

REPORT OF GENERAL MANAGER

NO. 05-126

DATE May 18, 2005

CD 4

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH OBSERVATORY - AWARD OF THE OPERATION OF THE BOOKSTORE/GIFT SHOP CONCESSION

H. Fujita \_\_\_\_\_  
J. Kolb \_\_\_\_\_  
S. Huntley \_\_\_\_\_  
B. Jensen \_\_\_\_\_

F. Mok \_\_\_\_\_  
\*K. Regan JK  
J. Combs \_\_\_\_\_

Robert Jensen (R)  
General Manager

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

Withdrawn \_\_\_\_\_

RECOMMENDATION:

That the Board:

1. Award the Griffith Park Observatory Bookstore/Gift Shop Concession to Event Network, Incorporated;
2. Approve a five-year concession agreement, substantially in the form as on file in the Board Office, for the operation of the Griffith Observatory Bookstore/Gift Shop, subject to approval of the Mayor, and City Council, and approval of the City Attorney as to form;
3. Direct the Board Secretary to transmit the proposed agreement to the Mayor in accordance with Executive Directive No. 16, and concurrently to the City Attorney for review as to form; and,
4. Authorize the Board President and Secretary to execute the agreement upon receipt of necessary approvals.

SUMMARY:

On March 2, 2005, the Board approved the release of a Request for Proposals (RFP) to operate the Observatory Bookstore/ Gift Shop Concession (Board Report 05-48) for a new five-year agreement with the option to renew for an additional five-year term. The RFP was released on March 3, 2005, and two proposals were received on April 12, 2005, from the following qualified firms:

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- Event Network, Incorporated (Event Network)
- ARAMARK Sports and Entertainment Services, Incorporated (ARAMARK)

Staff conducted a preliminary evaluation of both proposals to verify the completeness of the proposals and the submission of all compliance documents, and to determine each firm's applicable experience and financial ability to fund the minimum \$250,000 required for this project. This initial review indicated that both proposers met the minimum requirements of having extensive experience in the cultural institution retail industry and had the financial backing to fund the required build-outs to operate the concession. The criteria for selecting the best proposer, as stated in the RFP, were:

- A. Experience and Capability/Quality of Experience
- B. Operational Plan
- C. Build-Out Plan and Capital Investment
- D. Rent to City and Financial Projection

To assist with formulating a recommendation, a three-member panel (identified in the Attachment) convened to review the proposals and presentations and to interview both proposers. The panel was selected based on their experience with the Griffith Observatory and their expertise as it pertained to the Observatory Bookstore/Gift Shop and similar operations. Dr. Edwin Krupp, Director of the Griffith Observatory, was unable to participate with the panel due to obligations that took him out of the country during this time. Dr. Krupp was kept abreast of the progression of the RFP via telephonic and electronic mail correspondence from staff and other panelists.

After the completion of the proposal reviews, the presentations from both proposers, and the interviews, the panel members were instructed by staff to individually rank the proposals according to each category of the evaluation criteria. A top rank within a category would receive the highest value of 10 points and the second ranked proposal in a category would receive 8-9 available points. As stipulated in the RFP, each of the four categories carried equal weight, and no ties were to exist in any one category. This process resulted in a total of 114 cumulative points for Event Network and a total of 113 cumulative points for ARAMARK. The following is a summary of the panel's ranking and staff's recommendation comments for each criterion.

### Experience and Capability

The panel was asked to rank each proposer on the verified years of experience, quality of experience, experience in a similar type of business, and experience with public agencies. ARAMARK demonstrated 30 years of verified experience which ranged from cultural institutions to sport and entertainment centers. Event Network demonstrated seven years of experience but with a committed focus to the cultural institution retail industry. The venues that both proposers serve are similar in nature although ARAMARK has many sports related outlets. Both have cultural retail facilities throughout the nation, many of which are with public agencies. Both proposers received high marks

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and glowing recommendations from cultural institutions now utilizing their services. Accolades ranged from their ability to provide good quality service and the flexibility and diligent efforts of meeting the goals of the institution. Although ARAMARK had more years of experience in the retail industry, the panel ranked Event Network higher as Event Network business focuses solely on cultural retail facilities. Staff concurs with the panel that Event Network ranks first in this category.

### Operational Plan

The proposers were ranked on their concept and operating description, creativity, organizational structure, products and merchandise offered, price scheduling, employee staffing, environmental awareness, customer service, and the ability to work with meeting the goals of the Observatory and the City.

Both proposers offered similar organizational, staffing, customer service, price schedules, and environmental awareness programs. Both proposers outlined the use of a kiosk/cart near the front lawn of the Observatory and were flexible as permissible size and location were yet to be finalized. In the area of products and merchandise offered, there was a significant difference between the proposers. In their presentation to the panel, Event Network displayed a wide variety of products as suggested selling items for the Observatory. It was a diverse range that would encompass customers ranging from the prudent buyer to the collector. The items displayed played into the innovative marketing of targeting the Observatory night audience to maximize sales. In contrast, the ARAMARK display during the presentation to the panel was limited in scope when compared to what was identified in their proposal. Sketches of logos that would be applied to common gift shop items were displayed versus tangible items showed by Event Network. Furthermore, the presentation lacked creativity for such a large and diverse company, and no special marketing plan was identified.

Both proposers have established e-commerce programs with other venues that generate marginal revenue. Both proposers felt there was not a significant market for e-commerce. Both proposers have e-commerce websites linked from the main cultural institution website that was customer-friendly. Event Network stated that the success of e-commerce is linked to the success of the cultural institution web page. Both would complete the websites off site with staff and would link to the main venue website. While Event Network had ideas about ways to increase e-commerce, ARAMARK did not. The panel ranked Event Network higher due to the presentation of innovative ideas of how to maximize sales. Staff concurs with the panel that Event Network ranks first in this category.

### Build-Out Plan

As the facility will be received as an empty space with lighting, flooring, and walls, both proposers provided floor plan designs they felt incorporated the required strategy to maximize the sales of items to be sold in the shop. ARAMARK's floor plan displayed an area that was dedicated to the younger audience that included an interactive program. The floor plan would allow for maximum exposure of the goods to be sold. Event Network provided a similar floor plan that also incorporated

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interactive programs and maximized the floor space. Both proposers were receptive to guidance by the Observatory. Both proposers met the financial requirements necessary for the build-out. The panel ranked ARAMARK first in this category as their floor plan incorporated creative ideas of attracting potential customers.

### Projected Commissions-Rent to City and Financial Projections

Proposers were ranked on their methodology for calculating and paying commission to the City. They were also critiqued on their financial projections for their realistic potential. The two firms proposed the following rental terms:

#### ARAMARK Sports & Entertainment

Annual Sales From	Annual Sales To	Commission
\$0	\$1,800,000	20%
\$1,800,001	\$2,300,000	25%
\$2,300,001	\$2,800,000	33%
\$2,800,001	\$3,300,000	37%
\$3,300,001		40%

#### EVENT NETWORK

Annual Sales From	Annual Sales To	Commission
\$1	\$1,000,000	22%
\$1,000,001	\$2,000,000	25%
\$2,000,001	\$3,000,000	30%
\$3,000,001	\$4,000,000	32%

In comparison to industry standards, both proposers were comparable with their projected per capita store check. Both proposals included projected five-year commissions incorporating sales from the store, the cart, and e-commerce. The table below reflects commissions from both proposers based on their projected sales and proposed rental percentages:

#### Projected Five Year Total Commissions:

Average Attendance Per Year	ARAMARK	EVENT NETWORK
1.5M	\$3,990,290	\$4,697,378
2M	\$6,130,252	\$6,543,772

Event Network proposed a minimum guaranteed annual rent beginning in year two of the agreement in an amount equal to seventy percent (70%) of the total rent paid in the previous contract year, subject to an unanticipated percentage decline in Observatory attendance applied (as a percentage) to the 70% guarantee. ARAMARK did not propose a minimal rental guarantee. The panel scored Event Network higher in this category as they projected higher commissions to the City.

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### Conclusion

The Department was fortunate to receive two excellent proposals for this concession from proposers of high standing and extensive experience. For the final review, trade references were checked and site visits were conducted by staff. As a result of all aspects of the evaluation and the close ranking of the panel favoring Event Network, staff believes that Event Network would be more responsive to the needs of the renovated Griffith Observatory Bookstore/Gift Shop and the Observatory's direction on creating custom merchandise. Event Network headquarters are conveniently located in San Diego providing a great sense of accountability and responsiveness as development continues for the Bookstore/Gift Shop. The innovative ideas that were presented during the interview gave a sense of the intuitiveness that would be an asset in working with the Griffith Observatory staff and the other concessions. Finally, Event Network came across as highly motivated to achieve success with running the Griffith Observatory Bookstore/Gift Shop.

Dr. Krupp, Observatory Director, concurs with staff that Event Network is the best candidate to operate the Bookstore/Gift Shop concession at the Observatory and recommends Event Network for award.

The Department prepared an Environmental Impact Report (EIR) for the Griffith Observatory Master Plan in accordance with the requirements of the California Environmental Quality Act (CEQA) and was certified by the Board on May 7, 1997 (No. 187-97). A Notice of Determination was filed with the Los Angeles City Clerk and the Los Angeles County Clerk on May 13, 1997. This EIR covers the current renovation and restoration project for the Griffith Observatory, which include the provision of concession facilities and services.

### FISCAL IMPACT STATEMENT:

The Observatory Bookstore/Gift Shop is projected to generate \$4,000,000 in revenue over the next five years, most to be deposited to the General Fund, and a portion allocated in an account for future building maintenance of the renovated Observatory.

Report prepared by Jacquelyn DeV Vaughn, Management Analyst II, Administrative Resources Division.

ATTACHMENT

GRIFFITH OBSERVATORY  
BOOKSTORE/GIFT SHOP CONCESSION  
REQUEST FOR PROPOSAL

RFP Review Panel and Ranking

The individuals on the panel were as follows:

- Art M. Manask, President and CEO of Art Manask & Associates, consultants specializing in the cultural facilities
- Shelley Stephens, Museum Store Consulting, consultant to museum stores nationwide
- Camille Lombardo, Executive Director of Friends of the Observatory

The aggregate panel scores are summed as follows:

RATING CRITERIA	ARAMARK	EVENT NETWORK
Experience and Capability; Quality of Experience	28	29
Operational Plan	28	29
Build-out Plan	30	26
Projected Commissions	27	30
Total Points	113	114