting a program design based on feedback received from Town Council.