

Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Analysis of Proposed Contract
(\$25,000 or Greater and Longer than Three Months)

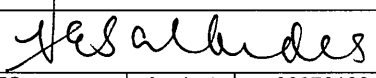
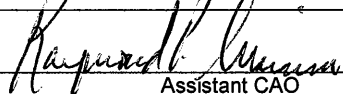

To: The Mayor	Date: 10-26-2006	C.D. No. 2	CAO File No.: 0150-05935-0010																								
Contracting Department/Bureau: Recreation and Parks		Contact:																									
Reference: Letter to the Mayor from the Board of Recreation and Park Commissioners dated September 12, 2006; referred by the Mayor																											
Purpose of Contract: Operation and maintenance of the arcade at Sherman Oaks Castle Park																											
Type of Contract: (x) New contract () Amendment		Contract Term Dates: Ten years with one five-year renewal option																									
Contract/Amendment Amount: Not applicable																											
Proposed amount \$0 + Prior award(s) \$0 = Total \$0																											
Source of funds: Not applicable																											
Name of Contractor: Butterfield Games, Inc.																											
Address: 4989 Sepulveda Boulevard, Sherman Oaks, CA 91403																											
	Yes	No	N/A*																								
1. Council has approved the purpose		X																									
2. Appropriated funds are available			X																								
3. Charter Section 1022 findings completed			X																								
4. Proposals have been requested	X																										
5. Risk Management review completed	X																										
6. Standard Provisions for City Contracts included	X																										
7. Workforce that resides in the City: 86%																											
8. Contractor has complied with: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td>Yes</td> <td>No</td> <td>N/A*</td> </tr> <tr> <td>a. Equal Employmt. Oppty./Affirm. Action</td> <td>X</td> <td></td> <td></td> </tr> <tr> <td>b. Good Faith Effort Outreach**</td> <td></td> <td></td> <td>X</td> </tr> <tr> <td>c. Equal Benefits Ordinance</td> <td>X</td> <td></td> <td></td> </tr> <tr> <td>d. Contractor Responsibility Ordinance</td> <td>X</td> <td></td> <td></td> </tr> <tr> <td>e. Slavery Disclosure Ordinance</td> <td>X</td> <td></td> <td></td> </tr> </table>					Yes	No	N/A*	a. Equal Employmt. Oppty./Affirm. Action	X			b. Good Faith Effort Outreach**			X	c. Equal Benefits Ordinance	X			d. Contractor Responsibility Ordinance	X			e. Slavery Disclosure Ordinance	X		
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*N/A = not applicable ** Contracts over \$100,000																											

COMMENTS

At its meeting of September 6, 2006, the Board of Recreation and Park Commissioners (Board) approved an agreement with Butterfield Games, Inc. (Concessionaire) for the operation and maintenance of the arcade at the Sherman Oaks Castle Park (Arcade Concession). The proposed agreement is for a term of ten years with one five-year renewal option.

The City, through the Board, owns and operates the Sherman Oaks Castle Park located at 4989 Sepulveda Boulevard in Council District 2. The Sherman Oaks Castle Park is a family-oriented entertainment center that features three miniature golf courses, an arcade, food service and batting cages. On July 13, 2005, the Board authorized the Department of Recreation and Parks (Department) to release the Request for Proposals (RFP) for the Arcade Concession. The RFP was released on October 9, 2005. As indicated in the RFP, the following six criteria would be used to select the best proposer:

- Qualifications and experience;
- Proven performance and quality of current comparable operations;
- Vision for concession, including business and marketing plans;
- Capital improvements;

		
VES	Analyst 08070108	Assistant CAO City Administrative Officer

- Financial return to the City in the form of rental terms and capital investments; and,
- Financial viability.

On December 13, 2005, the Department received responses to the RFP from the Concessionaire, De Paz, Inc. and Amusement Enterprises, Inc. The Department convened a three-member independent panel to review the proposals and conduct interviews. The panel consisted of the following individuals:

- Ken Gerston, San Fernando Valley resident and business owner
- Melanie Chacon, Management Analyst, Department of Public Works, Bureau of Sanitation
- Rick Millet, General Manager of Coin Operations, Pacific Theaters

The Department indicates that the panel members were selected based on their knowledge and experience in their respective fields. The Department reports that interviews were conducted on March 29, 2006. The panel members individually ranked the proposals according to each of the six categories specified in the RFP. A top rank within a category received ten points while the second-ranked proposal received eight to nine points. Each of the six categories carried equal weight. This process resulted in a total of 172 points for the Concessionaire, 163 points for Amusement Enterprises, Inc. and 108 points for De Paz, Inc. The evaluation panel recommended awarding the Arcade Concession to the Concessionaire. Prior to making a final recommendation to the Board, Department staff further analyzed the proposals and conducted site visits. According to the Department, the findings of the staff review support the recommendation of the evaluation panel. The RFP process and evaluation appear to have been deemed satisfactory by the Board in its approval of the Department's concession award recommendation.

Under the terms of the proposed agreement, the Concessionaire shall have the exclusive right and privilege to operate and maintain the Arcade Concession. The Concessionaire will be authorized to use, in addition to the arcade area, a shared office and a storage room. The Concessionaire will be responsible for the purchase, installation and maintenance of all equipment, furnishings and materials necessary to operate the Arcade Concession. The Concessionaire will also be responsible for all utility charges, except for water and trash collection, related to its operations. Additionally, the Concessionaire has committed to invest, at a minimum, \$110,500 for capital improvements. Under the terms of the proposed agreement, the Concessionaire will pay the City 42.5 percent of gross receipts from the operation of the Arcade Concession. The Concessionaire may not change prices without prior approval from the Board. The proposed agreement requires the Arcade Concession to remain open during the standard operating hours of the Sherman Oaks Castle Park.

It should be noted that the Sherman Oaks Castle Park is located on approximately five acres of land leased to the Department by the United States Army Corps of Engineers (COE). The proposed agreement should, therefore, be subject to all terms and conditions of the lease between the City and the COE. Our Office recommends that this requirement be included in the proposed agreement.

In accordance with Los Angeles Administrative Code Section 10.5(a), Council approval of the proposed agreement is required because the term exceeds three years. To the best of our knowledge, the Board has complied with all applicable City procedures, laws and policies in awarding the concession and the Concessionaire has complied with all standard provisions for City contracts, as well as City contracting requirements.

RECOMMENDATION

That the Council approve, and authorize the President and Secretary of the Board of Recreation and Park Commissioners to execute, the agreement with Butterfield Games, Inc. for the operation and maintenance of the arcade at the Sherman Oaks Castle Park, for a term of ten years with one five-year renewal option, subject to the terms and conditions of the lease between the City and the United States Army Corps of Engineers, subject to the approval of the City Attorney.

FISCAL IMPACT STATEMENT

Butterfield Games, Inc. will pay the City 42.5 percent of gross receipts from the operation of the arcade at Sherman Oaks Castle Park. Revenues from this concession agreement will be deposited into the Department of Recreation and Parks operating fund. There is no additional impact on the General Fund. The recommendation stated in this report is in compliance with the City Financial Policies in that user charges and fees are set to support the full cost of operations for which the fees are charged.

WTF:VES:08070108c

**BOARD OF RECREATION AND
PARK COMMISSIONERS**

MARY LUÉVANO
VICE PRESIDENT

MARIA A. CASILLAS
DANIEL GRUNFELD
CANDY SPELLING
JOHNATHAN WILLIAMS

CITY OF LOS ANGELES
CALIFORNIA



2006 SEP 14 PM 4:37

CITY ADMINISTRATIVE OFFICE

ANTONIO R. VILLARAIGOSA
MAYOR

**DEPARTMENT OF
RECREATION AND PARKS**

1200 W. 7TH ST.
SUITE 762
LOS ANGELES, CA 90017

(213) 928-9040
FAX - (213) 928-9048

JON KIRK MUKRI
GENERAL MANAGER

September 12, 2006

Hon. Antonio R. Villaraigosa, Mayor
City of Los Angeles
Room 303, City Hall

Attention: Ms. June Lagmay

Dear Mayor Villaraigosa:


In accordance with Executive Directive No. 3, there are attached herewith three copies of proposed Concession Agreements between the City of Los Angeles Department of Recreation and Parks and Butterfield Games, Inc. for concession operation of the Arcade Concession at the Sherman Oaks Castle Park.

Also attached for the assistance of your Office in reviewing this proposed Agreement is Report No. 06-219 adopted by the Board of Recreation and Park Commissioners at its meeting of September 6, 2006. After review and recommendation by you, the proposed Agreement will be submitted to the Board for execution.

If you have any questions concerning this proposed Agreement, please contact Michael Honan, Sr. Management Analyst, Administrative Resources Division, at (818) 243-6488.

Very Truly Yours,

**BOARD OF RECREATION AND
PARK COMMISSIONERS**


MARY E. ALVAREZ
Commission Executive Assistant

Enclosures

cc: Linda Barth





CITY OF LOS ANGELES
DEPARTMENT OF
RECREATION AND PARKS



Agreement for Concession Operation
of the
Arcade Concession
at the
Sherman Oaks Castle Park

Administrative Resources Division
3900 West Chevy Chase Drive
Mail Stop 628
Los Angeles, California 90039
(818) 243-6488

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THIS AGREEMENT is made and entered into this _____ day of _____, 2006, by and between the CITY OF LOS ANGELES, a municipal corporation (hereinafter "CITY"), acting by and through its BOARD OF RECREATION AND PARK COMMISSIONERS (hereinafter "BOARD"), and Butterfield Games, Inc. (hereinafter "CONCESSIONAIRE").

WITNESSETH

WHEREAS, CITY advertised for proposals for the operation of the Sherman Oaks Castle Park Arcade Concession; and,

WHEREAS, the principal purpose of CITY in entering into this AGREEMENT is to serve the public by providing an arcade concession at the Sherman Oaks Castle Park; and,

WHEREAS, the BOARD received three proposals on December 13, 2005; and,

WHEREAS, the BOARD carefully analyzed the responsive proposals, determined that CONCESSIONAIRE was the best responsible proposer, and selected said proposer to operate the concession in accordance with the terms and conditions of this AGREEMENT; and,

WHEREAS, CONCESSIONAIRE desires to secure and enter into an AGREEMENT in accordance with the foregoing and undertakes to provide services of the type and character required therein by CITY to meet the needs of the public at the Sherman Oaks Castle Park.

NOW THEREFORE, in consideration of the CONCESSION PREMISES and of the terms, covenants, and conditions hereinafter contained to be kept and performed by the respective parties, it is agreed as follows:

SECTION 1. DEFINITIONS:

For the purpose of this AGREEMENT, the following words and phrases are defined and shall be construed as hereinafter set forth:

AGREEMENT: This Concession Agreement consisting of 8 pages and 4 Exhibits (A-D) attached hereto.

CONCESSION: Sherman Oaks Castle Park Arcade
4989 Sepulveda Blvd.
Sherman Oaks, California 91403

CONCESSIONAIRE: Butterfield Games, Inc.

DEPARTMENT: The Department of Recreation and Parks, acting through the BOARD.

GENERAL MANAGER: GENERAL MANAGER of the DEPARTMENT, or that person's authorized representative, acting on behalf of CITY. All actions of the GENERAL MANAGER are subject to review at the discretion of the BOARD.

SOCP: The Sherman Oaks Castle Park.

STANDARD CONDITIONS: Standard Conditions and Regulations for the Operation of Concessions (Revised December 2005).

SECTION 2. CONCESSION GRANTED

CONCESSIONAIRE shall be granted the exclusive right and obligation to utilize CONCESSION PREMISES to provide and maintain an arcade and related services to patrons at the SOCP.

No other arcade concession will be granted at this location. CONCESSIONAIRE shall provide improvements and maintenance of the CONCESSION PREMISES in accordance with other provisions of this AGREEMENT. CONCESSIONAIRE shall not perform or conduct any activity on the CONCESSION PREMISES which is not directly related to the purpose set forth in the AGREEMENT for the subject concession without the prior written consent of the GENERAL MANAGER. Any sublicensing of these related activities requires the written approval of the GENERAL MANAGER.

CITY reserves the right to further develop or improve the CONCESSION PREMISES as it sees fit, and without interference or hindrance; however, the CITY shall consider the desires or views of the CONCESSIONAIRE.

SECTION 3. CONCESSION PREMISES

The CONCESSION PREMISES to be authorized for use by CONCESSIONAIRE shall include the following (as indicated in the premises map attached hereto as Exhibit A):

- Arcade floor (approximately 5,743 square feet)
- Office (approximately 154 square feet, which may be shared from time to time with other SOCP concessionaires)
- Storage room (108 square feet), located inside the main building facility

SECTION 4. INCORPORATION OF STANDARD CONDITIONS

CONCESSIONAIRE shall abide by all provisions of the STANDARD CONDITIONS, attached hereto as Exhibit B and incorporated herein. These STANDARD CONDITIONS cover all aspects of CONCESSION operations except that in cases where there is a conflict between the STANDARD CONDITIONS and the terms of this AGREEMENT, the AGREEMENT is deemed to be controlling.

SECTION 5. TERM

The term of this Concession AGREEMENT shall be ten (10) years, effective on the date of execution, with a renewal option exercisable at the CITY's sole discretion for an additional five (5) years. Any renewal shall be at the sole discretion of the CITY, which will give the CONCESSIONAIRE a written notice of its willingness to renew no later than forty-five days prior to the end of the then current term.

SECTION 6. RENTAL

CONCESSIONAIRE shall pay the DEPARTMENT a monthly rental fee equal to 42.5% of all gross receipts, regardless of category, generated by the CONCESSION. Should the AGREEMENT be extended at the CITY's option for the additional five-year term, these rental fees shall continue during that term. The CONCESSIONAIRE shall mail all payments and reports to:

Department of Recreation and Parks
Concessions Office
P.O. Box 5358
Glendale, CA 91221-5385

Use of the CONCESSION PREMISES for purposes not expressly permitted herein, whether or not approved in writing by GENERAL MANAGER, may result in additional charges.

SECTION 7. OPERATING RESPONSIBILITIES

A. Prices:

All prices charged shall be prominently posted and shall not exceed prevailing market prices for the same standard grade of service or merchandise at similar venues in the surrounding community. Prices deviating from the approved schedule and subsequent price changes by concessionaire are subject to approval from the BOARD.

B. Parties and Groups:

The SOCP hosts many group events and nearly one thousand birthday parties each year that are coordinated through the DEPARTMENT, held in any one of three outdoor dining areas or a portion of the indoor dining area. These services are designed to offer patrons affordable prices and the convenience of "one-stop" shopping, which allows patrons to coordinate their group events and parties with a single entity (the DEPARTMENT), as opposed to coordinating various services with separate concessionaires. Patrons reserve a party area or group event in advance and coordinate with DEPARTMENT staff and select one of the available packages, which are bundled services from each concession and coordinated among the concessionaires and DEPARTMENT staff to provide the best possible levels of service. Patrons are asked to provide their own cakes and candles for parties. Historically, party packages and group events involve food service, miniature golf, and arcade games, although batting cage passes may also be purchased by the patron.

CONCESSIONAIRE shall:

- Provide tokens for group and party packages;
- Be responsible for counting proper quantities of tokens needed for groups and parties;
- Coordinate with SOCP facility management to develop and implement a procedure to track and issue tokens for groups and parties. Such procedures shall be subject to the approval of the DEPARTMENT.

C. Arcade Operation Provisions:

At a minimum, CONCESSIONAIRE shall be required to:

- Provide and maintain video and other types of arcade games appealing to a wide variety of customers;
- Have at least one gaming technician on site during hours of operation;
- Provide and maintain necessary ATMs that will accommodate guests during peak hours;
- Have the ability to accept credit card payments from customers;
- Provide a change machine for large bills or other alternative for providing change to customers;
- Provide a minimum of 4 token dispensing machines;
- Provide staff for the prize redemption counter and stock the redemption prize inventory.

D. Hours/Days of Operation:

The CONCESSIONAIRE shall remain open during the regular business hours that the SOCP is open. CONCESSIONAIRE shall be allowed access into the premises no more than one hour before regularly scheduled opening and no more than 30 minutes past closing unless otherwise authorized by the facility manager. Hours of operation are subject to change seasonally.

The SOCP standard hours of operation are:

Monday through Thursday	10:00 a.m. to 11:00 p.m.
Friday	10:00 a.m. to midnight
Saturday	9:00 a.m. to midnight
Sunday	9:00 a.m. to 11:00 p.m.

E. Personnel:

CONCESSIONAIRE's staff shall be uniformed and wear name/I.D. badges for ease of identification by patrons. CONCESSIONAIRE shall have written employee rules and an employee handbook tailored to the concession business which addresses safety, professional conduct, and customer service.

F. Fixtures and Equipment:

CONCESSIONAIRE shall provide and install at its own sole expense all CONCESSION-related equipment, furnishings, and materials necessary to operate, including, but not limited to: ticket/token sales machines, cash registers, shelving, racks,

counters, display cases, etc. All fixtures and equipment required for said concession shall be purchased, installed and maintained, and all expendables shall be purchased by, CONCESSIONAIRE at its expense and shall remain its personal property.

G. Maintenance of Equipment and Concession Premises:

CONCESSIONAIRE shall provide all maintenance, repair, replacement, and service required on all equipment and furnishings used in the CONCESSION and keep such equipment in good repair and in a clean and orderly condition and appearance. To accomplish this requirement, CONCESSIONAIRE shall establish an adequate preventive maintenance program and the provisions of same shall be subject to periodic review by CITY'S representatives. Insofar as sanitation and appearance of the CONCESSION PREMISES is involved, the GENERAL MANAGER may direct CONCESSIONAIRE to perform necessary repairs and maintenance.

Common areas shared by other SOCP concessions and CITY shall not be considered under the control of CONCESSIONAIRE for purposes of this section. In the event CONCESSION PREMISES are damaged as a result of vandalism, it shall be the responsibility of the CONCESSIONAIRE to repair or replace any damages. CONCESSIONAIRE shall be responsible for electrical and mechanical repairs and maintenance of CONCESSION PREMISES.

CONCESSIONAIRE shall ensure every reasonable measure to attempt to repair or replace damaged or "out-of-order" machines within 48 hours of notification; no "out of order" machines shall remain on the arcade floor longer than seven (7) calendar days.

CITY shall be responsible for repair and maintenance of utility lines within the walls and floors of the CONCESSION PREMISES. Other applicable maintenance responsibilities are defined within the STANDARD CONDITIONS.

H. Utilities:

Utility fees will be paid by the CONCESSIONAIRE, monthly and directly to the utility companies, after individual utility meters for each concession at the SOCP are installed. Before and until separate meters are installed and placed under the name of the CONCESSIONAIRE, CONCESSIONAIRE shall pay to the DEPARTMENT a utility fee of \$350 per month.

Water and trash pick-up from the main dumpster(s) will be paid by the DEPARTMENT. The CONCESSIONAIRE shall pay for any additional utilities or services (telephone, internet, cable, satellite T.V., etc.). The telephone number shall be placed under the name "Sherman Oaks Castle Park Arcade," and shall not be transferable to any other location.

SECTION 8. INSURANCE

CONCESSIONAIRE shall procure at its expense, and keep in effect at all times during the term of this AGREEMENT, the types and amounts of insurance specified on the Required Insurance page, attached hereto as Exhibit C and incorporated herein.

SECTION 9. PERFORMANCE BOND

CONCESSIONAIRE shall provide a Performance Bond before execution of this AGREEMENT by CITY in the amount of \$160,000, whereas the form, agreement of deposit and indemnity, and the deposit maintenance of said bond are set forth by the STANDARD CONDITIONS.

SECTION 10. CAPITAL IMPROVEMENTS

The CONCESSIONAIRE agrees to make to the satisfaction of the CITY the improvements to the CONCESSION PREMISES specified in the Capital Improvements section of the CONCESSIONAIRE'S proposal, attached hereto as Exhibit D and incorporated herein, in the amount, at minimum, of \$110,500.

Individually, the details (design, expense, time-line, applicable permits, etc.) of each capital improvement listed above shall be subject to the prior review and approval of the GENERAL MANAGER prior to coordination and implementation. CITY shall hold CONCESSIONAIRE responsible for guaranteeing the completion of all proposed improvements, according to approved plans, regardless of cost. CONCESSIONAIRE shall begin and complete said improvements within a reasonable time frame as outlined in CONCESSIONAIRE'S proposal upon consideration and approval by the GENERAL MANAGER.

All structural or other improvements, constructed or installed by CONCESSIONAIRE in the CONCESSION PREMISES, both as listed in CONCESSIONAIRE'S proposal and any other improvements made by CONCESSIONAIRE on the CONCESSION PREMISES, including the plans and specifications therefore, shall be at its sole cost and expense, unless constructed or installed at the CITY's request, in which case said improvements will be funded or performed by the CITY.

SECTION 11. WRITTEN NOTICES

Written notices to DEPARTMENT shall be addressed to:

City of Los Angeles, Department of Recreation and Parks
1200 W. 7th Street, Suite 700
Los Angeles, CA 90017
Attention: GENERAL MANAGER

and

City of Los Angeles, Department of Recreation and Parks
Attention: Concessions Unit
3900 W. Chevy Chase Drive, Mail Stop 628

Los Angeles, CA 90039

Written notices to CONCESSIONAIRE hereunder shall, until DEPARTMENT's receipt of written notice otherwise from CONCESSIONAIRE, be addressed to CONCESSIONAIRE at:

Lloyd Butterfield
Butterfield Games, Inc.
4989 Sepulveda Blvd.
Sherman Oaks, California 91403

SECTION 12. INCORPORATION OF DOCUMENTS

The following Exhibits are to be attached to and made part of this AGREEMENT by reference:

- A. Premises Map
- B. Standard Conditions and Regulations for the Operation of Concessions
- C. Insurance Requirements
- D. Capital Improvements Section of CONCESSIONAIRE's proposal

IN WITNESS WHEREOF, THE CITY OF LOS ANGELES has caused this AGREEMENT to be executed on its behalf by its duly authorized Board of Recreation and Park Commissioners, and CONCESSIONAIRE has executed the same as of the day and year herein below written.

THE CITY OF LOS ANGELES, a municipal corporation, acting by and through its Board of Recreation and Park Commissioners

BY: _____
President

DATE: _____

BY: _____
Secretary

DATE: _____

Butterfield Games, Inc.

BY: _____

DATE: _____

Title: _____

BY: _____

DATE: _____

Title: _____

APPROVED AS TO FORM:
Rochard J. Delgadillo

BY: _____
MARK BROWN
Sr. Assistant City Attorney

DATE: _____

REPORT OF GENERAL MANAGER

APPROVED
SEP 06 2006

NO. 06-219

DATE August 9, 2006

BOARD OF RECREATION
PARK COMMISSIONERS

CD 2

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: SHERMAN OAKS CASTLE PARK – CONCESSION AGREEMENTS FOR FOOD SERVICE, BATTING CAGES, AND ARCADE

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

J. Kolb _____
* F. Mok 2m
K. Regan _____
M. Shull _____

Robert H. Jensen (fa)
General Manager

Approved *as amended*

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Award the Sherman Oaks Castle Park (SOCP) Arcade Concession to Butterfield Games, Inc. (BGI);
2. Approve a 10-year Concession Agreement with a five-year renewal option exercisable at the sole discretion of the City, with BGI, substantially in the form as on file in the Board Office, subject to approval of the Mayor in accordance with Executive Directive No. 3, and approval of the City Council, United States Army Corps of Engineers (COE), and approval of the City Attorney as to form;
3. Award the SOCP Batting Cage Concession to A. J. Family Entertainment, LLC (AJE);
4. Approve a 10-year Concession Agreement with a five-year renewal option exercisable at the sole discretion of the City, with AJE, substantially in the form as on file in the Board Office, subject to approval of the Mayor in accordance with Executive Directive No. 3, and approval of the City Council, COE, and approval of the City Attorney as to form;
5. Award the SOCP Food Service Concession to Monterey Concessions Group (MCG);
6. Approve a 10-year Concession Agreement with a five-year renewal option exercisable at the sole discretion of the City, with MCG, substantially in the form as on file in the Board Office; subject to approval of the Mayor in accordance with Executive Directive No. 3, and approval of the City Council, COE, and approval of the City Attorney as to form;

approved

approved

Previously approved on August 9, 2006

*Held
Held*

REPORT OF GENERAL MANAGER

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NO. 06-219

- approved*
7. Direct the Board Secretary to transmit the proposed agreements to the Mayor, City Attorney, and the COE; and,
- approved*
8. Authorize the Board President and Secretary to execute the subject agreements upon receipt of necessary approvals.

SUMMARY:

On July 13, 2005, the Board approved the release of Requests for Proposals (RFPs) for three concessions at the Sherman Oaks Castle Park (SOCP). The RFPs were released on October 9, 2005 and a proposal conference was held on October 25, 2005. The proposal conference was well attended and proposals were received on December 13, 2005, from the following companies:

Arcade:

- Butterfield Games, Inc. (BGI) – Current operator of the Arcade.
- De Paz, Inc. (DPI) – Operator of a bicycle/ skate rental and food stand concession for the City of Santa Monica.
- Amusement Enterprises, Inc. (AEI) – Operator of the All American Fun Center in Van Nuys.

Batting Cages:

- A.J. Family Entertainment, LLC (AJE) – A new company formed by the current operator of the SOCP Batting Cages.
- DPI.
- Fun Etc, LLC (FE) – Owner and operator of batting cages in Santa Barbara and the San Fernando Valley.
- Monterey Concessions Group (MCG) – Current operator of the Sepulveda Golf Course Restaurant, the Griffith Park Golf Course Clubhouse, and the Bar Service concession at the Department's rental facilities.

Food Service:

- Burrito King, Inc. (BKI) – Current operator of the SOCP Food Service and the Sepulveda Basin Mobile Food concessions.
- OmniEnt Corp. (OEC) – Current operator of the Pony Ride Snack Stand in Griffith Park, and the Woodley Lakes Golf Course Restaurant.
- MCG

A preliminary review of the proposals received in response to each RFP indicated that all proposals received were responsive and responsible. Each has varying expertise related to each of the respective opportunities. The Department's challenge was to select an operator with the best combination of expertise to successfully renovate and operate these concessions. In each RFP, the

REPORT OF GENERAL MANAGER

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criteria for selecting the best proposer were:

- Qualifications and experience of proposer applicable to the respective industry
- Proven performance and quality of current comparable operations
- Vision for concession, including business plan and marketing
- Capital improvements in terms of appropriateness, reflection of entrepreneurship, and monetary value
- Reasonable, viable financial return to the City in the form of proposed rental terms and capital investment
- Financial viability to operate all aspects of the concession as proposed, as supported by the proposer's pro forma, financial statements, and other financial information

Since strong proposals were submitted in response to each of the RFPs, Staff assembled three evaluation panels with the requisite experience to assist in assessing the merits and viability of the proposers; the panels reviewed the submitted proposals, interviewed the proposers, ranked them best, 2nd best, and 3rd best in each of the evaluation criteria, assigned points according to rank, and recommended a proposer that best met the objectives of the RFP. Panelists assigned all categories equal weight; ties in rank in any one category were not allowed. Details of the panels' evaluations and award recommendations, including a description of the panelists' qualifications, their ranking and recommendations, and Staff's conclusions for each RFP, are included as Attachments A, B, and C to this Report.

Award recommendations:

Arcade:

The specialized nature of the arcade operations industry necessitated Staff to assemble a panel with specific expertise in the arcade business to evaluate the proposals submitted for this concession. The panel ranked BGI best in all but one of the criteria and recommended them for award. Two of the three proposals received stood out for their substantial experience in the Arcade operations field, and also demonstrated sufficient financial ability to perform as proposed. Staff's analysis of the proposals, site visits of the proposers' current operations, and reference checks, found both of the top-ranked entities qualified; no information was found to justify a different recommendation from that of the panel. While the scores were close between these two top-ranked entities, BGI was ranked best in the most categories and scored highest. Staff therefore concurs with the panel's recommendation and recommends the award of this Concession to BGI.

Batting Cages:

Two of the proposing entities for the Batting Cages Concession, AJE and FE, have direct experience in operating batting cages. MCG proposed a partnership arrangement with a manager with a background in coaching and operation of batting cages. The panel's evaluation revealed a close

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competition between MCG and AJE, but felt AJE brought more direct experience as the owner/operator. Although the panel felt MCG demonstrated access to stronger financial resources as a company, both MCG and AJE demonstrated the sufficient financial ability to perform as proposed. Moreover, the panel felt the value of proposed improvements from both proposers were appropriate for the operation.

In this case, the ranking and resulting cumulative scores resulted in a tie. However, the panel's overall recommendation was to award to AJE, based on their proven performance, direct qualifications, and long history in the actual operation of the batting cage business. While MCG proposed to partner with a manager with professional baseball and teaching experience, they felt that AJE's experience as an owner operator of a batting cage facility exhibited a better match and an overall better fit for the family entertainment nature of the SOCP. Staff analysis of the proposals and site visits to the proposer's current operations found all four proposing entities capable of operating as proposed and found no information to differ from the panel's recommendation. Staff concurs with the panel's justification of the final and unanimous recommendation of AJE.

Food Service:

The panel selected to evaluate the Food Service proposals ranked MCG best in each of the criteria and unanimously recommended them for award. Based on BKI's proposal and interview, the panel's impression of BKI's track record as the current concessionaire, and vision for its future at SOCP, was that it was adequate to provide steady, stationary, and dependable levels of service. However, the panel's assessment was that BKI's overall business approach appeared somewhat passive compared to the other proposers, and did not present a convincing and sufficient degree of innovation and creativity demonstrated by the competing proposers. Staff's review of references, financial ability, and visits to current operations revealed no information to conflict with any of the panel's findings, and therefore recommends MCG for award.

The City's RFP process is structured to be an open and competitive process designed to provide access for all qualified companies to compete for these business opportunities. It should be noted that receiving multiple proposals is a positive outcome for the City to choose the best operator for needed services. In some cases this presents a greater challenge to the incumbent operator, whose (often) long history of performance and stability is ranked and compared against new entities that bring fresh new approaches to providing services to the community. Although MCG is recommended for award, BKI's long history of dedicated service to the patrons of the SOCP should be recognized and applauded.

FISCAL IMPACT STATEMENT: *see below replacement.*

~~Ninety percent of revenues received in the form of rental payments from these concession operations are deposited into the Department's General Fund, and the remaining ten percent is deposited into~~

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~~the Department's Concession Improvement accounts. Combined, it is estimated that \$3,829,500 will be deposited in the General Fund and \$425,500 into the Concession Improvement accounts over the full terms of these agreements. Individually, it is estimated that the arcade will generate \$7.3 million, the batting cages \$2.9 million, and the food service \$630,000 in revenues to the Department.~~

Report prepared by Michael Honan, Concession Manager, Administrative Resources Division

"Over the combined life of the agreements it is estimated that approximately \$9 million will be deposited in the Department's General Fund. Individually, the arcade will generate \$6.4 million, the batting cages \$2.5 million, and the food service \$250,000".

ATTACHMENT A

SHERMAN OAKS CASTLE PARK – ARCADE AWARD SUMMARY

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Responsive and responsible proposals were received from the following business entities on December 13, 2005:

- Butterfield Games, Inc. (BGI) – Current operator of the Arcade.
- De Paz Inc. (DPI) – Operator of a bicycle/ skate rental and food stand concession for the City of Santa Monica.
- Amusement Enterprises, Inc. (AEI) – Operator of the All American Fun Center in Van Nuys.

Since the Arcade industry is a specialized field, Staff required the assistance of an evaluation panel with the requisite experience to assess the merits and viability of each entity and to help Staff formulate a final recommendation. Interviews were held on March 29, 2006, and the panel members consisted of the following:

Ken Gerston – Long-time San Fernando Valley resident and business owner; has a 32-year record of community service and volunteerism; now serves on the Board of the Sherman Oaks Neighborhood Council.

Melanie Chacon – Management Analyst with the City of Los Angeles Department of Public Works, Bureau of Sanitation, Budget and Finance Division, with contracting and financial analysis experience.

Rick Millet – General Manager of coin operations in the West Coast for Pacific Theaters; has worked in the arcade business, including as site manager, for over 25 years.

Ultimately, BGI ranked highest, with 172 cumulative points, AEI second with 163 points, and DPI third with 108 points. When asked to name the proposer that they felt overall would best meet the objectives of the RFP, all three panelists recommended BGI for award of the Concession. The following table illustrates the ranking and resulting points:

Rating Criteria	Amusement Enterprises, Inc.		Butterfield Games, Inc.		De Paz, Inc.	
	Rank	Points	Rank	Points	Rank	Points
Qualifications and experience	2	26	1	28	3	18
Proven performance	1	30	2	25	3	18
Vision for concession, including business plan and marketing	2	27	1	30	3	18
Capital Improvements	2	25	1	30	3	18

ATTACHMENT A

SHERMAN OAKS CASTLE PARK – ARCADE AWARD SUMMARY

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Rating Criteria	Amusement Enterprises, Inc.		Butterfield Games, Inc.		De Paz, Inc.	
	Rank	Points	Rank	Points	Rank	Points
Financial return to the Department	2	27	1	30	3	18
Financial viability to operate all aspects of the concession	2	28	1	29	3	18
Total	2	163	1	172	3	108

Subsequent to the panel's ranking, staff continued their analysis of the proposals to finalize the recommendation on the best prospective concessionaire for this agreement. Where possible, staff visited similar facilities and locations currently operated by the proposers to evaluate their ability to operate successfully this type of concession. BGI and AEI both demonstrated sufficient experience necessary to operate this Concession, as they both currently operate one or more arcades. Since DPI is new to the arcade business and has no experience when compared with the other proposals, they ranked third in each category and the following summary focuses on the top two proposers. DPI is commended on their business experience and for interest in this opportunity. It should be mentioned that while it is not a requirement that proposer possess experience in this field in order to propose, it is difficult to compete when proposals are also submitted from companies who possess this experience. Staff did not find any information during its analysis that contradicts the recommendations of the panel, and therefore recommends BGI for award of this Concession.

The following is a summary of the panel's ranking and staff's recommendation comments for each criterion.

Qualifications and experience

The panel's results under this criteria indicate that both BGI and AEI were closely matched, with two panelist ranking BGI first and the other ranking AEI higher in this criteria. The panel members were impressed with BGI's connections and history within the industry and felt that BGI had the most experience in all aspects of running an arcade franchise even though they had 25 years experience in the industry compared with AEI's 33 years. One panelist concluded that AEI ranked higher as they presented the most well rounded quality of experience. Although, all proposers were very close in ranking, staff agrees with the panel's assessment that BGI ranks first in this category.

Proven performance and quality of current comparable operations

Again, in this category, the results were very close. AEI's understanding of the arcade business,

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SHERMAN OAKS CASTLE PARK – ARCADE AWARD SUMMARY

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as well as, their customers, has allowed his business to succeed in a declining industry. The panel felt that this operator demonstrated his ability to turn around under-performing arcades and his current site is doing well. The panel also felt that BGI has shown strong ability to operate the arcade and had a proven record at this facility. However, AEI unanimously ranked first under this criterion.

Vision for Concession, including business plan and marketing

All panel members ranked BGI first and AEI second in this category, stating that BGI had the strongest vision for the future of the SOCP. They felt that BGI had the right approach in balancing the type and number of arcade games with redemption machines and their comprehensive plans for the renovation of the inside of the arcade were well thought out.

Capital Improvements in terms of appropriateness, reflection of entrepreneurship, monetary value

The RFP required minimum Capital Improvements in the amount of \$60,000.00, which included the installation of new carpeting in the public areas, as well as the golf counter area, installation of new ceiling tiles in the public areas, and relocation remodel of the token/redemption counter. Both of the top-ranked proposers exceeded the minimum investment required. The panel ranked BGI first based on the value of their required improvements totaling \$110,000 compared with AEI's \$100,000, and felt BGI's improvements were the best offer for the City, well thought out, realistic, and appropriate. While AEI's improvements were also appropriate, they did not demonstrate the degree of planning when compared with BGI.

Financial return to the Department

BGI proposed 42.5 percent of gross receipts for all sales categories, whereas AEI proposed a sliding scale based on total gross receipts; For example, on sales of up to \$1.5 million AEI proposed 45% on token sales, 30% of Photo/Crane receipts, 10% for ATM machine receipts and 50% Filming. AEI's rental percentage decreases to 40% for sales over \$1.5 million and decreases again to 30% on sales over \$1.75 million.

The panel was unanimous in concluding that BGI proposed the best and most reasonable return to the City as their rental percentage remained constant, which provides a higher return to the City. The panel felt that AEI's estimated rate growth within each sales category was not realistic given the current slowdown in the industry. Based on the proposed returns to the City, as well as, projections based on revenue history, staff concludes that BGI's proposed rental terms and estimates were the best overall, and are attainable and realistic when combined with their improvement and reinvestment program.

Financial viability to operate the concession as proposed

The panel concluded and staff's review of the verifiable documentation submitted with the proposals support that both, BGI and AEI, have the financial viability to successfully operate the

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SHERMAN OAKS CASTLE PARK – ARCADE AWARD SUMMARY

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concession as proposed. The panel's ranking in this category was limited to a review and comparison of financial documents compared with projections submitted with the proposals and discussed during the interviews. Since both companies have accessible means to fund this operation as proposed, staff ascertained a final ranking in this category by comparing the company's overall assets with net worth. BGI ranked first with the highest demonstrated ability to fund this operation.

Conclusion:

It is always in the best interest of the City when several well-qualified companies compete for a concession opportunity, as it is the case with this process. In this case, we had three interested proposers and operators for the SOCP food concession. The panel brought specific expertise to evaluate and make an overall arcade recommendation. Staff's review of references, financial ability, and visits to current operations, supports the ranking and final scores, and therefore, recommends BGI for award of this Concession.

ATTACHMENT B

SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

- Page 1 -

Responsive and responsible proposals were received from the following business entities on December 13, 2005:

- A.J. Family Entertainment, LLC (AJE) – A new company formed by the current operator of the SOCP Batting Cages.
- DPI.
- Fun Etc, LLC (FE) – Owner and operator of batting cages in Santa Barbara and the San Fernando Valley.
- Monterey Concessions Group (MCG) – Current operator of the Sepulveda Golf Course Restaurant, the Griffith Park Golf Course Clubhouse, and the Bar Service concession at the Department's rental facilities.

Staff assembled an evaluation panel with the requisite experience necessary to assist in assessing the merits and viability of each entity by reviewing the proposals, interviewing the proposers, and recommending an operator. The panel members consisted of the following:

Rob Dehart – Senior Recreation Director with the Department and baseball coach.

Douglas Brown, Sr. – Athletic Director at Dorsey High School familiar with batting cage operations.

Matthew Greene – Contracts Administrative Services Assistant II with the County of Los Angeles Department of Parks and Recreation with substantial experience in conducting and evaluating RFPs.

With valuable and diverse knowledge and experience in their respective fields, input from the three panel members was instrumental in understanding and analyzing details from each proposal—some technical in nature and some fundamental to the operational concepts of a batting cage concession.

All four proposers demonstrated the financial ability to operate the concession as proposed and submitted strong ideas supporting creative visions for improving and operating the batting cages. AJE and FE currently operate batting cages in Southern California. MCG proposed to partner with a manager who brings experience in baseball coaching and batting cage operations. DPI has never operated batting cages, but possesses strong business skills and currently operates food service and rentals at two Southern California beach locations.

The panel's ranking and cumulative points resulted in a tie between AJE and MCG with 159 points. FE and DPI ranked third and fourth with 113 and 107 points respectively. While the RFP is structured to avoid ties within specific criteria it is possible for a tie to result when points are totaled. The panel explained that AJE brings superior experience and proven performance, whereas MCG brings superior financial ability and strong ideas for improvements and vision for the batting cage, both of which could successfully operate the concession. When asked to recommend a proposer that overall would best meet the objectives of the RFP, the panel

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SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

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recommended AJE for award. The following table illustrates the ranking and resulting points:

Rating Criteria	A.J. Family Entertainment		Monterey Concessions Group		Fun Etc., LLC.		De Paz, Inc.	
	Rank	Points	Rank	Points	Rank	Points	Rank	Points
Qualifications and experience	1	30	3	19	2	26	4	15
Proven performance	1	29	3	20	2	26	4	12
Vision for concession, including business plan and marketing	2	27	1	30	4	19	3	16
Capital Improvements	2	25	1	30	4	15	3	21
Financial return to the Department	2	25	1	30	4	15	3	21
Financial viability to operate all aspects of the concession	2	23	1	30	4	12	3	22
Total	2	159	1	159	4	113	3	107

In order to make a final recommendation, Staff continued their analysis of the proposals to determine which represented the best prospective concessionaire for this agreement. Where possible, staff visited similar facilities and locations currently operated by the proposers to evaluate their ability to successfully operate this concession. Staff's review findings support the results and recommendation of the panel. No information was uncovered that would support a different recommendation than that of the panel. Staff therefore concurs and staff recommends AJE for award of this concession.

The following sections summarize the results of the panel's evaluation and comments under each criterion:

Qualifications and Experience:

The owners of AJE have extensive experience, with a combined 42 years, in the batting cage industry, and ranked highest. The proprietor of FE has 11 years of experience in the batting cage business and operates two batting cage businesses in Southern California, and ranked second under this category. This is a new venture for both MCG and DPI, who have been successful for many years in other types of businesses. MCG ranked third as they would partner with a

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SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

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manager with professional baseball and coaching experience and who has experience in batting cage operations. Although the panel did feel that DPI could successfully operate this concession, they ranked fourth as they had no comparable experience.

In comparing and ranking qualifications, the panel valued the quantity and quality of AJE's experience. In addition to customer safety and general quality of service, the panel felt that it is important to determine which qualified applicant will understand and market to the customer base. AJE provided the most comprehensive safety plan of all the proposers. They have developed detailed curriculum to help train their employees to handle any number of safety issues that may arise in and around the batting cages. Prevention program records are kept to ensure that potential problems are held to a minimum, and a code for safe practices is regularly reviewed by supervisors and employees alike. The owners of AJE are also the day-to-day managers at the facility, and the panel viewed that as an important element in their recommendation. Staff concurs with the panel's finding in this category.

Proven Performance

With over 20 years experience as the current and successful operator of this concession, AJE was given the highest ranking by the panel. FE also has shown the ability to successfully operate this type of business over a number of years. MCG was ranked third based on the limited experience in the industry by the owners, although their proposed concession manager would bring experience in professional baseball, coaching, and batting cage operations. The panel ranked DPI lowest when compared with the other proposals in this category.

The panel was impressed that AJE has consistently run a profitable operation, even during periods of decreased attendance at the SOCP during renovations, and the fact that they consistently maintained a profitable operation with sales at this location increasing 100% over the past ten years. The panel also recognized their demonstrated willingness to work with other concessionaires at the same location, whether for safety concerns or for cross-promotional activities. This attention to the entire site as a whole instead of solely on the batting cage concession encourages a cooperative environment from which each business, as well as the customers, can benefit.

Vision for Concession including business plan and marketing

All four proposals provided for adequate staffing levels, marketing plans, and customer service. The panelists ranked MCG highest in this category, stating that its two principles, Kyle Koestner and Mike Begakis, have impressive ideas of how to promote the business to the public. Mr. Koestner in particular brings a unique background of direct marketing and sales in food wholesale and retail. DPI's level of improvements, plans for operations, and staffing plans, demonstrated their ability as a company to adapt to different business opportunities. As proposed, the panel felt that FE lacked detail in their plans to operate this concession.

MCG proposed to create more of what they dubbed a "sense of space"—providing a distinctive environment and experience. MCG demonstrated an understanding of the demographics as they

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SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

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conducted an analysis of the demographics in the area. MCG's vision is based mainly on creating a sense of space, so that not only is the Castle a destination but the batting cage becomes its own destination. Whether this emphasis would enhance the overall SOCP operation is not well known.

AJE's vision was also well received by the panel members. They indicated a desire to operate a high volume concession with the best service possible while maintaining an "impeccable safety record." The panel felt that although differing in their visions, both MCG and AFE plans would be successful. Staff concurs with the panels comments and agrees with the ranking in this category.

Capital Improvements

The RFP required minimum Capital Improvements in the amount of \$10,000 in each of the first two 5-year periods, for a total of \$20,000 over the length of the 10-year term of the Agreement. This includes the installation of new operation booth and a shaded area around the perimeter of the cage. All four proposers met this requirement.

MCG was ranked the highest by the panel as the value of their required improvements totaled \$51,000 and MCG also proposed to complete all improvements in the evening hours to avoid any closures. AJE was ranked second by the panel as their improvements totaled \$22,500. DPI ranked third with a total \$20,554 and FE was ranked fourth with required improvements totaling \$20,000. The ranking in this category by panelists were mainly based on dollar value, with secondary consideration of context or specific value to the site.

MCG would bring in new batting machines to replace the ones already installed (currently "wheel type"). This change allows elevation control of the mechanical pitches. Coin boxes would be replaced as well as netting replaced with new material, and installed behind the back of the cage and covering new outside benches. A new pre-fabricated, multiuse building would be added with a sport ticker mounted on the outside, updating patrons with the latest sports scores. The inside of the building would have a selection of sports equipment and other retail merchandise, along with a satellite TV playing sport programs. The scope of these improvements and the effect operationally and logistically might make these improvements excessive for the site.

AJE already has most of the primary capital equipment needed to operate at the facility. They do have plans to install stone panels and banners, make improvements to the fencing, adding trees, and installation of customized wind screens with a logo. In addition, dugout shade shelters will be added for patron viewing comfort, as well as, their installation of Titan mechanical seam roof panels for the operations booth. This package of improvements were adjudged by staff to be most suitable for the overall facility operations for the site.

Financial return to the City

Each of the entities proposed a similar percentage of gross receipts for the main sales category

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SHERMAN OAKS CASTLE PARK – BATTING CAGE SERVICE AWARD SUMMARY

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(token sales), differing only by a few percentage points. Additionally, the resulting return to the City based on the projections submitted with their proposals was within approximately \$10,000 per year amongst the top three ranking entities.

The panel ranked MCG first as they proposed a slightly higher percentage - 42% for token sales; followed by 40% and 39% proposed by AJE and FE respectively. The panel felt that although DPI proposed a higher percentage of 45%, which then increased to 47% and 50% in years four and five, they ranked lower as they felt these percentages were unrealistic for this operation.

The panel and staff concurred that the similar growth projections among proposers and the percentages of gross sales were attainable amongst the three higher-ranking proposers. As a comparison over the first 5 years, as proposed MCG's operations would provide the highest return to the City - \$1,419,960 followed by \$1,331,501 for AJE and \$1,237,505 for FE. MCG therefore ranks highest in this category.

Financial Viability:

The panel ranked MCG first in this category only because they demonstrated they would be funding this project with cash on hand and as a company they possess the largest amount of cash on hand, assets, and credit of the proposers. DPI and AJE ranked second and third respectively as they both submitted verifiable access to sufficient funding sources to adequately operate this concession. Staff concurs with the panel that all four have the financial ability to fund and operate this concession, and that at as a company MCG ranks first.

ATTACHMENT C

SHERMAN OAKS CASTLE PARK – FOOD SERVICE AWARD SUMMARY

- Page 1 -

Responsive and responsible proposals were received from the following business entities on December 13, 2005:

- Burrito King, Inc. (BKI) – Current operator of the SOCP Food Service and the Sepulveda Basin Mobile Food concessions.
- OmniEnt Corp. (OEC) – Current operator of the Pony Ride Snack Stand in Griffith Park, and the Woodley Lakes Golf Course Restaurant.
- Monterey Concessions Group (MCG) – Current operator of the Sepulveda Golf Course Restaurant, the Griffith Park Golf Course Clubhouse, and the Bar Service concession at the Department's rental facilities.

Since each of the companies submitted compelling proposals for this Concession, staff assembled an evaluation panel with the requisite experience to assess the merits and viability of each entity and recommend an operator. Interviews were held on February 17, 2006, and the panel members consisted of the following:

Rafael E. Vega – Owner and operator of Casa Vega Restaurant in Sherman Oaks; 50 years experience in the food service business.

Mina Behboudi – Certified Public Accountant and Director of Calamigos at the Los Angeles Equestrian Center (restaurant, snack stands, and catering)

Dr. B.W.A. (Ben) Dewald - Associate Professor and the Director of Food & Beverage at The Collins School of Hospitality Management, California State Polytechnic University, Pomona.

MCG ranked the highest, with 174 points, OEC second with 153 points, and BKI third with 117 points. When asked to name the proposer that they felt overall would best meet the objectives of the RFP, two panel members recommended MCG for the award of the Concession with one member recommending OEC for the award. The following table illustrates the ranking and resulting points:

Rating Criteria	Burrito King, Inc.		Monterey Concessions Group		OmniEnt Corporation	
	Rank	Points	Rank	Points	Rank	Points
Qualifications and experience	3	20	1	30	2	24
Proven performance	3	19	1	29	2	26
Vision for concession, including business plan and marketing	3	18	1	28	2	27

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SHERMAN OAKS CASTLE PARK – FOOD SERVICE AWARD SUMMARY

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Rating Criteria	Burrito King, Inc.		Monterey Concessions Group		OmniEnt Corporation	
	Rank	Points	Rank	Points	Rank	Points
Capital Improvements	3	20	1	28	2	26
Financial return to the Department	3	20	1	30	2	25
Financial viability to operate all aspects of the concession	3	20	1	29	2	25
Total	3	117	1	174	2	153

Subsequent to the panel's ranking, staff continued their analysis of the proposals to finalize the recommendation on the best prospective concessionaire for this agreement. Where possible, staff visited similar facilities and locations currently operated by the proposers to evaluate their ability to successfully operate this type of concession. All three demonstrated the experience necessary to operate this Concession and staff did not reveal any information during it's analysis that contradicts the recommendations of the panel, and therefore recommends MCG for the award of this Concession.

The following is a summary of the panel's ranking and staff's recommendation comments for each criterion.

Qualifications and experience

BKI and MCG have similar quantitative experience when comparing years in the food service business. The proprietor of BKI has 37 years in the foodservice industry while the proprietor of MCG has 40 years. Both have experience in varying types and sizes of food service business. The proprietor of OEC has over 20 years in the food service industry with less variety of food service operations when compared with the other proposers, although much of his experience is in similar fast serve facilities.

In comparing and ranking the qualifications component of this criterion, the panel not only discussed experience from a quantitative perspective, they also discussed the qualifications from a qualitative perspective in an effort to ascertain which company would best understand and market to the customer base at the SOCP. The panel explained that years of experience at a particular venue does not mean that a company is automatically the best qualified to understand a new customer base and attract new business. They felt that past performance in the food industry and a comparison of innovative plans for new menus and marketing going forward are indicators of a company's qualifications. One example of MCG's adaptability for differing

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SHERMAN OAKS CASTLE PARK – FOOD SERVICE AWARD SUMMARY

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demographics is their performance at the Griffith Park Golf Course Clubhouse where MCG has successfully marketed to predominately Korean golfers, partially by interviewing patrons and exploring menu options through research of desirable to-go items with Korean food suppliers and markets. As an attributable result, business at the golf course snack stand has grown substantially. For SOCP, both MCG and OEC demonstrated the best understanding of the demographics and issues involved, for example, in serving requests for kosher foods primarily in connection with birthday parties. The panel felt that BKI was not as responsive to the overall demographics.

Proven performance and quality of current comparable operations

All three proposers have the ability to operate comparable foodservice of this nature. However, when comparing the levels and quality of performance at current operations, two of the three panelists ranked MCG highest, with one ranking OEC highest. Both OEC and Monterey have proven their ability to successfully cater to the customer base, increase service levels, and exceed growth projections at other City Concessions. MCG surpassed their projections at Griffith Park and the business continues to grow. OEC has increased revenues at the Pony Ride Snack Stand within a mere four years, and has operated the Woodley Lakes Clubhouse on an emergency basis, successfully turning the restaurant from operating in the red to a positive cash flow. BKI has proven performance at several City concessions, such as the Roosevelt Café at the Roosevelt Golf Course, where they were successful in substantially increasing revenues over the previous operation. However, even though BKI has operated the foodservice at SOCP for over thirteen years, the panel was not convinced that, as proposed, BKI demonstrated new ideas that would have significant impact on the relatively straight-line revenues at this concession.

Vision for Concession, including business plan and marketing

All three proposals provided for adequate staffing levels, marketing plans, and customer service. Two of the panelists ranked MCG highest in this category, noting that the partnership between its two principals, Kyle Koestner and Mike Begakis, seems to work well. Mr. Koestner brings a unique background of direct marketing and sales in the food wholesale and has food retail experience. This purchasing and retail experience helps Monterey achieve very competitive pricing. MCG proposed to create more of what they dubbed a “sense of space”—providing a distinctive environment and experience. MCG demonstrated the best understanding of the demographics as they conducted an analysis of the demographics in the area and developed marketing plans, menus, and improvements accordingly.

One panelist ranked OEC highest in this category, noting that their “new” ideas are an advantage and that the history of this family owned business is strictly food service. In particular, the panelist felt that based on their proposal and OEC experience and interests, they would be in the best position to understand and relate to the SOCP’s teenage customers.

The panel recognized BKI’s breadth of experience in the food industry and dedication to the

ATTACHMENT C

SHERMAN OAKS CASTLE PARK – FOOD SERVICE AWARD SUMMARY

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facility, and were pleased with BKI's proposed increase in staffing over their current levels, and plans to revisit marketing efforts that were previously used. BKI proposed banquet and catering menus and services for both on- and off-site business meetings. The panel felt that these were good concepts, and recognized that the added services would enhance revenues; nevertheless, the panel felt the high levels of activity and noise at the SOCP is problematic and not conducive to such meetings. While off-site catering would bring some ancillary attention to the SOCP, marketing efforts should focus on the SOCP's core customers.

Capital Improvements in terms of appropriateness, reflection of entrepreneurship, monetary value

The RFP required minimum Capital Improvements in the amount of \$60,000, which included the installation of new kitchen floor, menu boards, neon sign, and renovation of the dining area, including new tile floor and furniture. All three proposers met this requirement, and all three included the addition of televisions in the dining area.

MCG was ranked highest by the panel as improvements totaling \$148,000 were proposed over the life of the Agreement; \$98,000 was committed for the first year, \$20,000 for years 2-5, and \$15,000 respectively for years 5-10 and 10-15. MCG also proposed to complete all improvements in the evening hours to avoid any closures. OEC was ranked second by the panel as their improvements totaled \$100,000 and included the purchase of a mobile cart for service outside the Arcade area, and BKI ranked third with improvements totaling \$75,345.

Financial return to the Department

MCG offered the highest rental terms of the three proposers: 9.0% in food and beverage sales and 10.0% for parties and vending sales. MCG has projected an annual growth rate of 5.9% and a return to the City of \$268,400 over the first five years.

BKI proposed 9% of all gross sales, projected an annual growth rate of 2.9% on sales, and a return to the City of \$195,100 over the first five years.

OEC proposed a two-tiered rent structure: 8% of all gross sales in years 1-3, and 9% of all gross sales each year thereafter. OEC projected an annual growth rate of 4.8%, and a projected five-year return to the City of \$288,100 if allowed to operate a food cart outside. If the cart was not allowed, the annual growth rate is projected to be 4.6%, and a five-year return to the City be \$259,000.

The panel reviewed each proposer's pro forma financial projections and evaluated their estimated gross revenues as they related to their overall plan for growth at the facility. MCG's higher revenue projections were viewed as being reasonable and perhaps conservative considering the amount of focused marketing and capital improvement plans they planned to implement, as well as their unique background in food marketing, wholesale, and distribution.

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SHERMAN OAKS CASTLE PARK – FOOD SERVICE AWARD SUMMARY

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Based on the proposed returns to the City as well as projections based on revenue history, staff concludes that Monterey's proposed rental terms and estimates are the best overall, attainable, and consistent with the City's other food service concessions.

It should be noted that financial return to the Department, in the form of proposed rental terms, is evaluated from the perspective that proposed rent is the financial return to the residents of the City of Los Angeles for the use of their land to operate a private business. Thus the highest reasonable, viable return is considered most beneficial in this category, but this element of proposals is not an overriding factor in the evaluation.

Financial viability to operate the concession as proposed

The panel concluded, and staff's review of the verifiable documentation submitted with the proposals supports, that all three companies have the financial viability to successfully operate the concession as proposed. The panel's ranking in this category was limited to a review and comparison of financial documents compared with projections submitted with the proposals and discussed during the interviews. Since all three companies have accessible means to finance this operation as proposed, staff ascertained a final ranking in this category by comparing the company's overall assets compared with net worth of each company. MCG ranked first with the highest combination of assets and cash on hand. OEC ranked second, and BKI ranked third.

Conclusion:

It is always in the best interest of the City when several well-qualified companies compete for a concession opportunity. In this case, three interested and qualified entities competed for the award of the SOCP food concession. While receiving multiple proposals is a positive situation for the City to choose the best operator for needed services, in some cases this presents a greater challenge to the incumbent operator, whose (often) long history of performance and stability is ranked and compared against new entities that bring fresh new approaches to providing services to the community. The panel brought specific expertise to evaluate and make an overall this evaluation, and staff's review of references, financial ability and visits to current operations, supports their ranking and final scores, and therefore recommends MCG for award of the Agreement.