

APPROVED

FEB 20 2013

REPORT OF GENERAL MANAGER

NO. 13-050

DATE February 20, 2013

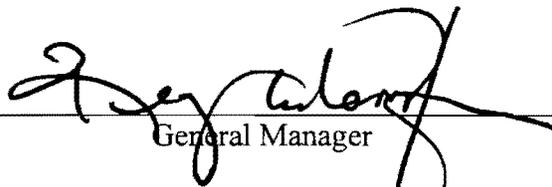
BOARD OF RECREATION
AND PARK COMMISSIONERS

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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: PENMAR GOLF COURSE FOOD SERVICE AND PRO SHOP – ONE-YEAR
CONCESSION AGREEMENT WITH RENEWAL OPTIONS

R. Adams _____	K. Regan _____
H. Fujita _____	M. Schull _____
V. Israel _____	*N. Williams <u>Now</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Withdrawn _____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 Campus Services, Inc., for the operation and maintenance of the Penmar Golf Course Food Service and Pro Shop 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, 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.

PENMAR GOLF CAFÉ:

The Penmar Golf Course Food Service and Pro Shop (Concession) is operated by Campus Services, Inc. (Concessionaire). The Concession is located at the 9-hole Penmar Golf Complex in Los Angeles on Rose Avenue west of Lincoln Boulevard. This facility borders the City of Santa Monica and is adjacent Santa Monica Municipal Airport. Penmar had 93,742 rounds of golf played in Fiscal Year (FY) 2011-12. The Concession features a cook line, food preparation area, indoor dining and an outdoor covered patio dining area. Currently, the Concession serves food and beverage including beer. The Concession is allowed to display and sell basic golf equipment such as golf balls, tees, gloves, and hats. The renting of golf clubs and hand carts is also permitted.

The Interim Concession Agreement between the City and Concessionaire was executed November 4, 2005. The Interim Concession Agreement expired December 1, 2008. The Concessionaire continued on a month to month basis. Rent minimum stipulated in the Interim Concession Agreement is \$9,000 annually, and has been met each year. Utilities are paid directly by Concessionaire to respective Utility companies; however water is on a shared meter and paid for by the City. From 2007 to 2010 gross receipts has declined from \$182,517 to \$137,213, or 24.8%. In 2011, the gross receipts rose to \$170,884 (Attachment A).

The 2007 to 2010 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 12.5% from FY 07/08 to FY 11/12. Also, when Concession patrons (golfers and non-golfers) have less discretionary income, they may choose to eat at home or at a fast-food chain establishment to save money.

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During difficult economic times, people bring their own refreshments to an outing to help reduce spending.

Since execution of the Agreement in November 2005, rent paid to the City has been calculated as a percentage of gross - 8% for food, beverage, and alcoholic beverages; and 6% to golf merchandise and rentals of golf clubs and hand carts. For calendar year 2011, Concessionaire paid \$13,247 in rent to the City for this Concession – an average of \$1,104 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, 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 \$1,100, based on the calendar year 2011 monthly average rent paid. This will meet the annual rent guarantee of \$9,000 kept in effect from the previous Concession Agreement with this Concessionaire. 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 calendar 2011 monthly average rent paid.

Report prepared by Noel Williams, Chief Management Analyst, Finance Division.

DEPARTMENT OF RECREATION AND PARKS
 PENMAR GOLF COURSE FOOD SERVICE AND PRO SHOP
 GROSS REVENUE AND RENT PAID
 CALENDAR YEAR 2007 - 2012 To Date

Attachment A

	2007	2008	2009	2010	2011	2012	Notes Regarding 2012
Gross Revenue	\$ 182,517	\$ 168,549	\$ 167,199	\$ 137,213	\$ 170,884	\$ 139,947	Gross Revenue through Oct 2012
Rent Paid	\$ 14,097	\$ 12,945	\$ 12,881	\$ 10,543	\$ 13,247	\$ 10,833	Rent Paid through Oct 2012

