

REPORT OF GENERAL MANAGER

NO. 05-47

DATE February 16, 2005

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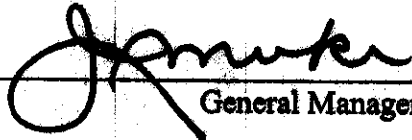
BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: **GRIFFITH OBSERVATORY - AWARD OF THE OPERATION OF THE CAFÉ, CART, AND CATERING CONCESSION**

H. Fujita \_\_\_\_\_  
J. Kolb \_\_\_\_\_  
K. Chan \_\_\_\_\_

F. Mok \_\_\_\_\_  
\*K. Regan \_\_\_\_\_  
J. Combs \_\_\_\_\_



  
General Manager

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

Withdrawn \_\_\_\_\_

**RECOMMENDATION:**

That the Board:

1. Award the Griffith Observatory Café and Catering Concession to Wolfgang Puck Catering and Events, LLC (Puck);
2. Approve a ten-year concession agreement, substantially in the form as on file in the Board Office, for the operation of the Griffith Observatory Café, Cart and Catering Concession, subject to approval of the Mayor and City Council, and approval of the City Attorney as to form;
3. Direct the Board Secretary to transmit the proposed agreement to the Mayor in accordance with Executive Directive No. 16, and concurrently to the City Attorney for review as to form; and,
4. Authorize the Board President and Secretary to execute the agreement upon receipt of necessary approvals.

**SUMMARY:**

On September 1, 2004, the Board approved the release of a Request for Proposals (RFP) for a new ten-year agreement with two five-year renewal options, to operate the Observatory Café, Cart, and Catering Concession, with an option for a bookstore operation (Board Report 04-266). Previously,

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on July 9, 2003, the Board had authorized Administrative Resources Staff to retain the services of consultant Art Manask & Associates (Board Report 03-227) to assist Staff with the development of the RFP and the evaluation of the proposals. The RFP was released on October 13, 2004, and two proposals were received on November 30, 2004, from the following firms:

- Wolfgang Puck Catering and Events, LLC ("Puck") – Well-known food service experts operating in various locations nationwide, based in Los Angeles.
- Delaware North Companies Parks & Resorts ("DNC") – Food service experts operating in various locations nationwide, with a regional office in Fresno, California.

Staff, with assistance from Manask and Associates, conducted a preliminary evaluation of all proposals to determine completeness and submission of all compliance documents, and to evaluate each firm's financial ability to fund the minimum \$750,000 required for this project. This initial review indicated that both proposers met the minimum requirements of having extensive experience in the food services industry and the financial backing to fund the required build-outs and FF&E in order to operate the concession. Although both demonstrated strengths in various areas, the Department's challenge was to select the operator with the best combination of expertise and resources suited to this concession. Evaluation was made on the café, carts, and catering portion of the proposals, not any bookstore option. The criteria for selecting the best proposer, as stated in the RFP, were:

- Experience and Capability; Quality of Experience
- Operational Plan
- Build Out Plan and Capital Investment for Café and Carts
- Projected Commissions; Rent to City and Financial Projections

To assist with formulating a recommendation, a five-member panel (identified in the Attachment) convened to review the proposals, scrutinize presentations, and interview both proposers. The panel members were selected based on their expertise in cultural institution foodservice, experience with similar foodservice RFPs and retail business and, in the case of the Observatory Director, his intimate knowledge of the Department's needs and vision for this Los Angeles landmark. After proposal reviews, presentations, and interviews, the panel members were instructed to individually rank the proposals according to each of the four evaluation criteria defined in the RFP, thus awarding corresponding points to the proposals based on their ranking. A top rank within a category would receive the highest value of ten points, and the second ranked proposal in a category would receive eight to nine available points based on the level of characteristics which differentiated the two. As stipulated in the RFP, each of the four categories carried equal weight, and no ties were to exist in any one category. The panel awarded Puck a total of 194 cumulative points, and DNC a total of 177 cumulative points (see Attachment).

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Both Puck and DNC demonstrated their ability to provide the necessary improvements and to operate the concession. The following is a summary of the panel's ranking and staffs recommendation comments under each of the four evaluation criteria.

### Experience and Capability: Quality of Experience

The panel was asked to rank each proposer on the verified years and quality of experience, experience in similar types of business/environment/clientele, prior work with public agencies, catering experience, and experience operating food and/or beverage carts.

Though both companies were closely matched in experience and capability, the panel ranked Puck first, affirming Puck as a Los Angeles-based firm, with local resources already established including an elaborate kitchen/commissary less than five miles from the Observatory and a personnel/staff pool to draw from – both of which are critical elements since the Observatory's renovation and expansion project provided very limited space for food preparation and storage (including cart storage). Puck's existing operations also offered a wealth of experienced and trained personnel/staff to help ensure not only a smooth grand opening but to give the necessary support during occasional catered events hosted at the Observatory. DNC's proposal, while strong in many areas, did not feature an ongoing support kitchen to augment production of the café, cart, and catering menu, nor were local, company-trained personnel at their immediate disposal for large catered events. Staff also believes Puck, established locally, has a keen understanding of the Los Angeles dining clientele, as well as experience/familiarization dealing with the local regulations and standards required for café, cart, and catering operations at cultural and museum locations in Los Angeles.

### Operational Plan

In this category, the proposers were ranked on their concept and operational description; creativity and imagination; organizational structure; menus, products and services; price schedules and pricing policies; timelines for build-out and starting operations; employee staffing and training plans; experience of proposed onsite management at Observatory; customer service; alignment to Observatory mission and City goal; marketing and advertising strategy; and environmental awareness, conservation, and recycling. The panel stated that both proposers proposed an adequate operational plan.

Again, citing Puck's local support in kitchen/storage facilities, local administrative staff, and their pool of local/trained service personnel, the panel agreed and staff concurs that local support for this Observatory concession is a key factor. Puck was given the culinary cutting edge in creativity and imagination which should prove beneficial in the development of menus – both café menus offering themed items inspired by the mission of the Observatory, and notably also for catering menus and catering pricing for which audiences are widely varied by culture, expectations, and budget.

DNC does not have the local support in the form of kitchen and storage facilities. All food production and storage would be performed at the Observatory's limited facility, though DNC stated

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that a rented kitchen, tent, or mobile kitchen would be used for larger productions associated with catered events.

**Build-Out Plan and Capital Investment for Café and Carts:**

Both proposers demonstrated that their build-out plans were provisional pending discussion with Observatory staff, and both showed imagination in this area. Both proposers provided ideas for the café build-out: DNC included interpretive murals coordinated with counters/tabletops laminated with planets, satellites, comets, asteroids, and other celestial objects, as well as food stations with decorative elements reflective of space exploration equipment; Puck's concept included a retrospective approach that intertwined Arthur Dent's fictional quest for a place to eat, and referenced sci-fi experiences from "Lost in Space" and Orson Wells "Infinite Worlds" by incorporating classic sci-fi book, comic, and film posters on the interior walls of the café. Both were within the acceptable range of plans expected by the Department with an understanding of the sensitivity of the Observatory landmark status and science mission.

In regards to capital investments, the RFP stated if the City terminated the contract for cause, there would be no reimbursement ('buy-back') of any kind. In the event of contract termination by the Operator or City for other than cause (mutual agreement, for example), the City would reimburse unamortized capital investment but would not include any FF&E that is proprietary to the Operator (includes trade dress, logo, etc. and is operator-specific and not transferable to another operator). Puck proposed to invest \$425,000 eligible buy-back capital investment and \$175,000 non, whereas DNC proposed \$388,000 eligible buy-back and \$180,000 non. The amortization will be straight line, non-interest bearing over the 10 years of the initial contract term. The buy-back amounts proposed by each were very close.

**Projected Commissions: Rent to City and Financial Projections:**

The two firms proposed the following rental terms:

	Café	Carts	Catering (food)	Catering (beverage)
DNC	4% of revenue up to \$2M	4% of revenue up to \$2M	2.5% of all revenue	5% of all revenue
	7.5% of revenue over \$2M to \$4M	7.5% of revenue over \$2M to \$4M		
	10% of revenue over \$4M	10% of revenue over \$4M		
Puck	8% of revenue up to \$1M	8% of revenue up to \$1M	14% of revenue up to \$1M	14% of revenue up to \$1M
	10% of revenue over \$1M	10% of revenue over \$1M	16% of revenue over \$1M	16% of revenue over \$1M

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In comparison to industry standards, DNC was low in their proposed rent, whereas Puck's percentages were consistent with rent on operations of this type and standard in the industry, including local institutions. As Puck proposed substantially greater rental payments to the City, and the panel concurred that their proposal was realistic, Puck was scored higher in this category. Both proposals included projected three-year commissions, both of which included the sources: café, cart, catering, and bookstore/gift shop. For analysis purposes, staff focused on café and cart commissions only since the retail bookstore/gift shop component was determined moot (for reasons explained below) and since the amount of catering activity permitted by the Department to the prospective concessionaires has yet to be determined. In both cases of retail and catering commissions, Puck was significantly higher; however, the table below reflects only café and cart commissions from both proposers based on their projected sales and proposed rental percentages:

Projected Three Year Total Commissions:

	DNC	Puck
Café	\$185,454	\$360,749
Cart	\$ 61,818	\$ 23,206
Total	\$247,272	\$383,955

There was no rental guarantee on behalf of DNC, whereas Puck proposed a minimum guaranteed annual rent beginning in year two of the agreement in an amount equal to seventy percent (70%) of the total rent paid in the previous contract year; subject to an unanticipated percentage decline in Observatory attendance, applied (as a percentage) to the 70% guarantee.

Bookstore Option Not to be Exercised:

Proposers were asked to submit proposals for operation of either the café, carts, catering services alone; or combined operation of the café, carts, and catering with the bookstore/gift shop. Proposals were ranked solely on food service criteria. As an option, proposers were allowed to add bookstore/gift shop retail services as part of their proposal, though features and benefits stemming from the retail service would not change their respective ranking/points. The evaluation was based strictly on food service(s) attributes.

Both proposers submitted proposals also including the operation of the gift shop, DNC as part of the master operation, Puck by use of a subcontractor. After concluding the café, carts, and catering ranking, and formulation of the recommendation for Puck, staff analyzed Puck's bookstore option. Upon review of Puck's giftshop proposal, staff was not convinced that the proposed services would fulfill the Department's retail services needs. A subcontract arrangement for retail services as proposed by Puck may not allow for close monitoring and controls compared to a direct relationship between the Department and a retail concessionaire. Also, a 10 year agreement plus two five-year extensions may be too long of a term since the retail industry changes more rapidly than the food industry. Therefore, award of this agreement will be solely for the operation of the café, carts, and

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catering service. Staff will recommend, via a concurrent Board Report, that the Board direct staff to prepare a new RFP exclusively for the operation of the Observatory bookstore/gift shop concession at a five-year term with one five year option.

Conclusion:

The Department was fortunate to receive two excellent proposals for this concession from two proposers of high standing and extensive experience. Overall, the evaluation panel ranked Puck higher in each of the four categories defined in the RFP. Staff believes these categories and the resulting ranks to be crucial for establishing the best proposer for a successful café, cart, and catering concession. In addition, the potential use of the Wolfgang Puck name is a benefit to help draw patrons to the Observatory Café who may otherwise opt not to frequent the café during their visits to the Observatory. Puck's sales and marketing resources in the Los Angeles market were considered superior. Not only will this help promote visitorship in the café, but the catering expertise would be in place to market and utilize the Observatory's rental/catering spaces sensitively and strategically, which could potentially lead to a new and previously untapped revenue stream for the City. Panel members expressed their feelings that given the success and high visibility of Wolfgang Puck Catering and Events, LLC, in the culinary/dining industry and in the celebrity/entertainment industry, and the fact that Los Angeles is their home base with many fine dining restaurants as well as the catering operation and two museums (Natural History Museum of Los Angeles County and the new Kidspace Museum in Pasadena), Puck would be highly motivated to sustain their excellence at this high-profile location.

Subsequent to the panel's ranking, analysis was completed by Staff to verify trade and financial references. As such, as a result of the panel's input and ranking exercise as well as these additional considerations, staff concludes that Wolfgang Puck Catering and Events, LLC, is the best candidate to operate the Observatory café, cart, and catering concession at the Observatory and recommends Puck for award.

The Department prepared an Environmental Impact Report (EIR) for the Griffith Observatory Master Plan in accordance with the requirements of the California Environmental Quality Act (CEQA) and was certified by the Board on May 7, 1997 (No. 187-97). A Notice of Determination was filed with the Los Angeles City Clerk and the Los Angeles County Clerk on May 13, 1997. This EIR covers the current renovation and restoration project for the Griffith Observatory, which includes the provision of concession facilities and services.

Report prepared by Stanley Woo, Management Analyst II, Administrative Resources Division.

ATTACHMENT

GRIFFITH OBSERVATORY  
CAFÉ, CART, AND CATERING CONCESSION  
REQUEST FOR PROPOSAL

RFP Review Panel and Ranking

The individuals on the panel were as follows:

- Arthur M. Manask, President and CEO of Art Manask & Associates, consultants specializing in the food service industry
- Shelley Stephens, Museum Store Consulting, consultant to museum stores nationwide
- Warren J. Iliff, President Emeritus of the Aquarium of the Pacific
- Danelle Woodson, Benefits Manager of Amgen, Inc. in Thousand Oaks
- Edwin C. Krupp, Ph.D., Astronomer and Director of the Griffith Observatory

The aggregate panel scores are summed as follows:

Rating Criteria	DNC	Puck
Experience and Capability; Quality of Experience	46	48
Operational Plan	46	47
Build-Out Plan and Capital Investment for Café and Carts	44	49
Projected Commissions; Rent to City and Financial Projections	41	50
Total Points	177	194