

REPORT OF GENERAL MANAGER

NO. 05-265

DATE October 6, 2005

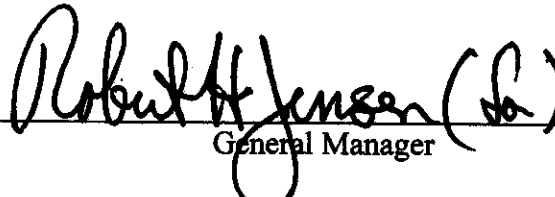
C.D. 4

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: LOS FELIZ AND ROOSEVELT GOLF COURSE - AWARD OF THE OPERATION OF THE FOOD SERVICE CONCESSION TO J.L. DINING SERVICE AND CONSIDERATION OF FIVE-YEAR CONCESSION AGREEMENT

J. Combs _____
H. Fujita _____
S. Huntley _____
B. Jensen _____

J. Kolb _____
* F. Mok zm
K. Regan _____
M. Shull _____



General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Award the Food Service Concession at the Los Feliz Golf Course and Roosevelt Golf Course to J.L. Dining Service;
2. Approve the proposed 5-year concession agreement, substantially in the form on file in the Board Office, for the operation of the Los Feliz Golf Course and Roosevelt Golf Course Food Concession, subject to approval of the Mayor, 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 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.

REPORT OF GENERAL MANAGER

PG. 2

NO. 05-265

SUMMARY:

On February 18, 2004, the Board approved the award of a five year concession agreement for the operation of the food service concessions at the Los Feliz and the Roosevelt golf courses to EATZ Café, Inc. (Report No. 04-41). On November 1, 2004, the Board Office transmitted the proposed operating agreement, as approved by the City Council, Mayor and City Attorney, to Marie Jabour, proprietor of EATZ Café, Inc., for signature. Staff was notified on November 18, 2004, that due to illness, Ms. Jabour would be unable to execute the agreement.

On December 8, 2004, the Board approved advertising Request for Proposals (RFP) for a new five year agreement, essentially according to the same terms and conditions of the original, with the exception of updating gross receipts and utility expenses. Three responsive proposals were received on February 15, 2005:

- Yuca's, a Mexican eatery in the Los Feliz area.
- J.L. Dining Service, operator of Beadle's Cafeteria and catering operations in Pasadena.
- 3 Ply, Inc., a newly formed food partnership.

A preliminary review of the proposals conducted by staff indicated that the three proposers demonstrated varying expertise in several aspects of golf food service. Although each demonstrated strengths in various areas, the challenge was to select an operator with the best combination of expertise and financial ability to successfully operate this concession and to implement proposed capital improvements. The criteria for selecting the best proposer, as stated in the RFP were:

- Qualifications and Experience
- Proven Performance and Quality of Current Comparable Operations
- Vision for Concession, Including Business Plan and Marketing
- Menu, Prices and other Customer Service Elements
- Documented Financial Ability to Perform as Proposed
- Capital Improvements: Appropriateness, reflection of entrepreneurship, monetary value
- Rental Terms Offered

To begin the process of distinguishing the best overall proposal for recommendation of award, and in accordance with the evaluation process described in the RFP, staff convened a review panel to conduct interviews of the proposers. The panel members were selected for their restaurant operation experience or their RFP review experience. At the conclusion of the interview session, the panel was requested to individually provide a ranking of the three proposals, from first to third, in each of the criteria stated the RFP. The panel was not advised to consider any weighting of the categories for lesser or greater importance nor was the panel

REPORT OF GENERAL MANAGER

PG. 3

NO. 05-265

permitted to give ties in rank in any category. The Panel members and their combined ranking results are attached to this report.

The panel members explained their ranking decisions to staff, and when combining each of their individual results after conducting the interviews, J.L. Dining Service ranked at the top ranking of the three proposers. Staff agrees with the panel rankings and recommends J.L. Dining Service for award of this Concession Contract.

Qualifications and Experience

All three proposers possess experience in the food service industry, with Yuca's and J.L. Dining Service having the most years in the business. Yuca's is a family-run Mexican eatery in Los Feliz, and has been in business for almost thirty years. The panelists noted that Yuca's would experience a large increase in staffing hours by operating three restaurants as opposed to the present single stand. The panelists also felt that Yuca's had a lack of experience with modern restaurant operating practices, such as the comparison and tracking of food costs against labor costs.

The highest ranking by the panel was J.L. Dining Service, the present operator of Beadles Cafeteria in Pasadena, as well as, the operator of an extensive catering business run out of the Cafeteria. The principal has over twenty-five years experience operating small, family-style restaurants.

3 Ply's food experience was composed of one principal who has functioned as a turn around operator, having four years experience buying and selling small restaurants. Currently, he is operating a pretzel shop at the Kodak Theater in Hollywood.

Staff agrees with the panel results ranking J.L. Dining Service first in this Category.

Proven Performance and Quality of Current Comparable Operations

J.L. Dining Service was rated first as the owner has operated similar sized restaurants over a twenty-five year period, and are currently operating a large cafeteria with an extensive catering service in Pasadena. The panel indicated that while the owner of Yuca's has almost thirty years of successful operation of a small food stand in Los Feliz, it is not as comparable to this concession operation as J.L. Dining Service's experience. Both Yuca's and 3 Ply have less experience in the successful operation of comparable restaurants, with the sizes of the restaurant and the tenures of the principals varying greatly. Staff agrees with the panel ranking.

Vision for Concession Including Business Plan and Marketing

Evaluation of the proposals in this category included the proposer's vision and operational plans to broaden the customer base and increase business at Roosevelt and at Los Feliz.

REPORT OF GENERAL MANAGER

PG. 4

NO. 05-265

J.L. Dining Service was ranked first as their operational plans demonstrated a strong sensitivity to the needs of the golfer. Their proposal focused on improving the food selection and designing a menu intended to meet the taste preferences of a large portion of Roosevelt's clientele, which has historically been Asian. They also intend to make aesthetic improvements at both facilities to bring in more neighborhood residents. The improvements would be performed timely, upon the inception of the permit, with a minimal disruption of service. A catering and delivery service is also planned for both locations. The principal believes that visual and capital improvements to the facilities would make them more inviting to customers and increase business.

Yuca's and 3 Ply, Inc. ranked second and third, respectively. Yuca's felt that their current Mexican menu would attract customers to the two additional sites. They also planned on conducting extensive promotions and distribution of flyers, as well as newsletter advertising and special events in the nearby communities. Yuca's stated that their Mexican menu would not need to be altered.

3 Ply, Inc., planned on marketing to the core customers at both restaurants, especially by offering a broader menu selection at Roosevelt for the Asian customers who have historically represented a large percentage of the customer base there. 3 Ply, Inc. also proposed to offer various golf junkets and promotions to attract more golfers into the coffee shops. Staff concurs that J. L. Dining Service ranked first.

Menu, Prices and Other Customer Service Elements

J. L. Dining Service was rated the highest in this category as they offered an extensive American menu at the Los Feliz location and a strong Asian menu at Roosevelt, demonstrating their understanding of the current customer demographics of the two sites. 3 Ply, Inc., stated that they would utilize current menus but mold the menu according to the particular demographic user of the site, such as, adding Asian items to the Roosevelt menu. The panelists noted that Yuca's had no apparent operational manual for employees or a manual of written recipes for menu items. Yuca's proposed to offer the same menu at both restaurants. Both Yuca's and J.L. Dining Service proposed meal delivery service to the local community. Understanding of customer service principles and pricing were similar between the three proposers. Staff agrees that J.L. Dining services has demonstrated the most sensitivity to the clientele, particularly at Roosevelt, and should be ranked first.

Documented Financial Ability to Perform as Proposed

The RFP required all proposers to provide documentation demonstrating the financial status of the proposer in connection with proving their ability to perform as proposed. J.L. Dining Service was ranked first in the category as they provided the most detailed account of their financial status. The sole owner submitted tax returns indicating gross revenues of nearly \$700,000.00 and \$800,000.00 for 2002 and 2003, respectively. After questioning by the panel, 3 Ply, Inc., stated that they could submitted a financial statement showing the net worth of their backer at \$12,000,000.00. They were ranked second by the panel, as the direct relationship of this funding

REPORT OF GENERAL MANAGER

PG. 5

NO. 05-265

source to the proposer and ultimately the daily operation was not clearly documented. Yuca's stated that they have sufficient savings or a bank line of credit to perform the capital improvements; however, no supporting documentation was submitted by Yuca's and they were ranked third.

Capital Improvements Proposed (Appropriateness, Entrepreneurship, Monetary Value)

Capital improvements were an optional proposal item in this RFP. The Department informed the proposers that all reasonable capital improvements proposed which are conducive to the enhancement and increased revenue of the facilities would be considered during the selection process.

J.L. Dining Service was rated first in this category, as they stated they would complete over \$60,000.00 in proposed improvements within six weeks of starting operations at both locations, described in detail and reflecting consideration of the specific needs of each location. Los Feliz would receive landscape upgrades, new signage, new interior and exterior paint, new awnings, new carpeting, new outside wood trim and new menu stands. Roosevelt would receive new double French doors at the entrance, new carpeting, new kitchen equipment and the existing windows and security bars would be replaced with bay windows.

Yuca's stated that they would set aside \$75,000.00 for capital improvements and had begun planning \$30,000 in upgrades to the kitchen, signage, carpeting, landscaping, and kitchen equipment at the Los Feliz location. They stated that they would begin the improvements within a few weeks of receiving the contract. There were no plans introduced for Roosevelt.

3 Ply, Inc., proposed to spend \$30,000.00 at each of the two sites by replacing carpeting, painting interior and exterior walls, replacing tables, chairs and other fixtures and performing some minor remodeling. The proposed improvements were general refurbishment and not customized to each of the location. They stated that the improvements would be performed over the first year of the permit. Following the proposer interviews, 3 Ply, Inc., submitted a statement indicating that they were prepared to spend up to \$100,000.00 for capital improvements over the five year term, but that was not considered by the panel as it was not submitted as part of their proposal.

Although Yuca's presented the largest dollar value of improvements, improvements at both locations customized to the needs at each would be the optimum choice for the City, and Staff agrees with the panel's ranking in this category.

Rental Terms Offered

J.L. Dining Service offered the highest rental terms of the three proposers: 13.5% and 13% in food and beverage sales at Los Feliz and Roosevelt, respectively. Yuca's offered to pay 12% of their gross income in rent at both facilities. 3 Ply, Inc. proposed to pay 13% of their gross receipts in rent at Los Feliz and 9% at Roosevelt.

REPORT OF GENERAL MANAGER

PG. 6

NO. 05-265

J.L. Dining Service projected a gross sales increase of 30% over the five year term of the contract at Los Feliz and 50% at Roosevelt. Their projections amounted to \$268,650.00 and \$161,200.00 in rent received from Los Feliz and Roosevelt, respectively, or a total of \$429,850.00 paid to the City over the life of the five year contract. The proposed rent return is aggressive but realistic in terms of gross revenue return.

Yuca's projected a 9% sales increase over the five years of the permit with rent payments of 12% of gross receipts at both establishments totaling \$313,200.00 over the term of the permit.

3 Ply, Inc., proposed a rent of 13% of gross receipts at Los Feliz and 9% at Roosevelt. They projected a rent return to the City of \$387,898.00 from Los Feliz and \$103,667.00 at Roosevelt, for a total of \$491,565.00. However, both the interview panel and staff saw these projections as unrealistic as the company is assuming an increase in gross receipts from \$339,822.00 for 2004 to \$540,000.00 a 59% increase in gross income, after the first year of operation.

Staff also reviewed the total rent that would be paid over the five year term of permit based on the 2004 revenues of the current operation. The increases were averaged over the five years as projected by the proposers. The results were as follows:

J.L. Dining Service	\$397,514.00
3 Ply, Inc.	\$340,466.00
Yuca's	\$303,334.00

The panel ranked J.L. Dining Service highest. The Department receives on average seven to eight percent of gross receipts from our other Golf restaurant operations. The location of Eatz provides a unique situation that sets it apart from our other golf restaurants. The Department has historically successfully received 13%, and staff is confident that 13.5 % is realistic.

The proposed rental percentage for Roosevelt, an increase from the current rental percentage from 9% to 13%, is aggressive but attainable when considering the increased revenue potential from the proposed improvements, menu changes to better meet the demographics and the addition of delivery food service to the surrounding community. Additionally, the combined operation of the two locations into one operation provides additional economies over the previously separate operation of the restaurants.

Staff agrees with the ranking in this category.

REPORT OF GENERAL MANAGER

PG. 7

NO. 05-265

Conclusion

Staff considered that the best operator for this operation should be the one ranking highest in the most categories. Accordingly, J.L. Dining Service received the highest ranking in all seven selection criteria and staff concludes that J.L. Dining Service is the best candidate to operate this concession and recommends them for award.

FISCAL IMPACT STATEMENT:

This contract is expected to provide approximately \$400,000.00 in revenue to the Department over the five year term of the Contract.

Report prepared by Michael Honan, Administrative Resources Division.

**LOS FELIZ/ROOSEVELT FOOD SERVICE
REQUEST FOR PROPOSAL**

RFP Review Panel and Ranking

The individuals on the panel were as follows:

- Matthew Green – County of Los Angeles, Parks and Recreation Department
- Ben Dewald – Cal Poly Pomona Collins School of Hospitality Management
- Mina Behboudi – Director of Sales, Calamigos Equestrian

The combined ranking of the panel after the interview process of April 7, 2005 is as follows:

Rating Criteria Categories	Yuca's	J.L. Dining Service	3 Ply, Inc.
Qualifications/Experience	2nd	1st	3rd
Proven Performance	2nd	1st	3rd
Vision for Concession	2nd	1st	3rd
Menu-Pricing/Customer Service Elements	2nd	1st	3rd
Financial Ability to Perform	3rd	1st	2nd
Capital Improvements: Appropriateness and Monetary Value	2nd	1st	3rd
Rental Terms Offered	2nd	1st	3rd
Overall Ranking	2nd	1st	3rd