

REPORT OF GENERAL MANAGER

APPROVED
AUG 09 2006

NO. 06-216

DATE August 9, 2006

CD Various

**BOARD OF RECREATION
and PARK COMMISSIONERS**

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: ELECTRIC GOLF CART CONCESSION AT THE CITY'S 18-HOLE GOLF COURSES - REQUEST FOR PROPOSALS

J. Combs _____
H. Fujita _____
S. Huntley _____
R. Jensen _____

J. Kolb _____
* F. Mok PA
K. Regan _____
M. Shull _____

Robert H. Jensen (for)

General Manager

Approved /

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Approve the Electric Golf Cart Concession Request for Proposals (RFP) for a ten-year concession Agreement, with one five-year renewal option exercisable at the City's sole discretion, substantially in the form on file in the Board Office, subject to review and approval of the City Attorney as to form;
2. Direct the Board Secretary to transmit the RFP to the City Attorney for review and approval as to form; and,
3. Direct staff, subsequent to City Attorney review and approval as to form, to advertise the RFP and conduct the RFP process for the subject Concession.

SUMMARY:

The Golf Cart Rental Concession provides a golf cart rental service at each of the City's 18-hole golf course facilities (Griffith Park, Sepulveda, Hansen Dam, Woodley Lakes, and Rancho Park), maintaining a fleet of approximately 480 golf carts throughout the five facilities. The current concession operator owns all carts and is responsible for maintaining and replacing the carts as needed; collects golf cart rental fees from patrons; and also provides for all staffing and other overhead expenses necessary to operate this service. Gross revenues during the past five calendar years averaged \$3.26 million each year for all cart rental locations (\$3,271,912 in 2005).

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The current concessionaire has been operating on a month-to-month basis since its 1991 concession agreement expired in 2003. To execute a new long term agreement, an RFP was released in December 2003 (Board Report No. 03-274), with the condition, based on the City Attorney's advice, that no award of the agreement be made until the Department completed discussions with the Service Employees International Union (SEIU) Local 347, who opposed the outsourcing of this service. The deadline to receive proposals was extended to March 2, 2004, and again to June 22, 2004, to accommodate discussions with SEIU (Board Report No. 04-42). On May 5, 2004, staff requested Board authorization to self-operate the concession (Board Report No. 04-142). The Board directed an independent analysis of the findings be made by a consultant and the City Administrative Officer (CAO), and postponed the deadline to receive proposals to September 28, 2004, and again to January 25, 2005 (Board Report No. 04-261) to allow time to complete the analysis. During the period between December 2003 and January 2005, numerous changes were made to standard RFP documents released by the Department, suggesting the need for a revised RFP. Therefore, staff recommended, and the Board approved, withdrawal of the RFP in January 2005 (Board Report No. 05-16). During that period and since withdrawal of the RFP, Golf Division Staff continued to develop and hone a golf cart self-operation plan utilizing City staff and a lease-purchase arrangement for carts.

To determine whether it is in the best interest of the City to offer the golf cart rental service as a concession operated by a concessionaire, or to self-operate using City staff, the Department will need to compare proposals submitted by independent contractors with the plan to self-operate this service. Accordingly, the Department proposes to conduct an RFP, evaluate responsive proposals, and consider the highest ranked proposal in comparison with the Department's self-operation plan. The Department will consider such factors as which method will provide the best value to the City and the golf patrons, which method will result in the best maintenance, repair, and replacement of carts as needed, and which method will provide the best quality services to the public. Should the highest ranked proposal provide the best value for the City, the Department will recommend award of a concession agreement to that proposer. Alternatively, should the Department's proposed method of self-operation be found best, the Department will recommend that the Board reject all proposals and direct staff to proceed with self-operation.

Therefore, staff has developed, and is now ready to release at the direction of the Board, an RFP for this concession. With this RFP, the Department will seek a qualified, experienced, and financially sound operator who will meet or exceed the Department's expectations in all operational and financial areas, and optimize profitability and service to the public.

Significant Proposal and Contractual Provisions

1. Proposal Deposit: A \$10,000 proposal deposit will be required with the submission of each proposal.

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2. Standard Conditions: All provisions of the Department's Standard Conditions and Regulations for the Operation of Concessions (Revised December 2005) will apply to this Agreement.
3. Term: Ten years, with one five-year renewal option, at the sole discretion of the City.
4. Number of Golf Carts: The operator will be required to provide 490 new carts at the start of the agreement term, and to replace them as they exceed their useful life.
5. Collection of Fees by the Golf Starter: Under the new Agreement, the golf starter at each location, a Department employee, will collect the cart rental fees from patrons. Collection of fees by the golf starter is expected to improve customer service by reducing the points of sale at each golf course, allowing the golf patron to pay for green fees and their cart rental at the same window. All fees received will be processed by the City; a percentage (a proposal item in this RFP) of the fees will be retained by the Department as a rental payment. The remainder of the fee will be reimbursed monthly to the concessionaire by the City.
6. Rental Terms: Rental percentage is to be a proposal item; there will be no minimum rent required. As indicated above, Department staff will collect the fees from the public; the City will process the fees, deduct the proposed rental percentage from the fees, and reimburse the remaining amount to the concessionaire.
7. Capital Improvements: The operator will be required to install water drainage clarifying systems at two of the facilities (necessary for safe drainage of water run-off as golf carts are washed) and if necessary, upgrade the existing clarifying systems at the other three facilities to meet the required capacity and current regulatory codes; and to install additional ventilation at one of the facilities. Any proposed additional improvements that would enhance the facilities will be considered.
8. Utilities: Four of the facilities have separate utility meters installed; the concessionaire will be required to pay directly to the utility company for the use of electricity at these locations. The cart rental facility at the Sepulveda Golf Complex does not have its own meter; however, it is expected that separate meters for gas and electricity will be installed before or soon after execution of the Agreement. Until the meters at this location are installed and placed under the name of the operator, the operator will be required to submit a monthly utility fee of \$2,100 to the Department to cover the expense of electricity for this location; after separate meters are installed and placed under the name of the operator, the operator will be required to pay these utilities directly to the utility company.
9. Contract and Financial Terms: As typical with our concessions, the City will enter into an Agreement whereby the City has no financial responsibility or liability for the operation and the City will share in profits in the form of a percentage of gross revenue.

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10. Faithful Performance Deposit: A Faithful Performance Deposit will be required to be maintained for the duration of the Agreement in the amount of Four Hundred Thousand Dollars (\$400,000).

Evaluation Process

Proposals will be evaluated in three Levels: initial evaluations will determine each proposal's responsiveness and responsibility (Level I); and each proposer's financial ability to fund the required capital investment and equipment acquisition for this concession (Level II). Only those satisfying the first two Levels, the initial review for responsiveness and responsibility, and the determination of financial capability, will continue to Level III in the evaluation according to the criteria below. The Department reserves the right to request additional information to clarify proposals.

RFP Evaluation Criteria

For the purposes of further evaluation, the responsive proposals will be evaluated solely on the criteria below (Level III):

- Qualifications: Years and quality of experience in similar and relevant businesses; proven performance; track record of creative, innovative, and resourceful management.
- Golf Carts: Quality, value, and aesthetics of proposed carts; well-planned method of procuring, maintaining, and replacing carts as needed; plans to maintain patron and employee safety.
- Business Plan: The proposed operation, including staffing and customer service plans; creativity, innovation, and imagination; soundness of planning; alignment to City mission and City goals; achievable financial projections and planning; financial capability to have positive cash flow and sustain the operation as proposed; competitive and viable rental terms proposed.
- Capital Improvements: The plan for proposed improvements; creativity, innovation, and appropriateness; feasibility; value; amount of investment; potential to increase safety and service; soundness of planning; demonstrated awareness of applicable laws, requirements, and environmental impact; thorough, well-articulated plans.

The RFP documents will be available on the Department's website; the anticipated time of completion for the RFP process is approximately six to twelve months. The Golf Division has reviewed the RFP and provided their input. Additional input from the Golf Advisory Committee was not solicited since the RFP is based on the Department's self-operation plan parameters, in which they have already provided input.

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FISCAL IMPACT STATEMENT:

Annual gross receipts for this concession averaged \$3.2 million from 2001 through 2005, generating an average of \$1.5 million each year in rental payments to the Department during those same years. Assuming future revenues and rental percentages reflect current levels, during its first term the new Agreement would yield \$1.35 million to the Department's General Fund, and \$150,000 to the Department's Concession Improvement Account. Thus over the life of the ten-year Agreement the Department would receive a total of \$15 million in rental payments (\$13.5 million to the Department's General Fund, and \$1.5 million to the Department's Concession Improvement Account).

Report prepared by Anthony Sanchez, Administrative Resources Division.