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EXECUTIVE MANAGEMENT COMMITTEE RECOMMENDATION

FORWARDED TO THE FULL BOARD WITHOUT RECOMMENDATION award of a revenue contract to the highest rated proposer under RFP No. 95-12 for the operation of the Gateway Cafeteria; AND REQUESTED the following:

- a. revenue to the MTA expressed as percent of gross;
- b. the owners of Gardner Merchant; and
- C. legal review of the contract to assure that it is not exclusionary.

EMC 1

EMC 1 *



August 2, 1995

TO: EXECUTIVE MANAGEMENT COMMITTEE

THROUGH: FRANKLIN E. WHITE

FROM: JUDITH T. PIERCE

SUBJECT: AWARD OF CONTRACT FOR CAFETERIA OPERATOR FOR
THE NEW MTA HEADQUARTERS BUILDING

Los Angeles County
Metropolitan
Transportation
Authority

818 West Seventh Street
Suite 300
Los Angeles, CA 90017

213.972.6000

Mailing Address:
P.O. Box 194
Los Angeles, CA 90053

RECOMMENDATION

Consider Chief Executive Officer's report containing recommendation and authorization to award a contract to Gardner Merchant, under RFP No. 95-12, for three years with two one year options, where the MTA will be paid a fixed rent plus a percentage of the gross receipts.

ALTERNATIVES CONSIDERED

The only alternative to contracting with a cafeteria operator is for the MTA to operate its own cafeteria. It was determined that this alternative was impractical and inefficient.

IMPACT ON BUDGET AND OBJECTIVES

This contract is expected to provide a positive cash flow as well as the other benefits associated with an in-house employee cafeteria.

BACKGROUND

A. Procurement Process

The request for proposal (RFP) was developed incorporating input from the MTA's Equal Opportunity Department, the Chief Administrative Officer, the Deputy Chief Administrative Officer, Materiel, the Director of Procurement and Cini-Little, the MTA's Food Service Consultant. The RFP was structured similar to those used by the Los Angeles Airport food service, L. A. City Hall of Administration and the Port of Portland as well as other public agencies.

Great care was taken to ensure that the RFP was not restrictive in its requirements. The requirements for years in the business and number of people served were significantly reduced to encourage maximum DBE participation.

On May 23, 1995, the MTA issued 77 notices of which 58 (76%) were DBEs/MBEs/WBEs to prospective proposers. In addition, the MTA's Equal Opportunity Department contacted several local minority Chambers of Commerce with large memberships and made them aware of this procurement. An advertisement ran in the Los-Angeles Times on May 28, 1995. Fifty-five firms/individuals requested RFPs and solicitations were mailed out on June 1, 1995. A preproposal conference was held on June 13, 1995, which was attended by 20 potential proposers. On June 30, 1995, six (6) proposals were received from the following firms:

California Dining Services
Canteen
Gardner Merchant
Incredible Feast
MAB Services (vending machines)
Thigpen Ltd.

B. Evaluation Process

An evaluation team, consisting of MTA staff representatives from various departments was formed to review and rate the submissions.

The proposals were evaluated using the following criteria:

Proposal Clarity	(15%)
Quality of Service	(25%)
Quality of Staff	(20%)
Quality of Firm	(20%)
Competitive Terms	(20%)

The Proposal Evaluation/Negotiation Committee (PENC) met on July 10, 1995, and determined that two firms were within the competitive range. The two firms are as follows:

Executive Management Committee
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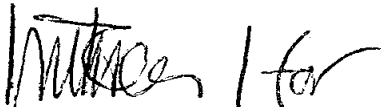
Canteen
Gardner Merchant

Site visits were made at cafeterias operated by these firms to view their operations and sample their food. As a result of the proposal evaluation and site visits, the PENC determined that Gardner Merchant is best qualified to operate the cafeteria at the new MTA Headquarters building.

CONCLUSION

It is in the MTA's best interest to award a contract to Gardner Merchant as the cafeteria operator. The vendor is expected to begin limited food service around the second week in September.

Prepared by Michael T. Holguin, Contract Administrator



Paul L. Como, Director
Procurement



Arthur J. Kimball
Deputy Chief Administrative Officer
Materiel

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Supplemental 8



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Mailing Address:

P.O. Box 194
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August 18, 1995

TO: MTA DIRECTORS AND ALTERNATES
THROUGH: FRANKLIN E. WHITE
FROM: JUDITH T. PIERCE
SUBJECT: BOARD DIRECTOR INFORMATION REQUESTS:
GATEWAY CAFETERIA CONTRACT AWARD

Per the requests at the August Executive Management Committee, summarized below is the response to issues/questions raised at the Committee:

Issue/Question: What was the scope and focus of the MTA's minority outreach efforts?

Lead by the Vendor Relations and Equal Opportunity Departments, our minority outreach efforts focused on local minority owned food service businesses. Beginning May 15 and continuing till the close of the proposal process on June 30, Vendor Relations and EO staffs contacted seven local minority business associations and surveyed in-house and external minority businesses. In total, over 330 local minority food service businesses were contacted and made aware of the cafeteria request for proposal; seven minority firms attended the bidders conference and two submitted proposals. Listed below are the various business source listings and business associations consulted or contacted:

- * MTA Vendor Data Base: 16,000 records
- * Southern California Chamber of Commerce: 250,000 records
- * PASS Directory-small minority business nation-wide
- * Latin Business Association
- * Black Business Association
- * Asian Business Association

Attachment A describes the outreach efforts in detail, including a profile of the minority firm (Your Coffee Service) recommended for the contract award.

MTA DIRECTORS AND ALTERNATES

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August 18, 1995

Issue/Question: Operating agreement terms: MTA's revenue based on gross revenue or net revenue/profits. Counsel review of agreement terms.

Counsel has reviewed the issues related to revenue to the MTA and exclusivity of the right to sell food and beverages within the headquarters building (Attachment B). Attachment C presents a survey conducted by staff of other organizations on terms and conditions of their cafeteria agreements.

Issue/Question: What is MTA's policy on investigating/establishing owner interest in publicly traded companies that bid on MTA contracts?

The MTA Ethics Department has existing policies and practices that gather and organize bidder/proposer company ownership information for every procurement. When required, a Lexis search of corporate and partnership filings with the Secretary of State is performed. This information is compiled in the Conflict of Interest Report to the Board. Attachment D is the Conflict of Interest Report for Gardner Merchant.

The Board adopted Ethics Policy does not require potential bidder's stockholder interest information. Identifying those stockholders with greater than 1 percent interest in any company is not now a part of the MTA's overall policy.

Issue/Question: Who is Gardner Merchant?

Gardner Merchant Food Services, Inc. is a wholly owned subsidiary of Gardner Merchant Service Group Limited. Gardner Merchant, Ltd. has a 107 year history with international food service management, with annual receipts of \$1.8 billion in the United States alone. Their clients include: ABC Studios, American Express, Apple Computer, IBM and Universal Studios.

Attachment A, B, C, D

ATTACHMENT A

GATEWAY CAFETERIA DISADVANTAGED BUSINESS OUTREACH EFFORTS

- o Two (2) of the six (6) proposers were DBEs, they were:

COMPANY	OWNER	LOCATION
Incredible Feast	Nancy Youngerman (WBE)	Long Beach, CA
Thigpen Ltd.	James Thigpen (MBE)	San Francisco, CA

Neither firm was selected.

- o All of the responsive proposers met or exceeded the DBE goal of 10% by utilizing the following firms:

<u>FIRM</u>	OWNER	CITY
Your Coffee Service*	Kristine Barnes (WBE)	Playa Del Rey, CA
Aegir Systems	Ella Williams (D/WBE)	Oxnard, CA
Espresso Paradiso	Zhanna Zapozhnikov (WBE)	Los Angeles, CA
RCA Associates	Renette Anderson (D/WBE)	Inglewood, CA

*Utilized by Gardner Merchant, the selected proposer.

OUTREACH EFFORTS

- o May 2, 1995, preliminary meeting held to identify DBE utilization opportunities.
- o May 5, 1995, researched the number of minority/women restaurateurs in the greater Los Angeles area.
- o May 15, 1995, contacted City of Los Angeles, Department of Airports (LAX), to obtain list of DBE food service providers.
- o May 19, 1995, forwarded LAX's list of food service providers to Procurement for solicitation notification.
- o June 5, 1995, RFPs mailed to potential proposers.
- o June 13, 1995, special handouts were distributed to all attendees at the Pre-Proposal Conference. Staff were also made available to assist firms in the expedited certification process.
- o June 21-23, 1995, a survey of 200 food service providers from the City of Los Angeles, Department of Airports (LAX) was conducted to determine their interest (see attached form).

- o June 22, 1995, staff hand-delivered RFPs to the merchants located at Grand Central Market.
- o May 20, 1995 - June 21, 1995, local chambers of commerce and business organizations contacted:
 - L.A. International Airport-Department of Airports
 - L.A. Chamber of Commerce
 - California Restaurant Association
 - Economic Development Corporation
 - Greater Los Angeles African American Chamber of Commerce
 - Latin Business Association
 - East Los Angeles Chamber of Commerce
 - Lincoln Heights Chamber of Commerce
 - Asian Business Association
 - Black Business Association
 - Boyle Heights Chamber of Commerce
- o In addition to the EO Department efforts, Vendor Relations concurrently conducted extensive community outreach.
- o June 30, 1995, deadline for receipt of RFPs.

GOAL SETTING METHODOLOGY

Factors considered in the goal setting process include the following:

- o Subcontracting opportunities
- o Availability of firms
- o Capability of firms
- o History of goal attainment by MTA
- o History of other agencies with similar projects

Brokers and regular dealers participation is allowed at a maximum of 5% or 60% respectively. Thus the 10% goal considered the possibility that actual participation may have been as much as 17.6% of the overall dollar value of the contract.

In the case of the Cafeteria, the only possible subcontract opportunity identified was the **supply of food and cleaning materials**. Please note: As of June 5, 1995, when the project was first advertised, the MTA DBE database contained only two certified DBE food service companies.

COMMERCIALY USEFUL FUNCTION (CUF)

The listed subcontractors were analyzed to determine that they were in fact performing a commercially useful function. That is, that the subcontractor was indeed responsible for carrying out a distinct element of the work, and that they were indeed capable of performing that work.

LIST OF DBE FIRMS IN ATTENDANCE AT THE PRE-PROPOSAL CONFERENCE

Out of the 20 firms in attendance at the pre-proposal conference, seven (7) firms stated that they were DBEs. They were:

Aegir Systems
Gourmet Club
Incredible Feast
Vinson Group
Blackstone Consulting Group
And There's Lilly
Fast Snacks (aka Trained Dogs)

MEMORANDUM

August 21, 1995


(213) 244-7418

(213) 244-1766

TO: DAVID B. KELSEY
Assistant County Counsel

FROM: JEFFREY J. LYON
Principal Deputy County Counsel

SUBJECT: Review of Draft Cafeteria Management Agreement



I have reviewed the terms of the draft Cafeteria Management Agreement with respect to the following issues:

1. Revenue to MTA - Gross v. Net Receipts

The Cafeteria Management Agreement is structured to provide a fixed Minimum Revenue to MTA or a percentage of the Gross Receipts, whichever is greater (Article III).

It is my understanding that the Request for Proposals requested participation based upon net receipts, but that a conversion to a gross receipt proposal has been requested. Since (1) the revenue structure is only 20% of the evaluation criteria; (2) there will be a minimum revenue with the percentage of gross applicable only if there is excess over the minimum; and (3) the portion of the proposal related to net revenue is readily convertible to gross revenue based upon reasonable assumptions related to projected receipts and expenses, such a conversion does not appear to be so material as to prejudice any proposer.

2. Exclusivity

The draft Agreement provides in Section 2.3:

"Operator shall have a nonexclusive right to sell food and beverages in the Building [MTA Headquarters Building] in accordance with the provisions of this Agreement. The MTA will grant rights to others to sell

Memo to Dave Kelsey
August 21, 1995
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food and beverages in the Building and the Union Station Gateway Project." [Emphasis added]."

This provision is consistent with MTA's intention to lease retail space within the Building for retail purposes, including food service/restaurant uses. It is my understanding that the primary contemplated location is the first floor, but the provision does not exclude any other area of the Building.

JJL/cor

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MTA Survey Cafeteria Operations

FIRM	ARRANGEMENT	COMMENTS
OTHER TRANSIT AUTHORITIES	NONE	CONTACTED ORANGE COUNTY, SAN FRANCISCO, SAN DIEGO, AND RIVERSIDE TRANSIT AUTHORITIES, NONE OF WHICH WERE CONTRACTING THEIR OWN CAFETERIA FACILITY.
LAKESIDE CAFE/TEXACO	7% AFTER TAX GROSS PROFITS	TEXACO SUBSIDIZES SPACE PLUS PART OF UTILITY COST
UNIVERSAL STUDIOS	PERCENTAGE (UNKNOWN) AFTER-TAX GROSS PROFITS	GARDNER MERCHANT IS RESPONSIBLE FOR MAINTENANCE AND UTILITY COST
PARK PLACE	MANAGEMENT FEE OF 2% OF GROSS IS PAID TO GARDNER MERCHANT PLUS 85% OF NET PROFITS	NONE
ABC STUDIOS	(UNDISCLOSED) CONTRACT ARRANGEMENT BASED ON PROFIT AND LOSS	ABC SUBSIDIZES CAFETERIA PROGRAM AND CONTROLS PRICE LEVELS CHARGED. FACILITY NOT LEASED, BUT PART OF ABC STUDIOS SUBSIDY.
GSA	1 TO 1.5% OF GROSS REVENUE	THIS IS FOR GOVERNMENT BUILDINGS OCCUPIED BY GOVERNMENT EMPLOYEES, BASED ON THE LATEST GSA CONTRACT.
MTA	4% AFTER TAX GROSS RECEIPTS BUT SET AN ANNUAL MINIMUM REVENUE OF \$26,150	THE ORIGINAL MISSION BY MTA STAFF WAS TO PROVIDE QUALITY FOOD AND SERVICES AS A BENEFIT TO EMPLOYEES WITHOUT THE NEED OF A SUBSIDY. WE FEEL THIS ARRANGEMENT ACCOMPLISHES OUR GOAL.



DATE: August 16, 1995
MEMO TO: MTA Board Members and Alternates
FROM: Helen M. Bolen, MTA Secretary
SUBJECT: MTA Board Meeting of August 23, 1995 Agenda Items Which Involve Possible Non-Participation Due to Contributions

Los Angeles County
Metropolitan
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818 West Seventh Street
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213.972.6000

Listed below are relevant items on the MTA Board agenda to be reviewed prior to the meeting. Included are new non-competitively bid contracts and amendments and change orders to both competitively bid and non-competitively bid contracts. Also included for your information are all the proposers on contracts and principal officers and/or agents (if available) interfacing with the MTA on each contract listed, as well as, all known sub-contractors on each of the listed contracts.

You may not participate in any action concerning a contract where you solicited, directed, or received a campaign contribution of more than \$250 in the past 12 months from any of the following:

Mailing Address:
P.O. Box 194
Los Angeles, CA 90053

1. A contractor, or consultant,
2. A contract proposer,
3. Any principal, officer or other agent of a contractor, or
4. A subcontractor if either of the following applies:
 - a. The contribution was made at the request of, or in coordination with, the contractor; or
 - b. The subcontractor has actively supported or opposed the award of the contract.

8. Consider recommendation to award a contract to Gardner Merchant, the highest rated proposer for the operation of the Gateway Cafeteria.

PROPOSER: Gardner Merchant
(Kenneth Johnson)

PROPOSER: Canteen
(Stephen Gambrell)

SUBCONTRACTORS: Aegir Systems
(Ella D. Williams)

Espresso Paradiso, Inc.
(Zhanna Zapozhnikov)

PROPOSER: California Dining Services
(Ted Swantko)

PROPOSER: Thigpen Ltd., Inc.
(James Thigpen)

PROPOSER: Incredible Feast Catering Co.
(Nancy V. Youngerman)

PROPOSER: MAB Services, Inc.
(John Yenne)

Staff Contact: Mike Holguin
(213) 972-5050

10. Consider the Chief Executive Officer's report containing recommendation to approve and execute the Declaration of Restrictions and Grant of Easements among the MTA, the Long Beach Redevelopment Agency and American Stores Properties, Inc. to effectuate and implement the joint development of neighborhood shopping and structured transit parking at the Willow Street station.

CONTRACTOR: American Stores Properties, Inc.
(Bernie Labowitz)

Staff contact: John Given
(213) 244-7169