

REPORT OF GENERAL MANAGER

NO. 13-100

DATE April 17, 2013

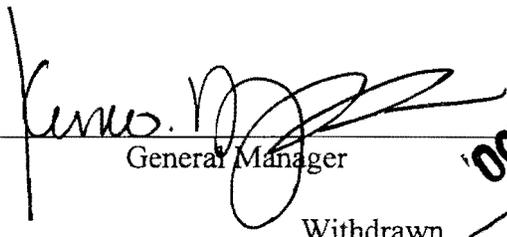
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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: SEPULVEDA (ENCINO-BALBOA) GOLF RESTAURANT – ONE-YEAR CONCESSION AGREEMENT WITH RENEWAL OPTION

R. Adams _____
H. Fujita _____
V. Israel _____

K. Regan _____
M. Schull _____
*N. Williams NDW



General Manager

OCT 02 2013

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve a proposed Concession Agreement, substantially in the form on file in the Board Office, between the City of Los Angeles Department of Recreation and Parks and Monterey Concessions Group for the operation and maintenance of the Sepulveda (Encino-Balboa) Golf Restaurant for a term of one-year with two (2) one-year renewal options exercisable at the sole discretion of the General Manager, subject to the approval of the Mayor, and of the City Attorney as to form;
2. Find in accordance with Charter Section 371(e)(10), and Los Angeles Administrative Code Section 10.15(a)(10), that a competitive bidding process is impractical for the performance of these special services while the Department performs a best practices study for golf food and beverage operations to determine long-term options;
3. Find, in accordance with Charter Section 1022, that the Department does not have personnel available in its employ with sufficient time and expertise to undertake these specialized tasks and that it is more feasible to secure these services by contract;
4. Direct the Board Secretary to transmit the proposed Concession Agreement, concurrently, to the Mayor in accordance with Executive Directive No. 3, to the City Attorney for review and approval as to form, and to the United States Army Corps of Engineers as required by the Sepulveda Flood Control Basin Lease No. DACW09-1-67-11; and,

REPORT OF GENERAL MANAGER

PG. 2

NO. 13-100

5. Authorize the Board President and Secretary to execute the Concession Agreement upon receipt of the necessary approvals.

SUMMARY:

The City of Los Angeles (City) Department of Recreation and Parks (RAP) maintains and operates, by Concession Agreement (Agreement), food and beverage concessions at nine (9) golf facilities.

On May 2, 2012, staff presented the "Evaluation of Operating Options for the Department of Recreation and Parks Golf Course System" to the Board (Board Report No. 12-252). One of the recommendations the Board approved was to conceptually approve the use of contracts, leases, or permits to continue operations of food services. This action was recommended pending further studies to determine the best operating model for future golf retail operations.

A conversion to flat fee rent for Department golf restaurants and cafes will allow the Department to have clearer comparisons of its golf food service concessions for operating studies and future planning. Separate Board Reports for other golf restaurants and cafés will be submitted.

SEPULVEDA (ENCINO-BALBOA) GOLF RESTAURANT:

The Sepulveda (Encino-Balboa) Golf Restaurant (Concession) is operated by Monterey Concessions Group (Concessionaire). The Concession is located at 16821 Burbank Boulevard, Encino, CA 91436. The Sepulveda Golf Complex which is part of the Sepulveda Dam Recreation Area owned by the U.S. Army Corp of Engineers is leased to the City of Los Angeles. Sepulveda Golf features two 18-hole courses – Encino and Balboa. Combined, these two courses had 132,655 rounds of golf played in Fiscal Year (FY) 2011/2012. The Concession features a kitchen, food preparation area, office, employee restrooms, storage area, a hard liquor/lounge area, an air-conditioned dining room, banquet/meeting room, counter seating, and outdoor patio seating. The Concession includes three snack stands (halfway houses) on the golf courses housing vending machines for beverages and snacks. The Concessionaire provides roaming cart food service on both golf courses.

Concession Contract Number 253, between the City and Monterey Concessions Group, was executed May 17, 2007 and expired May 16, 2012. The Concessionaire has continued in operation on a month to month basis under the same terms and conditions of the expired Contract. There was no minimum rent requirement stipulated in the Contract. Utilities are paid by Concessionaire to the Department - \$950 per month as stipulated in the expired Contract. In Calendar Year (CY) 2008 Monterey reported gross sales of \$1,213,056. Subsequent years' gross sales have steadily declined. Gross receipts for CY 2011 are \$814,601 – a drop of 32.9% from 2008 (Attachment A). The Concessionaire has maintained the same menu and level of service over the years. The decline in gross sales can be associated with the decline in number of golfers

REPORT OF GENERAL MANAGER

PG. 3

NO. 13-100

coming to this golf complex. The rounds of golf played have dropped 20.5% from FY 07/08 to 11/12. Also, when Concession patrons (golfers and non-golfers) have less discretionary income, he/she may choose to eat at home or at a fast-food chain establishment to save money. During difficult economic times, people bring their own refreshments to an outing to help reduce spending.

Since execution of the Contract in May 2007, rent paid to the City has been calculated as a percentage of gross - 10% for food and beverage sales (coffee shop and snack stands); 10.5% of gross receipts from bar liquor sales; and 10% from banquets and vending machines. For CY 2011, Concessionaire paid \$73,147 in rent to the City for this Concession – an average of \$6,096 per month. When faced with increased cost of goods, Concessionaire demonstrated the ability to streamline its operations to cope with the challenges. Concessionaire has been able to maintain a high level of service to the Department and community under tough economic times.

The original term advertised in the Request for Proposals for this Concession was five (5) years with a renewal option of five (5) additional years at the sole discretion of the General Manager. In the Concessionaire's July 2004 proposal, Concessionaire pledged and has since completed Capital Improvements to the Concession totaling \$200,000, with the expectation of amortizing the expenses over a ten (10) year period. The Concessionaire's second five (5) year renewal option was not granted (golf food contracts are on hold pending outcome of various golf studies).

RECOMMENDATION:

Staff recommends the Department enter into a one-year concession agreement, with two one-year options to renew at the sole discretion of the General Manager, with Concessionaire to ensure uninterrupted food, bar, beverage, and banquet services for the public until further studies are completed and a determination is made regarding the best business model for long-term operations of golf food and beverage operations.

Staff also recommends a payment method of flat fee rent which considers the same average monthly rent paid to the Department in CY 2011 and also allows adjustment for the Concessionaire's \$200,000 Capital Improvements amortization not being fully realized. This Contract only guarantees the Concessionaire a one (1) year extension of restaurant operations. The Concessionaire may not be able to amortize the rest of his capital improvements as originally planned. This leaves approximately \$80,000 in unamortized costs which should have been spread over an three additional years (\$2096/month). This payment method includes the right to adjust the flat rate rent based on the previous year's performance in subsequent renewal option years at the sole discretion of the General Manager. The flat rate rent for Concessionaire is \$4,000, based on these considerations and the decline in number of golfers coming to this golf complex. Flat fee rent will allow Concessionaire to have known expenses during the course of the year for planning purposes. A flat fee rent may also provide an incentive to Concessionaire

REPORT OF GENERAL MANAGER

PG. 4

NO. 13-100

as profitability would increase as sales increase.

Charter Section 371

In accordance with Charter Section 371(e)(10), and Los Angeles Administrative Code Section 10.15(a)(10), a competitive bidding process is impractical for the performance of these special services.

Charter Section 1022

In accordance with Charter Section 1022, that the Department does not have personnel available in its employ with sufficient time and expertise to undertake these specialized tasks and that it is more feasible to secure these services by contract.

FISCAL IMPACT STATEMENT:

There is no impact to the Department's General Fund as all revenue from the food and beverage operations are deposited into the Golf Surcharge Account. The Golf Surcharge Account will see a decrease of approximately \$2,096 per month.

Report prepared by Stanley Woo, Management Analyst II, Concession Unit, Finance Division.

DEPARTMENT OF RECREATION AND PARKS
 SEPULVEDA (ENCINO-BALBOA) GOLF RESTAURANT
 GROSS REVENUE AND RENT PAID
 CALENDAR YEAR 2007 - 2012 To Date

Attachment A

	2007	2008	2009	2010	2011	2012	Notes Regarding 2012
Gross Revenue	\$ 1,203,845	\$ 1,213,056	\$ 1,070,712	\$ 933,747	\$ 814,601	\$ 754,609	Gross Revenue through Oct 2012
Rent Paid	\$ 107,135	\$ 108,987	\$ 96,577	\$ 84,295	\$ 73,147	\$ 66,475	Rent Paid through Oct 2012

Data does not include December 2011 Rent Paid or Gross Revenue amount.

