



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Chief Executive Officer

June 30, 2017

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

ASSESSING THE VIABILITY OF EXPANDING ECONOMIC OPPORTUNITIES FOR LOCAL SMALL BUSINESSES, DISABLED VETERAN BUSINESSES, AND SOCIAL ENTERPRISES IN COUNTY CONCESSION CONTRACTS (ITEM NO. 9, AGENDA OF MARCH 28, 2017)

On March 28, 2017, the Board of Supervisors (Board) directed the Chief Executive Officer (CEO), in consultation with the Economic Development Policy Committee, the Department of Consumer and Business Affairs (DCBA), the Internal Services Department (ISD), and County Counsel, to report back in writing in 90 days with an inventory of the County's concession contracts. The Motion called for an assessment as to whether there are opportunities to encourage local small business enterprise, disabled veteran business enterprise and social enterprise participation, as well as employ local hiring standards, on these types of contracts. The Motion further requested an assessment of procurement process changes that may encourage the participation of these types of businesses, or whether the participation and hiring goals should be evaluated on a case-by-case basis.

BACKGROUND

The County has made strides in leveraging its contracting power to advance small business and community development objectives, but there does not yet exist a comprehensive database of County contracts by contract type to efficiently take stock of all concession contracts. While the Auditor-Controller is currently building its Library of Contracts Inventory (LOCI), which will house a database of contracts with categorization by operative terms, LOCI has not yet been populated with current contracts. Once completed, LOCI will help to facilitate the comprehensive inventory of contracts that the County has long endeavored to create.

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A comprehensive contracts inventory enables the County to best harness its ability as a market participant to affect economic development. The County can leverage its Local Small Business Enterprise (LSBE), Disabled Veteran-owned Business Enterprise (DVBE), and Social Enterprise (SE) utilization plans, as well as its Local and Targeted Worker Hire Policy (LTWHP), to encourage the participation of businesses and workers with barriers to entry as part of County concession contracts.

INVENTORY PROCESS

The CEO, in collaboration with the Auditor-Controller, DCBA, and ISD determined that it would be necessary to survey all County departments to obtain an accurate picture of active concession contracts. On May 4, 2017, the above referenced departments conducted a mandatory meeting of County contracts managers to explain the proposed concessions inventory, describe the inventory process, and facilitate discussion amongst the departments as to how to best accomplish the inventory. Departments returned their initial survey to the Auditor-Controller, who compiled all responses on a centralized list of concession contracts.

SUMMARY OF INVENTORY

The inventory revealed that the CEO, Department of Beaches and Harbors (DBH), Department of Parks and Recreation (DPR), and Department of Public Works (DPW) currently administer 52 active County concession contracts (see Attachment I for the complete listing of active concession contracts). A concession contract is defined as an agreement between the County and a private party, which gives the private party the right to operate and maintain a specific business that is within the County's immediate jurisdiction. Concession contracts operate as revenue generating contracts for the County. DPR holds the most concession contracts with 36, while DBH administers 11 concession contracts at various beaches throughout the County. Agreements such as ground leases did not meet the definition of a concession contract and were not included in this analysis. A summary is provided below:

Department	Number of Concession Contracts
Chief Executive Office	4
Beaches and Harbors	11
Parks and Recreation	36
Public Works	1
Total	52

ASSESSMENT OF LSBE, DVBE, AND SE UTILIZATION GOALS

The CEO, in consultation with DCBA, reviewed standard concession solicitation language, as well as current language in the identified contracts, in order to evaluate the need for

procurement process changes. The CEO found that with the exception of the one DPW concession contract where an LSBE preference was offered on a solicitation document, a preference does not currently exist for LSBEs, DVBES, or SEs in the standard Request For Proposals (RFP) language used for concession contracts.

Further, the standard contract that concession vendors enter into with the County does not contain any language about using LSBEs, DVBES, or SEs as subcontractors to the extent feasible. While there are general references that the County has a policy to encourage small business participation in the County contracting process, and that it is the intent of the County that the LSBE prompt payment program is adhered to, there does not currently exist any language regarding a preference program for LSBEs, DVBES, or SEs on concession contracts.

After evaluating the County's concession contracts, the CEO recommends that the Board consider updated procurement and contract language for concession contracts to reflect the Board's priority of extending economic opportunities to LSBEs, DVBES, and SEs through the contracting process. As provided for in the Los Angeles County Code of Ordinances §2.204.010, the County shall aid and assist, to the maximum extent possible, the interests of local small business concerns to ensure that a fair proportion of the total purchases and contracts or subcontracts for the purchase of goods and services for the County are awarded to such enterprises. In order to honor this objective, the CEO proposes the following for Board consideration:

Bid point preference to LSBEs, DVBES, and SEs on concession contracts –
The CEO, with support from DCBA, recommends exploring a point preference to be awarded to certified LSBE, DVBE, and SE vendors. As revenue-generating contracts are not typically awarded to the lowest bidder, a point system would be the appropriate means to further incentivize the utilization of LSBEs, DVBES, and SEs, and would make these firms more competitive in the procurement process. This recommendation would involve an amendment to standard concessions solicitation documents, and an evaluation of any County ordinance changes needed. The cost associated with implementation would be minimal; however, revenue to the County could be reduced if contracts are awarded to LSBEs, DVBES, and SEs that received point preferences, but did not necessarily project the highest amount of revenue for the County.

The addition of a bid point preference for concession contracts would be similar in intent to the price reduction afforded to LSBEs, DVBES, and SEs on standard County contracts. Additional options that may be considered to encourage small and disabled veteran business participation on concession contracts, but that are not currently included in the above-referenced County Ordinance, are as follows:

Subcontracting to LSBEs, DVBes, and SEs – The CEO could work with County Counsel to change standard contracting terms on concession contracts to ask that concessionaires subcontract with LSBEs, DVBes, and SEs. A best efforts standard could be utilized, with monitoring and technical assistance provided by DCBA. This level of monitoring and assistance may result in increased operational expense to DCBA. Further, a subcontracting requirement may result in increased operational costs to the concessionaires, thus reducing the amount of revenue generated by any given concession contract.

Unbundle Contracts – Currently, concession contracts are performed by one vendor. However, these contracts involve multiple activities that could potentially be performed by small and local businesses. From disc golf, equestrian centers, food services, a Renaissance Faire, golf course management and more, it is possible that these contracts could be separated into multiple smaller contracts that are more likely to be managed by LSBEs, DVBes, and SEs. This would further catalyze County utilization of small businesses; however, this may also increase the cost to the County to run the procurement and contracting process, and could reduce revenue if the contracts are managed by less-experienced businesses. In addition, the County does not currently possess the expertise necessary to unbundle and then administer the specialized services offered by many concessionaires. Therefore, unbundling contracts could result in operational inefficiencies where service to the public may be compromised. DPR is one example of a department where unbundling could potentially result in a lower quality of service and compromised amenities if contracts are awarded to multiple entities for the operation of one facility.

Should the County elect not to adopt any universal procurement changes for concession contracts, such contracts could instead be evaluated on a case-by-case basis. It is possible that certain types of concession contracts may be better suited to small business participation, whereas others would not be appropriate. For example, DPR notes that the significant up-front investment required for golf course management makes these concession contracts better-suited to large businesses with a proven track record of success in the golf industry, and not suitable for small businesses. Since 2007, DPR has had five golf course operators default on their operating agreements due to non-payment of rent. DPR reports that all five were, or are, small businesses.

The assertion that certain contracts are better suited to large businesses with sizeable cash flow, working capital resources, and industry-specific expertise is an argument applicable not only to concession contracts, but to numerous types of County service contracts. Yet the CEO does not recommend a case-by-case evaluation for concession contracts that does not first look at the larger inventory of County contracts. The CEO does not view a case-by-case evaluation as being any more applicable to concession contracts than it is to other service contracts.

ASSESSMENT OF HIRING GOALS

Concession contracts do not currently contain any language requiring or suggesting the use of local and targeted workers as defined in the County's LTWHP. The inventory of concession contracts did not reveal any contracts where the current LTWHP would apply, as the LTWHP applies to California construction hours worked on contracts over certain dollar thresholds. Local and Targeted Worker hiring priorities may be suited to certain non-technical aspects of concession contracts, but the CEO has not found that concession contracts are unique in providing opportunities for these worker categories. Absent a more expansive Board policy to extend the LTWHP to a broader set of County service contracts, the CEO does not recommend that concession contracts incorporate specific preferences for hiring Local and Targeted Workers.

NEXT STEPS

The CEO will continue to monitor County concession contracts, and at the direction of the Board, will implement procurement process changes to further incentivize the utilization of LSBEs, DVBES, and SEs. This will best enable the County to extend economic opportunities to local and target businesses so that the objectives of both small business utilization and economic development are achieved to the fullest extent.

If you have any questions regarding this report, please contact Doug Baron at (213) 974-8355, or dbaron@ceo.lacounty.gov.

SAH:JJ: DSB
CMT:acn

Attachments

c: Executive Office, Board of Supervisors
 County Counsel
 Auditor-Controller
 Consumer and Business Affairs
 Economic Development Policy Committee
 Internal Services Department
 Workforce Development, Aging and Community Services

**LOS ANGELES COUNTY CONCESSION CONTRACTS
JUNE 2017**

ATTACHMENT I

	Department	Contract Name	Concessioner Name	Beginning Date	End Date	Average Annual Revenue Generated
1	Beaches and Harbors	Perry's - Will Rogers-Chautauqua	Chaos Enterprises, Inc.	5/1/2014	3/31/2019	\$ 16,821.00
2	Beaches and Harbors	Perry's - Venice	Chaos Enterprises, Inc.	5/1/2014	3/31/2019	\$ 236,511.00
3	Beaches and Harbors	Perry's - Torrance	Chaos Enterprises, Inc.	5/1/2014	3/31/2019	\$ 22,530.00
4	Beaches and Harbors	B & B Food Services - Will Rogers-Temescal	P. Mike Begakis	5/1/2014	3/31/2019	\$ 30,586.00
5	Beaches and Harbors	Windsport International - Dockweiler-Hyperion	Joe Greblo	5/1/2014	3/31/2019	\$ 4,588.00
6	Beaches and Harbors	Segundo Catering Company - Dockweiler-Bluff	Segundo Catering Company, LLC.	5/1/2014	3/31/2019	\$ 9,481.00
7	Beaches and Harbors	Karoun Restaurant - Zuma 1	Samvel Arutyunyan	5/1/2014	3/31/2019	\$ 45,894.00
8	Beaches and Harbors	Karoun Restaurant - Zuma 2	Samvel Arutyunyan	5/1/2014	3/31/2019	\$ 46,045.00
9	Beaches and Harbors	Surf Food Stand - Manhattan	Baruch Yechzia	5/1/2014	3/31/2019	\$ 45,875.00
10	Beaches and Harbors	Hot Dogs Anonymous - Malibu Surf Rider	Jane H. Melville	5/1/2014	3/31/2019	\$ 4,613.00
11	Beaches and Harbors	Perry's - Dockweiler-Kilgore	Chaos Enterprises, Inc.	5/1/2014	3/31/2019	\$ 15,597.00
12	Chief Executive Office	Starbucks at Grand	Starbucks	11/1/2011	10/31/2021	\$ 105,405.42
13	Chief Executive Office	Hall of Administration Cafeteria	LunchStop	9/5/2006	Month to Month	\$ 30,347.42
14	Chief Executive Office	Countywide Vending Machines	Compass Group	11/1/2013	10/31/2023	\$ 221,396.54
15	Chief Executive Office	Hall of Administration Snack Bar	Blind Enterprise Program - Sandy Ballani	1/1/2014	Month to month	\$ 48,424.94
16	Parks and Recreation	Cerritos Community Park Tennis Center	Bram G. Sada	6/1/2009	5/31/2019	\$ 20,911.50
17	Parks and Recreation	La Mirada Tennis	Kuk Ro Lee & Patrick McConnell (HK Tennis Inc.)	6/1/2009	5/31/2019	\$ 24,439.87
18	Parks and Recreation	Whittier Narrows Tennis Center	iTennis, Inc.	9/1/2009	11/30/2019	\$ 37,079.96
19	Parks and Recreation	El Cariso Golf Course	American Golf Holdings, El Cariso, LLC.	6/1/2012	Month to Month	\$ 161,849.03
20	Parks and Recreation	BISC (Watercraft Instruction)	CSUN Department of Recreation Leisure (BISC)	8/1/2012	7/31/2022	\$ 14,513.52
21	Parks and Recreation	Altadena Golf Course	O & J Management	11/1/2012	Month to Month	\$ 66,268.25
22	Parks and Recreation	Eaton Canyon Golf Course	O & J Management	11/1/2012	Month to Month	\$ 71,301.42
23	Parks and Recreation	Los Amigos Golf Course	Strato Partners, LLC.	12/1/2012	11/30/2037	\$ 474,368.69
24	Parks and Recreation	Festivals, Fairs & Cultural Events (WNRA)	O Entertainment	3/1/2014	2/28/2028	\$ 30,361.12
25	Parks and Recreation	Peter F. Schabarum Equestrian Center	Hacienda Sosegado, LLC.	5/1/2014	4/30/2024	\$ 5,802.16
26	Parks and Recreation	Whittier Narrows Golf Course	American Golf	3/7/2015	5/31/2036	\$ 371,029.27
27	Parks and Recreation	Renaissance Faire (SFD)	Renaissance Entertainment	3/8/2016	2/28/2025	\$ 110,000.00
28	Parks and Recreation	Castaic Lake - Food, Boat and Bait	Pyramid Enterprises, Inc.	2/1/2017	1/31/2035	NEW
29	Parks and Recreation	Frank G. Bonelli Regional Park - Boat Rentals	Wheel Fun Rentals SGV, LLC.	2/1/2017	3/31/2017	NEW
30	Parks and Recreation	Santa Fe Dam Recreation Area - Boat, Bait, Cycle and Food	Wheel Fun Rentals SGV, LLC.	4/1/2017	1/31/2027	NEW

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31	Parks and Recreation	Whittier Narrows Recreation Area - Boat, Bait & Cycle	Wheel Fun Rentals SGV, LLC.	4/1/2017	3/1/2027	NEW
32	Parks and Recreation	Whittier Narrows Equestrian Center	Hacienda Sosegado, LLC.	5/1/2017	4/30/2037	NEW
33	Parks and Recreation	Frank G. Bonelli Equestrian Center	Diedra Stephens	5/1/2017	4/30/2037	NEW
34	Parks and Recreation	La Mirada Golf Course	American Golf Corp.	6/1/1982	5/31/2032	\$ 1,509,950.29
35	Parks and Recreation	Los Verdes Golf Course	American Golf Corp.	12/1/1982	11/30/2032	\$ 2,243,296.38
36	Parks and Recreation	Marshall Canyon Golf Course	Marshall Canyon Country Club, Inc.	3/1/1983	Month to Month	0.00
37	Parks and Recreation	Frank G. Bonelli Water Theme Park	Palace Entertainment	3/8/1983	12/31/2034	\$ 1,135,199.99
38	Parks and Recreation	Alondra Golf Course	Alondra Golf Course, Inc.	4/1/1984	Month to Month	\$ 1,460,124.96
39	Parks and Recreation	Victoria Golf Course	Plentitude Holdings, LLC.	8/1/1985	7/31/2035	\$ 71,122.39
40	Parks and Recreation	Santa Anita Golf Course	Strato Partners, LLC.	9/1/2016	8/31/2036	NEW
41	Parks and Recreation	Frank G. Bonelli Recreational Vehicle Campground	East Shore Recreational Vehicle Park	8/19/1986	12/31/2018	\$ 486,493.21
42	Parks and Recreation	Diamond Bar Golf Course	American Golf Corp.	1/1/1987	12/31/2031	\$ 1,278,228.31
43	Parks and Recreation	Whittier Narrows Trap and Skeet Range	Triple B Clays	6/1/1988	5/31/2018	\$ 154,042.57
44	Parks and Recreation	Mountain Meadows Golf Course	American Golf Corp.	7/1/1989	6/30/2039	\$ 1,424,068.36
45	Parks and Recreation	Knollwood Golf Course	American Golf Corp.	3/1/1991	2/29/2036	\$ 1,390,702.68
46	Parks and Recreation	Chester Washington Golf Course / Maggie Hathaway Golf Course	American Golf Corp. / CW Golf Partners	10/15/1993	Month to Month	\$ 1,185,845.61
47	Parks and Recreation	Lakewood Golf Course	American Golf Corp.	2/1/1994	1/31/2024	\$ 1,431,151.51
48	Parks and Recreation	Marshall Canyon Equestrian Center	Diedra Stephens	1/31/1995	Month to Month	\$ 16,883.28
49	Parks and Recreation	Veterans Park Disc Golf (Frisbee tournament course)	R & S Disc Golf / 19th Hole Sports	3/1/2005	Month to Month	\$ 12,008.70
50	Parks and Recreation	Vending Machines	PepsiCo.	2/8/2005	Month to Month	\$ 22,197.64
51	Parks and Recreation	Arcadia Park Tennis	iTennis, Inc.	5/1/2012	4/30/2024	\$ 104,823.95
52	Public Works	DPW - Cafeteria	California Dining Services	10/7/2011	4/6/2018	\$ 6,573.00