

APPROVED

FEB 06 2008

REPORT OF GENERAL MANAGER

NO. 08-37

DATE February 6, 2008

BOARD OF RECREATION  
and PARK COMMISSIONERS

C.D. 6

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: SEPULVEDA GOLF COMPLEX PROFESSIONAL - AWARD OF CONCESSION AGREEMENT TO MICHAEL LESLIE PRODUCTIONS, INC. DBA READY GOLF CENTERS

R. Adams _____	J. Kolb _____
H. Fujita _____	*F. Mok <u>sm.</u>
S. Huntley _____	K. Regan _____
V. Israel _____	M. Shull _____

  
 \_\_\_\_\_  
 General Manager

Approved AS amended see attached \_\_\_\_\_ Disapproved \_\_\_\_\_ Withdrawn \_\_\_\_\_

RECOMMENDATION:

That the Board:

1. Award the Sepulveda Golf Complex Professional Concession to Michael Leslie Productions Inc. dba Ready Golf Centers;
2. Find, in accordance with Charter Section 1022, that the Department does not have sufficient personnel available in its employ to undertake these specialized professional tasks and that it is more economical to secure these services by contract;
3. Approve a proposed ten (10) year concession agreement, with two (2) five-year renewal options exercisable at the City's sole discretion, substantially in the form on file in the Board Office, subject to approval of the Mayor, City Council, U.S. Army Corps of Engineers (Corps), and the City Attorney as to form;
4. Direct the Board Secretary to transmit the proposed agreement, concurrently, to the Mayor, in accordance with Executive Directive No. 3, City Attorney, and the Corps; and,
5. Authorize the Board President and Secretary to execute the subject agreement upon receipt of the necessary approvals.

## REPORT OF GENERAL MANAGER

PG. 2

NO. 08-37

### SUMMARY:

The Sepulveda Golf Complex is located at 16812 Burbank Blvd., Encino, CA 91436 and includes two 18-hole golf courses: Encino Golf Course and Balboa Golf Course. The Department operates and maintains both courses. The Sepulveda Golf Complex Concession (Concession) provides professional golf lessons to patrons, and maintains and operates the golf professional shop, range shop, and the golf driving range.

The Concession has been operated by Ready Golf Centers on a month-to-month basis since February 17, 2001. In calendar year 2006, the Concession generated \$908,084 in gross receipts and \$162,254 in rent to the Department.

In May 2004, a Request for Proposals (RFP) was released for this Concession. On December 14, 2005, the Board rejected all proposals and directed staff to revise and release the RFP (Board Report No. 05-316).

On August 9, 2006, the Board approved the release of an RFP (Board Report No. 06-217), and the RFP was released on August 21, 2006. On November 14, 2006, three proposals were received. On April 5, 2007, due to the failure of all three proposals to provide a Good Faith Effort Subcontractors Outreach as required by the Board's policy (Board Report No. 177-89), the Board rejected all bids and directed staff to develop and release a new RFP for this concession (Board Report No. 07-86).

On April 30, 2007, the RFP was released to the public to solicit proposals for the operation of the Concession. The RFP was advertised in the Daily Journal; posted on the Los Angeles Business Assistance Virtual Network (BAVN); and posted on the Department of Recreation and Park's website; and, a letter inviting bids was mailed to over two hundred organizations and individuals from a mailing list maintained by the Concessions Unit.

On May 23, 2007, a Pre-Proposal Conference was held at the Sepulveda Golf Complex. A walk-through of the premises was conducted after the conference concluded. Also on May 23, 2007, Addendum No. 1 was released, as a new City compliance document was implemented which required all proposers to complete the Bidder Certification Form (CEC Form 50) requiring disclosure as mandated by the Municipal Lobbying Ordinance (Ord. No. 169,916).

On July 5, 2007, the following proposals were received:

- Emerald Management, Incorporated (Inc.)
- Pacific Highland, Limited Partnership (L.P.)
- Michael Leslie Productions, Inc. dba Ready Golf Centers

## REPORT OF GENERAL MANAGER

PG. 3

NO. 08-37

As stipulated in the RFP, evaluation of the bid proposals was to occur in three levels. Level I would be a check and review for required compliance and submittal documents; Level II would be an analysis of the proposers' ability to finance the operation as proposed; and, Level III would be a comprehensive evaluation of the proposals by a panel. Proposers must successfully pass each level to proceed to the next level.

Staff performed a Level I review of the following required documents:

### Compliance Documents:

- 1) Proposer's Signature Declaration and Affidavit
- 2) Disposition of Proposals
- 3) Affirmative Action Plan
- 4) Good Faith Effort Subcontractor Outreach
- 5) Living Wage Ordinance/Service Contractor Worker Retention Ordinance
- 6) Contractor Responsibility Ordinance Statement
- 7) Equal Benefits Ordinance Statement
- 8) CEC Form 50 (*included in the RFP as Amendment #1*)

### Submittal Documents:

- 1) Cover Letter
- 2) Proposal Deposit
- 3) Ability to Finance
- 4) Background and Experience
- 5) Proposed Business Plan for this Concession
- 6) Proposed Rental Payment to City
- 7) On-Going Refurbishment, Improvements, and Maintenance
- 8) Capital Improvements

Proposals are either Responsive (pass) or Non-Responsive (fail). The following is the complete Level I findings:

- Emerald Management, Inc., was found Responsive in all eight compliance documents and Non-Responsive in two of the eight submittal documents (Attachment A-1).
- Pacific Highland, L.P., was found Non-Responsive in one of the eight compliance documents and Non-Responsive in seven of the eight submittal documents (Attachment A-2).
- Ready Golf Centers was found Responsive in all eight compliance documents and all eight submittal documents (Attachment A-3).

## REPORT OF GENERAL MANAGER

PG. 4

NO. 08-37

An economic consultant, Economics Research Associates (ERA), was retained to conduct and oversee the Level II (Financial Ability) and Level III (Panel Evaluation) processes.

### Level II – Financial Ability

ERA reviewed the financial documents and found the two proposers (Emerald Management Inc., and Ready Golf Centers) financially able to provide start up costs, operational costs, and financing for capital improvements. Emerald Management, Inc. was ultimately found to be non-responsive to the RFP. The final determination by the Office of the City Attorney was not made until after the Level II review was completed.

### Level III – Panel Evaluation

ERA assembled a five-member panel of individuals currently employed in the field of parks and recreation at municipal agencies located in Southern California and with expertise in golf course management to evaluate proposals, interview the proposers, and recommend an operator for the concession. Employees of ERA and the City of Los Angeles were not utilized on the panel. The panel members were:

- Robert Conrad, Assistant Director of Community Services, City of Victorville
- Steve Duron, Parks and Recreation Operations Manager, County of Los Angeles
- Michael Hentzen, Leasing Manager, Resources and Development Management Department, Orange County Parks, County of Orange
- David Sams, Director of Golf, Rose Bowl Operating Company, City of Pasadena
- Nancy Woods, Business Manager, Department of Parks & Recreation, City of Santa Barbara

On September 11, 2007, the evaluation panel held proposer interviews. The interviews were intended to provide clarification of the proposals; modifications and/or enhancements of the proposals submitted, if any, were not considered by panel members, as stated in the RFP.

The panel reviewed the proposals and the information gathered during the interviews, and was charged with ranking and scoring the proposals in accordance with the RFP, then submitting the information to ERA. ERA collected and tallied the final ranks and scores, and prepared the recommendation based on the ranking and scoring of the panel members (Attachment B).

### Score and Rank

Ready Golf Centers was unanimously ranked highest in three criteria: qualifications and background; business plan; and, proposed rent to the City. Furthermore, Ready Golf Centers was ranked highest by four out of five panel members in the remaining criteria: ability to finance; refurbishment, improvements, and maintenance; and, capital improvements.

REPORT OF GENERAL MANAGER

PG. 5

NO. 08-37

The evaluation panel's final general average score and ranking are as follows:

<u>Proposer</u>	<u>Final Average Score</u>	<u>Rank</u>
Ready Golf Centers	98.8	1
Emerald Management, Inc.	90.2	2

Ready Golf Centers had the highest ranking and score, and is therefore recommended by ERA as the preferred operator for the concession.

It should be noted that while Emerald Management, Inc., was ultimately found to be non-responsive to the RFP, the final determination by the Office of the City Attorney was not made until after the interviews were conducted. Emerald Management, Inc., was therefore allowed to participate in the interviews.

Capital Improvements

Ready Golf Centers proposed the minimum required capital improvements to be made at the Concession. The investment is to be One Million Dollars (\$1,000,000), exclusive of financing costs; if the cost of the improvements is less than the required investment amount, the remainder shall be expended at the Sepulveda Golf Complex on mutually agreed-upon investments, subject to final approval of the Department. All improvements shall become property of the City. The minimum required capital improvements are:

1. Renovation of the Driving Range Surface
2. Renovation of the Tee Line
3. Installation of Range Fence for Ball Containment
4. Renovation / Remodeling of the Range Shop
5. Renovation / Remodeling of the Pro Shop

Rent to the City

Ready Golf Centers' proposal included two options for rent to the City:

Driving Range/Annual Gross	Option I	Option II
\$0-\$500K	25%	36%
\$500K-\$600K	25%	36%
\$600K-\$700K	60%	36%
\$700K+	60%	36%
Merchandise	5%	5%
Lessons	5%	5%
Other	5%	5%

REPORT OF GENERAL MANAGER

PG. 6

NO. 08-37

Option I provides a sliding rate of 60% of gross revenue from the golf driving range to the Department if annual gross exceeds \$600,000 per year from the golf driving range. However, the rate decreases dramatically to 25% if annual gross does not exceed \$600,000 per year. It should be noted that Option I included additional capital improvements of: 1) storage area of driving range equipments; and, 2) upgrade of driving range lights.

Option II provides a flat rate of 36% of gross revenue from the golf driving range to the Department. Staff compared both rent options to projected gross revenue (Attachment C):

Option I – 10 Year Rent to City	\$ 2,388,946
Option II – 10 Year Rent to City	<u>2,365,005</u>
Difference	\$ 23,941

While the Department may realize a higher rent using Option I, the projection presents a margin of difference between the two options which is too narrow to risk for such a wide range in rent percentages as proposed by Ready Golf Centers. The current conditions do not support driving range gross as exceeding \$600,000 per year as: 1) golf has been in decline for the past six years; and, 2) the Los Angeles World Airports (LAWA) will be opening a new golf complex in close proximity to the Sepulveda Golf Complex in 2008.

As the current rent percentage for the golf driving range is 35%, it is recommended that Option II of the Ready Golf Centers' proposal, 36% of annual gross, be selected for the term of the contract.

Charter Section 1022

Los Angeles City Charter Section 1022 prohibits contracting out work that could be done by City employees unless the Board determines it is more economical and/or feasible to contract out the service.

On October 29, 2007, the Personnel Department completed a Charter Section 1022 review (Attachment D) and determined that the City classification of Park Service Attendant can operate and maintain the golf driving range and the City classification of Golf Starter can perform cashiering duties in the golf professional shop. However, the Department seeks a PGA Class "A" certified instructor for golf lessons; the City does not currently have a classification with that expertise and it would still be necessary to contract out golf lessons even if the Department self-operated the other portions of the Concession.

A Charter 1022 cost benefit analysis was performed by staff in the Concession Unit to determine if it was more economical to contract out the service or to perform the service in-house using City classifications (Attachment E). The findings of the analysis are that over the ten-year term of the Concession Agreement:

## REPORT OF GENERAL MANAGER

PG. 7

NO. 08-37

- 1) Ready Golf Centers Option I would provide a return to the City of \$2,388,946;
- 2) Ready Golf Centers Option II would provide a return to the City of \$2,365,005;
- 3) Self-Operation would provide a return to the City of \$185,597.

It is, therefore, more economical to contract out the service than to perform in-house with City classifications.

Staff reviewed the ERA report and the panel's ranking and scoring sheets, and Ready Golf Centers' proposal and concurs with the recommendation to award the Sepulveda Golf Complex Professional Concession to Ready Golf Centers.

Ready Golf Centers has been the incumbent operator at the Sepulveda Golf Complex since February 17, 2001, and is deemed to have the necessary background and experience to operate the Concession.

It should be noted there was only one responsive proposal submitted during this process. While the purpose of a competitive bid process is to create competition and provide the City with the best possible terms from which to select, this Concession has had two previous RFPs rejected over the past three years, and it is in the best interest of the City to award a long-term contract in order to ensure that continued service to the public is provided, that improvements are made at the facility, and that a revenue shortfall is not created by maintaining the current Concessionaire on a month-to-month agreement.

### FISCAL IMPACT STATEMENT:

Based on the financial projections provided in Attachment C, it is estimated that during the ten-year term of the concession agreement, approximately \$2,365,005 will be paid in rent to the Department using Option II of the proposal submitted by Ready Golf Centers. Of that amount, approximately \$2,128,505 will be deposited in the Department's General Fund and approximately \$236,500 will be deposited into the Golf Concession Improvements Account. The contractor will provide capital improvements at the contractor's expense.

Report prepared by Robert N. Morales, Senior Management Analyst II, and Theresa Walker, Management Analyst II, Concessions Unit, Administrative Resources Section, Finance Division.

EXCERPT FROM THE MINUTES OF THE SPECIAL MEETING  
BOARD OF RECREATION AND PARK COMMISSIONERS  
FEBRUARY 6, 2008

GENERAL MANAGER'S REPORT:

08-37

SEPULVEDA GOLF COMPLEX PROFESSIONAL - AWARD OF  
CONCESSION AGREEMENT TO MICHAEL LESLIE  
PRODUCTIONS, INC. DBA READY GOLF CENTERS

The item was amended to include the following language and Recommendation:

RECOMMENDATION:

“To instruct the City Attorney to add a provision to the contract that would accomplish allowing the parties to continue their discussion and upon a mutual agreement propose an amendment to the Board and to Council with a suggested time limitation for these discussions of December 31.”

BTW-They did not state a year, but I did not want to assume it was meant for December 31, 2008. President Sanders asked the Committee for a suggested time and Commissioner Williams stated "December 31". Candy Spelling agreed and it was approved as amended.”

Motion

It was moved by Commissioner Williams, seconded by Commissioner Spelling that Report No. 08-37 be approved as amended. There being no objections, the Motion was unanimously approved.

**EMERALD MANAGEMENT, INCORPORATED  
SEPULVEDA GOLF COMPLEX PROFESSIONAL - RFP  
LEVEL I EVALUATION**

I. Compliance Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Proposer's Signature Declaration and Affidavit	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Good Faith Effort Outreach (GFE)	Yes	Yes	
5.	Living Wage / Service Contractor Worker Retention	No	Yes	Submittal of documents is only required if an exemption is requested. Non-submittal indicates acceptance of requirements.
6.	Contractor Responsibility Statement	Yes	Yes	
7.	Equal Benefits Statement	Yes	Yes	
8.	CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Cover Letter	Yes	Yes	
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	No	Cash Flow Statement for Calendar Years 2004, 2005, 2006 and first quarter of 2007 not included (Section V, Item A-1.3.3c)
4.	Background and Experience	Yes	Yes	
5.	Proposed Business Plan for this Concession	Yes	No	Detailed schedule of maintenance of premises (driving range, tee line, putting greens) not included (Section V, Item A-3.1.2)
6.	Proposed Rental Payment to City	Yes	Yes	
7.	On-Going Refurbishment, Improvement, and Maintenance	Yes	Yes	
8.	Capital Improvements	Yes	Yes	

**PACIFIC HIGHLAND, Limited Partnership (LP)**  
**SEPULVEDA GOLF COMPLEX PROFESSIONAL - RFP**  
**LEVEL I EVALUATION**

I. Compliance Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Proposer's Signature Declaration and Affidavit	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Good Faith Effort Outreach (GFE)	Yes	No	Outreach documentation to selected contractor not provided. Schedule A or a completed summary sheet organized by work area not included.
5.	Living Wage / Service Contractor Worker Retention	No	Yes	Submittal of documents is only required if an exemption is requested. Non-submittal indicates acceptance of requirements.
6.	Contractor Responsibility Statement	Yes	Yes	
7.	Equal Benefits Statement	Yes	Yes	
8.	CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Cover Letter	Yes	No	Telephone Number, Fax Number, Office Phone, Cell Phone, E-mail Address not included (Section IV, Item A-1)
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	No	Did not include 2007 bank statements (Section V, Item A-1.3.1a); current credit reports not included (Section V, Item A-1.3.1c); no current balance sheets provided, and income and cash flow statements not prepared by CPA (Section V, Item A-1.3.3)
4.	Background and Experience	Yes	No	Company address, size of company, organizational charter, pending merger information not included (Section V, Item A-2.1)
5.	Proposed Business Plan for this Concession	Yes	No	Number of staff required, proposed organizational structure, employee hiring / training / retention / motivation/ promotion methods not included (Section V, Item A-3) ; Methods of accounting and controls not included (Section V, Item A-3.1.4)
6.	Proposed Rental Payment to City	Yes	No	Justification based on financial projections, planning, and relevant market research not included (Section V, Item A-4.2)
7.	On-Going Refurbishment, Improvement, and Maintenance	Yes	No	Specific plans to provide and fund necessary major repairs and maintenance not included (Section V, Item A-5.1)
8.	Capital Improvements	Yes	No	Plan details, estimated timeline, estimated downtime, specific equipment, products, or vendors to be used not included (Section V, Item A-6.1)

**READY GOLF CENTERS  
SEPULVEDA GOLF COMPLEX PROFESSIONAL - RFP  
LEVEL I EVALUATION**

I. Compliance Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Proposer's Signature Declaration and Affidavit	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Good Faith Effort Outreach (GFE)	Yes	Yes	
5.	Living Wage / Service Contractor Worker Retention	No	Yes	Submittal of documents is only required if an exemption is requested. Non-submittal indicates acceptance of requirements.
6.	Contractor Responsibility Statement	Yes	Yes	
7.	Equal Benefits Statement	Yes	Yes	
8.	CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	Comply	Comments
		No	No	Non-Responsive
1.	Cover Letter	Yes	Yes	
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	Yes	
4.	Background and Experience	Yes	Yes	
5.	Proposed Business Plan for this Concession	Yes	Yes	
6.	Proposed Rental Payment to City	Yes	Yes	
7.	On-Going Refurbishment, Improvement, and Maintenance	Yes	Yes	
8.	Capital Improvements	Yes	Yes	

**Sepulveda Golf Complex  
Golf Professional Concession  
Proposal Evaluation**

*Submitted to*

**City of Los Angeles  
Department of Recreation and Parks  
Concessions Unit**

*Submitted by*

**Independent Sepulveda Golf Professional  
Concession Panel**

**November 2007**

## **INTRODUCTION**

The following report presents the panel members' evaluation of the proposals submitted to the City of Los Angeles for the Sepulveda Golf Complex Golf Professional Concession (pro shop, lessons, driving range). The panel consists of five individuals currently employed in the field of parks and recreation at public sector agencies located in Southern California. The panel members are:

Mr. Robert Conrad, Assistant Director of Community Services, City of Victorville  
Mr. Steve Duron, Parks and Recreation Operations Manager, County of Los Angeles  
Mr. Michael Hentzen, Leasing Manager, Resources and Development Management  
Department, OC Parks, County of Orange  
Mr. David Sams, Director of Golf, Rose Bowl Operating Company, City of Pasadena  
Ms. Nancy Woods, Business Manager, Department of Parks & Recreation, City of Santa  
Barbara

A brief resume for each panel member is contained in Appendix A.

The panel is charged with the responsibility of evaluating, ranking, and scoring the proposals. Based on the results, a recommendation will be made in this report to the General Manager of the City of Los Angeles Department of Recreation and Parks. The panel also relied on information and analysis prepared by the City's contract consultant, Economics Research Associates (ERA).

## **BACKGROUND**

The City of Los Angeles Department of Recreation and Parks issued a Request for Proposals (RFP) on April 20, 2007 for the operation of the Golf Professional Concession at the Sepulveda Golf Complex located in Encino, California. The Concession includes the golf pro shop (merchandising), driving range, and golf instruction.

The Sepulveda Golf Complex includes two 18-hole regulation length golf courses, driving range, pro shop, restaurant, and snack bar. City staff is responsible for reservations, greens fee collection, and the starter operation, as well as providing golf course maintenance. The golf cart and food and beverage service are concessions, separate from the Golf Professional Concession relating to the RFP issued.

The Scope of Services requested by the City includes:

- Provide the necessary capital investment to renovate the driving range including, but not limited to, installation of artificial turf, target greens, perimeter fencing, and improvements to the tee line.
- Renovate the driving range shop and pro shop through creative, aesthetic, efficient, and safe design.
- Assess, provide, and install all necessary furnishings and equipment in order to create an attractive and inviting concession.
- Provide golf instruction and programs to promote golfer interest and development.
- Operate the pro shop, providing a broad range of merchandise at affordable prices.

The RFP set forth a 3-level evaluation and award process. Level I addresses “compliance with RFP Submission Requirements”; Level II assesses the proposer’s “ability to finance” the entire operation, as well as mandatory and optional improvements; and Level III entails the overall independent “evaluation and scoring” of the proposal responses. Three proposals from golf course management companies were received in July 2007, of which two were submitted by the City to the panel as tentatively in compliance with the RFP (i.e., satisfied Levels I and II requirements):

- Ready Golf Centers (Ready Golf).
- Emerald Management, Inc., the golf operating division of Jamison Services, Inc. (Emerald).

The panel is responsible for the Level III evaluation. The proposals contain the proposer’s management plan for the Golf Professional Concession, reporting process, projected operating budget, capital improvements plan, proposed rent structure, financing capability/plan, and firm experience and qualifications.

## **REQUEST FOR PROPOSAL**

The RFP identified the following required capital improvements with a \$1 million minimum investment level:

- Artificial turf range landing area (approximately 420,000 square feet).
- Tee line improvements, including renovation/replacement of existing tee station cover structure.
- Range perimeter fencing (approximately 2,100 linear feet).
- Pro shop interior and exterior renovation.
- Range shop interior and exterior renovation.

The RFP specified that if the cost of the improvements totaled less than the \$1 million minimum, the balance was required to be expended on mutually agreed-upon additional improvements. The cost of financing does not qualify as part of the minimum investment level. Proposers were allowed to propose additional improvements at their option, including improved range lighting and construction of storage area for driving range equipment for the operation.

The RFP stipulated the contract term at 10 years, with two five-year options exercisable at sole discretion of the City.

The RFP called for proposers to submit proposed rent in the form of “percentage of gross revenue.” The percentage may vary by source of revenue, year of the agreement, and annual revenue level. There is no fixed minimum annual rent requirement. The concessionaire is responsible for gas and electric utilities, insurance, daily maintenance and possessory interest taxes. The City is responsible for water and refuse disposal.

The RFP also specified required compliance with several city ordinances including, but not limited to, worker retention, living wage, equal benefits, affirmative action, and child support obligation.

The RFP requested each proposer specify a plan, estimated cost, and timing for continued reinvestment in the facility over and above routine maintenance.

## **HISTORICAL PERFORMANCE**

The Pro Shop Concession facilities at Sepulveda include the following (see site map in Exhibit 1):

**Pro Shop** — 1,600-square-foot display area, plus 353 square feet of offices, and 400 square feet of storage.

**Range Shop** — 466-square-foot service area, plus 160 square feet of storage.

**Driving Range** — 49 tee stations, including 20 covered stations, with night lighting and artificial turf mats.

The City controls pricing on range balls:

<b>Size</b>	<b>Balls</b>	<b>Price per Ball</b>
Small	0-50	\$.10
Medium	50-70	.09
Large	70+	.08

The City also sets limits on the price of golf lessons.

Gross revenue generated at the Sepulveda Golf Professional Concession is reported as follows:

<b>Year</b>	<b>Annual Rounds</b>	<b>Gross Revenue (thousands)</b>				<b>Total</b>
		<b>Merchandise</b>	<b>Range</b>	<b>Lessons</b>	<b>Other</b>	
2000	185,162	\$512	\$701	\$299	\$ 15	\$1,527
2001	183,321	425	617	285	10	1,337
2002	192,264	554	608	264	15	1,442
2003	186,362	480	550	247	16	1,294
2004	177,629	441	542	239	13	1,235
2005	170,372	353	467	216	12	1,049
2006	n.a.	311	467	117	13	908

Annual gross revenue at other City and selected Los Angeles County golf courses for 2006 is presented for comparison purposes in Exhibit 2.

Presently, the Golf Professional Concessionaire at the Sepulveda Golf Complex pays rent equal to 30 percent of driving range revenue, and 5 percent of merchandise, lessons, and other revenues.

## **PROPOSALS**

### **Capital Improvements**

Proposed capital improvements by the two proposers is summarized below. Ready Golf proposed two options — one relating to minimum required capital improvements and a second relating to optional/additional improvements.

	Proposed Capital Improvements (thousands of dollars)		
	Ready Golf		
	Option I	Option II	Emerald
Required Improvements			
Range Improvements			
Artificial Turf Landing Area	\$ 720	\$ 720	\$1,250
Tee Line	80	80	NS
Fencing	<u>128</u>	<u>128</u>	<u>346</u>
Subtotal	\$ 928	\$ 928	\$1,596
Pro Shop Renovation	30	30	NS
Range Shop Renovation	<u>42</u>	<u>42</u>	<u>NS</u>
Total Required	\$1,000	\$1,000	\$1,595
Optional Improvements			
Lighting	45	---	---
Storage Area	12	---	---
Other	<u>249<sup>1</sup></u>	<u>---</u>	<u>NS</u>
Total Optional	\$ 306	---	\$ 161
Total	\$1,307	\$1,000	\$1,757 <sup>2</sup>

NS = Cost of improvement not specified.

<sup>1</sup>Includes target greens in landing area (\$79,000) and tee line mister system (\$170,000).

<sup>2</sup>Proposal indicated total investment at \$1,757,000, identifying the cost of only two items – turf landing area and fencing. Cost of other required and optional improvements is not specified.

Both Ready Golf and Emerald propose to fund capital improvements from private capital (personal/corporate liquid assets), with proposed personal guarantees where required.

### **Proposed Rent Structure**

The rent structure proposed by the two proposers is summarized as follows:

Range	Rent as Percentage of Gross Revenue		
	Ready Golf		Emerald
	Option I <sup>1</sup>	Option II <sup>2</sup>	
\$0-\$500K Annual Gross	25%	36%	10%
\$500K-\$600K	25%	36%	15%
\$600K-\$700K	60%	36%	20%
\$700K+	60%	36%	25%
Merchandise			
\$0-\$400K Annual Gross	5%	5%	1%
\$400K-\$500K	5%	5%	2%
\$500K-\$600K	5%	5%	3%
\$600K+	5%	5%	4%
Lessons	5%	5%	5%
All Other	5%	5%	5%

<sup>1</sup>Minimum plus optional capital improvements. <sup>2</sup>Minimum capital improvements.

Under Ready Golf Option I, the annual gross revenue \$600,000 threshold, above which the rental percentage increases, is not adjusted for cost of living during the concession term.

### **Capital Improvement Reserve**

**Ready Golf**— Proposes to commit \$100,000 over 10-year term under Option I (optional and additional improvements) and \$50,000 under Option II (minimum improvements only). The improvements would be funded out of operating income, expended when needed. Pro forma projections show \$10,000 per year (\$5,000 per year under Option II).

**Emerald**— Over the 10-year term, proposes to expend the following amounts (note that range ball replacement is excluded):

Major Maintenance Equipment	\$ 60,000
Mat Replacement	54,000
Landing Area Turf	30,000
FF&E	36,000
Building Repairs	<u>54,000</u>
Total	\$234,000

The improvements would be scheduled over the 10-year term and funded out of operating income. The ongoing capital improvement is subject to mutual agreement between the concessionaire and the City. Some of the proposed improvements may not be approved nor qualified as "capital" items.

### **Pro Forma Projections**

The proposers were requested to submit pro forma projections for the 10-year term under three annual golf round scenarios — 170,000 rounds, 185,000 rounds, and 200,000 rounds. The third year (stabilized) projections for the mid-play scenario (185,000 rounds), along with a standardized baseline compiled by ERA for analysis purposes, are shown below:

Annual Gross Revenue — Year 3 (thousands of dollars)				
Department	Ready Golf		Emerald	ERA
	Option I	Option II		Baseline
Merchandise	\$ 471	\$ 471	\$ 504	\$ 500
Lessons	158	189	260	185
Range	883	883	578	750
Other	15	15	---	15
Total	\$1,528	\$1,559	\$1,342	\$1,450

Although Ready Golf Option I involves optional and additional improvements, their revenue projections remain essentially unchanged (note projections reflect a slight increase in lessons revenue under Option II).

Annual net operating income (earnings before interest, taxes, depreciation, and amortization) is projected by the proposers as follows for Year 3 (mid-play scenario):

Annual Amount — Year 3 (thousands of dollars)			
	Ready Golf		Emerald
	Option I	Option II	
Gross Revenue	\$1,528	\$1,559	\$1,342
Less: Cost of Sales	<u>330</u>	<u>330</u>	<u>363</u>
Gross Profit	\$1,198	\$1,229	\$ 979
Less:			
Operating Expenses	567	588	491
Rent	352	352	115
Reserve Fund	<u>10</u>	<u>5</u>	<u>14</u> <sup>1</sup>
Subtotal	\$ 929	\$ 945	\$ 620
Net Income (EBITDA)	\$ 269	\$ 284	\$ 359

<sup>1</sup>Represents average annual amount related to proposed major equipment, FF&E, turf replacement/repair, and building repair.

### **Projected Rent**

Based on the proposed rent structure, the present value of the projected rent stream to the City under the proposer rent structure (mid-play scenario), as well as ERA's baseline revenue, over the 10-year term is calculated as follows:

	Present Value <sup>1</sup> of 10-Year Rent Stream (thousands of dollars)	
	Proposer Projections	ERA Baseline Projections
Ready Golf		
Option I	\$2,390	\$2,019
Option II	2,355	2,137
Emerald	910	839

<sup>1</sup>Based on 8 percent present value discount rate.

The estimated rent accruing to the City under upside and downside projections utilizing the ERA baseline revenue projections are calculated below. The upside is defined with range revenue 20 percent higher than the baseline, and the downside 10 percent lower than the baseline. Lessons, merchandise, and other revenues are assumed unchanged from the baseline level.

	Present Value of Rent Stream (thousands of dollars) <sup>1</sup>		
	Ready Golf		Emerald
	Option I	Option II	
Baseline	\$2,019	\$2,137	\$ 839
Upside	2,616	2,515	1,092
Downside	1,721	1,948	719

<sup>1</sup>Based on 8 percent present value discount rate.

## **LEVEL II – REVIEW**

With regard to the Level II evaluation, the RFP states: “Proposer must provide evidence of financial capability to fund the entire operation in the amount indicated in the pro forma; evidence of sufficient funding will be verified by the Department, but will not be scored. If evidence of sufficient funding is provided and verified, the proposer will be passed to Level III for evaluation and scoring.”

The evaluation of “ability to finance” is based on the information submitted in the proposer’s proposal. While, in most cases, the financial statements submitted have not been certified or audited, the information has been sufficiently verified or validated. According to a review process conducted by ERA, both Emerald and Ready Golf Centers have provided sufficient evidence of available funding for the entire operation, as well as the proposed capital improvements.

### **Ready Golf Centers**

The cost of capital improvements proposed by Ready Golf Centers is as follows:

Mandatory	\$1,000,000
Optional	<u>306,000<sup>1</sup></u>
Total	\$1,306,000

<sup>1</sup>Based on Ready Golf Option I proposal.

Ready Golf states that the cost of improvements will be funded entirely from private capital (cash reserves), and that Michael Bernback (President of Ready Golf Centers) will "guarantee" all of the required capital.

According to the financial statement of Michael Leslie Bernback, dated March 31, 2007, Bernback's net worth is approximately [REDACTED] including cash/liquid securities valued at [REDACTED]. Excluding personal residence, Bernback's net worth is reported at [REDACTED]. The financial statement was prepared by a CPA, but was based on information submitted by the individual, and not reviewed nor audited by the accountant.

The proposal does not indicate any intent to borrow funds and has no contingencies.

Based on the information submitted in the proposal, there is reasonable evidence to suggest that Ready Golf has the ability to finance the proposed capital improvements and fund any start-up costs and unforeseen operating deficits.

Ready Golf concurrently has submitted to the City of Los Angeles Department of Recreation and Parks a proposal to operate the Electric Golf Carts Rental Concession under a 10-year contract. If successful, capital investment requirements for the cart concession potentially total about \$2.37 million. Based on the information submitted, Ready Golf has sufficient financial resources to fund/finance both Sepulveda and the Electric Golf Carts Rental Concession.

### Emerald

The cost of capital improvements proposed by Emerald is as follows:

Mandatory	---
Optional	<u>---</u>
Total	\$1,757,000 <sup>1</sup>

Proposal indicated total investment at \$1,757,000, identifying the cost of only two items - turf landing area and fencing. Cost of other required and optional improvements is not specified.

Emerald Management, Inc. is the legal entity which submitted the proposal to the City of Los Angeles. The entity is "the golf operating division of Jamison Services, Inc.," a "vertically integrated real estate investment and management firm engaged in all material aspects of property ownership including acquisition, construction, and leasing." Emerald Management, Inc. has documented their financial creditworthiness through the inclusion of financial statements relating to Jamison Services, Inc.

Emerald states that the cost of improvements will be funded entirely from "internal working capital." Emerald further states no intent to use debt borrowings to fund improvements.

According to a balance sheet dated December 31, 2006 for Jamison Services, Inc., company assets total [REDACTED] and stockholder equity (net worth) is reported at [REDACTED]. Current assets total [REDACTED] including about [REDACTED] in cash and a [REDACTED] loan receivable. The financial statement contains information which has not been reviewed or audited by the CPA who prepared the documents. Furthermore, there is insufficient information in the balance sheet explanatory notes to fully judge the quality of the statement. For example, there is no indication as to the source of the loan receivable and related security, no reserve for income tax liability, if any, and other such detail.

Assuming that appropriate pledges and guarantees by Jamison Services, Inc. on behalf of Emerald are in place, there appears to be satisfactory evidence that Emerald has the "ability to finance" the entire operation, as well as the proposed capital improvements. While available cash represents about one-third of the funding requirements, there is sufficient stockholder equity (.6 debt/equity ratio) to secure additional debt if necessary (proposal states no loan required) to fund all proposed improvements, start-up costs and unforeseen operating shortfall.

### **PROPOSER INTERVIEWS**

Interviews were held on Tuesday, September 11, 2007 at the Los Angeles Equestrian Center, near Griffith Park. The interview panel consisted of five highly qualified public sector officials who have extensive golf experience and knowledge:

- Mr. Robert Conrad – City of Victorville
- Mr. Steve Duron – County of Los Angeles
- Mr. Michael Hentzen – County of Orange
- Mr. David Sams – City of Pasadena
- Ms. Nancy Woods – City of Santa Barbara

A one-hour interview with each proposer was scheduled. The interview generally consisted of a 15- to 20-minute presentation of proposal highlights, followed by 40 to 45 minutes of panel member questions. It should be emphasized that the proposal interview was intended to provide clarification of proposals. Modifications and/or enhancements of the proposals submitted, if any, were not considered by panel members as stated in the RFP.

### **EVALUATION CRITERIA AND SCORING**

The City defined the evaluation and proposal scoring process in the RFP. There were six criteria identified with a "points awarded by ranking" required.

The criteria include:

- Ability to finance
- Background and experience
- On-going refurbishment, improvements, and maintenance
- Business plan
- Proposed rent
- Capital improvements

The weighting of the criteria and point awards by rank are as follows:

Mandatory	\$1,000,000
Optional	<u>306,000<sup>1</sup></u>
Total	\$1,306,000

<sup>1</sup>Based on Ready Golf Option 1 proposal.

Ready Golf states that the cost of improvements will be funded entirely from private capital (cash reserves), and that Michael Bernback (President of Ready Golf Centers) will “guarantee” all of the required capital.

According to the financial statement of Michael Leslie Bernback, dated March 31, 2007, Bernback’s net worth is approximately \$9.1 million, including cash/liquid securities valued at \$2.89 million. Excluding personal residence, Bernback’s net worth is reported at \$7.0 million. The financial statement was prepared by a CPA, but was based on information submitted by the individual, and not reviewed nor audited by the accountant.

The proposal does not indicate any intent to borrow funds and has no contingencies.

Based on the information submitted in the proposal, there is reasonable evidence to suggest that Ready Golf has the ability to finance the proposed capital improvements and fund any start-up costs and unforeseen operating deficits.

Ready Golf concurrently has submitted to the City of Los Angeles Department of Recreation and Parks a proposal to operate the Electric Golf Carts Rental Concession under a 10-year contract. If successful, capital investment requirements for the cart concession potentially total about \$2.37 million. Based on the information submitted, Ready Golf has sufficient financial resources to fund/finance both Sepulveda and the Electric Golf Carts Rental Concession.

### **Emerald**

The cost of capital improvements proposed by Emerald is as follows:

Mandatory	---
Optional	<u>---</u>
Total	\$1,757,000 <sup>1</sup>

<sup>1</sup>Proposal indicated total investment at \$1,757,000, identifying the cost of only two items – turf landing area and fencing. Cost of other required and optional improvements is not specified.

Emerald Management, Inc. is the legal entity which submitted the proposal to the City of Los Angeles. The entity is “the golf operating division of Jamison Services, Inc.,” a “vertically integrated real estate investment and management firm engaged in all material aspects of property ownership including acquisition, construction, and leasing.” Emerald Management, Inc. has documented their financial creditworthiness through the inclusion of financial statements relating to Jamison Services, Inc.

Emerald states that the cost of improvements will be funded entirely from “internal working capital.” Emerald further states no intent to use debt borrowings to fund improvements.

According to a balance sheet dated December 31, 2006 for Jamison Services, Inc., company assets total \$4.0 million and stockholder equity (net worth) is reported at \$2.76 million. Current assets total \$2.9 million, including about \$500,000 in cash and a \$2.45 million loan receivable. The financial statement contains information which has not been reviewed or audited by the CPA who prepared the documents. Furthermore, there is insufficient information in the balance sheet explanatory notes to fully judge the quality of the statement. For example, there is no indication as to the source of the loan receivable and related security, no reserve for income tax liability, if any, and other such detail.

Assuming that appropriate pledges and guarantees by Jamison Services, Inc. on behalf of Emerald are in place, there appears to be satisfactory evidence that Emerald has the "ability to finance" the entire operation, as well as the proposed capital improvements. While available cash represents about one-third of the funding requirements, there is sufficient stockholder equity (.6 debt/equity ratio) to secure additional debt if necessary (proposal states no loan required) to fund all proposed improvements, start-up costs and unforeseen operating shortfall.

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- Mr. Michael Hentzen – County of Orange
- Mr. David Sams – City of Pasadena
- Ms. Nancy Woods – City of Santa Barbara

A one-hour interview with each proposer was scheduled. The interview generally consisted of a 15- to 20-minute presentation of proposal highlights, followed by 40 to 45 minutes of panel member questions. It should be emphasized that the proposal interview was intended to provide clarification of proposals. Modifications and/or enhancements of the proposals submitted, if any, were not considered by panel members as stated in the RFP.

### **EVALUATION CRITERIA AND SCORING**

The City defined the evaluation and proposal scoring process in the RFP. There were six criteria identified with a "points awarded by ranking" required.

The criteria include:

- Ability to finance
- Background and experience
- On-going refurbishment, improvements, and maintenance
- Business plan
- Proposed rent
- Capital improvements

The weighting of the criteria and point awards by rank are as follows:

<b>Criterion</b>	<b>Points Awarded by Rank</b>	
	<b>1</b>	<b>2</b>
Ability to Finance	15	13-14
Qualifications & Background	20	18-19
On-going Refurbishment, Improvements, & Maintenance	15	13-14
Business Plan	20	18-19
Rent	15	13-14
Capital Improvements	15	13-14

At the conclusion of each and all interviews, panel members had the opportunity to discuss the proposer's proposal and interview responses. Each panel member then independently completed and signed a summary scoring matrix.

### **PROPOSAL RANKING**

A summary of the panel members' relative ranking of the proposals is presented in Exhibit 3. (The complete set of ranking forms by panel member is provided in Appendix B.) Ready Golf ranked first by all panel members in three of the six evaluation criteria — background/experience, business plan, and rent — ranked first by four of the five panel members in two of the six criteria — refurbishment/maintenance and capital improvements — and ranked first by four of the five panel members on one of the six criteria — ability to finance.

#### **Ability to Finance**

The panel relied upon ERA's Level II Analysis which examined the financial capability of the proposer to fund the proposed improvements and ongoing operation, and information included in the proposal. Both Ready Golf and Emerald appear to have access to sufficient resources to undertake the financial obligations of the concession. Ready Golf was ranked highest by four and Emerald by one panel member. Ready Golf was given slight preference by some due to their incumbent status, which translates into nominal startup expenses, as well as their demonstrated availability of liquid assets. Emerald was ranked first by one panel member due to the apparent strength of their parent company — Jamison Services, Inc.

#### **Background and Experience**

While both proposers demonstrated reasonable qualifications and experience necessary to perform the concession functions, Ready Golf was unanimously ranked first on this criterion, primarily due to: (1) experience working within a municipal golf system; (2) familiarity with the concession as the current concessionaire; and (3) the commitment of identified management staff on-site.

Emerald proposed staff also was well qualified, but Emerald's lack of experience in public sector golf was raised as a limitation.

### **On-going Refurbishment, Improvements, and Maintenance**

Both proposers proposed a commitment of resources to ongoing refurbishment and capital reinvestment. Ready Golf was ranked first by four of the five panel members primarily due to their pledge of \$10,000 annually for capital reinvestment.

Proposed improvements by Emerald were less specific.

### **Business Plan**

Ready Golf was unanimously ranked first by panel members, presenting a well-thought-out and extensive marketing plan with knowledge of the current concession and customer base.

Emerald's marketing plan was not as well-defined and appeared less comprehensive.

### **Proposed Rent**

The panel relied upon ERA's economic analysis of the proposed rent structure and information contained in the proposals. Ready Golf again unanimously ranked first under this evaluation criterion. Ready Golf's proposed rent structure was significantly higher than Emerald's, and is consistent with market based rents for similar public operations.

### **Capital Improvements**

Both Ready Golf and Emerald complied with the minimum capital improvements requirement of the RFP. The panel believes that the additional optional improvements proposed by Ready Golf were appropriate and reasonable, and would benefit the overall golf operation at the Sepulveda complex.

Emerald's suggestion that an automatic ball setter be installed was potentially of interest, but the proposal did not commit to installation of the improvement.

### **PROPOSAL POINTS AWARDED**

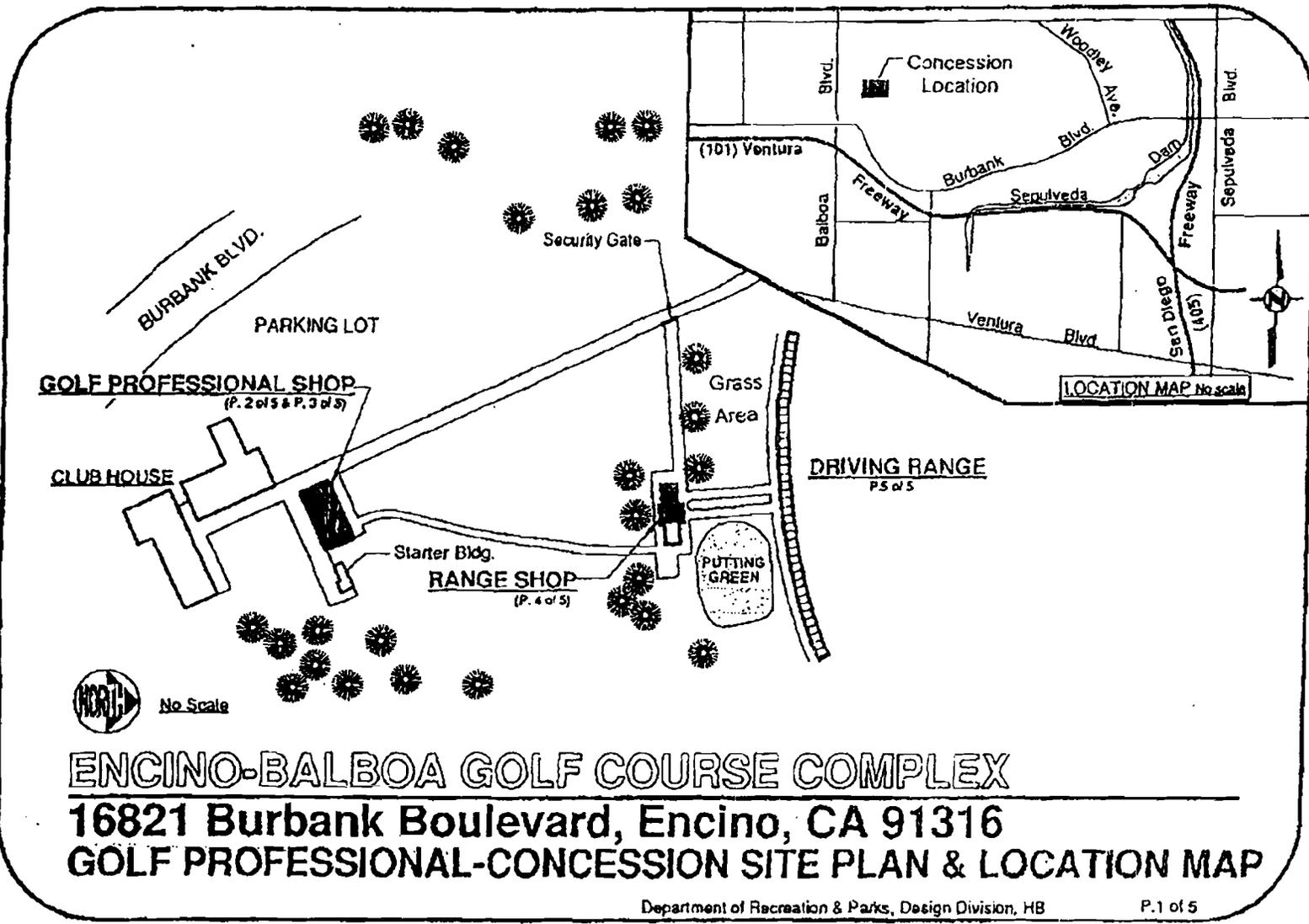
Based on the relative rankings displayed above, and the weighting of each criterion assigned in the City's RFP, points awarded to each proposer by criterion are presented in Exhibit 4 and summarized as follows:

<b>Panelist</b>	<b>Total Points Awarded</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Robert Conrad	91	100
Steve Duron	88	100
Michael Hentzen	89	100
David Sams	93	96
Nancy Woods	<u>90</u>	<u>98</u>
Total	451	494
Average	90.2	98.8

The complete set of points awarded by each panel member is provided in Appendix C.

### **RECOMMENDATION**

Based on the panel's ranking and scoring, Ready Golf Centers is recommended as the preferred proposer for the Sepulveda Golf Course Complex Golf Professional Concession (pro shop, driving range and lessons).



**ENCINO-BALBOA GOLF COURSE COMPLEX**

**16821 Burbank Boulevard, Encino, CA 91316**

**GOLF PROFESSIONAL-CONCESSION SITE PLAN & LOCATION MAP**

Department of Recreation & Parks, Design Division, HB

P.1 of 5

**Exhibit 1**

**CONCESSION SITE MAP**

**Exhibit 2**

**COMPARATIVE CONCESSION GROSS REVENUE  
AT SELECTED FACILITIES  
2006**

<b>Facility</b>	<b>Annual Rounds</b>	<b>Range Revenue (\$000)</b>	<b>Tee Stations</b>	<b>Annual Range Revenue per Tee</b>	<b>Merchandise (\$000)</b>	<b>Lessons (\$000)</b>
Sepulveda	170,400 <sup>1</sup>	\$467	49	\$ 9,530	\$311	\$117
Rancho Park	115,300	814	43	18,900	503	---
Woodley Lakes	90,500	244	28	8,700	236	144
Hansen Dam	88,000	320	28	11,400	290	42
Griffith Park	191,800	563	45	12,500	497	123
Knollwood	89,000	178	40	4,450	194	n.a.
Alondra	112,700	419	40	10,500	115	n.a.
Los Verdes	120,500	349	44	7,930	251	n.a.
Lakewood	110,200	148	25	5,920	228	n.a.
La Mirada	119,700	430	44	9,770	519	n.a.

<sup>1</sup>2005 rounds.

### Exhibit 3

## GOLF CONCESSION PROPOSER RANKING

Criterion/Proposer	Panelist				
	Conrad	Duron	Hentzen	Sams	Woods
Ability to Finance					
Emerald	2	2	2	2	1
Ready Golf	1	1	1	1	2
Qualifications/Background					
Emerald	2	2	2	2	2
Ready Golf	1	1	1	1	1
Refurbishment/Improvements/Maintenance					
Emerald	2	2	2	1	2
Ready Golf	1	1	1	2	1
Business Plan					
Emerald	2	2	2	2	2
Ready Golf	1	1	1	1	1
Rent					
Emerald	2	2	2	2	2
Ready Golf	1	1	1	1	1
Capital Improvements					
Emerald	2	2	2	1	2
Ready Golf	1	1	1	2	1

## Exhibit 4

### GOLF CONCESSION PROPOSER POINTS AWARDED

Criterion/Proposer	Panelist					Total
	Conrad	Duron	Hentzen	Sams	Woods	
<b>Ability to Finance</b>						
Emerald	13	13	14	14	15	69
Ready Golf	15	15	15	15	13	73
<b>Qualifications/Background</b>						
Emerald	19	18	18	18	18	91
Ready Golf	20	20	20	20	20	100
<b>Refurbishment/Improvements/Maintenance</b>						
Emerald	14	13	13	15	13	68
Ready Golf	15	15	15	13	15	73
<b>Business Plan</b>						
Emerald	18	18	18	18	18	90
Ready Golf	20	20	20	20	20	100
<b>Rent</b>						
Emerald	13	13	13	13	13	65
Ready Golf	15	15	15	15	15	75
<b>Capital Improvements</b>						
Emerald	14	13	13	15	13	68
Ready Golf	15	15	15	13	15	73
<b>Total</b>						
Emerald	91	88	89	93	90	451
Ready Golf	100	100	100	96	98	494

**Appendix A**  
**RESUMES OF GOLF CONCESSION EVALUATION**  
**PANEL MEMBERS**

## Appendix A

### RESUMES OF GOLF CONCESSION EVALUATION PANEL MEMBERS

**Mr. Robert Conrad, City of Victorville, Assistant Director of Community Services.**

Mr. Conrad has substantial municipal golf operations experience. He formerly served as the Golf Administrator for the City of Ventura (1986-1993), and the Golf Manager for Boulder City, Nevada (1993-2007). He currently is the Assistant Director of Community Services for the City of Victorville, and has responsibility for the City's municipal golf courses.

**Mr. Steve Duron, County of Los Angeles, Parks and Recreation Operations Manager.**

Mr. Duron was the former golf operations contract administrator for the County of Los Angeles. He was responsible for administering contracts for all of the County golf course lessees and concessionaires. He has extensive experience in all aspects of golf course operations through his more than 30 years with the County. Mr. Duron has the unique combination of expertise in contract management, facility operation, and recreation programming.

**Mr. Michael Hentzen, County of Orange OC Parks, Resources and Development Management Department, Leasing Manager.**

Mr. Hentzen has been with Orange County's Harbors, Beaches, and Parks Division for about 18 years. He is responsible for executing and administering the County's more than 100 revenue leases. Included in this portfolio are several golf courses including Mile Square, Strawberry Farms, and David Baker Golf Course.

**Mr. David Sams, Rose Bowl Operating Company, Director of Golf.** Mr. Sams has many years of experience in administering golf operations. He currently is the Golf Course Administrator for the Rose Bowl Operating Company, responsible for managing the 36-hole Brookside Golf Course in Pasadena, and still provides assistance to the City of San Leandro where he oversaw the golf course renovation and golf operations at the City's Monarch Dunes course. The Rose Bowl Operating Company is a City of Pasadena agency responsible for managing the Rose Bowl stadium, Brookside Restaurant, and Brookside Golf Course. Between 1978 and 1996, Mr. Sams served as the Golf Course Contracts Coordinator for the City of Pasadena.

**Ms. Nancy Woods, City of Santa Barbara, Business Manager.** Ms. Woods has served since 1999 as the Business Manager for the City of Santa Barbara Parks and Recreation Department. She is the liaison with the golf course operations concessionaire and directly involved in establishing golf course policies and all business matters involving the City's municipal golf course.

**Appendix B**  
**RANKING FORMS**

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Bob Conrad

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Rank</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	2	1
Qualifications & Background	2	1
Ongoing Refurbishment, Improvements & Maintenance	2	1
Business Plan	2	1
Rent	2	1
Capital Improvements	2	1

**By:** 

**Name (print):** Bob Conrad

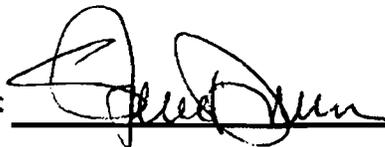
**Date:** 9/18/07

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Steve Duron

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Rank</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	2	1
Qualifications & Background	2	1
Ongoing Refurbishment, Improvements & Maintenance	2	1
Business Plan	2	1
Rent	2	1
Capital Improvements	2	1

By:  \_\_\_\_\_

**Name (print):** Steve Duron \_\_\_\_\_

**Date:** 9/21/07 \_\_\_\_\_

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Michael Hentzen

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Rank</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	2	1
Qualifications & Background	2	1
Ongoing Refurbishment, Improvements & Maintenance	2	1
Business Plan	2	1
Rent	2	1
Capital Improvements	2	1

**By:** Michael Hentzen

**Name (print):** Michael Hentzen

**Date:** 9/24/07

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** David Sams

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Rank</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	2	1
Qualifications & Background	2	1
Ongoing Refurbishment, Improvements & Maintenance	1	2
Business Plan	2	1
Rent	2	1
Capital Improvements	1	2

**By:** David Sams

**Name (print):** David Sams

**Date:** 9/21/07

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Nancy Woods

**Interview Date:** Tuesday, September 11, 2007

Criterion	Rank	
	Emerald	Ready Golf
Ability to Finance	1	2
Qualifications & Background	2	1
Ongoing Refurbishment, Improvements & Maintenance	2	1
Business Plan	2	1
Rent	2	1
Capital Improvements	2	1

By: Nancy Woods

Name (print): Nancy Woods

Date: September 17, 2007

**Appendix C**  
**POINTS AWARDED FORMS**

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Bob Conrad

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Points Awarded</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	13	15
Qualifications & Background	19	20
Ongoing Refurbishment, Improvements & Maintenance	14	15
Business Plan	18	20
Rent	13	15
Capital Improvements	14	15
Total	91	100

**By:** *Bob Conrad*

**Name (print):** Bob Conrad

**Date:** 9/18/07

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Steve Duron

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Points Awarded</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	13	15
Qualifications & Background	18	20
Ongoing Refurbishment, Improvements & Maintenance	13	15
Business Plan	18	20
Rent	13	15
Capital Improvements	13	15
Total	88	100

By:  \_\_\_\_\_

Name (print): Steve Duron \_\_\_\_\_

Date: 9/21/07 \_\_\_\_\_

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Michael Hentzen

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Points Awarded</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	14	15
Qualifications & Background	18	20
Ongoing Refurbishment, Improvements & Maintenance	13	15
Business Plan	18	20
Rent	13	15
Capital Improvements	13	15
Total	89	100

By: Michael Hentzen

Name (print): Michael Hentzen

Date: 9/24/07

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** David Sams

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Points Awarded</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	14	15
Qualifications & Background	18	20
Ongoing Refurbishment, Improvements & Maintenance	15	13
Business Plan	18	20
Rent	13	15
Capital Improvements	<u>15</u>	<u>13</u>
Total	93	96

By: David Sams

Name (print): David Sams

Date: 9/21/07

**Concession:** City of Los Angeles Sepulveda Golf Professional

**Panel Member:** Nancy Woods

**Interview Date:** Tuesday, September 11, 2007

<b>Criterion</b>	<b>Points Awarded</b>	
	<b>Emerald</b>	<b>Ready Golf</b>
Ability to Finance	15	13
Qualifications & Background	18	20
Ongoing Refurbishment, Improvements & Maintenance	13	15
Business Plan	18	20
Rent	13	15
Capital Improvements	13	15
Total	90	98

**By:** Nancy Woods

**Name (print):** Nancy Woods

**Date:** September 17, 2007

**SEPULVEDA GOLF COMPLEX PROFESSIONAL CONCESSION  
READY GOLF CENTERS  
PROPOSED RENT OPTIONS - COMPARISON BY CATEGORY**

Attachment C

Year	Pro Shop Gross Revenue	OPTION I	OPTION II
		RENT TO CITY	RENT TO CITY
		5%	5%
Year 1	\$ 379,195	\$ 18,960	\$ 18,960
Year 2	\$ 388,674	\$ 19,434	\$ 19,434
Year 3	\$ 398,391	\$ 19,920	\$ 19,920
Year 4	\$ 408,351	\$ 20,418	\$ 20,418
Year 5	\$ 418,560	\$ 20,928	\$ 20,928
Year 6	\$ 429,024	\$ 21,451	\$ 21,451
Year 7	\$ 439,749	\$ 21,987	\$ 21,987
Year 8	\$ 450,743	\$ 22,537	\$ 22,537
Year 9	\$ 462,012	\$ 23,101	\$ 23,101
Year 10	\$ 473,562	\$ 23,678	\$ 23,678
<b>Total Pro Shop:</b>		<b>\$ 212,413</b>	<b>\$ 212,413</b>

Year	Lessons Gross Revenue	5%	5%
		RENT TO CITY	RENT TO CITY
Year 1	\$ 177,782	\$ 8,889	\$ 8,889
Year 2	\$ 182,227	\$ 9,111	\$ 9,111
Year 3	\$ 186,782	\$ 9,339	\$ 9,339
Year 4	\$ 191,452	\$ 9,573	\$ 9,573
Year 5	\$ 196,238	\$ 9,812	\$ 9,812
Year 6	\$ 201,144	\$ 10,057	\$ 10,057
Year 7	\$ 206,173	\$ 10,309	\$ 10,309
Year 8	\$ 211,327	\$ 10,566	\$ 10,566
Year 9	\$ 216,610	\$ 10,831	\$ 10,831
Year 10	\$ 222,025	\$ 11,101	\$ 11,101
<b>Total Lessons:</b>		<b>\$ 99,588</b>	<b>\$ 99,588</b>

Year	Range Gross Revenue	25% / 60%	36%
		RENT TO CITY	RENT TO CITY
Year 1	\$ 507,083	\$ 126,771	\$ 182,550
Year 2	\$ 519,760	\$ 129,940	\$ 187,114
Year 3	\$ 532,754	\$ 133,189	\$ 191,791
Year 4	\$ 546,073	\$ 136,518	\$ 196,586
Year 5	\$ 559,725	\$ 139,931	\$ 201,501
Year 6	\$ 573,718	\$ 143,430	\$ 206,538
Year 7	\$ 588,061	\$ 147,015	\$ 211,702
Year 8	\$ 602,763	\$ 150,695	\$ 216,995
Year 9	\$ 617,832	\$ 154,457	\$ 222,420
Year 10	\$ 633,278	\$ 158,319	\$ 227,980
<b>Total Range:</b>		<b>\$ 2,069,117</b>	<b>\$ 2,045,177</b>

Year	Other Gross Revenue	5%	5%
		RENT TO CITY	RENT TO CITY
Year 1	\$ 13,972	\$ 699	\$ 699
Year 2	\$ 14,322	\$ 716	\$ 716
Year 3	\$ 14,680	\$ 734	\$ 734
Year 4	\$ 15,047	\$ 752	\$ 752
Year 5	\$ 15,423	\$ 771	\$ 771
Year 6	\$ 15,808	\$ 790	\$ 790
Year 7	\$ 16,204	\$ 810	\$ 810
Year 8	\$ 16,609	\$ 830	\$ 830
Year 9	\$ 17,024	\$ 851	\$ 851
Year 10	\$ 17,450	\$ 873	\$ 873
<b>Total Other:</b>		<b>\$ 7,827</b>	<b>\$ 7,827</b>

	Option I	Option II	Difference
<b>TOTAL PROJECTED RENT</b>	<b>\$ 2,388,946</b>	<b>\$ 2,365,005</b>	<b>\$ 23,941</b>

TOTAL RENT TO CITY				
YEAR	TOTAL GROSS REVENUE	OPTION I RENT TO CITY	OPTION II RENT TO CITY	Difference
Year 1	\$ 1,078,032	\$ 155,318	\$ 211,097	
Year 2	\$ 1,104,983	\$ 159,201	\$ 216,375	
Year 3	\$ 1,132,607	\$ 163,181	\$ 221,784	
Year 4	\$ 1,160,923	\$ 167,261	\$ 227,329	
Year 5	\$ 1,189,946	\$ 171,442	\$ 233,012	
Year 6	\$ 1,219,694	\$ 175,728	\$ 238,837	
Year 7	\$ 1,250,187	\$ 180,122	\$ 244,808	
Year 8	\$ 1,281,442	\$ 184,622	\$ 250,929	
Year 9	\$ 1,313,478	\$ 189,225	\$ 257,202	
Year 10	\$ 1,346,315	\$ 193,948	\$ 263,632	
<b>TOTAL</b>	<b>\$ 12,077,607</b>	<b>\$ 2,388,946</b>	<b>\$ 2,365,005</b>	<b>\$ 23,941</b>

## PERSONNEL DEPARTMENT CONTRACT REVIEW REPORT

1. Requesting Department: Recreation and Parks

**C** Contacts

Department: Theresa Walker Phone (818) 243-6488 Fax No. (818) 243-1459  
 CAO: Veronica Salumbides Phone (213) 473-7561 Fax No. (213) 473-7514

3. Work to be performed:

The Department of Recreation and Parks is seeking a contractor to operate the Golf Professional Concession at the Sepulveda Golf Complex, which includes a golf pro shop and a driving range. The contractor must provide the following: golf lessons to the patrons; staff to manage and operate the golf pro shop while providing merchandise for the pro shop; and any necessary equipment for the golf ball picking machines and golf ball dispensers.

4. Is this a contract renewal? Yes  No

5. Proposed length of contract: 10 years w/ 2 five year extensions Proposed Start Date: Unknown

6. Proposed cost of contract (if known): \$1.1 million per year (gross revenue generating)

7. Name of proposed contractor: Unknown

Unique or special qualifications required to perform the work:

Experience in operating a retail business similar to a golf pro shop which includes marketing to generate revenue; maintaining a driving range; and planning and implementing capital improvements to the golf course. The contractor must also have a staff member that is PGA Class "A" certified.

9. Are there City employees that can perform the work being proposed for contracting?

Yes  No  Some of the work

If yes,

a. Which class(es) and Department(s): \_\_\_\_\_

<b>Class</b>	<b>Departments</b>	<b>Eligible list expires</b>
Park Service Attendant	El Pueblo, Rec & Parks, Zoo	No list
Golf Starter	Rec & Parks	6/7/08

b. Is there sufficient Department staff available to perform the work? Yes  No

c. Is there a current eligible list for the class(es)? Yes  No  Expiration Date See above

d. Estimated time to fill position(s) through CSC process? Unknown

e. Can the requesting department continue to employ staff hired for the project after project completion? Yes  No

f. Are there City employees currently performing the work? Yes  No

10. Findings

City employees DO NOT have the expertise to perform the work

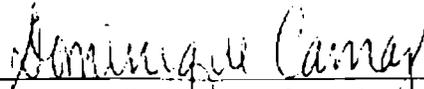
City employees DO have the expertise to perform some of the work

Check if applicable (explanation attached) and send to CAO for further analysis

- Project of limited duration would have to layoff staff at end of project
- Time constraints require immediate staffing of project
- Work assignment exceeds staffing availability

SUMMARY: The class of Park Service Attendant can operate and maintain the driving range. A Golf Starter can perform cashiering duties in the pro shop. However, the Department is seeking a PGA Class "A" certified instructor for golf lessons, but the City does not currently have that expertise. While the Department could maintain a driving range and assist in the pro shop, they do not have sufficient staff with the ability to provide golf lessons or fully maintain a golf pro shop.

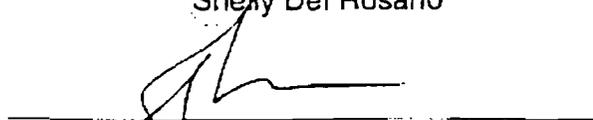
Submitted by:

  
\_\_\_\_\_  
Dominique Camaj

Reviewed by:

  
\_\_\_\_\_  
Shely Del Rosario

Approved by:

  
\_\_\_\_\_  
Shannon C. Pascual

Date:

\_\_\_\_\_  
10/29/07

Department of Recreation and Parks  
 Sepulveda Golf Complex Professional Concession  
 Charter Section 1022 Cost Benefit Analysis

**READY GOLF CENTERS - OPTION I**

Year	Total Projected Gross Revenue	Total Projected Rent - Option I		Contract Administration Costs	TOTAL CONTRACTING RETURN TO CITY
		Total Projected Rent - Option I	Contract Administration Costs		
Year 1	\$ 1,078,032	\$ 155,318	\$ 17,516	\$ 137,802	
Year 2	\$ 1,104,983	\$ 159,201	\$ 18,391	\$ 140,810	
Year 3	\$ 1,132,607	\$ 163,181	\$ 19,311	\$ 143,870	
Year 4	\$ 1,162,923	\$ 167,261	\$ 20,277	\$ 146,984	
Year 5	\$ 1,189,946	\$ 171,442	\$ 21,290	\$ 150,152	
Year 6	\$ 1,219,694	\$ 175,728	\$ 22,355	\$ 153,373	
Year 7	\$ 1,250,187	\$ 180,122	\$ 23,473	\$ 156,649	
Year 8	\$ 1,281,442	\$ 395,592	\$ 24,646	\$ 370,946	
Year 9	\$ 1,313,478	\$ 405,482	\$ 25,879	\$ 379,603	
Year 10	\$ 1,346,315	\$ 415,619	\$ 27,173	\$ 388,446	
<b>TOTAL:</b>	<b>\$ 12,079,607</b>	<b>\$ 2,388,946</b>	<b>\$ 220,310</b>	<b>\$ 2,168,636</b>	

**GOLF DIVISION**

Golf Division Operation Expenses	TOTAL SELF OPERATION RETURN TO CITY
\$ 992,910	\$ 112,073
\$ 1,042,555	\$ 90,052
\$ 1,094,683	\$ 68,240
\$ 1,149,417	\$ 40,529
\$ 1,206,888	\$ 12,806
\$ 1,267,232	\$ (17,045)
\$ 1,330,594	\$ (49,152)
\$ 1,397,123	\$ (83,645)
\$ 1,466,980	\$ (120,665)
<b>\$ 11,894,010</b>	<b>\$ 185,597</b>

**READY GOLF CENTERS - OPTION II**

Year	Total Projected Gross Revenue	Total Projected Rent - Option II		Contract Administration Costs	TOTAL CONTRACTING RETURN TO CITY
		Total Projected Rent - Option II	Contract Administration Costs		
Year 1	\$ 1,078,032	\$ 211,097	\$ 17,516	\$ 193,581	
Year 2	\$ 1,104,983	\$ 216,375	\$ 18,391	\$ 197,984	
Year 3	\$ 1,132,607	\$ 221,784	\$ 19,311	\$ 202,473	
Year 4	\$ 1,162,923	\$ 227,329	\$ 20,277	\$ 207,052	
Year 5	\$ 1,189,946	\$ 233,012	\$ 21,290	\$ 211,722	
Year 6	\$ 1,219,694	\$ 238,837	\$ 22,355	\$ 216,482	
Year 7	\$ 1,250,187	\$ 244,808	\$ 23,473	\$ 221,335	
Year 8	\$ 1,281,442	\$ 250,929	\$ 24,646	\$ 226,283	
Year 9	\$ 1,313,478	\$ 257,202	\$ 25,879	\$ 231,323	
Year 10	\$ 1,346,315	\$ 263,632	\$ 27,173	\$ 236,459	
<b>TOTAL:</b>	<b>\$ 12,079,607</b>	<b>\$ 2,365,005</b>	<b>\$ 220,310</b>	<b>\$ 2,144,695</b>	

**GOLF DIVISION**

Golf Division Operation Expenses	TOTAL SELF OPERATION RETURN TO CITY
\$ 992,910	\$ 112,073
\$ 1,042,555	\$ 90,052
\$ 1,094,683	\$ 68,240
\$ 1,149,417	\$ 40,529
\$ 1,206,888	\$ 12,806
\$ 1,267,232	\$ (17,045)
\$ 1,330,594	\$ (49,152)
\$ 1,397,123	\$ (83,645)
\$ 1,466,980	\$ (120,665)
<b>\$ 11,894,010</b>	<b>\$ 185,597</b>

DEPARTMENT OF RECREATION AND PARKS  
 SEPULVEDA GOLF COMPLEX PROFESSIONAL CONCESSION  
 CHARTER 1022 ANALYSIS  
 CONTRACT ADMINISTRATION COST

Attachment E

Classification	Annual Salary	No. of Employees	Labor Expense	COST ALLOCATION PLAN RATE			Labor Expense Inc CAP Rate
				Fring Benefit 60.17%	Cent Serv 24.91%	Dept Admin 13.15%	
Senior Management Analyst I (Annual Salary / 52 Contracts Assigned)	\$ 93,229.20	0.0192	\$ 1,790.00	\$ 1,077.04	\$ 445.89	\$ 235.39	\$ 3,548.32
Management Analyst II (Annual Salary / 13 Contracts Assigned)	\$ 78,947.28	0.0769	\$ 6,071.05	\$ 3,652.95	\$ 1,512.30	\$ 798.34	\$ 12,034.63
Accounting Clerk I (Annual Salary / 52 Contracts Assigned)	\$ 50,780.16	0.0192	\$ 974.98	\$ 586.64	\$ 242.87	\$ 128.21	\$ 1,932.70
<b>TOTAL CONTRACT ADMINISTRATION COSTS:</b>							<b>\$ 17,515.65</b>

Projected Contract Administration Cost for 10 Year Term of Agreement		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Based on first year cost and 5% annual growth factor.		\$ 17,515.65	\$ 18,391.44	\$ 19,311.01	\$ 20,276.56	\$ 21,290.39	\$ 22,354.91	\$ 23,472.65	\$ 24,646.28	\$ 25,878.60	\$ 27,172.53	\$ 220,310.01

DEPARTMENT OF RECREATION AND PARKS  
 SEPULVEDA GOLF COMPLEX PROFESSIONAL CONCESSION  
 CHARTER 1022 ANALYSIS  
 GOLF DIVISION SELF-OPERATION COSTS

Full Time Classification	Annual Salary	No of Employees	Labor Expense	COST ALLOCATION PLAN RATE			Labor Expense Inc CAP Rate
				Fring Benefit 60.17%	Cent Serv 24.91%	Dept Admin 13.15%	
Principal Park Services Attendant I	\$ 62,948.80	1	\$ 62,948.80	\$ 37,816.12	\$ 15,655.64	\$ 8,264.62	\$ 124,585.18
Park Services Attendant II	\$ 45,643.68	2	\$ 91,287.36	\$ 54,927.60	\$ 22,739.88	\$ 12,004.29	\$ 180,958.93
Gardener Caretaker	\$ 43,305.12	1	\$ 43,305.12	\$ 26,056.69	\$ 10,787.31	\$ 5,694.62	\$ 85,843.74
<b>Part Time Classification</b>	<b>Annual Hours</b>	<b>Hourly Rate</b>	<b>Labor Expense</b>	<b>COST ALLOCATION PLAN RATE</b>			<b>Labor Expense Inc CAP Rate</b>
				Fring Benefit 10.25%	Cent Serv 24.91%	Dept Admin 13.15%	
Sepulveda Pro Shop Assistant Park Services Attendant I	2,080	\$ 11.82	\$ 24,585.60	\$ 2,520.02	\$ 6,124.27	\$ 3,233.01	\$ 36,462.90
Sepulveda Driving Range Assistant Park Services Attendant I	8,320	\$ 11.82	\$ 98,342.40	\$ 10,080.10	\$ 24,497.09	\$ 12,932.03	\$ 145,851.61
Special Program Assistant II	4,160	\$ 11.82	\$ 49,171.20	\$ 5,040.05	\$ 12,248.55	\$ 6,466.01	\$ 72,925.81
<b>TOTAL LABOR COSTS:</b>							<b>\$ 646,628.17</b>

**Sepulveda Expenses**

- Lesson Services (Contract) \$ 120,000.00
- Office Supplies \$ 6,500.00
- Equipment (Range) \$ 18,500.00
- Equipment (Pro Shop) \$ 8,500.00
- Pro Shop Items \$ 85,000.00
- Range Balls / Range Mats \$ 42,500.00
- Utilities \$ 18,000.00

**TOTAL EXPENSE COSTS:**

**\$ 299,000.00**

**TOTAL GOLF DIVISION - SELF OPERATION COSTS (Year 1) \$ 945,628.17**

Projected Self Operation Cost for 10 Year Term of Agreement	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Based on first year cost and 5% annual growth factor.	\$ 945,628.17	\$ 992,909.58	\$ 1,042,555.06	\$ 1,094,682.81	\$ 1,149,416.95	\$ 1,206,887.80	\$ 1,267,232.19	\$ 1,330,593.80	\$ 1,397,123.49	\$ 1,466,979.67	\$ 11,894,009.54