REPORT OF GENERAL MANAGER

DATE December 14, 2005

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: ENCINO-BALBOA GOLF COURSE (SEPULVEDA GOLF COMPLEX) – REJECTION OF ALL PROPOSALS RECEIVED FOR THE OPERATION OF THE GOLF PROFESSIONAL AND DRIVING RANGE CONCESSION AND DIRECTION TO PREPARE A NEW REQUEST FOR PROPOSALS

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General Manager

Approved Disapproved Withdrawn

RECOMMENDATION:

That the Board:

1. Reject all six proposals received on July 13, 2004, for the operation of the Sepulveda Golf Professional Concession and direct staff to return all proposal bonds to each proposer;

2. Direct the Board Secretary to notify the City Attorney and the Army Corps of Engineers that the proposed contract has been disapproved and no longer needs review; and,

3. Direct staff to develop a new Request for Proposals (RFP) for this concession.

SUMMARY:

On February 2, 2005, the Board considered recommendations for the award of the Sepulveda Golf Complex Professional Concession to Highlands Golf, LLC (“Highlands;” Board Report No. 05-34). Public concern was expressed regarding Highlands’ proposed rental percentage as perceived by some to be unrealistically high, and others expressed concern in general about the RFP process. To investigate these concerns, on February 16, 2005, the Board directed the Department to convene an ad-hoc committee to review the award recommendation to Highlands, focusing on the award criteria used, the rental rates proposed by Highlands, an analysis of the submitted pro formas to determine whether or not they were realistic, and to review additional materials submitted to the Board by one of the proposers. On May 18, 2005, the Board considered the ad hoc committee’s findings (Board Report No. 05-112); while the committee found the procedures used by staff to award this concession were proper and consistent with City-wide RFP practices, the report also recommended
that the concession be awarded instead to another of the top proposers, Sepulveda Golf Ventures ("Sepulveda").

The Board approved the Report and awarded the concession agreement to Sepulveda; the Board Secretary subsequently forwarded the proposed agreement to the Mayor, City Council, United States Army Corps of Engineers, and City Attorney for approval. After Mayoral approval, the proposed agreement was subsequently forwarded to the City Council for further action as required by City Charter Section 373. On November 8, 2005, the Arts, Parks, Health and Aging Committee (APHA) reviewed the proposed agreement and expressed their concerns that Sepulveda did not appear to have enough experience as a single entity, as they are a newly-formed joint venture formed with the sole purpose of operating this concession. Moreover, members of the public as well as Council District Six expressed their concerns to APHA about what they perceived to be flaws in the RFP process conducted for this agreement. As a result, APHA voted to disapprove the proposed agreement. On November 18, 2005, City Council, as recommended by APHA, also voted to disapprove the proposed agreement with Sepulveda. Therefore, the Department is not able to execute the proposed agreement with Sepulveda.

A number of improvements have been made to the standard RFP documents and procedures used in 2004 when this concession was placed out for proposals. These modifications already made to the process will address concerns raised at the November 8, 2005, APHA meeting and by the public. For example, hardcopies of forms and documents are now distributed to proposers as opposed to directing proposers to the City website or websites of various City Departments, thus reducing the chance that informational forms are missed by proposers. The role of evaluation panels has been clarified; panel members are now asked to convene and recommend a single best operator, albeit solely in an advisory capacity, subsequent to interviews; and financial pro formas and similar financial documents are now required to be submitted with all written proposals.

The disapproval by Council of the awarded proposal can be understood as an implicit recommendation that the RFP be revised and re-solicited, requiring all proposals to be rejected. Therefore, at the direction of the Board, staff is now ready to develop a new RFP for this concession, incorporating the above improvements and additional recommendations from the Board; staff will also seek advice from the golfing public and the Golf Advisory Committee. Proposal deposits of $10,000 each were received from each of the six proposers along with their respective proposals; the deposits are refundable upon execution of a new agreement, or upon rejection of all proposals. Therefore, at the direction of the Board, staff will refund the deposits to each proposer.

**FISCAL IMPACT STATEMENT:**

Failure to award a contract has an unknown but likely minor impact on the General Fund, dependant on additional revenues that might have been received with a new driving range or a new long-term agreement stipulating higher rent percentages.

Report prepared by Anthony Sanchez, Management Analyst II, Administrative Resources Division.