

APPROVED

AUG 11 2010

REPORT OF GENERAL MANAGER

NO. 10-225

DATE August 11, 2010

BOARD OF RECREATION
and PARK COMMISSIONERS

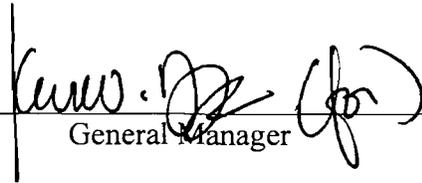
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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: VENDING MACHINES – AWARD OF CONCESSION AGREEMENT TO
FIRST CLASS VENDING, INC.

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

*F. Mok no v
K. Regan _____
M. Shull _____


General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve a proposed Concession Agreement, between the City of Los Angeles Department of Recreation and Parks (Department) and First Class Vending, Inc., for the operation and maintenance of the Vending Machines Concession for a term of five (5) years with two (2) five-year renewal options exercisable at the sole discretion General Manager, substantially in the form on file in the Board Office, subject to the approval of the Mayor, City Council, and of the City Attorney as to form;
2. Find, in accordance with Charter Section 371(e)(10) and Los Angeles Administrative Code Section 10.15(a)(10), that the use of competitive bidding would be undesirable, impractical or otherwise excused by the common law and the Charter because, unlike the purchase of a specified product, there is no single criterion, such as price comparison, that will determine which proposer can best provide the services required by the Department for the improvement, operation and maintenance of the Department's concession. In order to select the best proposer for this concession, the Board finds it is necessary to utilize a standard request for proposals process and to evaluate proposals received based upon the criteria included in the Request for Proposals (RFP). Also find that the narrower and more specialized competitive sealed proposal process authorized but not required by Charter Section 371, subsection (b), would not meet the Department's needs and therefore opts to utilize the standard request for proposals process;

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3. Direct the Board Secretary to transmit the proposed Concession Agreement to the Mayor in accordance with Executive Directive No. 3 and, concurrently, to the City Attorney for review and approval as to form; and,
4. Authorize the Board President and Secretary to execute the Concession Agreement upon receipt of the necessary approvals.

SUMMARY:

The Vending Machines Concession currently provides vending machines to 89 locations throughout the City; additional locations will be included during the first year of operation under the new concession agreement. Beverages and snack items are provided at reasonable costs to patrons of recreation centers, aquatic centers and neighborhood and regional parks.

The Vending Machines Concession is currently operated by Compass Group USA, Inc., dba Canteen on a month-to-month basis since January 12, 2006 and currently pays 26.5% of gross sales as rent to the Department. In calendar year 2009, the concession generated \$440,101 in gross receipts and paid \$112,293 in rent to the Department.

On May 20, 2009, the Board approved the release of an RFP for the Vending Machines Concession (Board Report 09-131). The RFP was released on August 19, 2009 and advertised in L.A. Daily Journal, Korean Daily, and Chinese Daily; made available on the Department's website and posted on the Los Angeles Business Assistance Virtual Network (BAVN). In addition, a letter inviting bids was mailed to over one-hundred and fifty (150) organizations and individuals from a mailing list maintained by the Concession Unit. On September 30, 2009, a Pre-Proposal Conference was held at the Central Service Yard and attended by eleven (11) companies.

Three addendums to the RFP were released to provide staff time to respond to questions of potential proposers and to revise the anticipated participation level of the Good Faith Effort Subcontractor Outreach requirement as instructed by the Los Angeles Business Minority Business Opportunity Center (LAMBOC). Potential proposers were given adequate time to prepare the necessary documents for the submission with their proposals. On May 25, 2010, the following two proposals were received:

- First Class Vending, Inc.
- Compass Group USA, Inc., dba Canteen

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As stipulated in the RFP, evaluation of the bid proposals was to occur in two levels. Level I would be a check and review for required compliance and submittal documents and Level II would be a comprehensive evaluation of the proposal. Proposers must successfully pass the first level to proceed to the next level.

Level I Evaluation

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) Contractor Responsibility Ordinance Statement
- 5) Equal Benefits Ordinance Statement
- 6) Living Wage Ordinance/Service Contractor Worker Retention Ordinance
- 7) Good Faith Effort Subcontractor Outreach
- 8) Bidder Certification - CEC Form 50

Submittal Documents:

- 1) Cover Letter
- 2) Proposal Deposit
- 3) Ability to Finance
- 4) Experience and Qualifications
- 5) Proposed Business Plan
- 6) Proposed Revenue Sharing Payment
- 7) Proposed Sponsorship Payment

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

- First Class Vending, Inc., was found Responsive in all eight compliance documents and all seven submittal documents (Attachments A-1 and A-2).
- Compass Group USA, Inc. dba Canteen was found Responsive in seven compliance documents, non-responsive in one compliance document (Good Faith Effort Subcontractor Outreach), and responsive in all seven submittal documents (Attachments B-1 and B-2).

With one responsive proposal submitted in response to the RFP, staff reviewed the proposal and finds that First Class Vending, Inc., has the experience, background, and financial capability to successfully operate the concession.

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First Class Vending, Inc., was established in 1994 by Matthew Marsh and Ryan Marsh. The company has become a top-tier vending service organization headquartered in Los Angeles County. The company currently employs seven people and manages in excess of \$50,000,000 in annual vending machine gross revenues for clients such as: the City of Riverside, Knott's Berry Farm, Universal Studios, and Six Flags Magic Mountain. In 2003, Matthew Marsh, the president of First Class Vending, received the Vending Operator of the Year Award.

First Class Vending, Inc., proposed 34% of total sales gross receipts as the revenue sharing payment with a minimum guarantee of \$125,000 per year, and 1.5% of total sales gross receipts as payment for utilities.

Staff recommends that the Vending Machines Concession Agreement be awarded to First Class Vending, Inc., for a term of five (5) years, with two (2) five-year options to renew, exercisable at the sole discretion of the General Manager.

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 March 3, 2009 the Personnel Department completed a Charter Section 1022 review and determined that since this contract does not have a labor component, a Charter Section 1022 determination is not required.

FISCAL IMPACT STATEMENT:

During the five-year term of the concession agreement, it is estimated that approximately \$625,000 will be paid in rent to the Department. Of that amount, \$562,500 will be deposited in the Department's General Fund, \$31,250 will be deposited into the Concession Improvement Account (Fund 302, Department 89, Account 070K) and \$31,250 will be deposited in the appropriate account for the facility requesting the service.

Report prepared by Orville Patino, Management Analyst II, Concessions Unit, Administrative Resources Section, Finance Division.

**DEPARTMENT OF RECREATION AND PARKS
LEVEL I EVALUATION**

**VENDING MACHINES CONCESSION RFP
FIRST CLASS VENDING, INCORPORATED**

I. Compliance Documents		Submitted	In Compliance	Comments
1.	Affidavit of Non-Collusion	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Contractor Responsibility Ordinance Statement	Yes	Yes	
5.	Equal Benefits Ordinance Statement	Yes	Yes	
6.	Living Wage/Service Contract Worker Retention Ordinance Forms	n/a	n/a	
7.	Good Faith Effort Subcontractor Outreach	Yes	Yes	
8.	Bidder Certification CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	In Compliance	Comments
1.	Cover Letter	Yes	Yes	
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	Yes	
4.	Experience and Qualifications	Yes	Yes	
5.	Proposed Business Plan	Yes	Yes	
6.	Proposed Revenue Sharing Payment	Yes	Yes	
7.	Proposed Sponsorship Payment	Yes	Yes	

**DEPARTMENT OF RECREATION AND PARKS
GOOD FAITH EFFORT OUTREACH SCORING**

**VENDING MACHINES CONCESSION RFP
FIRST CLASS VENDING, INCORPORATED**

Indicator		Possible Points	Awarded Points	Comment (Reason for Failing)
1.	Level of Anticipated MBE/WBE/OBE Participation	0	0	
2.	Attended Pre-Bid Meeting	10	10	
3.	Sufficient Work Identified for Subconsultant	10	10	
4.	Advertisement	9	9	
5.	Written Notices to Subconsultant	15	15	
6.	Follow-Up on Initial Solicitation	10	10	
7.	Plans, Specifications, and Requirements	5	5	
8.	Contacted Recruitment / Placement Organizations	10	10	
9.	Negotiated in Good Faith	26	26	
10.	Bond, Lines of Credit, and Insurance	5	5	
TOTAL SCORE:		100	100	<i>Less than 75 points is failing - Passed</i>

**DEPARTMENT OF RECREATION AND PARKS
LEVEL I EVALUATION**

**VENDING MACHINES CONCESSION RFP
COMPASS GROUP USA, INCORPORATED DBA CANTEEN**

I. Compliance Documents		Submitted	In Compliance	Comments
1.	Affidavit of Non-Collusion	Yes	Yes	
2.	Disposition of Proposals	Yes	Yes	
3.	Affirmative Action Plan	Yes	Yes	
4.	Contractor Responsibility Ordinance Statement	Yes	Yes	
5.	Equal Benefits Ordinance Statement	Yes	Yes	
6.	Living Wage/Service Contract Worker Retention Ordinance Forms	n/a	n/a	
7.	Good Faith Effort Subcontractor Outreach	No	No	10 points awarded for attending proposal conference. 75 points required to pass. Documentation of outreach was not submitted in the proposal.
8.	Bidder Certification CEC Form 50	Yes	Yes	

II. Submittal Documents		Submitted	In Compliance	Comments
1.	Cover Letter	Yes	Yes	
2.	Proposal Deposit	Yes	Yes	
3.	Ability to Finance	Yes	Yes	
4.	Experience and Qualifications	Yes	Yes	
5.	Proposed Business Plan	Yes	Yes	
6.	Proposed Revenue Sharing Payment	Yes	Yes	
7.	Proposed Sponsorship Payment	Yes	Yes	

**DEPARTMENT OF RECREATION AND PARKS
GOOD FAITH EFFORT OUTREACH SCORING**

**VENDING MACHINES CONCESSION RFP
COMPASS GROUP USA, INCORPORATED DBA CANTEEN**

Indicator		Possible Points	Awarded Points	Comment (Reason for Failing)
1.	Level of Anticipated MBE/WBE/OBE Participation	0	0	
2.	Attended Pre-Bid Meeting	10	10	
3.	Sufficient Work Identified for Subconsultant	10	0	Documentation of outreach was not submitted in proposal.
4.	Advertisement	9	0	Documentation of outreach was not submitted in proposal.
5.	Written Notices to Subconsultant	15	0	Documentation of outreach was not submitted in proposal.
6.	Follow-Up on Initial Solicitation	10	0	Documentation of outreach was not submitted in proposal.
7.	Plans, Specifications, and Requirements	5	0	Documentation of outreach was not submitted in proposal.
8.	Contacted Recruitment / Placement Organizations	10	0	Documentation of outreach was not submitted in proposal.
9.	Negotiated in Good Faith	26	0	Documentation of outreach was not submitted in proposal.
10.	Bond, Lines of Credit, and Insurance	5	0	Documentation of outreach was not submitted in proposal.
TOTAL SCORE:		100	10	<i>Less than 75 points is failing - Failed</i>