

APPROVED

FEB 06 2008

REPORT OF GENERAL MANAGER

NO. 08-37

DATE February 6, 2008

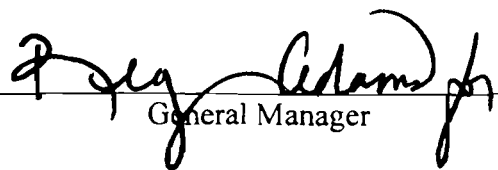
BOARD OF RECREATION  
and PARK COMMISSIONERS

C.D. 6

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: SEPULVEDA GOLF COMPLEX PROFESSIONAL - AWARD OF CONCESSION AGREEMENT TO MICHAEL LESLIE PRODUCTIONS, INC. DBA READY GOLF CENTERS

R. Adams _____	J. Kolb _____
H. Fujita _____	*F. Mok <u>sm.</u>
S. Huntley _____	K. Regan _____
V. Israel _____	M. Shull _____

  
 \_\_\_\_\_  
 General Manager

Approved AS amended see attached \_\_\_\_\_ Disapproved \_\_\_\_\_ Withdrawn \_\_\_\_\_

RECOMMENDATION:

That the Board:

1. Award the Sepulveda Golf Complex Professional Concession to Michael Leslie Productions Inc. dba Ready Golf Centers;
2. Find, in accordance with Charter Section 1022, that the Department does not have sufficient personnel available in its employ to undertake these specialized professional tasks and that it is more economical to secure these services by contract;
3. Approve a proposed ten (10) year concession agreement, with two (2) five-year renewal options exercisable at the City's sole discretion, substantially in the form on file in the Board Office, subject to approval of the Mayor, City Council, U.S. Army Corps of Engineers (Corps), and the City Attorney as to form;
4. Direct the Board Secretary to transmit the proposed agreement, concurrently, to the Mayor, in accordance with Executive Directive No. 3, City Attorney, and the Corps; and,
5. Authorize the Board President and Secretary to execute the subject agreement upon receipt of the necessary approvals.

## REPORT OF GENERAL MANAGER

PG. 2

NO. 08-37

### SUMMARY:

The Sepulveda Golf Complex is located at 16812 Burbank Blvd., Encino, CA 91436 and includes two 18-hole golf courses: Encino Golf Course and Balboa Golf Course. The Department operates and maintains both courses. The Sepulveda Golf Complex Concession (Concession) provides professional golf lessons to patrons, and maintains and operates the golf professional shop, range shop, and the golf driving range.

The Concession has been operated by Ready Golf Centers on a month-to-month basis since February 17, 2001. In calendar year 2006, the Concession generated \$908,084 in gross receipts and \$162,254 in rent to the Department.

In May 2004, a Request for Proposals (RFP) was released for this Concession. On December 14, 2005, the Board rejected all proposals and directed staff to revise and release the RFP (Board Report No. 05-316).

On August 9, 2006, the Board approved the release of an RFP (Board Report No. 06-217), and the RFP was released on August 21, 2006. On November 14, 2006, three proposals were received. On April 5, 2007, due to the failure of all three proposals to provide a Good Faith Effort Subcontractors Outreach as required by the Board's policy (Board Report No. 177-89), the Board rejected all bids and directed staff to develop and release a new RFP for this concession (Board Report No. 07-86).

On April 30, 2007, the RFP was released to the public to solicit proposals for the operation of the Concession. The RFP was advertised in the Daily Journal; posted on the Los Angeles Business Assistance Virtual Network (BAVN); and posted on the Department of Recreation and Park's website; and, a letter inviting bids was mailed to over two hundred organizations and individuals from a mailing list maintained by the Concessions Unit.

On May 23, 2007, a Pre-Proposal Conference was held at the Sepulveda Golf Complex. A walk-through of the premises was conducted after the conference concluded. Also on May 23, 2007, Addendum No. 1 was released, as a new City compliance document was implemented which required all proposers to complete the Bidder Certification Form (CEC Form 50) requiring disclosure as mandated by the Municipal Lobbying Ordinance (Ord. No. 169,916).

On July 5, 2007, the following proposals were received:

- Emerald Management, Incorporated (Inc.)
- Pacific Highland, Limited Partnership (L.P.)
- Michael Leslie Productions, Inc. dba Ready Golf Centers

## REPORT OF GENERAL MANAGER

PG. 3

NO. 08-37

As stipulated in the RFP, evaluation of the bid proposals was to occur in three levels. Level I would be a check and review for required compliance and submittal documents; Level II would be an analysis of the proposers' ability to finance the operation as proposed; and, Level III would be a comprehensive evaluation of the proposals by a panel. Proposers must successfully pass each level to proceed to the next level.

Staff performed a Level I review of the following required documents:

### Compliance Documents:

- 1) Proposer's Signature Declaration and Affidavit
- 2) Disposition of Proposals
- 3) Affirmative Action Plan
- 4) Good Faith Effort Subcontractor Outreach
- 5) Living Wage Ordinance/Service Contractor Worker Retention Ordinance
- 6) Contractor Responsibility Ordinance Statement
- 7) Equal Benefits Ordinance Statement
- 8) CEC Form 50 (*included in the RFP as Amendment #1*)

### Submittal Documents:

- 1) Cover Letter
- 2) Proposal Deposit
- 3) Ability to Finance
- 4) Background and Experience
- 5) Proposed Business Plan for this Concession
- 6) Proposed Rental Payment to City
- 7) On-Going Refurbishment, Improvements, and Maintenance
- 8) Capital Improvements

Proposals are either Responsive (pass) or Non-Responsive (fail). The following is the complete Level I findings:

- Emerald Management, Inc., was found Responsive in all eight compliance documents and Non-Responsive in two of the eight submittal documents (Attachment A-1).
- Pacific Highland, L.P., was found Non-Responsive in one of the eight compliance documents and Non-Responsive in seven of the eight submittal documents (Attachment A-2).
- Ready Golf Centers was found Responsive in all eight compliance documents and all eight submittal documents (Attachment A-3).

## REPORT OF GENERAL MANAGER

PG. 4

NO. 08-37

An economic consultant, Economics Research Associates (ERA), was retained to conduct and oversee the Level II (Financial Ability) and Level III (Panel Evaluation) processes.

### Level II – Financial Ability

ERA reviewed the financial documents and found the two proposers (Emerald Management Inc., and Ready Golf Centers) financially able to provide start up costs, operational costs, and financing for capital improvements. Emerald Management, Inc. was ultimately found to be non-responsive to the RFP. The final determination by the Office of the City Attorney was not made until after the Level II review was completed.

### Level III – Panel Evaluation

ERA assembled a five-member panel of individuals currently employed in the field of parks and recreation at municipal agencies located in Southern California and with expertise in golf course management to evaluate proposals, interview the proposers, and recommend an operator for the concession. Employees of ERA and the City of Los Angeles were not utilized on the panel. The panel members were:

- Robert Conrad, Assistant Director of Community Services, City of Victorville
- Steve Duron, Parks and Recreation Operations Manager, County of Los Angeles
- Michael Hentzen, Leasing Manager, Resources and Development Management Department, Orange County Parks, County of Orange
- David Sams, Director of Golf, Rose Bowl Operating Company, City of Pasadena
- Nancy Woods, Business Manager, Department of Parks & Recreation, City of Santa Barbara

On September 11, 2007, the evaluation panel held proposer interviews. The interviews were intended to provide clarification of the proposals; modifications and/or enhancements of the proposals submitted, if any, were not considered by panel members, as stated in the RFP.

The panel reviewed the proposals and the information gathered during the interviews, and was charged with ranking and scoring the proposals in accordance with the RFP, then submitting the information to ERA. ERA collected and tallied the final ranks and scores, and prepared the recommendation based on the ranking and scoring of the panel members (Attachment B).

### Score and Rank

Ready Golf Centers was unanimously ranked highest in three criteria: qualifications and background; business plan; and, proposed rent to the City. Furthermore, Ready Golf Centers was ranked highest by four out of five panel members in the remaining criteria: ability to finance; refurbishment, improvements, and maintenance; and, capital improvements.

REPORT OF GENERAL MANAGER

PG. 5

NO. 08-37

The evaluation panel's final general average score and ranking are as follows:

<u>Proposer</u>	<u>Final Average Score</u>	<u>Rank</u>
Ready Golf Centers	98.8	1
Emerald Management, Inc.	90.2	2

Ready Golf Centers had the highest ranking and score, and is therefore recommended by ERA as the preferred operator for the concession.

It should be noted that while Emerald Management, Inc., was ultimately found to be non-responsive to the RFP, the final determination by the Office of the City Attorney was not made until after the interviews were conducted. Emerald Management, Inc., was therefore allowed to participate in the interviews.

Capital Improvements

Ready Golf Centers proposed the minimum required capital improvements to be made at the Concession. The investment is to be One Million Dollars (\$1,000,000), exclusive of financing costs; if the cost of the improvements is less than the required investment amount, the remainder shall be expended at the Sepulveda Golf Complex on mutually agreed-upon investments, subject to final approval of the Department. All improvements shall become property of the City. The minimum required capital improvements are:

1. Renovation of the Driving Range Surface
2. Renovation of the Tee Line
3. Installation of Range Fence for Ball Containment
4. Renovation / Remodeling of the Range Shop
5. Renovation / Remodeling of the Pro Shop

Rent to the City

Ready Golf Centers' proposal included two options for rent to the City:

Driving Range/Annual Gross	Option I	Option II
\$0-\$500K	25%	36%
\$500K-\$600K	25%	36%
\$600K-\$700K	60%	36%
\$700K+	60%	36%
Merchandise	5%	5%
Lessons	5%	5%
Other	5%	5%

REPORT OF GENERAL MANAGER

PG. 6

NO. 08-37

Option I provides a sliding rate of 60% of gross revenue from the golf driving range to the Department if annual gross exceeds \$600,000 per year from the golf driving range. However, the rate decreases dramatically to 25% if annual gross does not exceed \$600,000 per year. It should be noted that Option I included additional capital improvements of: 1) storage area of driving range equipments; and, 2) upgrade of driving range lights.

Option II provides a flat rate of 36% of gross revenue from the golf driving range to the Department. Staff compared both rent options to projected gross revenue (Attachment C):

Option I – 10 Year Rent to City	\$ 2,388,946
Option II – 10 Year Rent to City	<u>2,365,005</u>
Difference	\$ 23,941

While the Department may realize a higher rent using Option I, the projection presents a margin of difference between the two options which is too narrow to risk for such a wide range in rent percentages as proposed by Ready Golf Centers. The current conditions do not support driving range gross as exceeding \$600,000 per year as: 1) golf has been in decline for the past six years; and, 2) the Los Angeles World Airports (LAWA) will be opening a new golf complex in close proximity to the Sepulveda Golf Complex in 2008.

As the current rent percentage for the golf driving range is 35%, it is recommended that Option II of the Ready Golf Centers' proposal, 36% of annual gross, be selected for the term of the contract.

Charter Section 1022

Los Angeles City Charter Section 1022 prohibits contracting out work that could be done by City employees unless the Board determines it is more economical and/or feasible to contract out the service.

On October 29, 2007, the Personnel Department completed a Charter Section 1022 review (Attachment D) and determined that the City classification of Park Service Attendant can operate and maintain the golf driving range and the City classification of Golf Starter can perform cashiering duties in the golf professional shop. However, the Department seeks a PGA Class "A" certified instructor for golf lessons; the City does not currently have a classification with that expertise and it would still be necessary to contract out golf lessons even if the Department self-operated the other portions of the Concession.

A Charter 1022 cost benefit analysis was performed by staff in the Concession Unit to determine if it was more economical to contract out the service or to perform the service in-house using City classifications (Attachment E). The findings of the analysis are that over the ten-year term of the Concession Agreement:

## REPORT OF GENERAL MANAGER

PG. 7

NO. 08-37

- 1) Ready Golf Centers Option I would provide a return to the City of \$2,388,946;
- 2) Ready Golf Centers Option II would provide a return to the City of \$2,365,005;
- 3) Self-Operation would provide a return to the City of \$185,597.

It is, therefore, more economical to contract out the service than to perform in-house with City classifications.

Staff reviewed the ERA report and the panel's ranking and scoring sheets, and Ready Golf Centers' proposal and concurs with the recommendation to award the Sepulveda Golf Complex Professional Concession to Ready Golf Centers.

Ready Golf Centers has been the incumbent operator at the Sepulveda Golf Complex since February 17, 2001, and is deemed to have the necessary background and experience to operate the Concession.

It should be noted there was only one responsive proposal submitted during this process. While the purpose of a competitive bid process is to create competition and provide the City with the best possible terms from which to select, this Concession has had two previous RFPs rejected over the past three years, and it is in the best interest of the City to award a long-term contract in order to ensure that continued service to the public is provided, that improvements are made at the facility, and that a revenue shortfall is not created by maintaining the current Concessionaire on a month-to-month agreement.

### FISCAL IMPACT STATEMENT:

Based on the financial projections provided in Attachment C, it is estimated that during the ten-year term of the concession agreement, approximately \$2,365,005 will be paid in rent to the Department using Option II of the proposal submitted by Ready Golf Centers. Of that amount, approximately \$2,128,505 will be deposited in the Department's General Fund and approximately \$236,500 will be deposited into the Golf Concession Improvements Account. The contractor will provide capital improvements at the contractor's expense.

Report prepared by Robert N. Morales, Senior Management Analyst II, and Theresa Walker, Management Analyst II, Concessions Unit, Administrative Resources Section, Finance Division.

EXCERPT FROM THE MINUTES OF THE SPECIAL MEETING  
BOARD OF RECREATION AND PARK COMMISSIONERS  
FEBRUARY 6, 2008

GENERAL MANAGER'S REPORT:

08-37

SEPULVEDA GOLF COMPLEX PROFESSIONAL - AWARD OF  
CONCESSION AGREEMENT TO MICHAEL LESLIE  
PRODUCTIONS, INC. DBA READY GOLF CENTERS

The item was amended to include the following language and Recommendation:

RECOMMENDATION:

“To instruct the City Attorney to add a provision to the contract that would accomplish allowing the parties to continue their discussion and upon a mutual agreement propose an amendment to the Board and to Council with a suggested time limitation for these discussions of December 31.”

BTW-They did not state a year, but I did not want to assume it was meant for December 31, 2008. President Sanders asked the Committee for a suggested time and Commissioner Williams stated "December 31". Candy Spelling agreed and it was approved as amended.”

Motion

It was moved by Commissioner Williams, seconded by Commissioner Spelling that Report No. 08-37 be approved as amended. There being no objections, the Motion was unanimously approved.



**EMERALD MANAGEMENT, INCORPORATED  
SEPULVEDA GOLF COMPLEX PROFESSIONAL - RFP  
LEVEL I EVALUATION**

I. Compliance Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Proposer's Signature Declaration and Affidavit	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Good Faith Effort Outreach (GFE)	Yes	Yes	
5.	Living Wage / Service Contractor Worker Retention	No	Yes	Submittal of documents is only required if an exemption is requested. Non-submittal indicates acceptance of requirements.
6.	Contractor Responsibility Statement	Yes	Yes	
7.	Equal Benefits Statement	Yes	Yes	
8.	CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Cover Letter	Yes	Yes	
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	No	Cash Flow Statement for Calendar Years 2004, 2005, 2006 and first quarter of 2007 not included (Section V, Item A-1.3.3c)
4.	Background and Experience	Yes	Yes	
5.	Proposed Business Plan for this Concession	Yes	No	Detailed schedule of maintenance of premises (driving range, tee line, putting greens) not included (Section V, Item A-3.1.2)
6.	Proposed Rental Payment to City	Yes	Yes	
7.	On-Going Refurbishment, Improvement, and Maintenance	Yes	Yes	
8.	Capital Improvements	Yes	Yes	

**PACIFIC HIGHLAND, Limited Partnership (LP)**  
**SEPULVEDA GOLF COMPLEX PROFESSIONAL - RFP**  
**LEVEL I EVALUATION**

I. Compliance Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Proposer's Signature Declaration and Affidavit	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Good Faith Effort Outreach (GFE)	Yes	No	Outreach documentation to selected contractor not provided. Schedule A or a completed summary sheet organized by work area not included.
5.	Living Wage / Service Contractor Worker Retention	No	Yes	Submittal of documents is only required if an exemption is requested. Non-submittal indicates acceptance of requirements.
6.	Contractor Responsibility Statement	Yes	Yes	
7.	Equal Benefits Statement	Yes	Yes	
8.	CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Cover Letter	Yes	No	Telephone Number, Fax Number, Office Phone, Cell Phone, E-mail Address not included (Section IV, Item A-1)
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	No	Did not include 2007 bank statements (Section V, Item A-1.3.1a); current credit reports not included (Section V, Item A-1.3.1c); no current balance sheets provided, and income and cash flow statements not prepared by CPA (Section V, Item A-1.3.3)
4.	Background and Experience	Yes	No	Company address, size of company, organizational charter, pending merger information not included (Section V, Item A-2.1)
5.	Proposed Business Plan for this Concession	Yes	No	Number of staff required, proposed organizational structure, employee hiring / training / retention / motivation/ promotion methods not included (Section V, Item A-3) ; Methods of accounting and controls not included (Section V, Item A-3.1.4)
6.	Proposed Rental Payment to City	Yes	No	Justification based on financial projections, planning, and relevant market research not included (Section V, Item A-4.2)
7.	On-Going Refurbishment, Improvement, and Maintenance	Yes	No	Specific plans to provide and fund necessary major repairs and maintenance not included (Section V, Item A-5.1)
8.	Capital Improvements	Yes	No	Plan details, estimated timeline, estimated downtime, specific equipment, products, or vendors to be used not included (Section V, Item A-6.1)

**READY GOLF CENTERS  
SEPULVEDA GOLF COMPLEX PROFESSIONAL - RFP  
LEVEL I EVALUATION**

I. Compliance Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Proposer's Signature Declaration and Affidavit	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Good Faith Effort Outreach (GFE)	Yes	Yes	
5.	Living Wage / Service Contractor Worker Retention	No	Yes	Submittal of documents is only required if an exemption is requested. Non-submittal indicates acceptance of requirements.
6.	Contractor Responsibility Statement	Yes	Yes	
7.	Equal Benefits Statement	Yes	Yes	
8.	CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Cover Letter	Yes	Yes	
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	Yes	
4.	Background and Experience	Yes	Yes	
5.	Proposed Business Plan for this Concession	Yes	Yes	
6.	Proposed Rental Payment to City	Yes	Yes	
7.	On-Going Refurbishment, Improvement, and Maintenance	Yes	Yes	
8.	Capital Improvements	Yes	Yes	

**Sepulveda Golf Complex  
Golf Professional Concession  
Proposal Evaluation**

*Submitted to*

**City of Los Angeles  
Department of Recreation and Parks  
Concessions Unit**

*Submitted by*

**Independent Sepulveda Golf Professional  
Concession Panel**

**November 2007**























































































DEPARTMENT OF RECREATION AND PARKS  
 SEPULVEDA GOLF COMPLEX PROFESSIONAL CONCESSION  
 CHARTER 1022 ANALYSIS  
 GOLF DIVISION SELF-OPERATION COSTS

Full Time Classification	Annual Salary	No of Employees	Labor Expense	COST ALLOCATION PLAN RATE			Labor Expense Inc CAP Rate
				Fring Benefit 60.17%	Cent Serv 24.91%	Dept Admin 13.15%	
Principal Park Services Attendant I	\$ 62,948.80	1	\$ 62,948.80	\$ 37,816.12	\$ 15,655.64	\$ 8,264.62	\$ 124,585.18
Park Services Attendant II	\$ 45,643.68	2	\$ 91,287.36	\$ 54,927.60	\$ 22,739.88	\$ 12,004.29	\$ 180,958.93
Gardener Caretaker	\$ 43,305.12	1	\$ 43,305.12	\$ 26,056.69	\$ 10,787.31	\$ 5,694.62	\$ 85,843.74
<b>Part Time Classification</b>	<b>Annual Hours</b>	<b>Hourly Rate</b>	<b>Labor Expense</b>	<b>COST ALLOCATION PLAN RATE</b>			<b>Labor Expense Inc CAP Rate</b>
				Fring Benefit 10.25%	Cent Serv 24.91%	Dept Admin 13.15%	
Sepulveda Pro Shop Assistant Park Services Attendant I	2,080	\$ 11.82	\$ 24,585.60	\$ 2,520.02	\$ 6,124.27	\$ 3,233.01	\$ 36,462.90
Sepulveda Driving Range Assistant Park Services Attendant I	8,320	\$ 11.82	\$ 98,342.40	\$ 10,080.10	\$ 24,497.09	\$ 12,932.03	\$ 145,851.61
Special Program Assistant II	4,160	\$ 11.82	\$ 49,171.20	\$ 5,040.05	\$ 12,248.55	\$ 6,466.01	\$ 72,925.81
<b>TOTAL LABOR COSTS:</b>							<b>\$ 646,628.17</b>

**Sepulveda Expenses**

- Lesson Services (Contract) \$ 120,000.00
- Office Supplies \$ 6,500.00
- Equipment (Range) \$ 18,500.00
- Equipment (Pro Shop) \$ 8,500.00
- Pro Shop Items \$ 85,000.00
- Range Balls / Range Mats \$ 42,500.00
- Utilities \$ 18,000.00

**TOTAL EXPENSE COSTS:**

**\$ 299,000.00**

**TOTAL GOLF DIVISION - SELF OPERATION COSTS (Year 1) \$ 945,628.17**

Projected Self Operation Cost for 10 Year Term of Agreement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Based on first year cost and 5% annual growth factor.	\$ 945,628.17	\$ 992,909.58	\$ 1,042,555.06	\$ 1,094,682.81	\$ 1,149,416.95	\$ 1,206,887.80	\$ 1,267,232.19	\$ 1,330,593.80	\$ 1,397,123.49	\$ 1,466,979.67	\$ 11,894,009.54