

REPORT OF GENERAL MANAGER

APPROVED
FEB 20 2013

NO. 13-049

DATE February 20, 2013

BOARD OF RECREATION
AND PARK COMMISSIONERS

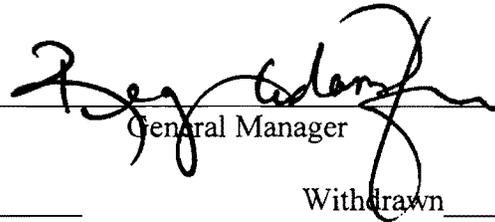
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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: LOS FELIZ GOLF CAFÉ – ONE-YEAR CONCESSION AGREEMENT WITH RENEWAL OPTIONS

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

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



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Withdrawn _____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 AM Best Food, Inc., for the operation and maintenance of the Los Feliz Golf Café 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,

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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.

LOS FELIZ GOLF CAFÉ:

The Los Feliz Golf Café (Concession) is operated by AM Best Food, Inc. (Concessionaire). The Concession is located at the Los Feliz Golf Course, a 9-hole golf course that had 53,337 rounds of golf played in Fiscal Year (FY) 2007-08. The Concession is visible from the busy thoroughfare between the Golden State (5) Freeway and the large Costco/Toys R Us/Best Buys shopping complex on Los Feliz Boulevard. It is a popular dining spot for golfers as well as local residents and visitors. The Concession area is small but includes a cook line, food preparation area, air-conditioned indoor seating, and fenced patio seating. The building's trendy appearance results from its unique converted bunker architecture, and is a popular place for people-watching. The operation serves food and beverage including beer.

Contract Number 261 (Agreement), between the City and Concessionaire, was executed July 23, 2009 and included both Los Feliz Golf Café and Roosevelt Golf Café. On November 1, 2011 operation of Roosevelt Café by Concessionaire was ceased by mutual consent with the Department. The Agreement expired July 22, 2012. The Concessionaire continued operation of Los Feliz Café on a month to month basis. There was rent minimum stipulated in the Agreement - \$24,000 annually for both cafés combined. The minimum was also met when Concessionaire operated Los Feliz Golf Café only. Utilities are paid directly by Concessionaire to respective Utility companies; however water is on a shared meter and paid for by the City. In 2009 the combined gross receipts from Concessionaire and previous operator total \$264,076. Concessionaire has since increased gross receipts consistently, reporting \$297,585 for 2010 and \$397,695 for 2011. The increase from 2009 to 2011 is 50.6% (Attachment A). The increase in gross receipts can be attributed to the enhanced look of the café, updated patio furniture,

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improved selection and taste of menu items, and staff efficiency resulting from the point of sale order system.

Since execution of the Agreement in July 2009, rent paid to the City has been calculated as a percentage of gross - 8% for food, beverage, and alcoholic beverages. For calendar year 2011, Concessionaire paid \$31,816 in rent to the City for this Concession – an average of \$2,651 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 - while increasing gross receipts.

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 AM Best Food, Inc., to ensure uninterrupted food, beverage, and alcoholic beverage 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 \$2,600, based on the calendar year 2011 monthly average rent paid. There is no established minimum rent in the contract. A 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, 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 FY

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2011-12 monthly average rent paid. 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, Finance Division.

DEPARTMENT OF RECREATION AND PARKS
 LOS FELIZ GOLF CAFE
 GROSS REVENUE AND RENT PAID
 CALENDAR YEAR 2007 - 2012 To Date

Attachment A

	2007	2008	2009	2010	2011	2012	Notes Regarding 2012
Gross Revenue	\$ 337,812	\$ 310,402	\$ 264,076	\$ 297,585	\$ 397,695	\$ 428,611	Gross Revenue through Oct 2012
Rent Paid	\$ 45,605	\$ 41,092	\$ 21,126	\$ 23,807	\$ 31,816	\$ 34,289	Rent Paid through Oct 2012

