

APPROVED
FEB 20 2013

REPORT OF GENERAL MANAGER

NO. 13-048

DATE February 20, 2013

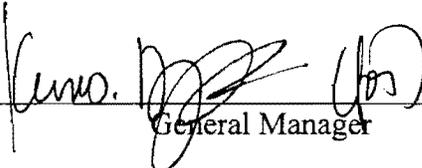
BOARD OF RECREATION
AND PARK COMMISSIONERS

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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: HANSEN DAM GOLF RESTAURANT – ONE-YEAR CONCESSION AGREEMENT WITH RENEWAL OPTIONS

R. Adams	_____	K. Regan	_____
H. Fujita	_____	M. Schull	_____
V. Israel	_____	*N. Williams	<u>NLW</u>



 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Withdrawn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 J.L. Dining Service, for the operation and maintenance of the Hansen Dam 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 City Council, 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, to the City Attorney for review and approval as to form, and to the United States Army Corps of Engineers as required by the Hansen Flood Control Basin Lease No. DACW09-1-69-45; 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. 12-125). 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 golf future retail operations.

A conversion to flat fee rent for Department golf restaurants and cafés 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 cafés will be submitted.

HANSEN DAM GOLF RESTAURANT:

The Hansen Dam Golf Restaurant (Concession) is operated by J.L. Dining Service (Concessionaire). The Concession is located at the Hansen Dam Golf Complex – within the Hansen Flood Control Basin owned by the U.S. Army Corp of Engineers and leased to the City of Los Angeles. The Hansen Dam Golf Complex is located on Glenoaks Boulevard at Montague Street. Hansen Dam is an 18-hole course which had 66,751 rounds of golf played in Fiscal Year (FY) 2011/2012. The restaurant features a kitchen, food preparation area, office, employee restrooms, storage area, hard liquor/lounge area, air-conditioned dining/banquet room, outdoor patio seating, and a "quick-service" window.

J.L. Dining Service took over the restaurant concession under an Interim Agreement and began March 19, 2008, after the previous Concession operator, Lucchese, gave notice to the Department to end the restaurant operation. Concessionaire has maintained a similar menu and level of service as Lucchese. Concessionaire has not changed the appearance or renovated the restaurant; however the Concessionaire was not obligated under the Interim Agreement. The Concessionaire is currently operating on a month to month basis and there is no minimum rent requirement stipulated in the Interim Agreement. Under the Interim Agreement gas, water and electricity utility charges are responsibility of the Department. The Concessionaire's gross receipts peaked in 2009 at \$505,085 and trended down to \$395,888 in 2011 – a 21.6% decrease (Attachment A). The decline in gross sales can be associated with the decline in number of golfers coming to this golf complex. The rounds of golf played have dropped 19.5% from FY 07/08 to 11/12. Also, when Concession patrons (golfers and non-golfers) have less discretionary

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income, they 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 March 19, 2008, rent paid to the City from Concessionaire has been calculated as a percentage of gross - 4% in all categories of this concession: food, beverage, alcoholic beverage, and banquets. For calendar year 2011, Concessionaire paid \$15,836 in rent to the City for this Concession – an average of \$1,320 per month.

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 calendar year 2011 and 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 \$1,300, based on the calendar year 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.

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 calendar year 2011 monthly average rent paid.

Report prepared by Noel Williams, Chief Management Analyst.

DEPARTMENT OF RECREATION AND PARKS
 HANSEN DAM 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	\$ 1,500	\$ 390,642	\$ 505,085	\$ 446,865	\$ 395,888	\$ 362,707	Gross Revenue through Nov 2012
Rent Paid	\$ 9,000	\$ 15,626	\$ 20,203	\$ 17,875	\$ 15,836	\$ 14,508	Rent Paid through Nov 2012

