COUNTY OF LOS ANGELES
DEPARTMENT OF PARKS AND RECREATION
"Creating Community Through People, Parks and Programs"
Russ Guiney, Director

January 10, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

DEPARTMENT OF PARKS AND RECREATION:
APPROVAL OF LEASE AMENDMENT TO COUNTY CONTRACT
FOR THE OPERATION OF:
CHESTER WASHINGTON AND MAGGIE HATHAWAY GOLF COURSES
CONTRACT NO. 67042
(ALL DISTRICTS) (3 VOTES)

SUBJECT

On July 27, 2010, your Board approved parameters to allow for the extension of concession contracts in return for increased fees and/or capital improvements to County facilities, without competitive bidding. Accordingly, this letter recommends a contract amendment offering term extensions in consideration for increased revenue to the County for the operation of Chester Washington and Maggie Hathaway Golf Courses for 2011-12, as well as future years. These two facilities are operated under one master lease agreement.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the approval of the amendment to the subject lease agreement is a categorically exempt project under California Environmental Quality Act guidelines in accordance with Article 19, Section 15301(a) and (d); and

2. Approve and delegate authority to the Director of the Department of Parks and Recreation to execute the amendment to Lease Agreement Number 67042 with American Golf Corporation, for the continued operation of Chester Washington and Maggie Hathaway Golf Courses, to extend the lease term for a maximum of four successive five year option periods, without competitive bidding, in exchange for ten percent additional revenue benefit to the County. The additional revenue shall be paid on rents due as of January 1, 2012.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County of Los Angeles, Department of Parks and Recreation Golf System is composed of 19 golf courses at 17 facilities. All facilities are operated by private concessionaires under long term lease agreement with the County of Los Angeles. During FY 2010-11, the 19 facilities generated $15,357,789 in rental revenue for the Department of Parks and Recreation (Department).

Approval of the recommended action will allow for the extension of the lease agreement without competitive bidding, in exchange for a ten percent additional benefit in the form of increased rent percentages to the County of Los Angeles. The proposed action will result in both a short term and long term benefit to the County.

On July 27, 2010, your Board directed County Departments, working with the Chief Executive Officer (CEO) and County Counsel to review proposed extension amendments and return with individual concession contract extensions to your Board for approval. Your Board further recommended departmental guidelines and implementation instructions, including criteria for an initiative to allow for concession agreement extensions without competitive bidding in exchange for additional benefits to the County and to instruct affected departments to negotiate possible concession contract amendments with eligible concessionaires. This amendment, if approved, would be the sixth contract extension approved by your Board under this initiative. Under a separate action at the December 20, 2011 meeting, your Board approved term extensions for the operation of Diamond Bar, Knollwood, La Mirada, Los Verdes, and Mountain Meadows, with American Golf Corporation under this initiative. As part of your Board's policy, the effective date of the increased revenue percentage must be no later than the effective date of the first contract amendment(s) approved by your Board under this initiative. Accordingly, if approved, the revenue increase will be effective January 1, 2012, in accordance with the term extensions previously approved by your Board.

The recommended action will increase, on average, the rental percentage due to the County from green fees, cart rentals and driving range usage, from 40% to 44%. A survey was conducted of percentages received by other municipalities in the local Los Angeles metropolitan area golf courses and determined that this action will ensure the County receives percentages consistent with other municipalities. The extension of these Lease Agreements, without competitive bidding, will eliminate County receiving lower than these recommended percentages through a Request for Proposal (RFP) solicitation. Since 2006, the County golf system has experienced a 15% decline in play. The Department's most recent RFP for a like golf course resulted in no proposals being submitted at the requested 28% rent on golf revenues.

The Department canvassed its golf course contracts and solicited offers from operators that met the appropriate criteria, requesting additional benefit to the County of no less than ten percent in exchange for a term extension of 20 years. On August 26, 2010, the Department sent letters of interest to the operators of nine golf courses requesting that they submit their interest in a lease extension with the County of Los Angeles, in exchange for not less than a ten percent additional benefit to the County. Letters of interest were sent to the concessionaires of the following golf courses; Diamond Bar, Knollwood, La Mirada, Lakewood, Los Verdes, Mountain Meadows, Santa Anita, and Chester Washington and Maggie Hathaway. The Chester Washington and Maggie Hathaway golf courses are operated under a single master lease.

Upon consideration and further negotiations by the Department, contract amendments for the following golf courses were recommended to your Board on December 13, 2011 and amendment extensions were approved for Diamond Bar, Knollwood, La Mirada, Los Verdes, and Mountain Meadows, on December 20, 2011.

The additional revenue for Chester Washington and Maggie Hathaway is estimated and is in addition to the rental revenue received from the operators per the terms of the existing lease agreement.

- Chester Washington/ Maggie Hathaway — 2011-12 additional revenue to County of $65,663

In addition, a detailed chart (Attachment I) providing the following information for the recommended golf course contract extension is attached:

- Concessionaire's background information;
- Identification of the proposed cost benefit and related fiscal impact;
- Department's analysis and justification for the recommended golf contract extensions;
- Facility name;
- Current contract term expiration date; and
- New contract term expiration date (following Board approval).

Upon your Board's authorization, the Director of Parks and Recreation will execute the contract amendments to effect the changes described in Attachment I.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we provide Fiscal Responsibility (Goal 4) by investing in public infrastructure and providing to the community the convenience to participate in enhanced recreational opportunities that will promote good health and social and emotional well-being.

FISCAL IMPACT/FINANCING

Your Board's approval of the recommended action would result in additional benefit to the County, in the form of rent fees, of approximately $65,663 for FY 2011-12 (6 months) $143,027 for FY 2012-13, and a total of $3,170,856, cumulatively, through the expiration date of the recommended contract term extensions. A portion of these revenues will be deposited into trust accounts to fund golf course improvements at each site. The remaining amount will be deposited into the Department's Operating Budget to fund ongoing operations.

OPERATING BUDGET IMPACT

Based on the recommended action, it is estimated that the Department's Operating Budget will realize additional golf course revenues of approximately $51,873 in FY 2011-12 (6 months) and $111,562 in FY 2012-13 cumulatively. Based on these projections, the Department will adjust its operating revenue estimates for FYs 2011-12 and 2012-13 accordingly. The Department does not expect any operating cost increases resulting from the contract amendment.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

This effort pertains to current contracts which were planned to be competitively rebid upon expiration and for which a competitive solicitation process was not already under way.

The Department was directed to exclude from consideration:

- Any contracts that cannot legally be extended without a bid process;
- Any contract for which the Department reasonably determines that a more favorable benefit can be obtained via a competitive process;
- Contracts where the Department has identified performance issues with the current contractor; and/or
- Contracts where the Department is uncertain if the services will be needed for the extended term; and
- For amendments providing additional revenue to the County, the effective date of the increased revenue percentage must be no later than the effective date of the first contract amendment(s) approved by your Board under this initiative.

CONTRACTING PROCESS

The contracting process does not apply as the guidelines for proposed recommended action were approved by your Board on July 27, 2010.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This effort is intended to produce immediate additional revenue in light of the fiscal challenges faced by the County. The proposed contract amendments should not have a negative impact on the level or quality of service provided to the County and to services provided to the public.

CONCLUSION

This Department will continue to package and forward additional contract amendments consistent with this effort, for Board approval, as they become available.

Respectfully submitted,

Russ Guiney
Director

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Attachment

c: Executive Office, Board of Supervisors
County Counsel
Department of Parks and Recreation

DEPARTMENT OF PARKS AND RECREATION CONTRACT AMENDMENTS

The Department of Parks and Recreation recommends the following proposed contract amendment which would generate additional cumulative revenues of $65,663 to the County of during fiscal year 2011-12 (6 months) and $143,027 during fiscal year 2012-13.

The current contract term expiration date, and new contract term expiration date, following Board approval are as follows:

Facility	Expiration of Current Term	Expiration of New Contract Term
Chester Washington / Maggie Hathaway	October 31, 2013	October 31, 2033

Contract No. 67042 – Chester Washington and Maggie Hathaway Golf Courses

Background

Contract No. 67042 was awarded to CW Golf Partners Inc, now called American Golf Corporation, on August 26, 1993, to provide for the operation and maintenance of the Chester Washington and Jack Thompson (now known as Maggie Hathaway) Golf Courses. The existing lease expires October 31, 2013. The County received $1,300,250 in rent revenue in FY 2010/11 from the Chester Washington and Maggie Hathaway Golf Courses.

Recommended Amendment/Fiscal Impact

The Department of Parks and Recreation recommends amending this contract by extending the existing term of the Lease for a maximum of four (4) successive five (5) year option periods. In exchange, American Golf Corporation is offering an additional ten (10%) of the rent percentages currently provided for in the Lease. For example, the current rent percentage for green fees at the Chester Washington Golf Course is forty (40) percent. The rent consideration to be paid to the County under this amendment would increase to forty-four (44) percent. The right to exercise these options is dependent upon the Lessee not being in material default under the terms of the Lease. The projected benefit has been approximated as follows:

Term	Additional Benefit
FY 2011/12 (6 Months)	$65,663
FY 2012/13	$143,027
1/1/2012 – 10/31/2033	$3,170,856

Justification

An analysis was performed by the Department of Parks and Recreation and concluded that recommending this contract extension is economically advantageous to the County because it will result in an additional $3,170,856 over the life of the term extension. The amendment will also avoid a possible revenue decrease following a new solicitation. In addition, the recommended contract extension will ensure that the users of the Chester Washington and Maggie Hathaway Golf Courses continue to receive services and golf course conditions that meet and exceed the requirements of the lease and expectations of the public. American Golf Corporation has proven to be a responsive contractor.