

APPROVED

REPORT OF GENERAL MANAGER

SEP 20 2006

NO. 06-219

DATE August 9, 2006

BOARD OF RECREATION and PARK COMMISSIONERS

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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: SHERMAN OAKS CASTLE PARK – CONCESSION AGREEMENTS FOR FOOD SERVICE, BATTING CAGES, AND ARCADE

| | |
|------------------|--------------------|
| J. Combs _____ | J. Kolb _____ |
| H. Fujita _____ | * F. Mok <u>am</u> |
| S. Huntley _____ | K. Regan _____ |
| R. Jensen _____ | M. Shull _____ |

Robert H. Jensen (fa)

 General Manager

Approved AS amended Disapproved _____ Withdrawn _____

RECOMMENDATION:

That the Board:

approved on 9/6/06

approved on 8/9/06

approved on 9/20/06

1. Award the Sherman Oaks Castle Park (SOCP) Arcade Concession to Butterfield Games, Inc. (BGI);
2. Approve a 10-year Concession Agreement with a five-year renewal option exercisable at the sole discretion of the City, with BGI, substantially in the form as on file in the Board Office, subject to approval of the Mayor in accordance with Executive Directive No. 3, and approval of the City Council, United States Army Corps of Engineers (COE), and approval of the City Attorney as to form;
3. Award the SOCP Batting Cage Concession to A. J. Family Entertainment, LLC (AJE);
4. Approve a 10-year Concession Agreement with a five-year renewal option exercisable at the sole discretion of the City, with AJE, substantially in the form as on file in the Board Office, subject to approval of the Mayor in accordance with Executive Directive No. 3, and approval of the City Council, COE, and approval of the City Attorney as to form;
5. Award the SOCP Food Service Concession to Monterey Concessions Group (MCG);
6. Approve a 10-year Concession Agreement with a five-year renewal option exercisable at the sole discretion of the City, with MCG, substantially in the form as on file in the Board Office; subject to approval of the Mayor in accordance with Executive Directive No. 3, and approval of the City Council, COE, and approval of the City Attorney as to form;

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- approved*
7. Direct the Board Secretary to transmit the proposed agreements to the Mayor, City Attorney, and the COE; and,
- approved*
8. Authorize the Board President and Secretary to execute the subject agreements upon receipt of necessary approvals.

SUMMARY:

On July 13, 2005, the Board approved the release of Requests for Proposals (RFPs) for three concessions at the Sherman Oaks Castle Park (SOCP). The RFPs were released on October 9, 2005 and a proposal conference was held on October 25, 2005. The proposal conference was well attended and proposals were received on December 13, 2005, from the following companies:

Arcade:

- Butterfield Games, Inc. (BGI) – Current operator of the Arcade.
- De Paz, Inc. (DPI) – Operator of a bicycle/ skate rental and food stand concession for the City of Santa Monica.
- Amusement Enterprises, Inc. (AEI) – Operator of the All American Fun Center in Van Nuys.

Batting Cages:

- A.J. Family Entertainment, LLC (AJE) – A new company formed by the current operator of the SOCP Batting Cages.
- DPI.
- Fun Etc, LLC (FE) – Owner and operator of batting cages in Santa Barbara and the San Fernando Valley.
- Monterey Concessions Group (MCG) – Current operator of the Sepulveda Golf Course Restaurant, the Griffith Park Golf Course Clubhouse, and the Bar Service concession at the Department's rental facilities.

Food Service:

- Burrito King, Inc. (BKI) – Current operator of the SOCP Food Service and the Sepulveda Basin Mobile Food concessions.
- OmniEnt Corp. (OEC) – Current operator of the Pony Ride Snack Stand in Griffith Park, and the Woodley Lakes Golf Course Restaurant.
- MCG

A preliminary review of the proposals received in response to each RFP indicated that all proposals received were responsive and responsible. Each has varying expertise related to each of the respective opportunities. The Department's challenge was to select an operator with the best combination of expertise to successfully renovate and operate these concessions. In each RFP, the

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criteria for selecting the best proposer were:

- Qualifications and experience of proposer applicable to the respective industry
- Proven performance and quality of current comparable operations
- Vision for concession, including business plan and marketing
- Capital improvements in terms of appropriateness, reflection of entrepreneurship, and monetary value
- Reasonable, viable financial return to the City in the form of proposed rental terms and capital investment
- Financial viability to operate all aspects of the concession as proposed, as supported by the proposer's pro forma, financial statements, and other financial information

Since strong proposals were submitted in response to each of the RFPs, Staff assembled three evaluation panels with the requisite experience to assist in assessing the merits and viability of the proposers; the panels reviewed the submitted proposals, interviewed the proposers, ranked them best, 2nd best, and 3rd best in each of the evaluation criteria, assigned points according to rank, and recommended a proposer that best met the objectives of the RFP. Panelists assigned all categories equal weight; ties in rank in any one category were not allowed. Details of the panels' evaluations and award recommendations, including a description of the panelists' qualifications, their ranking and recommendations, and Staff's conclusions for each RFP, are included as Attachments A, B, and C to this Report.

Award recommendations:

Arcade:

The specialized nature of the arcade operations industry necessitated Staff to assemble a panel with specific expertise in the arcade business to evaluate the proposals submitted for this concession. The panel ranked BGI best in all but one of the criteria and recommended them for award. Two of the three proposals received stood out for their substantial experience in the Arcade operations field, and also demonstrated sufficient financial ability to perform as proposed. Staff's analysis of the proposals, site visits of the proposers' current operations, and reference checks, found both of the top-ranked entities qualified; no information was found to justify a different recommendation from that of the panel. While the scores were close between these two top-ranked entities, BGI was ranked best in the most categories and scored highest. Staff therefore concurs with the panel's recommendation and recommends the award of this Concession to BGI.

Batting Cages:

Two of the proposing entities for the Batting Cages Concession, AJE and FE, have direct experience in operating batting cages. MCG proposed a partnership arrangement with a manager with a background in coaching and operation of batting cages. The panel's evaluation revealed a close

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competition between MCG and AJE, but felt AJE brought more direct experience as the owner/operator. Although the panel felt MCG demonstrated access to stronger financial resources as a company, both MCG and AJE demonstrated the sufficient financial ability to perform as proposed. Moreover, the panel felt the value of proposed improvements from both proposers were appropriate for the operation.

In this case, the ranking and resulting cumulative scores resulted in a tie. However, the panel's overall recommendation was to award to AJE, based on their proven performance, direct qualifications, and long history in the actual operation of the batting cage business. While MCG proposed to partner with a manager with professional baseball and teaching experience, they felt that AJE's experience as an owner operator of a batting cage facility exhibited a better match and an overall better fit for the family entertainment nature of the SOCP. Staff analysis of the proposals and site visits to the proposer's current operations found all four proposing entities capable of operating as proposed and found no information to differ from the panel's recommendation. Staff concurs with the panel's justification of the final and unanimous recommendation of AJE.

Food Service:

The panel selected to evaluate the Food Service proposals ranked MCG best in each of the criteria and unanimously recommended them for award. Based on BKI's proposal and interview, the panel's impression of BKI's track record as the current concessionaire, and vision for its future at SOCP, was that it was adequate to provide steady, stationary, and dependable levels of service. However, the panel's assessment was that BKI's overall business approach appeared somewhat passive compared to the other proposers, and did not present a convincing and sufficient degree of innovation and creativity demonstrated by the competing proposers. Staff's review of references, financial ability, and visits to current operations revealed no information to conflict with any of the panel's findings, and therefore recommends MCG for award.

The City's RFP process is structured to be an open and competitive process designed to provide access for all qualified companies to compete for these business opportunities. It should be noted that receiving multiple proposals is a positive outcome for the City to choose the best operator for needed services. In some cases this presents a greater challenge to the incumbent operator, whose (often) long history of performance and stability is ranked and compared against new entities that bring fresh new approaches to providing services to the community. Although MCG is recommended for award, BKI's long history of dedicated service to the patrons of the SOCP should be recognized and applauded.

FISCAL IMPACT STATEMENT: *see below replacement.*

~~Ninety percent of revenues received in the form of rental payments from these concession operations are deposited into the Department's General Fund, and the remaining ten percent is deposited into~~

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~~the Department's Concession Improvement accounts. Combined, it is estimated that \$3,829,500 will be deposited in the General Fund and \$425,500 into the Concession Improvement accounts over the full terms of these agreements. Individually, it is estimated that the arcade will generate \$7.3 million, the batting cages \$2.9 million, and the food service \$630,000 in revenues to the Department.~~

Report prepared by Michael Honan, Concession Manager, Administrative Resources Division

"Over the combined life of the agreements it is estimated that approximately \$9 million will be deposited in the Department's General Fund. Individually, the arcade will generate \$6.4 million, the batting cages \$2.5 million, and the food service \$250,000".

ATTACHMENT A

SHERMAN OAKS CASTLE PARK – ARCADE
AWARD SUMMARY

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Responsive and responsible proposals were received from the following business entities on December 13, 2005:

- Butterfield Games, Inc. (BGI) – Current operator of the Arcade.
- De Paz Inc. (DPI) – Operator of a bicycle/ skate rental and food stand concession for the City of Santa Monica.
- Amusement Enterprises, Inc. (AEI) – Operator of the All American Fun Center in Van Nuys.

Since the Arcade industry is a specialized field, Staff required the assistance of an evaluation panel with the requisite experience to assess the merits and viability of each entity and to help Staff formulate a final recommendation. Interviews were held on March 29, 2006, and the panel members consisted of the following:

Ken Gerston – Long-time San Fernando Valley resident and business owner; has a 32-year record of community service and volunteerism; now serves on the Board of the Sherman Oaks Neighborhood Council.

Melanie Chacon – Management Analyst with the City of Los Angeles Department of Public Works, Bureau of Sanitation, Budget and Finance Division, with contracting and financial analysis experience.

Rick Millet – General Manager of coin operations in the West Coast for Pacific Theaters; has worked in the arcade business, including as site manager, for over 25 years.

Ultimately, BGI ranked highest, with 172 cumulative points, AEI second with 163 points, and DPI third with 108 points. When asked to name the proposer that they felt overall would best meet the objectives of the RFP, all three panelists recommended BGI for award of the Concession. The following table illustrates the ranking and resulting points:

| Rating Criteria | Amusement Enterprises, Inc. | | Butterfield Games, Inc. | | De Paz, Inc. | |
|--|-----------------------------|--------|-------------------------|--------|--------------|--------|
| | Rank | Points | Rank | Points | Rank | Points |
| Qualifications and experience | 2 | 26 | 1 | 28 | 3 | 18 |
| Proven performance | 1 | 30 | 2 | 25 | 3 | 18 |
| Vision for concession, including business plan and marketing | 2 | 27 | 1 | 30 | 3 | 18 |
| Capital Improvements | 2 | 25 | 1 | 30 | 3 | 18 |

ATTACHMENT A

SHERMAN OAKS CASTLE PARK – ARCADE
AWARD SUMMARY

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| Rating Criteria | Amusement Enterprises, Inc. | | Butterfield Games, Inc. | | De Paz, Inc. | |
|--|-----------------------------|--------|-------------------------|--------|--------------|--------|
| | Rank | Points | Rank | Points | Rank | Points |
| Financial return to the Department | 2 | 27 | 1 | 30 | 3 | 18 |
| Financial viability to operate all aspects of the concession | 2 | 28 | 1 | 29 | 3 | 18 |
| Total | 2 | 163 | 1 | 172 | 3 | 108 |

Subsequent to the panel’s ranking, staff continued their analysis of the proposals to finalize the recommendation on the best prospective concessionaire for this agreement. Where possible, staff visited similar facilities and locations currently operated by the proposers to evaluate their ability to operate successfully this type of concession. BGI and AEI both demonstrated sufficient experience necessary to operate this Concession, as they both currently operate one or more arcades. Since DPI is new to the arcade business and has no experience when compared with the other proposals, they ranked third in each category and the following summary focuses on the top two proposers. DPI is commended on their business experience and for interest in this opportunity. It should be mentioned that while it is not a requirement that proposer possess experience in this field in order to propose, it is difficult to compete when proposals are also submitted from companies who possess this experience. Staff did not find any information during its analysis that contradicts the recommendations of the panel, and therefore recommends BGI for award of this Concession.

The following is a summary of the panel’s ranking and staff’s recommendation comments for each criterion.

Qualifications and experience

The panel’s results under this criteria indicate that both BGI and AEI were closely matched, with two panelist ranking BGI first and the other ranking AEI higher in this criteria. The panel members were impressed with BGI’s connections and history within the industry and felt that BGI had the most experience in all aspects of running an arcade franchise even though they had 25 years experience in the industry compared with AEI’s 33 years. One panelist concluded that AEI ranked higher as they presented the most well rounded quality of experience. Although, all proposers were very close in ranking, staff agrees with the panel’s assessment that BGI ranks first in this category.

Proven performance and quality of current comparable operations

Again, in this category, the results were very close. AEI’s understanding of the arcade business,

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as well as, their customers, has allowed his business to succeed in a declining industry. The panel felt that this operator demonstrated his ability to turn around under-performing arcades and his current site is doing well. The panel also felt that BGI has shown strong ability to operate the arcade and had a proven record at this facility. However, AEI unanimously ranked first under this criterion.

Vision for Concession, including business plan and marketing

All panel members ranked BGI first and AEI second in this category, stating that BGI had the strongest vision for the future of the SOCP. They felt that BGI had the right approach in balancing the type and number of arcade games with redemption machines and their comprehensive plans for the renovation of the inside of the arcade were well thought out.

Capital Improvements in terms of appropriateness, reflection of entrepreneurship, monetary value

The RFP required minimum Capital Improvements in the amount of \$60,000.00, which included the installation of new carpeting in the public areas, as well as the golf counter area, installation of new ceiling tiles in the public areas, and relocation remodel of the token/redemption counter. Both of the top-ranked proposers exceeded the minimum investment required. The panel ranked BGI first based on the value of their required improvements totaling \$110,000 compared with AEI's \$100,000, and felt BGI's improvements were the best offer for the City, well thought out, realistic, and appropriate. While AEI's improvements were also appropriate, they did not demonstrate the degree of planning when compared with BGI.

Financial return to the Department

BGI proposed 42.5 percent of gross receipts for all sales categories, whereas AEI proposed a sliding scale based on total gross receipts; For example, on sales of up to \$1.5 million AEI proposed 45% on token sales, 30% of Photo/Crane receipts, 10% for ATM machine receipts and 50% Filming. AEI's rental percentage decreases to 40% for sales over \$1.5 million and decreases again to 30% on sales over \$1.75 million.

The panel was unanimous in concluding that BGI proposed the best and most reasonable return to the City as their rental percentage remained constant, which provides a higher return to the City. The panel felt that AEI's estimated rate growth within each sales category was not realistic given the current slowdown in the industry. Based on the proposed returns to the City, as well as, projections based on revenue history, staff concludes that BGI's proposed rental terms and estimates were the best overall, and are attainable and realistic when combined with their improvement and reinvestment program.

Financial viability to operate the concession as proposed

The panel concluded and staff's review of the verifiable documentation submitted with the proposals support that both, BGI and AEI, have the financial viability to successfully operate the

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SHERMAN OAKS CASTLE PARK – ARCADE AWARD SUMMARY

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concession as proposed. The panel's ranking in this category was limited to a review and comparison of financial documents compared with projections submitted with the proposals and discussed during the interviews. Since both companies have accessible means to fund this operation as proposed, staff ascertained a final ranking in this category by comparing the company's overall assets with net worth. BGI ranked first with the highest demonstrated ability to fund this operation.

Conclusion:

It is always in the best interest of the City when several well-qualified companies compete for a concession opportunity, as it is the case with this process. In this case, we had three interested proposers and operators for the SOCP food concession. The panel brought specific expertise to evaluate and make an overall arcade recommendation. Staff's review of references, financial ability, and visits to current operations, supports the ranking and final scores, and therefore, recommends BGI for award of this Concession.

ATTACHMENT B

SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

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Responsive and responsible proposals were received from the following business entities on December 13, 2005:

- A.J. Family Entertainment, LLC (AJE) – A new company formed by the current operator of the SOCP Batting Cages.
- DPI.
- Fun Etc, LLC (FE) – Owner and operator of batting cages in Santa Barbara and the San Fernando Valley.
- Monterey Concessions Group (MCG) – Current operator of the Sepulveda Golf Course Restaurant, the Griffith Park Golf Course Clubhouse, and the Bar Service concession at the Department's rental facilities.

Staff assembled an evaluation panel with the requisite experience necessary to assist in assessing the merits and viability of each entity by reviewing the proposals, interviewing the proposers, and recommending an operator. The panel members consisted of the following:

Rob Dehart – Senior Recreation Director with the Department and baseball coach.

Douglas Brown, Sr. – Athletic Director at Dorsey High School familiar with batting cage operations.

Matthew Greene – Contracts Administrative Services Assistant II with the County of Los Angeles Department of Parks and Recreation with substantial experience in conducting and evaluating RFPs.

With valuable and diverse knowledge and experience in their respective fields, input from the three panel members was instrumental in understanding and analyzing details from each proposal—some technical in nature and some fundamental to the operational concepts of a batting cage concession.

All four proposers demonstrated the financial ability to operate the concession as proposed and submitted strong ideas supporting creative visions for improving and operating the batting cages. AJE and FE currently operate batting cages in Southern California. MCG proposed to partner with a manager who brings experience in baseball coaching and batters' cage operations. DPI has never operated batting cages, but possesses strong business skills and currently operates food service and rentals at two Southern California beach locations.

The panel's ranking and cumulative points resulted in a tie between AJE and MCG with 159 points. FE and DPI ranked third and fourth with 113 and 107 points respectively. While the RFP is structured to avoid ties within specific criteria it is possible for a tie to result when points are totaled. The panel explained that AJE brings superior experience and proven performance, whereas MCG brings superior financial ability and strong ideas for improvements and vision for the batting cage, both of which could successfully operate the concession. When asked to recommend a proposer that overall would best meet the objectives of the RFP, the panel

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SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE
AWARD SUMMARY

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recommended AJE for award. The following table illustrates the ranking and resulting points:

| Rating Criteria | A.J. Family Entertainment | | Monterey Concessions Group | | Fun Etc., LLC. | | De Paz, Inc. | |
|--|---------------------------|------------|----------------------------|------------|----------------|------------|--------------|------------|
| | Rank | Points | Rank | Points | Rank | Points | Rank | Points |
| Qualifications and experience | 1 | 30 | 3 | 19 | 2 | 26 | 4 | 15 |
| Proven performance | 1 | 29 | 3 | 20 | 2 | 26 | 4 | 12 |
| Vision for concession, including business plan and marketing | 2 | 27 | 1 | 30 | 4 | 19 | 3 | 16 |
| Capital Improvements | 2 | 25 | 1 | 30 | 4 | 15 | 3 | 21 |
| Financial return to the Department | 2 | 25 | 1 | 30 | 4 | 15 | 3 | 21 |
| Financial viability to operate all aspects of the concession | 2 | 23 | 1 | 30 | 4 | 12 | 3 | 22 |
| Total | 2 | 159 | 1 | 159 | 4 | 113 | 3 | 107 |

In order to make a final recommendation, Staff continued their analysis of the proposals to determine which represented the best prospective concessionaire for this agreement. Where possible, staff visited similar facilities and locations currently operated by the proposers to evaluate their ability to successfully operate this concession. Staff's review findings support the results and recommendation of the panel. No information was uncovered that would support a different recommendation than that of the panel. Staff therefore concurs and staff recommends AJE for award of this concession.

The following sections summarize the results of the panel's evaluation and comments under each criterion:

Qualifications and Experience:

The owners of AJE have extensive experience, with a combined 42 years, in the batting cage industry, and ranked highest. The proprietor of FE has 11 years of experience in the batting cage business and operates two batting cage businesses in Southern California, and ranked second under this category. This is a new venture for both MCG and DPI, who have been successful for many years in other types of businesses. MCG ranked third as they would partner with a

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SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

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manager with professional baseball and coaching experience and who has experience in batting cage operations. Although the panel did feel that DPI could successfully operate this concession, they ranked fourth as they had no comparable experience.

In comparing and ranking qualifications, the panel valued the quantity and quality of AJE's experience. In addition to customer safety and general quality of service, the panel felt that it is important to determine which qualified applicant will understand and market to the customer base. AJE provided the most comprehensive safety plan of all the proposers. They have developed detailed curriculum to help train their employees to handle any number of safety issues that may arise in and around the batting cages. Prevention program records are kept to ensure that potential problems are held to a minimum, and a code for safe practices is regularly reviewed by supervisors and employees alike. The owners of AJE are also the day-to-day managers at the facility, and the panel viewed that as an important element in their recommendation. Staff concurs with the panel's finding in this category.

Proven Performance

With over 20 years experience as the current and successful operator of this concession, AJE was given the highest ranking by the panel. FE also has shown the ability to successfully operate this type of business over a number of years. MCG was ranked third based on the limited experience in the industry by the owners, although their proposed concession manager would bring experience in professional baseball, coaching, and batting cage operations. The panel ranked DPI lowest when compared with the other proposals in this category.

The panel was impressed that AJE has consistently run a profitable operation, even during periods of decreased attendance at the SOCP during renovations, and the fact that they consistently maintained a profitable operation with sales at this location increasing 100% over the past ten years. The panel also recognized their demonstrated willingness to work with other concessionaires at the same location, whether for safety concerns or for cross-promotional activities. This attention to the entire site as a whole instead of solely on the batting cage concession encourages a cooperative environment from which each business, as well as the customers, can benefit.

Vision for Concession including business plan and marketing

All four proposals provided for adequate staffing levels, marketing plans, and customer service. The panelists ranked MCG highest in this category, stating that its two principles, Kyle Koestner and Mike Begakis, have impressive ideas of how to promote the business to the public. Mr. Koestner in particular brings a unique background of direct marketing and sales in food wholesale and retail. DPI's level of improvements, plans for operations, and staffing plans, demonstrated their ability as a company to adapt to different business opportunities. As proposed, the panel felt that FE lacked detail in their plans to operate this concession.

MCG proposed to create more of what they dubbed a "sense of space"—providing a distinctive environment and experience. MCG demonstrated an understanding of the demographics as they

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SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

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conducted an analysis of the demographics in the area. MCG's vision is based mainly on creating a sense of space, so that not only is the Castle a destination but the batting cage becomes its own destination. Whether this emphasis would enhance the overall SOCP operation is not well known.

AJE's vision was also well received by the panel members. They indicated a desire to operate a high volume concession with the best service possible while maintaining an "impeccable safety record." The panel felt that although differing in their visions, both MCG and AFE plans would be successful. Staff concurs with the panels comments and agrees with the ranking in this category.

Capital Improvements

The RFP required minimum Capital Improvements in the amount of \$10,000 in each of the first two 5-year periods, for a total of \$20,000 over the length of the 10-year term of the Agreement. This includes the installation of new operation booth and a shaded area around the perimeter of the cage. All four proposers met this requirement.

MCG was ranked the highest by the panel as the value of their required improvements totaled \$51,000 and MCG also proposed to complete all improvements in the evening hours to avoid any closures. AJE was ranked second by the panel as their improvements totaled \$22,500. DPI ranked third with a total \$20,554 and FE was ranked fourth with required improvements totaling \$20,000. The ranking in this category by panelists were mainly based on dollar value, with secondary consideration of context or specific value to the site.

MCG would bring in new batting machines to replace the ones already installed (currently "wheel type"). This change allows elevation control of the mechanical pitches. Coin boxes would be replaced as well as netting replaced with new material, and installed behind the back of the cage and covering new outside benches. A new pre-fabricated, multiuse building would be added with a sport ticker mounted on the outside, updating patrons with the latest sports scores. The inside of the building would have a selection of sports equipment and other retail merchandise, along with a satellite TV playing sport programs. The scope of these improvements and the effect operationally and logistically might make these improvements excessive for the site.

AJE already has most of the primary capital equipment needed to operate at the facility. They do have plans to install stone panels and banners, make improvements to the fencing, adding trees, and installation of customized wind screens with a logo. In addition, dugout shade shelters will be added for patron viewing comfort, as well as, their installation of Titan mechanical seam roof panels for the operations booth. This package of improvements were adjudged by staff to be most suitable for the overall facility operations for the site.

Financial return to the City

Each of the entities proposed a similar percentage of gross receipts for the main sales category

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(token sales), differing only by a few percentage points. Additionally, the resulting return to the City based on the projections submitted with their proposals was within approximately \$10,000 per year amongst the top three ranking entities.

The panel ranked MCG first as they proposed a slightly higher percentage - 42% for token sales; followed by 40% and 39% proposed by AJE and FE respectively. The panel felt that although DPI proposed a higher percentage of 45%, which then increased to 47% and 50% in years four and five, they ranked lower as they felt these percentages were unrealistic for this operation.

The panel and staff concurred that the similar growth projections among proposers and the percentages of gross sales were attainable amongst the three higher-ranking proposers. As a comparison over the first 5 years, as proposed MCG's operations would provide the highest return to the City - \$1,419,960 followed by \$1,331,501 for AJE and \$1,237,505 for FE. MCG therefore ranks highest in this category.

Financial Viability:

The panel ranked MCG first in this category only because they demonstrated they would be funding this project with cash on hand and as a company they possess the largest amount of cash on hand, assets, and credit of the proposers. DPI and AJE ranked second and third respectively as they both submitted verifiable access to sufficient funding sources to adequately operate this concession. Staff concurs with the panel that all four have the financial ability to fund and operate this concession, and that at as a company MCG ranks first.

ATTACHMENT C

SHERMAN OAKS CASTLE PARK – FOOD SERVICE
AWARD SUMMARY

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Responsive and responsible proposals were received from the following business entities on December 13, 2005:

- Burrito King, Inc. (BKI) – Current operator of the SOCP Food Service and the Sepulveda Basin Mobile Food concessions.
- OmniEnt Corp. (OEC) – Current operator of the Pony Ride Snack Stand in Griffith Park, and the Woodley Lakes Golf Course Restaurant.
- Monterey Concessions Group (MCG) – Current operator of the Sepulveda Golf Course Restaurant, the Griffith Park Golf Course Clubhouse, and the Bar Service concession at the Department’s rental facilities.

Since each of the companies submitted compelling proposals for this Concession, staff assembled an evaluation panel with the requisite experience to assess the merits and viability of each entity and recommend an operator. Interviews were held on February 17, 2006, and the panel members consisted of the following:

Rafael E. Vega – Owner and operator of Casa Vega Restaurant in Sherman Oaks; 50 years experience in the food service business.

Mina Behboudi – Certified Public Accountant and Director of Calamigos at the Los Angeles Equestrian Center (restaurant, snack stands, and catering)

Dr. B.W.A. (Ben) Dewald - Associate Professor and the Director of Food & Beverage at The Collins School of Hospitality Management, California State Polytechnic University, Pomona.

MCG ranked the highest, with 174 points, OEC second with 153 points, and BKI third with 117 points. When asked to name the proposer that they felt overall would best meet the objectives of the RFP, two panel members recommended MCG for the award of the Concession with one member recommending OEC for the award. The following table illustrates the ranking and resulting points:

| Rating Criteria | Burrito King, Inc. | | Monterey Concessions Group | | OmniEnt Corporation | |
|--|--------------------|--------|----------------------------|--------|---------------------|--------|
| | Rank | Points | Rank | Points | Rank | Points |
| Qualifications and experience | 3 | 20 | 1 | 30 | 2 | 24 |
| Proven performance | 3 | 19 | 1 | 29 | 2 | 26 |
| Vision for concession, including business plan and marketing | 3 | 18 | 1 | 28 | 2 | 27 |

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| Rating Criteria | Burrito King, Inc. | | Monterey Concessions Group | | OmniEnt Corporation | |
|--|--------------------|------------|----------------------------|------------|---------------------|------------|
| | Rank | Points | Rank | Points | Rank | Points |
| Capital Improvements | 3 | 20 | 1 | 28 | 2 | 26 |
| Financial return to the Department | 3 | 20 | 1 | 30 | 2 | 25 |
| Financial viability to operate all aspects of the concession | 3 | 20 | 1 | 29 | 2 | 25 |
| Total | 3 | 117 | 1 | 174 | 2 | 153 |

Subsequent to the panel’s ranking, staff continued their analysis of the proposals to finalize the recommendation on the best prospective concessionaire for this agreement. Where possible, staff visited similar facilities and locations currently operated by the proposers to evaluate their ability to successfully operate this type of concession. All three demonstrated the experience necessary to operate this Concession and staff did not reveal any information during it’s analysis that contradicts the recommendations of the panel, and therefore recommends MCG for the award of this Concession.

The following is a summary of the panel’s ranking and staff’s recommendation comments for each criterion.

Qualifications and experience

BKI and MCG have similar quantitative experience when comparing years in the food service business. The proprietor of BKI has 37 years in the foodservice industry while the proprietor of MCG has 40 years. Both have experience in varying types and sizes of food service business. The proprietor of OEC has over 20 years in the food service industry with less variety of food service operations when compared with the other proposers, although much of his experience is in similar fast serve facilities.

In comparing and ranking the qualifications component of this criterion, the panel not only discussed experience from a quantitative perspective, they also discussed the qualifications from a qualitative perspective in an effort to ascertain which company would best understand and market to the customer base at the SOCP. The panel explained that years of experience at a particular venue does not mean that a company is automatically the best qualified to understand a new customer base and attract new business. They felt that past performance in the food industry and a comparison of innovative plans for new menus and marketing going forward are indicators of a company’s qualifications. One example of MCG’s adaptability for differing

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demographics is their performance at the Griffith Park Golf Course Clubhouse where MCG has successfully marketed to predominately Korean golfers, partially by interviewing patrons and exploring menu options through research of desirable to-go items with Korean food suppliers and markets. As an attributable result, business at the golf course snack stand has grown substantially. For SOCP, both MCG and OEC demonstrated the best understanding of the demographics and issues involved, for example, in serving requests for kosher foods primarily in connection with birthday parties. The panel felt that BKI was not as responsive to the overall demographics.

Proven performance and quality of current comparable operations

All three proposers have the ability to operate comparable foodservice of this nature. However, when comparing the levels and quality of performance at current operations, two of the three panelists ranked MCG highest, with one ranking OEC highest. Both OEC and Monterey have proven their ability to successfully cater to the customer base, increase service levels, and exceed growth projections at other City Concessions. MCG surpassed their projections at Griffith Park and the business continues to grow. OEC has increased revenues at the Pony Ride Snack Stand within a mere four years, and has operated the Woodley Lakes Clubhouse on an emergency basis, successfully turning the restaurant from operating in the red to a positive cash flow. BKI has proven performance at several City concessions, such as the Roosevelt Café at the Roosevelt Golf Course, where they were successful in substantially increasing revenues over the previous operation. However, even though BKI has operated the foodservice at SOCP for over thirteen years, the panel was not convinced that, as proposed, BKI demonstrated new ideas that would have significant impact on the relatively straight-line revenues at this concession.

Vision for Concession, including business plan and marketing

All three proposals provided for adequate staffing levels, marketing plans, and customer service. Two of the panelists ranked MCG highest in this category, noting that the partnership between its two principals, Kyle Koestner and Mike Begakis, seems to work well. Mr. Koestner brings a unique background of direct marketing and sales in the food wholesale and has food retail experience. This purchasing and retail experience helps Monterey achieve very competitive pricing. MCG proposed to create more of what they dubbed a “sense of space”—providing a distinctive environment and experience. MCG demonstrated the best understanding of the demographics as they conducted an analysis of the demographics in the area and developed marketing plans, menus, and improvements accordingly.

One panelist ranked OEC highest in this category, noting that their “new” ideas are an advantage and that the history of this family owned business is strictly food service. In particular, the panelist felt that based on their proposal and OEC experience and interests, they would be in the best position to understand and relate to the SOCP’s teenage customers.

The panel recognized BKI’s breadth of experience in the food industry and dedication to the

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facility, and were pleased with BKI's proposed increase in staffing over their current levels, and plans to revisit marketing efforts that were previously used. BKI proposed banquet and catering menus and services for both on- and off-site business meetings. The panel felt that these were good concepts, and recognized that the added services would enhance revenues; nevertheless, the panel felt the high levels of activity and noise at the SOCP is problematic and not conducive to such meetings. While off-site catering would bring some ancillary attention to the SOCP, marketing efforts should focus on the SOCP's core customers.

Capital Improvements in terms of appropriateness, reflection of entrepreneurship, monetary value

The RFP required minimum Capital Improvements in the amount of \$60,000, which included the installation of new kitchen floor, menu boards, neon sign, and renovation of the dining area, including new tile floor and furniture. All three proposers met this requirement, and all three included the addition of televisions in the dining area.

MCG was ranked highest by the panel as improvements totaling \$148,000 were proposed over the life of the Agreement; \$98,000 was committed for the first year, \$20,000 for years 2-5, and \$15,000 respectively for years 5-10 and 10-15. MCG also proposed to complete all improvements in the evening hours to avoid any closures. OEC was ranked second by the panel as their improvements totaled \$100,000 and included the purchase of a mobile cart for service outside the Arcade area, and BKI ranked third with improvements totaling \$75,345.

Financial return to the Department

MCG offered the highest rental terms of the three proposers: 9.0% in food and beverage sales and 10.0% for parties and vending sales. MCG has projected an annual growth rate of 5.9% and a return to the City of \$268,400 over the first five years.

BKI proposed 9% of all gross sales, projected an annual growth rate of 2.9% on sales, and a return to the City of \$195,100 over the first five years.

OEC proposed a two-tiered rent structure: 8% of all gross sales in years 1-3, and 9% of all gross sales each year thereafter. OEC projected an annual growth rate of 4.8%, and a projected five-year return to the City of \$288,100 if allowed to operate a food cart outside. If the cart was not allowed, the annual growth rate is projected to be 4.6%, and a five-year return to the City be \$259,000.

The panel reviewed each proposer's pro forma financial projections and evaluated their estimated gross revenues as they related to their overall plan for growth at the facility. MCG's higher revenue projections were viewed as being reasonable and perhaps conservative considering the amount of focused marketing and capital improvement plans they planned to implement, as well as their unique background in food marketing, wholesale, and distribution.

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Based on the proposed returns to the City as well as projections based on revenue history, staff concludes that Monterey's proposed rental terms and estimates are the best overall, attainable, and consistent with the City's other food service concessions.

It should be noted that financial return to the Department, in the form of proposed rental terms, is evaluated from the perspective that proposed rent is the financial return to the residents of the City of Los Angeles for the use of their land to operate a private business. Thus the highest reasonable, viable return is considered most beneficial in this category, but this element of proposals is not an overriding factor in the evaluation.

Financial viability to operate the concession as proposed

The panel concluded, and staff's review of the verifiable documentation submitted with the proposals supports, that all three companies have the financial viability to successfully operate the concession as proposed. The panel's ranking in this category was limited to a review and comparison of financial documents compared with projections submitted with the proposals and discussed during the interviews. Since all three companies have accessible means to finance this operation as proposed, staff ascertained a final ranking in this category by comparing the company's overall assets compared with net worth of each company. MCG ranked first with the highest combination of assets and cash on hand. OEC ranked second, and BKI ranked third.

Conclusion:

It is always in the best interest of the City when several well-qualified companies compete for a concession opportunity. In this case, three interested and qualified entities competed for the award of the SOCP food concession. While receiving multiple proposals is a positive situation for the City to choose the best operator for needed services, in some cases this presents a greater challenge to the incumbent operator, whose (often) long history of performance and stability is ranked and compared against new entities that bring fresh new approaches to providing services to the community. The panel brought specific expertise to evaluate and make an overall this evaluation, and staff's review of references, financial ability and visits to current operations, supports their ranking and final scores, and therefore recommends MCG for award of the Agreement.