



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: JULY 5, 2012

FROM: REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE FIRST AMENDMENT TO EXECUTIVE DIRECTOR AGREEMENT NO. E6604 WITH CALIFORNIA DINING SERVICES

SUMMARY:

On July 28 2011, the City of Los Angeles Harbor Department (Harbor Department) awarded Executive Director Agreement No. E6604 (Agreement) California Dining Services (Cal Dining), located in Irvine, CA, for a term of one year to operate the Harbor Administration Building (HAB) cafeteria (Port Pantry) and provide vending machine, catering, and coffee services. This Agreement will expire on July 27, 2012.

The proposed First Amendment will: 1) extend the term of the Agreement for one additional year with an option to extend for an additional one-year term; 2) increase the subsidy by five percentage points; 3) clarify the subsidy language; and 4) clarify language for purchasing cafe operations supplies.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that in accordance with the Los Angeles City Charter Section 1022, it is more feasible for an outside contractor to perform this work than City employees;
2. Approve the First Amendment to Agreement No. E6604 with California Dining Services;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the First Amendment to Agreement No. E6604; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background – In May 2011, the Real Estate Division released the Port Pantry Operator Request for Proposal (RFP) to seek professional food services to operate the Port Pantry at the HAB. After reviewing the results from the proposal evaluations, menu sampling, and in-person interviews, the selection committee concluded that Cal Dining was the most qualified proposer that met or exceeded all the necessary qualifications and experience to operate, maintain, and manage the Port Pantry, as outlined in the RFP.

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On July 28, 2011, Cal Dining was awarded Executive Director Agreement No. E6604 (Transmittal 2) for a term of one year to provide food services at various Harbor Department facilities for the benefit of Harbor Department employees and invitees. The services include operating the Port Pantry, providing non-exclusive catering services for special events and meetings, providing vending machines, and providing coffee and tea services.

CURRENT AGREEMENT:

Term: Cal Dining was awarded a one-year Agreement, which will expire on July 27, 2012.

Subsidy: As part of this Agreement, the Harbor Department subsidizes the operation of the Port Pantry by providing an annual food subsidy of 15 percent of gross receipts, not including catering and any applicable sales tax, for food items sold at the Port Pantry. The subsidy is passed on to employees as discounts on menu prices. Providing a subsidy increases employee patronage while giving employees a healthy, affordable, and convenient alternative to local eateries.

Catering: Under this Agreement, catering services are also being offered for meetings and events at HAB or off site, such as employee appreciation events, as well as Harbor Department marketing and customer meetings.

Vending Machines: The Agreement also allows Cal Dining to provide, through a subcontractor, at least five reliable vending machines and services at HAB and at the new Port Police Headquarters Building.

Coffee Services: The Agreement includes services for coffee, tea, and hot chocolate to Harbor Department employees and invitees at over 45 coffee service areas in various Harbor Department offices and yards through a subcontractor.

Compensation: The total annual compensation budgeted for this Agreement was \$140,000 to cover anticipated costs associated with the subsidy, catering, and coffee services. The annual budgeted compensation included \$115,000 for the subsidy and catering services combined, to allow flexibility within the two budgeted elements, and \$25,000 for coffee services. Based on actual invoices for the first nine months of the Agreement, the first year estimated expenditures are listed below.

	FY 11/12	
	Approved Budget	Estimated Expenditures
Subsidy	\$115,000*	\$21,000
Catering		\$20,000
Coffee	\$25,000	\$25,000
Total	\$140,000	\$66,000

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* Approved budget elements were combined to allow flexibility within the subsidy and catering. Estimated expenditures for the subsidy and catering elements were broken apart for reporting purposes.

PROPOSED FIRST AMENDMENT:

Term: Through the First Amendment (Transmittal 1), the term of the Agreement will be extended one year, with an option to extend for an additional one-year period.

Cal Dining sent a customer satisfaction survey to all Harbor Department employees to determine if customer needs were being met. The survey results included feedback and suggestions to improve the speed of service, ensure flavor/menu consistency, reduce menu pricing, as well as improve overall value and customer service. In response, Cal Dining has made several changes in personnel and has improved in those areas which were of concern to employees. These improvements have resulted in increased patronage of the Port Pantry.

Cal Dining's depth of experience and qualifications, quality and selection of food, and comprehensive financial arrangement makes it the best choice to continue operating the Port Pantry.

Cal Dining's approach to serving the Harbor Department will continue to include: developing an inviting and diverse daily menu and weekly specials to maximize sales; regular meetings with the contract administrator to adjust the menu selections and review pricing; implementation of a creative marketing and promotional program; and performing quality assurance inspections.

Subsidy: Over the past two years, there has been an average 10 percent increase in costs due to the overall price increase of food, beverages, and commodities. In an effort to continue providing reasonable prices to Harbor Department employees and increase employee patronage, it is recommended that the subsidy be increased an additional five percentage points, from the current 15 percent to 20 percent.

The subsidy language in the Agreement will also be updated to reflect the proposed subsidy increase and clarify that instead of providing an annual food subsidy of a percentage of gross receipts, the Harbor Department will subsidize the operation of the Port Pantry by providing an annual food subsidy of 20 percent of regular-priced food items, not including catering and any applicable sales tax, for food items sold at the Port Pantry. The subsidy will be passed on to employees as discounted menu prices.

Purchasing of Cafe Operations Supplies: The First Amendment will add language that states that the Operator shall give preference to the sale of healthy and sustainable foods and is encouraged to purchase local and sustainably produced foods.

Catering: Catering services will remain the same.

Vending Machines: Vending machine services will remain the same.

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Coffee Services: Coffee services will remain the same.

Compensation: The proposed compensation under the First Amendment for all services provided by Cal Dining will decrease from the approved budget to an annual amount not to exceed \$73,000, which was calculated based on estimated expenditures of the Agreement and includes the subsidy increase. The annual compensation will include \$48,000 for the Port Pantry operations subsidy and catering services combined, to allow flexibility within the subsidy and catering elements, and \$25,000 for coffee services, as listed in the chart below.

	FY 12/13	FY 13/14
	Proposed Budget	
Subsidy	\$28,000	\$28,000
Catering	\$20,000	\$20,000
Coffee	\$25,000	\$25,000
Total	\$73,000	\$73,000

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an amendment to an Agreement with Cal Dining for operation of the Port Pantry to extend the Agreement for one year, increase the subsidy, and clarify language. As an activity involving an amendment of an Agreement to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Amendment will have very minor (less than one) employment impact for the five-county region.

FINANCIAL IMPACT:

The proposed First Amendment to the existing Agreement with Cal Dining for professional food services would increase the term an additional one year with an option to extend for an additional one-year period, for a total of three years. The compensation authority under the First Amendment is proposed to be \$73,000 per year, which is \$67,000 lower compared to the approved budget, but \$7,000 higher per year versus the estimated expenditures. Over the term of the Agreement, should all renewal options be exercised, total compensation authority will be \$212,000, of which \$77,000 is attributed to the food subsidy (\$21,000 in year one, and \$28,000 in each of years two and three). During the first year of the existing Agreement, of the \$140,000 approved budget, \$66,000 is expected to be expended through the current Fiscal Year (FY)

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2011/2012. Funds for Fiscal Year 2012/2013 in the amount of \$73,000 have been budgeted in Account 54290, Center 0424, Program 000. Funds for future FY 2013/2014 will be requested to be budgeted as part of the annual budget adoption process, upon Board approval. A funding-out clause is included in the Agreement.

CITY ATTORNEY:

The proposed First Amendment has been approved as to form and legality by the Office of the City Attorney.

TRANSMITTALS:

- 1. First Amendment to Executive Director Agreement No. E6604
- 2. Executive Director Agreement No. E6604

FIS Approval: HR (initials)
 CA Approval: JMC (initials)

for

 JACK C. HEDGE
 Director of Real Estate

FOR

 KATHRYN McDERMOTT
 Deputy Executive Director

APPROVED:


 GERALDINE KNATZ, Ph.D.
 Executive Director

GK:KM:JH:RG:VA:raw
 Author: V. Anaya
 BL416raw Cal Dining 1st Amend