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Metropolitan Transportation Authority

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**OPERATIONS COMMITTEE
AUGUST 18, 2005**

SUBJECT: FOOD SERVICE PROVIDER

ACTION: AWARD A CONTRACT FOR FOOD SERVICE OPERATOR

RECOMMENDATION

Authorize the Chief Executive Officer to award a contract to ARAMARK SERVICES, INC. ("Contractor") to provide food services at the LACMTA Headquarters Building and the Regional Rebuild Center (RRC) for an initial period of five (5) years, plus five (5) one-year options for a total financial package valued at \$366,400 over the initial five-year term.

RATIONALE

This contract will allow for the continued operation of the LACMTA Headquarters Building cafeteria and food services at the RRC. The cafeteria is an amenity to the Building and provides convenient, economical, and quality hot and cold food to employees and the general public.

The proposal submitted by ARAMARK offers a retail menu strategy in which the cafeteria is patterned more like a restaurant rather than the traditional cafeteria. ARAMARK's trademark "FOODBIZ" approach to menu development is based on creating excitement within the restaurant while maintaining a high level of quality and consistency. The food serverly will include a HotZone, SaladZone, SandwichZone, and GrillZone. Each Zone will include core menu items. Daily and weekly changes are then added into each FoodZone. Weekly specials, promotions, home meal replacement and seasonal items will also be offered. In addition, ARAMARK will provide online catering services to individuals who order catering services within the Gateway Building and RRC.

The current contractor is Sodexo, who has been the food services operator since the building opened in September 1995. The existing contract will expire on September 30, 2005.

FINANCIAL IMPACT

This is a revenue contract that is valued at \$366,400 over the initial five (5) year term. The Contractor will pay a minimum annual rent of \$18,000 plus a percentage of gross receipts ranging from 1.25% to 5.25 % based on the sales amount. The percentage revenue is estimated to be \$26,306 annually. In addition, the Contractor will pay 18% of the monthly

gross receipts from all vending machines located in the building. During the Option Period, the minimum rent will be increased in accordance with the Consumer Price Index ("CPI") plus the percentage revenue, and vending commission. The contractor will also invest \$80,000 during the first two years of the contract term. The investment will be in the form of new smallwares, new signage, new special equipment and opening costs. The annual revenue payment to LACMTA from food services at the cafeteria and the RRC has averaged approximately \$42,000 annually over the past five years. ARAMARK is projecting an increase in the annual gross receipts and is offering an annual payment totaling \$57,280 consisting of \$18,000 fixed rent, \$26,306 percentage payment and \$12,974 vending commission.

ALTERNATIVES CONSIDERED

1. ***One alternative is for LACMTA to operate its own cafeteria.*** Since food service is not a part of LACMTA's core business, it was determined that this alternative was impractical and inefficient and would be a drain on LACMTA's resources. The recommended alternative allows for an efficient, professionally operated cafeteria and provides a source of revenue to the LACMTA.

2. ***Another alternative is not to provide food service at LACMTA facilities.*** This is not recommended, as cafeteria food services provide non-financial benefits to employees that enhance morale and allow for the efficient use of time allotted for lunch breaks due to the convenient location at Gateway and the RRC. Additionally, LACMTA derives benefits from the provision of food services as a result of the revenue sharing agreement.

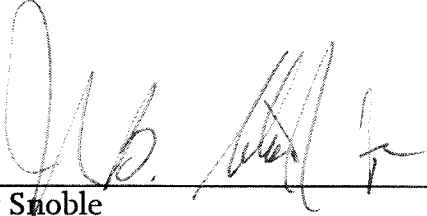
ATTACHMENTS

- A Procurement Summary
- A-1 Procurement History

Prepared by: Velma Marshall, Director, Real Estate
Jean Belvin, Procurement



Don Ott, Executive Officer Administration



Roger Snoble
Chief Executive Officer

BOARD REPORT ATTACHMENT "A"
PROCUREMENT SUMMARY
FOOD SERVICE PROVIDER

1.	Contract Number: PS65101071		
2.	Recommended Vendor: ARAMARK SERVICES, INC.		
3.	Cost/Price Analysis Information:		
	Bid/Proposed Price: \$366,400 (minimum over initial 5 year term)	Recommended Price: \$366,400 (minimum over initial 5 year term)	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Price		
5.	Procurement Dates:		
	A. Issued: April 22, 2005		
	B. Advertised: April 30, 2005		
	C. Pre-bid Conference: May 4, 2005		
	D. Proposals Due: May 27, 2005;		
	E. Pre-Qualification Completed: July 8, 2005		
	F. Conflict of Interest Form Submitted to Ethics: July 7, 2005		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 0%	Date Small Business Evaluation Completed: N/A	
	Small Business Commitment: N/A		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent:	Bids/Proposals Picked up: 10	Bids/Proposals Received: 5
8.	Evaluation Information:		
	<u>A. Bidders/Proposers Names:</u>	<u>Bid/Proposal Amount:*</u>	<u>Best and Final Offer Amount:*(BAFO)</u>
	Aramark Services, Inc.	\$277,290	\$366,400
	California Dining	\$255,000	N/A
	JL Dining Services	\$ Non Responsive	N/A
	P&A Food Systems	\$349,315	\$349,315
	Sodexo	\$320,000	\$267,000 **
*	Bid proposal includes revenue plus proposed improvements		
**	Sodexo's BAFO reduced the amount proposed for improvements		
	B. Evaluation Methodology: Contract will be awarded to that firm whose proposal meets the requirements of the RFP and is the most advantageous to the LACMTA when considering the combined benefits of the financial proposal and the evaluation criteria. Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date:		
	B. Protest Receipt Date: TBD		
	C. Disposition of Protest Date: TBD		

10.	Contract Administrator: Jean Belvin	Telephone Number: 213-922-1041
11.	Project Manager: Velma Marshall	Telephone Number: 213-922-2415

BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY

FOOD SERVICE PROVIDER

A. Background on Contractor

ARAMARK has been in business since 1959 and is the largest food service provider in the Country. ARAMARK provides a wide range of food, facility and other support services at more than 1,200 locations in the U.S. The company has over 21 clients in the Southern California area. Client references contacted indicated that ARAMARK has provided satisfactory services.

B. Procurement Background

This is a negotiated procurement using the explicit factors evaluation methodology. The Request for Proposal required vendors to propose a minimum annual rent plus a percentage of gross receipts including both cafeteria and vending sales.

The Diversity & Economic Opportunity Department (DEOD) did not recommend a DBE goal for this procurement. Based on industry practice, the Prime (ARAMARK) is expected to complete the entire scope with its own workforce. However, pursuant to the DBE Program, if ARAMARK utilizes the services of subcontractors, they are expected to afford maximum opportunities to DBE firms in all subcontracting and supply services areas throughout the life of the contract.

C. Evaluation of Proposals

The proposals were received and evaluated in accordance with the procurement policies and procedures using the explicit factors/weighted guidelines established for this RFP. The evaluation criteria utilized for this procurement evaluated specific criteria as follows: Executive Summary and Operating Plan (30%), Site Visit (15%), Staffing Plan (15%) and Financial Proposal (40%).

Due to the nature of this procurement, the Source Selection Committee (SSC) visited food service facilities operated by each proposer to review the food service operations and to sample the food prepared. In addition, interviews were held with each proposer to obtain clarification of the information submitted in the proposals.

Based on the SSC's evaluation of each firm's proposal, the site visits, proposer interviews and the review of Best and Final Offers (BAFOs), ARAMARK SERVICES received the highest overall score. J & L Dining did not meet the minimum requirements as specified in the RFP and the SSC did not rate California Dining as high as the remaining firms, ARAMARK, P & A and Sodexo. ARAMARK, P & A and Sodexo were asked to submit BAFOs. ARAMARK increased its financial proposal in the BAFO and its offer presented the highest value to LACMTA. The estimated revenue for the contract period is based on: (a) a fixed rent of \$18,000 annually; (b) a percentage revenue ranging from 1.25% to 5.25% of net sales (gross receipts less

taxes) from cafeteria and catering sales allocated as described below, and (c) 18% of net sales from vending machines. The fixed rent for the Option Years 1 - 5 will be subject to an increase based on the Consumer Price Index (CPI).

Sales	Commission Schedule
\$0 to \$499,000	1.25%
\$500,000 to \$749,000	2.25%
\$750,000 to \$999,999	3.25%
\$1,000,000 to \$1,249,000	4.25%
\$1,250,000 and up	5.25%

D. Cost/Price Analysis

The total financial proposal from each vendor is outlined below:

Five Year – Fiscal Analysis

	ARAMARK	CDS	SODEHO	P & A
Annual Amount	\$57,280	\$51,000	\$44,000	\$62,263
Initial Term	5 years	5 years	5 years	5 years
Sub-total	\$286,400	\$255,000	\$220,000	\$311,315
Vendor Investment	\$80,000	\$-0-	\$47,000	\$38,000
Total Financial Benefit to LACMTA	\$366,400	\$255,000	\$267,000	\$349,315

ARAMARK's financial proposal was the most advantageous to LACMTA considering its overall proposal and the unique food services it offers.

