

REPORT OF GENERAL MANAGER

APPROVED

NO. 13-099

DATE April 17, 2013

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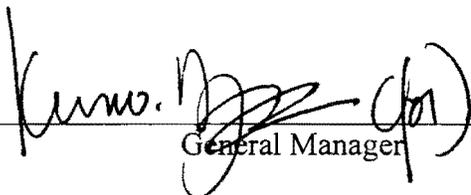
**BOARD OF RECREATION
& PARK COMMISSIONERS**

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH PARK (WILSON-HARDING) GOLF RESTAURANT – ONE-YEAR CONCESSION AGREEMENT WITH RENEWAL OPTION

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

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



General Manager

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Withdrawn _____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 Griffith Park (Wilson-Harding) 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, and to the City Attorney for review and approval as to form; and,

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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 cafes will be submitted.

GRIFFITH PARK (WILSON-HARDING) GOLF RESTAURANT:

The Griffith Park (Wilson-Harding) Golf Restaurant (Concession) is operated by Monterey Concessions Group (Concessionaire). The Concession is located at 4730 Crystal Springs Drive, Los Angeles, CA 90027. The Griffith Park Golf facility features two 18-hole courses – Wilson and Harding. Combined, these two courses had 158,373 rounds of golf played in Fiscal Year (FY) 2011/2012. The Concession was constructed in 1937, featuring classic California/Spanish Revival architecture with vaulted beam ceilings, arched panoramic windows, and hand-pegged wood floors. It also features a commercial kitchen, food preparation area, office, employee restrooms, storage area, hard liquor/bar area, air-conditioned dining room, banquet room, counter seating, and wood deck patio seating. The Concession includes a staffed snack stand (halfway house) on the golf course for "to go" food and beverage including beer.

Contract Number 244, between the City and Concessionaire, was executed July 1, 2002. The contract expired March 31, 2005. The Concession has continued in operation on a month to month basis on the same terms and conditions as the expired contract. Annual rent minimums stipulated in the expired contract for years one, two, and three were met. Utilities are paid direct by Concessionaire to respective Utility companies; however water is on a shared meter and paid for by the City. The concession reached peak gross sales in Calendar Year (CY) 2008 at \$1,445,740. Subsequent years' gross sales have steadily declined. Between CY 2008 and CY 2011, the gross revenue (sales) for the Concession declined by 35%; from \$1,445,740 to \$937,410 (Attachment A). The Concession operator has maintained the same menu and level of services. The decline in gross sales can be associated with the decline in number of golfers

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coming to this golf complex. The rounds of golf played have dropped 19.9% from FY 07/08 to FY 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 Agreement in July 2002, rent paid to the City has been calculated as a percentage of gross - 10% for food, and beverage sales including banquets and vending machine; and 12.5% for liquor and other sales. For CY 2011, Monterey paid \$98,786 in rent to the City for this Concession – an average of \$8,232 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.

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 that equates to the same average monthly rent paid to the Department in CY 2011, with 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 \$8,200, based on the CY 2011 monthly average rent paid. 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 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.

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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 remains revenue neutral since the recommended flat rate rent for Concessionaire is based on the CY 2011 monthly average rent paid.

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

DEPARTMENT OF RECREATION AND PARKS
 GRIFFITH PARK (WILSON-HARDING) 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	\$ 1,388,162	\$ 1,445,740	\$ 1,312,290	\$ 1,033,347	\$ 937,410	\$ 944,467	Gross Revenue through Nov 2012
Rent Paid	\$ 144,249	\$ 150,918	\$ 137,764	\$ 108,697	\$ 98,786	\$ 99,857	Rent Paid through Nov 2012

