

REPORT OF GENERAL MANAGER

NO. 04-353

DATE November 10, 2004

C.D. 2

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: REQUEST FOR PRICE INCREASE AT THE SHERMAN OAKS CASTLE PARK BATTING CAGE

K. Chan _____
J. Combs _____
H. Fujita _____

J. Kolb _____
F. Mok _____
*G. Stigile _____


General Manager

Approved _____ Disapproved _____ Withdrawn _____

RECOMMENDATION:

That the Board approve an increase in the price of pitches at the Sherman Oaks Castle Park Batting Cages, from 30 pitches for \$2.50, to 25 pitches for \$2.50 (a per-pitch increase from 8.3 cents to 10.0 cents), effective January 1, 2005, subject to the approval of the U.S. Army Corps of Engineers.

SUMMARY:

Castle Concessions, Ltd. was awarded a concession permit on April 13, 1993, to operate the Sherman Oaks Castle Park Batting Cages. A previous price increase for this concession was approved in December 2002, (Board Report No. 02-419). At that time, prices were compared to nearby privately-owned facilities in the Los Angeles area. The approved price of 8.3 cents per pitch remained below the average price of 9.48 cents at these other locations.

The Concessionaire has attributed the request to increase rates to higher operating costs (i.e., liability and health insurance premiums, Workers' Compensation insurance premiums, and machine maintenance and replacement). Additionally, the current price of 8.3 cents per pitch is well below market value. This proposed increase of 1.7 cents per pitch will have a minimal impact on batting cage patrons yet, due to the large volume of patrons at the cages, the increase will be sufficient to offset the rising operating costs. Based on a review of gross receipts received subsequent to the 2002 rate increase, this rate increase of 1.7 cents is estimated to raise annual gross revenue by \$117,502; annual rent paid to the Department would increase by \$44,063.

REPORT OF GENERAL MANAGER

PAGE 2 NO. 04-353

Since the current price of pitches at the Sherman Oaks Castle Park Batting Cages is under market value, staff recommends approval of this rate increase to make our prices more consistent with other Los Angeles area batting cages. A recent survey of six Los Angeles area batting cages revealed that the current price of 8.3 cents is well under current market value. The rates at these comparable facilities ranged from 10.0 cents to 12.0 cents per pitch. The proposed price of 10.0 cents per pitch will be more compatible with these other facilities yet will still remain below average as is consistent with a public facility.

Report prepared by Michael Honan and Mark Stipanovich, Administrative Resources Division.