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PUBLIC-PRIVATE VENTURES
FOR MORALE, WELFARE,
AND RECREATION ACTIVITIES

A Solution to the Loss of Appropriated Funds

Volume 2: Appendices A through E

Report NA705R1

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13. ABSTRACT (Maximum 200 words) In 1987, Congress reduced appropriated funds support for the Services' Morale, Welfare, and Recreation (MWR) programs, causing price increases, reductions in services, and fewer capital improvements. This report studies the feasibility and desirability of public/private ventures (P/PVs) as an alternative to five Government-operated MWR activities: golf courses, bowling centers, clubs, marinas, and theaters. In a P/PV, a private company under contract to an installation would fund and construct capital improvements to one or more MWR activities, and own, operate, and maintain those activities at its own risk of profit or loss, possibly sharing profits with the installation. The study looks at nine test sites and where appropriate offers example requests for proposals. The advantages of P/PVs are access to private capital, freedom from many of the Government's contracting, employment, and operating restrictions, industry expertise and profit-making practices, and the potential of opening MWR activities to the general public. P/PVs can play a major role in MWR although they are not feasible for every MWR activity or all installations. Marinas present the most lucrative P/PV opportunities. Navy theaters are not recommended for P/PVs. Golf, bowling, and club P/PVs are feasible within certain parameters. <i>Remarks: Financial management, Finance,</i>				
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PREFACE

This is Volume 2 of an eight-volume report; this volume consists of Appendices A through E. Volume 1 describes the findings, conclusions, and recommendations of our study of public/private ventures in the financing, construction, and operation of Navy morale, welfare, and recreation (MWR) facilities.

Volume 3 presents Appendix F; Volume 4, Appendices G, H, and I; Volume 5, Appendices J, K, and L; Volume 6, Appendices M and N; Volume 7, Appendices O, P, and Q; and Volume 8, Appendices R and S.

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APPENDIX A

**ORGANIZATIONS THAT CONTRIBUTED INFORMATION
OR DATA FOR THIS REPORT**

PREFACE

Appendix A consists of a list of organizations that contributed information or data for this report. Like Appendix B, it has not been previously published.

ORGANIZATIONS THAT CONTRIBUTED INFORMATION OR DATA FOR THIS REPORT

BOWLING

Active West Bowling & Recreation Centers, Los Angeles, CA

All American Bowling Corporation, Atlanta, GA

AMF Bowling Centers, Inc., Richmond, VA

Bowlerama, Ltd., Toronto, Ontario, Canada

Bowlers Journal, Chicago, IL

Bowling Proprietors Association of America, Arlington, TX

Brunswick Recreation Centers, Skokie, IL

DBA, Inc., Lake Bluff, IL

Fair Lanes, Inc., Baltimore, MD

Rueben Dankoff, Tenafly, NJ

GOLF

American Golf Corporation, Yorba Linda, CA

Country Club Designs, Inc., Delray Beach, FL

Fairmount Park Commission, Philadelphia, PA

Golf Investment Advisors, Palm Beach Gardens, FL

Jack Nicklaus Golf Services

Jim Colbert Golf, Inc., Las Vegas, NV

Kemper Sports Management, Inc., Northbrook, IL

Mayor's Office, City of Lemoore, CA

National Golf Foundation, Jupiter, FL

Pannell, Kerr, Forster, CPAs, Washington, DC

PGA Tour, Ponte Vedra, FL

Prince William County Parks Service, Gainesville, VA

U.S. Golf Corp., Philadelphia, PA

William P. Irwin, Attorney at Law, Fresno, CA

MARINAS

Brewer Marinas, Mamaroneck, NY

County Parks and Recreation Department, Racine, WI

Department of Beaches and Harbors, County of Los Angeles, Marina del Rey, CA

Davol Associates, Vienna, VA

Edge and Associates, Charleston, SC

Guest Services, Inc., Alexandria, VA

Harbor Island Yacht Club, San Diego, CA

International Marina Institute, Wickford, RI

Kirkland Engineering, Alameda, CA

Mission Bay Sports Center, San Diego, CA

Moby Dick Dock Builders, Inc., Westbrook, CT

National Park Service, Washington, DC

Pacific Interclub Yacht Association of Northern California, Millbrae, CA

Sunroad Resort Marina, San Diego, CA

U.S. Army Corps of Engineers, Sacramento, CA

Washington Sailing Marina, Alexandria, VA

Zahniser's Sailing Center, Solomons Island, MD

CLUBS

American Cafe, Washington, DC

ARA Services, Radnor, PA

Club Corporation of America, Dallas, TX

General Accounting Office, Washington, DC

General Services Administration, Washington, DC

Guest Services, Inc., Fairfax, VA

Marriott Corporation, Business Food Service Division, Bethesda, MD

Morrison's Custom Management, Mobile, AL

National Park Service, Washington, DC

Pannell, Kerr, Forster, CPAs, Alexandria, VA

Restaura, Inc., Drexel Hill, PA

Washington Airports Authority, Washington, DC

THEATERS

American Multi Cinema, Inc., (AMC), Greenbelt, MD

Century Theaters, Inc., Portsmouth, VA

National Association of Theater Owners (NATO), Newport News, VA

Roth Management Inc., Silver Spring, MD

Wheeler Film Co., Silver Spring, MD

APPENDIX B

MAJOR ASSUMPTIONS FOR ECONOMIC MODELS

PREFACE

Appendix B consists of major assumptions for economic models. Like Appendix A, it has not been previously published.

MAJOR ASSUMPTIONS FOR ECONOMIC MODELS

BOWLING

1. Standard industry expense ratios, as provided by several industry contacts:

Cost of goods sold:	
Pro shop	60.0%
Food	27.0
Beverages	33.0
Expenses as a percent of gross revenues:	
Payroll (direct and indirect)	31.8
Debt service	16.8
Utilities	8.4
Repairs and maintenance (minor)	2.5
Insurance	1.5
Property taxes	2.0
Supplies	3.8
Licenses	0.3
Other	1.6

2. Prices and expenses increase at level of inflation (DoD inflation factors).
3. Future years' cash flows discounted to present values using DoD price deflators.
4. P/PV escrow for continuing capital improvements and major repairs of 5 percent of lineage revenues.
5. Contract term dependent on the amount of initial capital investment required (variable input). Minimum of 25-year contract term.
6. Depreciation of contractor investment in facilities, furniture, fixtures, and equipment at current Internal Revenue Service rates for tax purposes.
7. State and local sales taxes not applicable.
8. Service Contract Act and Davis-Bacon Act not applicable.

9. Sixteen percent before-tax return on investment.
10. Amusement machine net revenues to be part of contractor's operations.
11. No expansion of patron market.
12. Bowling lineage fees at 75 percent of comparable market; no restrictions on prices of other goods and services.
13. Construction, furniture, fixtures, and equipment costs based on Marshall Commercial Service.

GOLF COURSE

1. Expense ratios for the golf course expressed in 1990 dollars per 18-hole equivalent round of golf.

Revenues	
Driving range	0.67
Pro shop	0.72
Snack bar	3.05
Expenses	
Driving range	0.134
Pro shop	0.605
Snack bar:	
Cost of goods sold	1.01
Payroll	1.068
Supplies	0.183

2. Annual fixed costs.

Administrative and general	\$ 86,000
Golf course and pro shop salaries	260,000
Golf course maintenance	127,000
Utilities	20,000
Additional utilities for banquet facilities	20,000
Irrigation water	20,000
Facilities maintenance and janitorial	43,400

3. Other cash flows

- a. Management fee will be \$7,000 per month plus 20 percent of gross, less debt service and capital escrow.
 - b. Banquets will average two per week, 100 guests per banquet, averaging \$18 gross revenue per head. Costs will be 74 percent of gross revenues.
 - c. Golf lessons will average 0.0032 per 18-hole-equivalent round played, and the cost of a lesson will be \$25.
 - d. Golf cart usage will be 60 percent for the public and 54 percent for the military using the course. Fee will be \$15 per rental with an average cart occupancy of two.
 - e. Initial construction costs will be \$4.6 million.
4. Prices and expenses increase at an annual inflation rate of 4 percent.
 5. Future years' cash flows discounted to present values at 10 percent.
 6. Contract term will be 30 years.
 7. Total tax rate will be 50 percent.
 8. Service Contract Act and Davis-Bacon Act not applicable.
 9. Debt service interest rate will be 11.5 percent.

MARINAS

1. Standard industry expense ratios for the marina industry based on *Financial Profile of Ten Marinas*, Center for Business and Economic Research, Western Illinois University, Macomb, Illinois, February 1987.

Cost of goods sold:	
Chandlery	66%
Food and beverage	66
Expenses	
Salaries	\$450.00/slip/year
Food and beverage salaries	15% of cost of goods sold
Labor burden	16%
General and Administrative	\$230/slip/year
Insurance	\$109/slip/year

2. Prices and expenses increase at level of inflation (DoD inflation factors).
3. Future years' cash flows discounted to present values using DoD price deflators.
4. P/PV escrow for continuing capital improvements and major repairs of 3 percent of slip rental revenues. Escrow starts at year 4.
5. Contract term dependent on the amount of initial capital investment required (variable input). Minimum of 25-year contract term.
6. Depreciation of contractor investment in facilities, furniture, fixtures, and equipment at current IRS rates for tax purposes.
7. State and local sales taxes not applicable.
8. Service Contract Act and Davis-Bacon Act not applicable.
9. Patron market expanded to include DoD civilians.
10. Slip rental fees at 75 percent of comparable market; no restrictions on prices of other goods and services.

CLUBS

1. Standard industry expense ratios for the restaurant segment of the industry, as provided by several industry contacts:

Direct expenses as a percent of direct revenues:	
Food and beverage	63.0%
Other	51.0
Indirect expenses as a percent of gross revenues:	
Entertainment	2.0
Administrative and general	15.0
Utilities	8.2
Repairs and maintenance (minor)	2.4
Insurance	1.7

2. Prices and expenses increase at level of inflation (DoD inflation factors).
3. Future years' cash flows discounted to present values using DoD price deflators.
4. P/PV escrow for continuing capital improvements and major repairs of 2 percent of gross revenues.

5. Contract term dependent on the amount of initial capital investment required (variable input). If no new facility construction initially, model assumed a 5-year contract term, with two additional 5-year options.
6. Depreciation of contractor investment in facilities, furniture, fixtures, and equipment at current IRS rates for tax purposes.
7. State and local sales taxes not applicable.
8. Service Contract Act and Davis-Bacon Act not applicable.
9. Fourteen percent before-tax return on investment.
10. Amusement machine revenues and expenses to be part of contractor's operations.
11. No expansion of patron market.
12. No significant change in price of items (baseline assumption).
13. No membership dues or fees (baseline assumption).

THEATERS

1. Standard annual industry expenses in 1989 dollars for a four-screen, 900-seat multiplex theater.

Film rental	\$900,000
Salaries and benefits	346,000
Utilities	87,000
Advertising	75,000
Maintenance and supplies	50,000
Taxes, insurance, and other	60,000
Debt service for construction and equipment	237,000
Rent	51,000
Return on investment	32,000

2. Annual gross ticket revenues will be \$1,481 per seat and annual gross concession revenues will be \$741 per seat.
3. Prices and expenses increase at level of inflation (DoD inflation factors).
4. Future years' cash flows discounted to present values using DoD price deflators.

5. Within plus or minus two screens, costs are variable and linear.
6. Facility size will be 16 gross square feet per seat.
7. Construction costs will be \$65 per square foot. Equipment costs will be \$110,000 per screen.
8. Concession revenues will be 30 percent of ticket revenues.
9. Expected profit will be 3 to 5 percent.
10. Film rental cost will be between \$50,000 to \$70,000 per first-run film.

APPENDIX C

**NAVAL STATION STATEN ISLAND
BOWLING CENTER POSITION PAPER**

PREFACE

Appendix C was originally published separately as a temporary LMI position paper with a restricted distribution. We reprinted it here with no changes.

BOWLING CENTER POSITION PAPER

INTRODUCTION

This Position Paper serves two purposes. First, it provides a preliminary assessment of opportunities for private sector involvement in the operation of bowling centers at military installations; and second, it provides detailed analysis and recommendations on the feasibility of pursuing such an approach at the study's first test site, Naval Station (NS) Staten Island. Preliminary study indicates that the extent to which bowling services are suitable for public-private ventures (PPV) depends on the size of the bowling center (i.e., number of lanes) and the breadth of ancillary services that would be allowed (e.g., amusements, food and beverages). This paper recommends two parallel approaches for obtaining bowling services at NS Staten Island: one a possible PPV request for proposals (RFP) and the other utilization of existing community resources, with a final decision between the two to be made in several months. This paper provides the background for the study and presents the analysis leading to this recommendation.

BACKGROUND

The Military Services are looking to private sector involvement as a means to improve the efficiency and quality of their present Morale, Welfare, and Recreation (MWR) functions and to compensate for the loss of appropriated fund support. We are tasked to study the feasibility of providing MWR functions through public-private ventures. This portion of the study addresses bowling centers. In the first phase of the study, we look at a specified installation, determine whether a PPV contract is feasible, and if so, provide draft solicitation documents. In the second phase, we evaluate other strategies that may apply at other locations.

The first candidate for Phase I is NS Staten Island, at the Northeastern tip of Staten Island, New York, at the foot of the Verrazano Bridge, which connects Staten Island with Brooklyn. NS Staten Island is a new Surface Action Group (SAG) homeport, taking over from the Army's Fort Wadsworth which was essentially defunct. Major construction of new facilities is underway, and significant numbers of permanent Navy personnel are expected beginning in the summer of 1990. There

is no operating bowling center currently at NS Staten Island, and a nonappropriated funded (NAF) construction project request for an 18-lane facility was disapproved in the FY87 DoD Congressional budget request.

METHODOLOGY

The methodology used in the study follows three major steps. First, we completely reviewed operational requirements and available data relevant to Navy bowling operations. Second, we performed a preliminary analysis to determine the feasibility and economic parameters for the first test site. This analysis combined the case study data, operations costs, and revenues of bowling centers at other Navy installations, and knowledge of private sector bowling center operations. Finally, we considered a combination of a bowling center with a consolidated club and/or a marina operation into a packaged PPV.

OPPORTUNITIES FOR BOWLING PRIVATIZATION

There is no known example of privatization of bowling activities in the United States nor have the large chain operators shown an overwhelming interest in PPVs at military installations, at least not for anything but very large centers (i.e., 32 lanes or more). Bowling has not been a growth segment of the recreation industry in recent years; however, the industry is actively attempting to improve its image with the use of Olympic gold medal winner Mary Lou Retton as a spokesperson and the help of major companies (e.g., breweries) that provide ancillary products, the result being that rather than declining, bowling may be growing. The sanctioned league bowling participation rate among adults in the private sector varies from 2 to 9 percent (5 percent on average). In 1986, some 70 million Americans bowled — about one-fourth of the population. Participation by the military in bowling is slightly higher and has been growing. Recent Navy Smart Compass survey results indicate that about one-third of active duty personnel and about one-fifth of their dependents bowl (retirees participate in bowling at about the 10 percent level).

The fact that such a large percentage of active duty military and dependents participate in bowling would seem to make that activity an excellent opportunity for a PPV. However, other factors, primarily economic, diminish the chances for a PPV success. There appear to be a minority of Navy bowling centers which would provide an opportunity for a PPV success in their own right (only 10 of 85 Navy bowling centers are 32 lanes or larger); however a significant number of other Navy bowling

centers may be able to be successfully packaged with other MWR activities for successful PPVs.

ECONOMIC DECISION FACTORS

The economic decision factors that will determine the potential success of a bowling PPV are:

- Size and composition of the military market
- Ability to offer ancillary products
- Civilian market fees and competition
- Projected number of lines bowled.

The size and composition of the military market is the most critical since it determines the size of the bowling facility that can be supported at the installation. At all but remote installations, bowling centers exist in the local community, and opening the installation bowling center to the public is unlikely to be politically feasible. The Bowling Proprietors Association has expressed opposition to such a "double door" policy, and in the past has written letters to the Navy protesting such actions even for special events. However, the BPA may have a more conciliatory view on a double-door policy for a private entrepreneur-owned and operated bowling center on base. Double-door policies also increase security problems, which increase APF expenditures. Bowling chain operators with whom we met consider 32 lanes to be the minimum economically feasible size center; the chain operators have been following a common policy of selling or closing smaller centers. The reason for this practice is that it takes just as much management, advertising, and other fixed expenses for a small center as it does for a larger center; industry has found that it takes at least 32 lanes are needed to spread the fixed costs and still make a reasonable profit.

CONTRACTUAL AND POLICY DECISION FACTORS

Contractual and policy factors must also be decided. Key among these are:

- Ability to offer ancillary products
- Limitations on maximum fees
- Safety off base

- Reduction of military control over the center.

The ability to offer ancillary products such as amusements, food, and beverages is a critical decision factor. Analysis of private sector operating statements reveals that those products typically provide 30 to 40 percent of total center revenues (as in the military) and at a significantly higher gross profit margin than the bowling activity itself. A PPV would have to turn over these operations at the bowling center to the private contractor as well.

Limitations on maximum fees are important because in some areas, the 75 – 80 percent of off-base fees may not be high enough to allow a PPV to be economically viable, yet it may still be more desirable to have an on-base bowling center with market rates than to have the Navy purchase the service on the outside.

Finally, the installation commander would have less direct control over the operations of a PPV bowling center than a NAF-owned and operated facility.

STATEN ISLAND PILOT BASE

Background of Site Selection

NS Staten Island was one of the volunteers to be a test site for a PPV bowling center, and it was selected for study by NMPC. An existing 4-lane bowling alley in the basement of an old Fort Wadsworth building is not operational and is scheduled to be converted into a pistol range. The Navy planned an 18-lane bowling center at the base as part of a total MWR plan, which includes consolidated club, gym, indoor and outdoor pools, boat ramp and dry boat storage, athletic fields, tennis courts, auto hobby shop, and a park with 1 mile of ocean beach front. The 18-lane center was part of the FY87 NAF construction project submission but was turned down by Congress. The installation commander volunteered for PPV consideration as an alternative means of obtaining bowling services for the new homeport.

Since the elimination of the NAF construction project by Congress, and prior to the request for PPV volunteers, the installation commander allowed the NAF construction project bowling site to be shifted to an alternative use. If a bowling center is planned again for NS Staten Island a new site will have to be determined. Our discussions with the Resident Officer in Charge of Construction indicated that several other sites may be acceptable.

Current Bowling Operations

NS Staten Island has no current bowling operations. The 18-lane bowling requirement was determined through the use of NAVFAC P-80 criteria, a DoD-wide formula. However, that formula may not be appropriate in the new environment of withdrawn appropriated fund support, and this issue should be studied in Phase II. The private sector has its own process for determining how many lanes a given population will economically support. A typical rule of thumb is 1,000 adults with at least a \$15,000 annual income for each planned lane. The approximate base loading for NS Staten Island is as follows:

- 4,500 active duty personnel, of which 3,500 will be afloat at any given time
- 5,000 military dependents
- 1,000 NAVRESSO personnel
- 1,000 retirees and other authorized users.

Therefore, the base population will about 11,500 maximum, and only about 8,000 when the fleet is out, and many lower-level enlisted personnel earn less than \$15,000. This number would only support about 9 to 12 lanes if they were nonmilitary on the outside; however, the higher participation rate among the military community combined with the free use of land may help to support a center of 12 lanes, possibly more. A key question will be how often the Fleet is out and how the ensuing decrease in personnel will affect center profitability. Based on our knowledge of private sector bowling operations, we prepared a pro forma income statement for a PPV bowling center at NS Staten Island. The analysis reported in Table 1 indicates that an 18-lane bowling center would not be a profitable PPV. In order to be profitable, an 18-lane PPV center would have to charge rates that are 20 percent above market rates on the outside.

Competition in the Area

Fort Hamilton in Brooklyn at the other end of the Verrazano Bridge has a 6-lane facility; it cannot accommodate the Navy demand, and Navy personnel would have to pay a \$3.50 bridge toll.

There are six bowling centers within 10 miles of the base; one other 16-lane bowling center closed within the past 2 years. One of the six centers is a new 64-lane

TABLE 1
SUMMARY PRO FORMA

Average price per game	\$1.50	\$2.00	\$2.40
% of market rates	75%	100%	120%
Games bowled	216,000	216,000	216,000
Total expenses ^a	\$806,609	\$829,515	\$847,840
Total income	551,772	735,696	882,835
Net profit before taxes	(254,837)	(93,819)	34,995
After tax profit	(254,837)	(93,819)	17,497
Net profit ROI ^b	(127%)	(47%)	8%

^a Includes debt service on \$1,800,000 and 3% of bowling revenue as a reserve for capital improvements.

^b Investment assumed to be \$200,000; ROI is return on investment, or after tax profit as a percent of investment.

center. We contacted each of these centers to determine the extent of their operations, rates, availability of evening time slots to accommodate new Navy leagues, and whether they would be willing to consider military discounts, with the results shown in Table 2. Details on each of these centers is appended to this report as Attachment 1.

TABLE 2
AREA BOWLING CENTERS WITH OPENINGS FOR EVENING NAVY LEAGUES

Off-base facility	Number of lanes	Distance (miles)	Open bowling rate
Colonial Lanes	32	1.0	\$2.00
Country Lanes	48	2.0	2.00
Bowling on the Green	42	4.0	1.75
Sunset Lanes	26	6.5	2.00
Showplace Bowling Center	64	8.0	2.40

The 32-lane center closest to the base with openings for new leagues on two nights is an older center. The owner has had plans for at least 2 years to renovate the center if warranted. This center and the installation are located in an area of Staten Island that is enjoying a revitalization of sorts. The new 64-lane center approximately 8 miles from the installation provides free bus service for groups on a negotiated basis.

STRATEGY FOR A STATEN ISLAND PUBLIC PRIVATE VENTURE

Recommended Strategy

The recommended strategy is a two-pronged parallel approach. First, the Navy should begin negotiations with local bowling centers to determine which center, or combination of centers, if any, could fulfill the NS Staten Island bowling requirement. The apparent availability of openings for new evening leagues and military discounts at existing community bowling centers is promising. These negotiations might be started by publication of a draft Request for Quotations (RFQ) for a given requirement of league and open bowling, followed by an industry forum. This initial strategy is likely to be the most viable option for providing bowling services at NS Staten Island. Second, the Navy should consider the possibility of a PPV package that would combine bowling with the consolidated club and/or a marina.

Our analysis indicates that an 18-lane PPV bowling center would not be economically feasible on its own. We have not completed our initial analysis of the feasibility of PPV marinas, theaters, or clubs. Based on our initial discussions with the industry, however, we are guardedly optimistic about the feasibility for PPV marinas. Pending the results of our analyses of PPV clubs, theaters, and marinas over the next few months, we recommend studying the possibility a combined PPV package for Staten Island. This second strategy should not be allowed to delay current programming for an NAF consolidated club or NAF marina at the base. A decision on whether the first or second strategy is the most viable can be made after analyzing the results of proceeding with both options. Additional rationale for investigating this strategy is obtained by considering the characteristics of the newest private bowling center to open on Staten Island. Showplace Bowling Center had combined 64 lanes of bowling with a complex of 10 theaters, a pizza parlor, an ice cream parlor, and other revenue generators. The private sector may be heading in

the direction of packaging different recreational activities into one center, and the Navy should learn what it can from this approach.

In considering bowling as part of a packaged PPV, the Navy should reevaluate the guidance of setting bowling fees at 75 – 80 percent of the market at all bases. In some situations, such as NS Staten Island, fees should be allowed to rise to market levels. Factors such as safety of Navy personnel when off base and remoteness of the installation may dictate that a bowling activity on base with market rates is preferable to no on-base bowling activity at all.

Risks of an RFP Failure

If the second option is eventually chosen and an RFP draws no responsive proposals, it would be viewed as a failure; however, the first option of negotiating with existing area centers could be reopened since the service will not be needed for almost 2 years. But the failure of a PPV RFP for a bowling/club/marina at NS Staten Island will not help the promotion of PPVs in the military. A failure might also discourage future industry interest, which is currently only lukewarm to small centers.

For these reasons, unless the forthcoming analysis of clubs and marinas indicates that such a package PPV would have a very high probability of success at NS Staten Island, the option of negotiating league times and rates with existing area bowling centers should be selected.

We do not believe that centers with less than 32 lanes will be good candidates for stand-alone centers, and we highly doubt that centers with less than 20 lanes will be good candidates as part of PPV MWR packages. Therefore, the Navy should use LMI's analysis of lane size of the center for which it requests APF support from Congress. As part of this reconsideration, the Navy should reevaluate the DoD methodology for determining the number of lanes to be built. Congress may be more amenable to continuing APF support for medium-sized centers if they are more intensively/efficiently utilized.

IMPACT ON THE PPV STUDY

This recommendation for NS Staten Island does not preclude a successful PPV for a stand-alone bowling center at other installations. However, the next

candidate(s) must be chosen carefully, giving close attention to the criticality of size dictated by economics. The Phase II site must be larger.

GENERAL STRATEGY FOR BOWLING

The law firm that represents the Bowling Proprietors Association (BPA) in Washington has volunteered to establish a BPA task force to provide information and assistance in our efforts. The task force will be made up of bowling center owners that represent the entire size spectrum of the industry. We have been invited to the BPA mid-year meeting in late January 1988 to discuss the study with bowling center owners (not as part of the official program, but informally during their two open afternoons).

The analysis to date suggests that the general strategy for bowling should be different by size of requirement. Tentatively, we believe that the following strategy be used to guide our Phase II efforts, and to guide future Navy bowling center policy:

1. If the center is to be 32 lanes or larger, take a PPV RFP approach.
2. If the center is to be 20 to 30 lanes, take a PPV RFP approach, possibly as part of a package with another MWR activity at the base. Alternatively, negotiate for unused capacity at existing community centers, especially if the installation is new.
3. If the center is to be 14 to 18 lanes, negotiate for unused capacity at existing community centers, especially if the installation is new. If sufficient unused capacity does not exist, evaluate the feasibility of a packaged PPV RFP. Consider asking Congress to extend APF support to some of these centers after further economic analysis by LMI.
4. If the center is to be 12 lanes or less, continue to request APF support.
5. Re-evaluate the DoD methodology for determining the number of bowling lanes a base will support in light of the restriction on APF funds (may lead to smaller, more intensively used, bowling centers).

Of course, this general bowling strategy should operate within a "global strategy" for all MWR activities, which includes NAF loans and grants, and MWR-wide priorities in general. These are only initial suggestions for a general bowling strategy and they will be fully analyzed and reevaluated in Phase II.

ATTACHMENT 1**BOWLING ALLEY SURVEY FORM**

Facility Name: Colonial Lanes

Address: 878 Bay Street
Staten Island, NY

Phone: (718) 273-0900

Point of Contact: Michael LaMorte

Number of Lanes: 32

Distance from Ft. Wadsworth: 1 mile

Hours of Operation: 0900 – 0100

Costs:

Daytime Rate	\$2.00/game
Evening Rate	\$2.00/game
Open Bowling	\$2.00/game on Sundays and Holidays

Food and Beverage Service: Dining room with lounge and bar area
Snack Bar

Other Information: Discounts will be available for the Navy. Owner has plans for renovating the facility. Leagues can be established for the Navy. Owner is making plans for 24 hour operation and will consider expanding food service if justifiable.

BOWLING ALLEY SURVEY FORM

Facility Name: Showplace Bowling Center

Address: 141 East Service Road
Staten Island, NY 10314

Phone: (718) 698-2695

Point of Contact: Nancy Peteroy

Number of Lanes: 64

Distance from Ft. Wadsworth: 8 miles

Hours of Operation: 0900 — 1200

Costs:

Daytime	\$2.25
Evening/weekend	\$2.40
League	\$2.00

Food and Beverage Service: 10-plex UA Theatre
Restaurant, ice cream parlor, pizza parlor, game room, and lounge, nursery (free)

Other Information: This is a new bowling alley, opened in the fall of 1986. Military discounts would be given, both for leagues and for open bowling. Tues., Wed., Sat., and Sun. open for leagues. Free bus service for groups.

BOWLING ALLEY SURVEY FORM**CLOSED**

Facility Name:	Strike City	
Address:	2295 Forest Avenue Staten Island, NY	
Phone:	(718) 494-1414	
Point of Contact:	Not available	
Number of Lanes:	16	
Distance from Ft. Wadsworth:	6.5 miles	
Hours of Operation:	0900 – 2400	
Costs:	Children	\$1.30/game
	Day Rate	\$1.45/game
	Evening Rate	\$1.55/game
	League Rate	\$1.50/game
Food and Beverage Service:	Bar and lounge facilities Snack bar	
Other Information:	Closed.	

BOWLING ALLEY SURVEY FORM

Facility Name: Victory Lanes

Address: 1836 Victory Boulevard
Staten Island, NY

Phone: (718) 448-3030

Point of Contact: Clement Murotte

Number of Lanes: 10

Distance from Ft. Wadsworth: 3 miles

Hours of Operation: 0900 – 2400

Costs:

Daytime Rate	\$1.75 open bowling
Evening Rate	\$1.75/game
League Rate	\$10 – 15/3 games

Food and Beverage Service: Snack bar
Cocktail lounge

Other Information: No openings for new Leagues

BOWLING ALLEY SURVEY FORM

Facility Name: Bowling on the Green

Address: 55 Mill Road
Staten Island, NY

Phone: (718) 351-4000

Point of Contact: John Payne

Number of Lanes: 42

Distance from Ft. Wadsworth: 4 miles

Hours of Operation: 0700 – 0300

Costs:

Daytime Rate	\$1.75/game (adult)
	\$1.50 (children)
Evening Rate	\$2.00/game
League	\$5.50

Food and Beverage Service: Snack bar
Lounge with bar

Other Information: Openings for new League Monday – Sunday at
9:30 p.m., Saturday or Sunday afternoon or night.

BOWLING ALLEY SURVEY FORM

Facility Name: Country Lanes

Address: 1600 Hylan Boulevard
Staten Island, NY

Phone: (718) 979-1600

Point of Contact: Nazareth Thiltott

Number of Lanes: 48

Distance from Ft. Wadsworth: 2 miles

Hours of Operation: 0900 – 0100

Costs:

League Rate	\$1.75/game
Open Bowling	\$2.00/game
Weekends	\$2.25

Food and Beverage Service: Bar and lounge area with TV screens
Snack bar

Other Information: Openings are available for new leagues on weeknights. Babysitting service available. "Bump n' Bowl" games for children of pre-school age. Would consider military discount.

BOWLING ALLEY SURVEY FORM

Facility Name: Sunset Lanes

Address: 2456 Richmond Avenue
Staten Island, NY

Phone: (718) 698-2313

Point of Contact: Jeffrey Gamba

Number of Lanes: 26

Distance from Ft. Wadsworth: 6.5 miles

Hours of Operation: 0800 – 2400

Costs:

Afternoon Leagues	\$1.75/game
Evening Leagues	\$2.00 – 4.00
Open Bowling	\$2.00

Food and Beverage Service: Cocktail lounge
Snack bar

Other Information: Can accommodate new Navy Leagues. Facility is split with 16 lanes upstairs and 10 lanes downstairs, so small leagues can be accommodated downstairs.

APPENDIX D

**REQUEST FOR PROPOSALS
FOR BOWLING CENTER SERVICES
FOR NAVAL STATION STATEN ISLAND**

PREFACE

Appendix D was originally published separately by LMI as a sample request for proposals (RFP) with a restricted distribution. We reprinted it here with no changes.

**REQUEST FOR PROPOSALS
FOR BOWLING CENTER SERVICES
FOR NAVAL STATION STATEN ISLAND**

RFP FOR BOWLING SERVICES

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SUMMARY OF THE REQUEST FOR PROPOSALS

The Naval Station at Staten Island, New York has a need to provide recreational activities to the estimated _____ personnel being assigned there as part of the new home porting concept. One of these activities is bowling. Normally, the military builds and operates its own bowling centers. However, Naval Station (NS) Staten Island will be one of the first military installations to contract with private sector bowling centers to meet its needs. This Request for Proposals (RFP) asks the local bowling centers to bid for the right to host some or all of the Navy's league bowling, and to provide military discounts for open bowling, for a term of three years with two possible extensions of one year each.

The Navy's morale, welfare, and recreation programs are administered by a "Nonappropriated Fund Instrumentality" (NAFI) of the Government, and the contract will be with the NAFI at NS Staten Island. However, the contract will be very similar to a Government contract. Although the RFP may appear long and complicated, much of it consists of standard paragraphs required by all Government and NAFI contracts. The actual "meat" of the RFP is fairly simple and can be found in Sections C, H, L, and M. Remember, however, you should read the entire RFP before submitting an offer.

One of the requirements for being able to contract for Navy league play is to also offer a discount to Navy personnel for open bowling. This is explained in paragraphs C-2 c. and L-4 of the RFP. Personnel eligible for the discount will be identified by their Government identification cards. For league bowling, the Navy needs _____ reserved lanes to meet its requirements. Complete details of league and open bowling needs can be found in the attachment to the RFP.

NAFI would prefer one bowling center to handle all of its league and open bowling requirements, but there may not be a bowling center in the area with the excess capacity to handle the entire requirement. This RFP therefore allows bowling centers to offer lanes to handle only part of the requirement. NAFI would then contract with two or more bowling centers to meet its requirements.

Selection of the winning proposal or proposals will be made on five criteria. The selection process is explained in Section M of the RFP and the criteria are described in Section L. Briefly, a selection board will judge each proposal on the price offered per line of league play, days of the week and time of day offered for league play, the price offered per line of open play, additional discounts or other considerations offered, and the quality of bowling services.

Section L tells you how to complete the forms and submit a proposal. We appreciate your interest in this contract, and any questions about it should be

addressed at the preproposal conference to be held on _____ at
_____.

SECTION B
SERVICES AND PRICES/COSTS

This section should not be completed until you have read the entire request for proposals.

A. Initial Price Offered for League Play. This portion shows the price per line of league bowling you are offering NAFI for your various categories of league play. (Examples of categories include summer, winter, and junior leagues). It also provides the same information on the prices you currently charge the general public.

<u>Category of League Play</u>	<u>Current Price to General Public (\$)</u>	<u>Price Offered to NAFI (\$)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

B. Initial Price Offered for Open Play. This portion shows the price per line you are offering NAFI for your various categories of individual bowling. (Examples of categories include daytime, senior citizen, and junior). It also provides the same information on the prices you currently charge the general public.

<u>Category of Open Bowling</u>	<u>Current Price to General Public (\$)</u>	<u>Price Offered to NAFI (\$)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

<u>Category of Open Bowling</u>	<u>Current Price to General Public (\$)</u>	<u>Price Offered to NAFI (\$)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

C. **Number of Lanes and Days Offered.** This portion shows the number of lanes, by season, days of the week, and times of day you are offering to reserve for Navy league bowling.

<u>Day</u>	<u>Time(s) of Day</u>	<u>Summer Season</u>	<u>Time(s) of Day</u>	<u>Winter Season</u>
Monday	_____	_____	_____	_____
Tuesday	_____	_____	_____	_____
Wednesday	_____	_____	_____	_____
Thursday	_____	_____	_____	_____
Friday	_____	_____	_____	_____
Saturday	_____	_____	_____	_____
Sunday	_____	_____	_____	_____

SECTION C

DESCRIPTION/SPECIFICATIONS

C-1 Description of Contract

a. Government Instrumentality

The Non-Appropriated Fund Instrumentality (NAFI) at Naval Station Staten Island is an instrumentality of the United States Government authorized to enter into contracts for the morale, welfare, and recreation of military and certain Government-related personnel in the Staten Island area. This solicitation is for a NAFI contract.

b. Requirement

Proposals are solicited from bowling centers in the Naval Station Staten Island area to provide bowling lanes and related bowling services for authorized military personnel, military retirees, and dependents. The lanes are required for Navy league play as well as open bowling. Lanes for league play are to be reserved for Navy use on the nights and times agreed upon, and authorized individual bowlers are to be given a discount on prices charged to the general public. The size of the Navy's requirement is described in Attachment 1 to this RFP.

c. Contract

NAFI would prefer to contract for these services with only one bowling center. However, recognizing that one bowling center may not have the capacity to meet the Navy's requirements, NAFI will contract with one or more bowling centers to provide the lanes required each night for Navy league play. **ALTHOUGH THIS RFP REFERS TO A SINGLE CONTRACT AND CONTRACTOR TO SIMPLIFY THE NARRATIVE, IT IS TO BE UNDERSTOOD THAT THERE MAY BE MORE THAN ONE CONTRACT WITH MORE THAN ONE BOWLING CENTER.** NAFI will organize and manage the leagues, and the contracted bowling center will provide the facilities. Any bowling center contracted for league play shall also provide a discount on open play to the authorized users defined in paragraph H-1 of this RFP. In return, NAFI will advertise these discounts to the authorized users through signs posted on recreation bulletin boards throughout the Navy installation, through handouts at newcomers' briefings, and in response to requests for recreation information received daily by the NAFI. The discounted price for individual play and the price of league play will be part of

the proposals submitted by interested bowling centers. The successful proposer will enter into a contract with NAFI to implement the terms of this RFP.

d. Contract Term

The term of this contract will be three years with two one-year options to extend. Should NAFI wish to exercise a one year extension at the end of the third or fourth years, NAFI will give the contractor concerned a preliminary written notice of its intent to extend at least sixty days before the contract expires. The contractor shall, within five days of receipt of NAFI's preliminary written notice, provide the NAFI written notice of intent to accept or decline the offer to extend the contract term. If there is more than one contract, NAFI may offer an extension to one, several, or all of the contractors concerned.

C-2 Specifications

a. To be eligible for selection under this RFP, bowling centers must be located within 10.0 (ten) miles of the main gate of Naval Station Staten Island.

b. Navy League Play

Lanes shall be available for use at the times designated by the contractor on the days they are reserved for Navy league play. Membership in the Navy leagues will be restricted to the authorized users listed in paragraph H-1 of this RFP. If all lanes are not required by NAFI for any one season, the contractor will be notified 60 (sixty) days prior to the start of that season. The unneeded lanes will then be exempted from this contract without cost to NAFI. The bowling center's house rules concerning no-shows, cancelled games, snow days, and similar non-use of the reserved lanes, shall apply to the Navy players. The contractor shall maintain and operate the reserved lanes like any other lanes in the bowling center when used by the general public. NAFI will organize and manage the Navy leagues and will serve as the point of contact for league coordination. However, payment for league play shall be made directly by the league players to the bowling center.

c. Open Bowling

The authorized personnel listed in paragraph H-1 shall be charged the discounted price agreed upon under this contract for all non-league (i.e., open) lines bowled during the term of the contract. With the exception of the reduced lane fees, these personnel shall be treated no differently than members of the general public. Personnel eligible for the discount may be identified by their Government identification cards which describe the category and include a picture of the card-holder. Bowling center personnel may ask to see this identification card any time a person requests the discount.

d. Treatment of Navy Personnel

With the exception of the specifications of this contract, authorized personnel shall be treated no differently than members of the general public. They shall have access to all services, receive all courtesies, and be covered by all insurance the bowling center may carry.

SECTION D
PACKAGING AND MARKING

This section not used in this RFP.

SECTION E
INSPECTIONS AND ACCEPTANCE

Proposers shall allow NAFI representatives access to their facilities to determine that conditions are as represented in their proposals. After acceptance and award of the contract, the contractor shall allow NAFI representatives access to the facilities to investigate complaints of non-compliance with the contract.

SECTION F
DELIVERIES AND PERFORMANCE

This section not used in this RFP.

SECTION G
CONTRACT ADMINISTRATION DATA

G-1 Contract administration for the contract resulting from this solicitation:

Commanding Officer
Naval Station Staten Island
Staten Island, New York 10305

G-2 Contracting Officer's Representative for this contract is:

Recreational Services Director
Naval Station Staten Island
Staten Island, New York 10305

The Contracting Officer's Representative (COR) has only that responsibility and authority specifically delegated in the letter of appointment. The COR does not have any authority to bind NAFI except for that cited in the letter of appointment.

SECTION H

SPECIAL CONTRACT REQUIREMENTS

H-1 Authorized Personnel

The categories of authorized personnel covered by this contract are as follows:

H-2 Increases in Prices

During the term of this contract the prices of league and open play may be raised whenever these prices are raised for the general public. However, the percentage of increase shall be no more than the percentage of increase to the general public. The new prices may be rounded to the nearest five cents. Notification of price increases shall be made in writing to NAFI at least 30 (thirty) days prior to the effective date.

H-3 Proposals of Additional Considerations

Proposers may offer additional considerations for the authorized personnel covered by this contract. Such additional considerations may take the form, for example, of discounts on food and beverage, or on other bowling services. These considerations will be evaluated and may count towards contractor selection.

SECTION I

CONTRACT CLAUSES

1. DEFINITIONS

As used throughout this contract, the following items and abbreviations have the meanings set forth below:

- a. The term "contract" means this agreement or order and any modifications hereto.
- b. The abbreviation "NAFI" means Nonappropriated Fund Instrumentality of the United States Government.
- c. The term "contracting officer" means the person executing or responsible for administering this contract on behalf of the NAFI which is a party hereto, or his successor or successors.
- d. The term "contractor" means the party responsible for providing supplies and/or services at a certain price or rate to the NAFI under this contract.

2. DISPUTES

- a. Except as otherwise provided in this contract, any dispute or claim concerning this contract which is not disposed of by agreement shall be decided by the contracting officer, who shall state his decision in writing and mail or otherwise furnish a copy of it to the contractor. Within 90 days from the date of receipt of such copy the contractor may appeal by mailing or otherwise furnishing to the contracting officer a written appeal addressed to the Armed Services Board of Contract Appeals and the decision of the Board shall be final and conclusive: provided that if no such appeal is filed the decision of the contracting officer shall be final and conclusive. The contractor shall be afforded an opportunity to be heard and to offer evidence in support of any appeal under this clause. Pending final decision on such a dispute, however, the contractor shall proceed diligently with the performance of the contract and in accordance with the decision of the contracting officer unless directed to do otherwise by the contracting officer.
- b. The "Disputes" clause does not preclude consideration of law questions in connection with decisions provided for in Paragraph "a" above, provided that nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

3. LAW GOVERNING CONTRACTS

In any dispute arising out of this contract, the decision of which requires consideration of law questions, the rights and obligations of the parties shall be interpreted and determined in accordance with the substantive laws of the United States of America.

4. LEGAL STATUS

The NAFI is an integral part of the Department of Defense and is an instrumentality of the United States Government. Therefore, NAFI contracts are United States Government contracts; however, they do not obligate appropriated funds of the United States.

5. EXAMINATION OF RECORDS

a. The clause is applicable if the amount of this contract exceeds \$10,000 and the contract was entered into by means of negotiation. The contractor agrees that the contracting officer or his duly authorized representative shall have the right to examine and audit the books and records of the contractor directly pertaining to the contract during the period of the contract and until the expiration of three years after the final payment under the contract.

b. The contractor agrees to include the clause in "a" above in all subcontracts hereunder which exceed \$10,000.

6. ASSIGNMENT

Contractor may not assign his rights or delegate his obligations under this contract without prior written consent of the contracting officer.

7. GRATUITIES

a. The NAFI may by written notice to the contractor, terminate the right of the contractor to proceed under this contract if it is found after notice and hearing, by the Secretary of the Navy or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the contractor, or any agent or representative of the contractor, to any officer or employee of the Government or the NAFI with a view toward securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such contract.

b. In the event this contract is terminated as provided in Paragraph "a" hereof the NAFI shall be entitled (i) to pursue the same remedies against the contractor as it could pursue in the event of a breach of contract by the contractor and (ii) as a penalty in addition to any other damages to which it may be entitled by law to exemplary damages in an amount (as determined by the Secretary of the Navy or his duly authorized representative), which shall be

not less than three nor more than ten times the cost incurred by the contractor in providing any such gratuities to any such officer or employee.

c. The rights and remedies of the NAFI provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

8. TERMINATION FOR CONVENIENCE

The contracting officer by written notice may terminate this contract, in whole or in part when it is in the best interest of the NAFI. If this contract is for supplies and is so terminated, the contractor shall be compensated in accordance with FAR Subparts 49.1 and 49.2 in effect on the date of this contract. To the extent that this contract is for services and is so terminated the NAFI shall be liable only for payment in accordance with the payment provisions of this contract for services rendered prior to the effective date of termination providing there are no contractor claims covering nonrecurring costs for capital investment. If there are any such contractor claims, they shall be settled in accordance with FAR Subparts 49.1 and 49.2.

9. TERMINATION FOR DEFAULT

The contracting officer, by written notice, may terminate this contract in whole or in part for failure of the contractor to perform any of the provisions hereof. In such event the contractor shall be liable for damages including the excess cost of reprocurring similar supplies or services; provided that, if (i) it is determined for any reason that the contractor was not in default: or (ii) contractor's failure to perform is without his or her, or his or her subcontractor's control, fault or negligence the termination must be deemed to be a termination for convenience. As used in this provision, the term "sub-contractor" means subcontractor at any tier.

10. HOLD AND SAVE HARMLESS

The contractor shall indemnify, save harmless and defend NAFI, its outlets and customers from any liability, claimed or established for violation of infringement of any patent, copyright or trademark right asserted by any third party with respect to goods hereby ordered or any part thereof. Contractor further agrees to hold NAFI harmless from all claims or judgments for damages resulting from the use of products listed in this contract, except for such claims or damages caused by or resulting from the negligence of NAFI customers, employees, agents or representatives. Also, contractor shall at all times hold and save harmless NAFI, its agents, representatives and employees from any and all suits and expenses which arise out of acts or omission of contractor, its agents, representatives, or employees.

11. COMMERCIAL WARRANTY

The contractor agrees that the supplies or services furnished under this contract shall be covered by the most favorable commercial warranties the contractor gives to any customer for such supplies or services and that the rights and remedies provided herein are in addition to and do not limit any rights afforded to the NAFI by any other clause of this contract. The printed terms and conditions of such warranty will be provided to the NAFI with the delivery of any supplies covered.

12. ADVERTISEMENTS

Contractor agrees that none of its nor its agent's advertisements, to include publications, merchandise, promotions, coupons, sweepstakes, contests, sales brochures, etc., shall state, infer or imply that the contractor's products or services are approved, promoted or endorsed by the NAFI. Any advertisement, including cents off coupons, which refer to a NAFI will contain a statement that the advertisement is neither paid for nor sponsored in whole or in part by the particular activity.

13. ORDER OF PRECEDENCE

In the event of an inconsistency between provisions of this solicitation/award, the inconsistency shall be resolved by giving precedence in the following order: (1) Supplies or Services and Prices/Costs, (2) Description/Specifications/Work Statement, (3) Special Contract Requirements, (4) Contract Clauses, and (5) other provision of the solicitation/award.

CLAUSES INCORPORATED BY REFERENCE. This contract incorporates the following clauses set forth in the Federal Acquisition Regulation (FAR) by reference, with the same force and effect as if they were given full text. As used in the following clauses, the term "Government" is deleted and the abbreviation "NAFI" is substituted in lieu thereof. Upon request, the Contracting Officer will make their full text available.

14. FAR 52.203-1, OFFICIALS NOT TO BENEFIT (APR 1984)
15. FAR 52.203-5, COVENANT AGAINST CONTINGENT FEES (APR 1984)
16. FAR 52.203-7, ANTI-KICKBACK PROCEDURES (FEB 1987)
17. FAR 52.222-26, EQUAL OPPORTUNITY (APR 1984)
18. FAR 52.222-35, AFFIRMATIVE ACTION FOR SPECIAL DISABLED AND VIETNAM ERA VETERANS (APR 1984)
19. FAR 52.222-36, AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS (APR 1984)

20. FAR 52.223-2, CLEAN AIR AND WATER (APR 1984)
21. FAR 52.224-1, PRIVACY ACT NOTIFICATION (APR 1984)
22. FAR 52.224-2, PRIVACY ACT (APR 1984)
23. FAR 52.229-3, FEDERAL, STATE, AND LOCAL TAXES (APR 1984)
24. FAR 52.233-2, PROTEST AFTER AWARD (JUN 1985)
25. FAR 52.246-4, INSPECTION OF SERVICES – FIXED PRICE (APR 1984)
26. FAR 52.246-10, INSPECTION OF FACILITIES (APR 1984)
27. FAR 52.249-13, FAILURE TO PERFORM (APR 1984)

SECTION J
LIST OF ATTACHMENTS

There is only one attachment to this RFP:

**League and Open Bowling Requirements
for NS Staten Island**

SECTION K
REPRESENTATIONS AND CERTIFICATIONS

Solicitation Reference Number:

Name and Address of Offeror:

DUNS Number:

Date of Offer:

The bidder makes the following representations and certifications, by placing a check in the appropriate spaces or otherwise as appropriate, as part of the bid identified above. (In negotiated procurements, "bid" and "bidder" shall mean "offer" and "offeror.") A completed REPRESENTATIONS AND CERTIFICATIONS is to be returned with the bid.

1. SMALL BUSINESS CONCERN REPRESENTATION (APR 1984).

The offeror represents and certifies as part of its offer that it ☐ is, ☐ is not a small business concern and that ☐ all, ☐ not all supplies to be furnished will be manufactured or produced by a small business concern in the United States, its possessions, or Puerto Rico. "Small business concern," as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the size standards in this solicitation. (FAR 52.219-1)

2. CONTINGENT FEE REPRESENTATION AND AGREEMENT (APR 1984).

(a) Representation. The offeror represents that, except for full-time bona fide employees working solely for the offeror, the offeror:

[Note: The offeror must check the appropriate boxes. For interpretation of the representation, including the term "bona fide employee," see Subpart 3.4 of the Federal Acquisition Regulation.]

(1) ☐ has, ☐ has not employed or retained any person or company to solicit or obtain this contract; and

(2) ☐ has, ☐ has not paid or agreed to pay to any person or company employed or retained to solicit or obtain this contract any commission,

percentage, brokerage, or other fee contingent upon or resulting from the award of this contract.

(b) **Agreement.** The offeror agrees to provide information relating to the above Representation as requested by the Contracting Officer and, when subparagraph (a)(1) or (a)(2) is answered affirmatively, to promptly submit to the Contracting Officer:

(1) A completed Standard Form 119, Statement of Contingent or Other Fees, (SF 119); or

(2) A signed statement indicating that the SF 119 was previously submitted to the same contracting office, including the date and applicable solicitation of contract number, and representing that the prior SF 119 applies to this offer or quotation. (FAR 52.203-4)

3. TYPE OF BUSINESS ORGANIZATION (APR 1984).

The offeror or quoter, by checking the applicable box, represents that it operates as ☐ a corporation incorporated under the laws of the State of _____, ☐ an individual, ☐ a partnership, ☐ a nonprofit organization, or ☐ a joint venture. (FAR 52.215-6)

4. CERTIFICATE OF INDEPENDENT PRICE DETERMINATION (APR 1985).

(a) The offeror certifies that:

(1) The prices in this offer have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other offeror or competitor relating to (i) those prices, (ii) the intention to submit an offer, or (iii) the methods or factors used to calculate the prices offered;

(2) The prices in this offer have not been and will not be knowingly disclosed by the offeror, directly or indirectly, to any other offeror or competitor before bid opening (in the case of a formally advertised solicitation) or contract award (in the case of a negotiated solicitation) unless otherwise required by law; and

(3) No attempt has been made or will be made by the offeror to induce any other concern to submit or not to submit an offer for the purpose of restricting competition.

(b) Each signature on the offer is considered to be a certification by the signatory that the signatory:

(1) Is the person in the offeror's organization responsible for determining the prices being offered in this bid or proposal, and that the

signatory has not participated and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above; or

- (2) (i) Has been authorized, in writing, to act as agent for the following principals in certifying that those principals have not participated, and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above

[insert full name of person(s) in the offeror's organization responsible for determining the prices offered in this bid or proposal, and the title of his or her position in the offeror's organization];

- (ii) As an authorized agent, does certify that the principals named in subdivision (b)(2)(i) above have not participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above; and
- (iii) As an agent, has not personally participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above.

(c) If the offeror deletes or modifies subparagraph (a)(2) above, the offeror must furnish with its offer a signed statement setting forth in detail the circumstances of the disclosure. (FAR 52.203-2)

5. PARENT COMPANY AND IDENTIFYING DATA (APR 1984).

(a) A "parent" company, for the purpose of this provision, is one that owns or controls the activities and basic business policies of the bidder. To own the bidding company means that the parent company must own more than 50 percent of the voting rights in that company. A company may control a bidder as a parent even though not meeting the requirement for such ownership if the parent company is able to formulate, determine, or veto basic policy decisions of the offeror through the use of dominant minority voting rights, use of proxy voting, or otherwise.

(b) The bidder ☐ is, ☐ is not [check applicable box] owned or controlled by a parent company.

(c) If the bidder checked "is" in paragraph (b) above, it shall provide the following information:

Name and Main Office Address
of Parent Company (Include
Zip Code)

Parent Company's Employer's
Identification Number

(d) If the bidder checked "is no" in paragraph (b) above, it shall insert its own Employer's Identification Number on the following line: _____.
(FAR 52.214-8)

6. CERTIFICATION OF NONSEGREGATED FACILITIES (APR 1984)

(Applies when the amount of the contract is in excess of \$10,000.)

(a) "Segregated facilities," as used in this provision, means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees, that are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin because of habit, local custom, or otherwise.

(b) By the submission of this offer, the offeror certifies that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. The offeror agrees that a breach of this certification is a violation of the Equal Opportunity clause in the contract.

(c) The offeror further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will:

- (1) Obtain identical certifications from proposed subcontractors before the award of subcontracts under which the subcontractor will be subject to the Equal Opportunity clause;
- (2) Retain the certifications in the files; and

- (3) Forward the following notice to the proposed subcontractors (except if the proposed subcontractors have submitted identical certifications for specific time periods):

**NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT
FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES.**

A Certification of Nonsegregated Facilities must be submitted before the award of a subcontract under which the subcontractor will be subject to the Equal Opportunity clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually).

NOTE: The penalty for making false statements in offers is prescribed in 18 U.S.C. 1001. (FAR 52.222-21)

7. CLEAN AIR AND WATER CERTIFICATION (APR 1984).

The offeror certifies that:

(a) Any facility to be used in the performance of this proposed contract ☐ is, ☐ is not listed on the Environmental Protection Agency List of Violating Facilities;

(b) The offeror will immediately notify the Contracting Officer, before award, of the receipt of any communication from the Administrator, or a designee, of the Environmental Protection Agency, indicating that any facility that the offeror proposes to use for the performance of the contract is under consideration to be listed on the EPA List of Violating Facilities; and

(c) The offeror will include a certification substantially the same as this certification, including this paragraph (c), in every nonexempt subcontract. (FAR 52.223-1)

8. SMALL DISADVANTAGED BUSINESS CONCERN REPRESENTATION (APR 1984).

(a) Representation. The offeror represents that it ☐ is, ☐ is not a small disadvantaged business concern.

(b) Definitions.

(1) "Asian-Indian American," as used in this provision, means a United States citizen whose origins are in India, Pakistan, or Bangladesh.

(2) "Asian-Pacific American," as used in this provision, means a United States citizen whose origins are in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territory of the Pacific Islands, the Northern Mariana Islands, Cambodia, or Taiwan.

(3) "Native Americans," as used in this provision, means American Indians, Eskimos, Aleuts, and native Hawaiians.

(4) "Small business concern," as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria and size standards in 13 CFR 121.

(5) "Small disadvantaged business concern," as used in this provision, means a small business concern that (1) is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business having at least 51 percent of its stock owned by one or more socially and economically disadvantaged individuals and (2) has its management and daily business controlled by one or more such individuals.

(c) **Qualified groups.** The offeror shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Asian-Indian Americans, and other individuals found to be qualified by the SBA under 13 CFR 124.1. (FAR 52.219-2)

9. WOMEN-OWNED SMALL BUSINESS REPRESENTATION (APR 1984)

(a) **Representation.** The offeror represents that it ☐ is, ☐ is not a women-owned small business concern.

(b) **Definitions.**

(1) "Small business concern," as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria and size standards in 13 CFR 121.

(2) "Women-owned," as used in this provision, means a small business that is at least 51 percent owned by a woman or women who are U.S. citizens and who also control and operate the business. (FAR 52.219-3)

10. DATA UNIVERSAL NUMBERING SYSTEM (DUNS) NUMBER REPORTING (APR 1984)

In the block with its name and address, the offeror should supply the Data Universal Numbering System (DUNS) Number applicable to that name and address. The DUNS Number should be preceded by "DUNS:". If the offeror does not have a DUNS Number, it may obtain one from any Dun and Bradstreet branch office. No

offeror should delay the submission of its offer pending receipt of its DUNS Number.
(DFARS 52.204-7004)

11. PREVIOUS CONTRACTS AND COMPLIANCE REPORTS (APR 1984)

The offeror represents that:

(a) It ☐ has, ☐ has not participated in a previous contract or subcontract subject either to the Equal Opportunity clause of this solicitation, the clause originally contained in Section 310 of Executive Order No. 11114;

(b) It ☐ has, ☐ has not filed all required compliance reports; and

(c) Representations indicating submission of required compliance reports, signed by proposed subcontractors, will be obtained before subcontract awards.
(FAR 52.222-22)

12. HANDICAPPED ORGANIZATIONS (SEP 1981).

The offeror certifies that it ☐ is, ☐ is not an organization eligible for assistance under section 7(h) of the Small Business Act (15 USC 636). An offeror certifying in the affirmative is eligible to participate in any resultant contracts hereunder or any part thereof as if he were a small business concern as elsewhere defined in the solicitation. An organization to be eligible under section 7(h) of the Small Business Act must be one (i) organized under the laws of the United States or any state; (ii) operated in the interest of handicapped individuals; (iii) the net income of which does not inure in whole or part to the benefit of any shareholder or other individual; (iv) that complies with any applicable occupational health and safety standard prescribed by the Secretary of Labor; (v) that, during the fiscal year in which it bids upon a set-aside, employs handicapped individuals for not less than 75 percent of the manhours required for the production or provision of commodities or services; and (vi) that can qualify under the additional criteria prescribed in Section 118.11, SBA Rules and Regulations, 13 CFR 118.11. For purposes of this clause, the term "handicapped individual" means a person who has a physical, mental, or emotional impairment, defect, ailment, disease, or disability of a permanent nature which in any way limits the selection of any type of employment for which the person would otherwise be qualified or qualifiable. (DAR 7-2003.91)

13. AUTHORIZED NEGOTIATORS (APR 1984).

The offeror or quoter represents that the following persons are authorized to negotiate on its behalf with the Government in connection with this request for proposals or quotations [list names, title, and telephone numbers of the authorized negotiators.] (FAR 52.215-11)

NOTE: Bids must set forth full, accurate and complete information as required by this invitation for bids (including attachments). The penalty for making false statements is prescribed in 18 U.S.C. 1001.

A completed REPRESENTATIONS AND CERTIFICATIONS is to be returned with the bid.

SECTION L

INSTRUCTIONS, CONDITIONS, AND NOTICES TO OFFEROR

L-1 Solicitation, Offer and Award

Proposals in the format described in this section will be due at the time and place set forth in Standard Form 33, Solicitation, Offer and Award. It is anticipated that award will be made within 180 calendar days, but not later than _____.

NOTE: NAFI MAY AWARD A CONTRACT AT ANY POINT AFTER RECEIPT OF THE INITIAL PROPOSALS WITHOUT DISCUSSIONS. THEREFORE, EACH PROPOSAL SHOULD CONTAIN THE OFFEROR'S BEST TERMS FROM ALL STANDPOINTS.

L-2 Submission of Proposals

Seven copies of the proposal are required. Proposals are submitted by completing the Standard Form 33 and the forms in Section B of this RFP (all found at the front) and by filling in the blocks in Section K. These items are then attached to a letter which describes the bowling center and its location and addresses any other considerations the proposer wishes to offer the authorized personnel besides those requirements specifically addressed by this RFP. The letter should be no more than five standard-size pages in length (8½" x 11", at least 12 pitch or larger). The following paragraphs describe the factors to be included in the proposal for evaluation by NAFI.

L-3 Price for League Play

This part of the proposal is submitted by completing the form in Section B. It is the initial price per line to be charged to Navy league bowlers. It may subsequently be raised but only in accordance with paragraph H-2 of this RFP. If the offeror's bowling center already charges different prices for different league times (e.g. summer season, winter season, or weekday, weekend) or different categories of personnel (e.g. senior citizen leagues or children's leagues) then all of these categories must be included.

L-4 Price for Open Play

This part of the proposal is submitted by completing the form in Section B. It is the initial price per line to be charged to open bowlers belonging to the categories listed in paragraph H-1 of this RFP. The price must be discounted from (i.e. less than) the price charged the general public. It may subsequently be raised but only in accordance with paragraph H-2 of this RFP. If the offeror's bowling center already charges different prices for different categories of personnel (e.g. senior citizens,

children, etc.) or different days of the week or times of the day, then all of these discounted prices must be included in the offer.

L-5 Number of Lanes, Days of the Week, and Times of Day

This part of the proposal is submitted by completing the form in Section B of this RFP. The offeror is to indicate the number of lanes to be reserved for Navy league play each day of the week, and the times of day, during each bowling season. This number should not exceed the requirement listed in Attachment 1 to this RFP.

L-6 Additional Considerations

Additional considerations, if any, are submitted in the cover letter to which the other forms are attached. There is no restriction on their scope and any and all proposals will be evaluated. However, they may not carry any weight in the selection if NAFI regards them as not significant or desirable.

L-7 Quality of Bowling Services

This part of the proposal shall be included in the cover letter used to transmit the other forms required by this proposal. It shall include the name of the offeror's bowling center and its location and a description of the facility to include: age, number of lanes, services offered (snack bar, bowling lessons, etc.), and the number of leagues currently using it. Information on house rules for league and open play is required, although this may be attached to the cover letter.

L-8 Submission of Offers

a. A cover letter shall be used to transmit the forms required by this proposal. It shall contain the information required by paragraph L-7 above, and attached to it shall be:

- (1) Completed Standard Form 33.
- (2) Completed forms from Section B of this RFP.
- (3) Completed forms from Section K of this RFP.
- (4) A copy of the bowling center's house rules for league and open play if this information has not been included in the cover letter.

b. Offers and modifications thereof shall be submitted in sealed envelopes or packages (1) addressed to the office specified in the solicitation and (2) showing the time specified for receipt, the solicitation number, and the name and address of the offeror. Telegraphic offers will not be considered; however, offers may be modified by written or telegraphic notice if that notice is received by the time specified for receipt of offers.

L-9 Acknowledgment of Amendments to Solicitations

Offerors shall acknowledge receipt of any amendment to this solicitation (a) by signing and returning the amendment; (b) by identifying the amendment number and date in the space provided for this purpose on the form for submitting an offer; or (c) by letter or telegram. NAFI must receive the acknowledgement by the time specified for receipt of offers.

L-10 Late Submissions, Modifications, and Withdrawals of Proposals

a. Any proposal received at the office designated in the solicitation after the exact time specified for receipt will not be considered unless it is received before award is made and it —

(1) Was sent by registered or certified mail not later than the fifth calendar day before the date specified for receipt of offers (e.g., an offer submitted in response to a solicitation requiring receipt of offers by the 20th of the month must have been mailed by the 15th);

(2) Was sent by mail (or telegram if authorized) and it is determined by the Government that the late receipt was due solely to mishandling by the Government after receipt at the Government installation; or

(3) Is the only proposal received.

b. Any modification of a proposal or quotation, except a modification resulting from the Contracting Officer's request for "best and final" offer, is subject to the same conditions as in subparagraphs (a)(1) and (2) above.

c. A modification resulting from the Contracting Officer's request for "best and final" offer received after the time and date specified in the request will not be considered unless received before award and the late receipt is due solely to mishandling by NAFI after receipt at the Government installation.

d. The only acceptable evidence to establish the date of mailing of a late proposal or modification sent either by registered or certified mail is the U.S. or Canadian Postal Service postmark on the wrapper or on the original receipt from the U.S. or Canadian Postal Service. If neither postmark shows a legible date, the proposal, quotation, or modification shall be processed as if mailed late. "Postmark" means a printed, stamped, or otherwise placed impression (exclusive of a postage meter machine impression) that is readily identifiable without further action as having been supplied and affixed by employees of the U.S. or Canadian Postal Service on the date of mailing. Therefore, offerors or quoters should request the postal clerks to place a hand cancellation bull's-eye postmark on both the receipt and the envelope or wrapper.

e. The only acceptable evidence to establish the time of receipt at the Government installation is the time/date stamp of that installation on the proposal wrapper or other documentary evidence of receipt maintained by the installation.

f. Notwithstanding paragraph (a) above, a late modification of an otherwise successful proposal that makes its terms more favorable to NAFI will be considered at any time it is received and may be accepted.

g. Proposals may be withdrawn by written notice or telegram (including mailgram) received at any time before award. Proposals may be withdrawn in person by an offeror or an authorized representative, if the representative's identity is made known and the representative signs a receipt for the proposal before award.

L-11 Restriction on Disclosure and Use of Data

Offerors or quoters who include in their proposals or quotations data that they do not want disclosed to the public for any purpose or used by NAFI except for evaluation purposes, shall –

a. Mark the title page with the following legend:

"This proposal or quotation includes data that shall not be disclosed outside NAFI and shall not be duplicated, used, or disclosed – in whole or in part – for any purpose other than to evaluate this proposal or quotation. If, however, a contract is awarded to this offeror or quoter as a result of – or in connection with – the submission of this data, NAFI shall have the right to duplicate, use, or disclose the data to the extent provided in the resulting contract. This restriction does not limit NAFI's right to use information contained in this data if it is obtained from another source without restriction. The data subject to this restriction are contained in sheets [insert numbers or other identification of sheets]"; and

b. Mark each sheet of data it wishes to restrict with the following legend:

"Use or disclosure of data contained on this sheet is subject to the restriction on the title page of this proposal or quotation."

L-12 Preparation of Offers

a. Offerors are expected to examine the specifications and all instructions. Failure to do so will be at the offeror's risk.

b. Each offeror shall furnish the information required by the solicitation. The offeror shall sign the offer and print or type its name on the Schedule and each continuation sheet on which it makes an entry. Erasures or other changes must be initialed by the person signing the offer. Offers signed by an agent shall be accompanied by evidence of that agent's authority, unless that evidence has been previously furnished to the issuing office.

L-13 Explanation to Prospective Offerors

Any prospective offeror desiring an explanation or interpretation of the solicitation, specifications, etc., must request it in writing soon enough to allow a reply to reach all prospective offerors before the submission of their offers. Oral explanations or instructions given before the award of the contract will not be binding. Any information given to a prospective offeror concerning a solicitation will be furnished promptly to all other prospective offerors as an amendment of the solicitation, if that information is necessary in submitting offers or if the lack of it would be prejudicial to any other prospective offerors.

L-14 Contract Award

a. NAFI will award a contract resulting from this solicitation to the responsible offeror whose offer conforming to the solicitation will be most advantageous to NAFI, cost or price and other factors, specified elsewhere in this solicitation, considered.

b. NAFI may (1) reject any or all offers, (2) accept other than the lowest offer, and (3) waive informalities and minor irregularities in offers received.

c. NAFI may award a contract on the basis of initial offers received, without discussions. Therefore, each initial offer should contain the offeror's best terms from a cost or price and technical standpoint.

d. A written award or acceptance of offer mailed or otherwise furnished to the successful offeror within the time for acceptance specified in the offer shall result in a binding contract without further action by either party. Before the offer's specified expiration time, NAFI may accept an offer or part of an offer whether or not there are negotiations after its receipt, unless a written notice of withdrawal is received before award. Negotiations conducted after receipt of an offer do not constitute a rejection or counteroffer by NAFI.

L-15 Private Opening of Proposals

Proposals will be privately opened at the time set for opening in the request for proposals. Their content will not be made public.

L-16 Offers-Acceptance Period

Offers offering less than the period of days specified for acceptance by NAFI from the date set for opening of offers will be considered nonresponsive and will be rejected.

L-17 Modifications Prior to Date Set for Opening Offers

The right is reserved, as the interest of NAFI may require, to revise or amend the specifications prior to the date set for opening offers. Such revisions and amendments, if any, will be announced by an amendment or amendments to this

Request for Proposals. If the revisions and amendments are of a nature which requires material changes in quantities or prices to be bid or both, the date set for opening offers may be postponed by such number of days as in the opinion of the issuing officer will enable offerors to revise their offers. In such cases, the amendment will include an announcement of the new date set for opening offers.

SECTION M

EVALUATION FACTORS FOR AWARD

M-1 Process

This section describes the process NAFI will use to select one or more proposals. NAFI will use a negotiated acquisition process that allows it to evaluate offers on factors other than price alone and to select one or more proposals that provide "greatest value to NAFI". Since NAFI is interested in getting sufficient bowling lanes to meet its Navy league requirements every night of the week, it may select one offer, several offers, or parts of one or several offers depending on the days and number of lanes offered. Offerors are reminded, however, that NAFI would prefer to contract with only one bowling center if its requirements can be met.

A Source Selection Board will review and evaluate all proposals submitted in response to this RFP, according to the procedures explained in the paragraphs below. A member of the Board has been appointed as the NAFI Contracting Officer for this acquisition. After the Source Selection Board has completed its review of the proposals, as described below, the Contracting Officer will forward the Board's recommendation for award to the Source Selection Authority, who will make the final decision on awarding this lease.

M-2 Source Selection Panel

Under the Source Selection Process, proposals are evaluated by the Board using a predetermined Source Selection Plan.

M-3 Technical Rating Plan

Those proposals that are "responsive" — that is, conform to the format and requirements of this RFP — will be evaluated using a predetermined rating plan. This plan consists of the following five major rating elements listed in order of importance:

- Initial price per line for league play.
- Initial price per line for open play.
- The number of lanes to be reserved for Navy league play and the days of the week for which they are reserved.
- Any additional considerations to be offered to authorized personnel covered by the contract.

- Quality of bowling services.

A narrative description of the Source Selection Plan elements is outlined in Section L. Offerors should carefully review this section to fully understand the criteria upon which their proposals will be rated. This information will be used by the Source Selection Panel in evaluating the elements of each proposal. Since this is a negotiated acquisition, offerors should anticipate discussions with members of the Source Selection Panel and their consultants regarding individual elements of their proposals. These discussions may result in the Source Selection Panel requiring the offeror to furnish additional evidence of financial condition, ability to assume and perform the obligations and responsibilities imposed by the terms and conditions of the agreement and the proposal submitted. These discussions may also include requests for additional information, or suggested changes to proposals to conform with NAFI objectives.

NOTE: IT IS THE RESPONSIBILITY OF EACH OFFEROR TO INSURE THAT ITS INITIAL PROPOSAL INCLUDES ALL OF THE INFORMATION SPECIFIED IN THE RFP. THE OFFEROR SHALL PROVIDE ANY SUBSEQUENT INFORMATION REQUESTED BY NAFI IN A TIMELY MANNER BY THE DATE AND TIME SPECIFIED BY THE CONTRACTING OFFICER OR HIS DESIGNATED REPRESENTATIVE.

APPENDIX E

**NAVAL TRAINING CENTER GREAT LAKES
BOWLING CENTER POSITION PAPER**

PREFACE

Appendix E was originally published separately as a temporary LMI position paper with a restricted distribution. We reprinted it here with no changes.

NAVAL TRAINING CENTER, GREAT LAKES, BOWLING CENTER POSITION PAPER

INTRODUCTION AND BACKGROUND

This paper presents a strategy for meeting the demand for bowling services at Naval Training Center (NTC) Great Lakes. The proposed strategy is one that can be implemented at this or other military bowling centers that have a similar-sized requirement. We analyzed the feasibility of pursuing a public-private venture (PPV) and compared the economics of a PPV with continued in-house operation of the bowling center.

Briefly, in a PPV, the installation's nonappropriated fund instrumentality (NAFI) contracts with a private company for the operation and any capital improvements of the bowling center for a number of years. The NAFI does not guarantee nor provide any payment to the contractor, and the contractor operates the center at his own risk of profit or loss, possibly sharing profits with the NAFI. We compare that PPV approach to the same in-house operation and improvements to determine which approach is most advantageous to the installation and the Navy for providing bowling services at NTC Great Lakes. In the course of our study, we discussed the construction, operation, and financing of bowling centers with a number of industry sources, including small, medium and large owner-operators. We based our financial analyses on data and information from both NTC Great Lakes and industry representatives.

The current NTC Great Lakes bowling center has 32 lanes, and two evening leagues are fully booked. Waiting time for nonleague bowling on the weekends is more than an hour. The current annual lineage (lines per lane per year) is 9,062, down 25 percent from several years ago because of increases in the Illinois drinking age; that is in the range of the 9,000 to 10,000 lineage that private operators expect. The center is well run by professional management and is once again showing a small profit (net local NAF cash flow).

NTC Great Lakes currently plans an expansion and renovation of the the current bowling center in late 1988. Plans for the addition of 18 lanes and two multipurpose rooms, an expansion of the snack bar/lounge facilities, and renovations

of other areas. The \$2.7 million project is to be paid by a NAF grant (no repayment required).

A PPV center at NTC Great Lakes would return about \$80,000 more per year to the NAF (net local plus central NAF cash flow). The local NAF benefits more from an in-house operation than from a PPV, but the central NAF and the Navy's Morale, Welfare, and Recreation (MWR) funds benefit more from a PPV. The central NAF fund would save \$180,000 in foregone grant/debt amortization by not making the \$2.7 million grant to the center, \$62,000 in interest earnings, and another \$76,000 in NAF employee fringe benefit costs.

We recommend that the bowling center at NTC Great Lakes be contracted out as a PPV in place of the planned NAF expansion and in-house operation. As part of the PPV, we recommend that repairs and maintenance to maintain the "structural integrity" of the system continue to be funded by appropriated funds since these repairs represent "income in kind" to the local NAF regardless of whether the center is a PPV or in-house operation. If the center remains an in-house operation, we recommend that NTC Great Lakes be required to repay the \$2.7 million to the central NAF, given the center's financial strength and the fact that the curtailment of appropriated funds (APF) necessitates that financially healthy centers pay their way so that other centers may have a chance for loans or grants. Finally, the optimum size requirement for the planned addition, under in-house or PPV operation, should be reevaluated in the environment of zero APF support.

The remainder of the paper describes the analysis and reasoning that led to these conclusions and recommendations.

CURRENT BOWLING CENTER FACILITIES AND OPERATION

An expanded in-house or PPV-operated bowling center at NTC Great Lakes would continue to be restricted to authorized military and civilian users. The current population of authorized users is approximately 35,000, comprised of:

Active Duty Officers	671
Active Duty CPOs	1,113
Enlisted (E1-E6)	21,878
Dependents	7,832
DoD, NAF, and Contractors	2,346
Retirees in Lake County	<u>1,500</u>
Total	35,340

These figures do not include the 8,000 recruits who are confined to the recruit compound and are not part of the bowling center's market. The population size and mix at NTC are not expected to change in the foreseeable future. Great Lakes' primary mission is training, and no ships are stationed there. Therefore, the active duty population is relatively constant throughout the year. However, the fact that most of the sailors are in training means that they have a relatively short stay at the base and the bowling center must continually attract a new clientele.

The bowling center at Great Lakes was completed in 1976. The center is located on the perimeter of the base away from housing and other recreation activities. It currently has 32 lanes, a pro shop, men's and women's locker rooms, and a snack bar/lounge that seats about 50. The bowling center has about 100 parking spaces; however, ample overflow parking is available across the street in a large parking lot in front of the MWR office building. Ample flat ground is available on both sides of the center for expansion of the center.

Bowling is the number one recreational activity of active duty Service members and their dependents at Great Lakes. The latest MWR Smart Compass survey revealed that over 40 percent active duty Service members and their dependents participated in bowling in FY87 and more than that plan to participate in bowling in the future. Among retirees interviewed, 31 percent participate in bowling. In contrast, only about 5 percent of the general civilian population in the United States bowl. This high participation rate at Great Lakes translates into a strong usage of the Great Lakes bowling center. According to the center manager, two evening leagues fill the center every weeknight and waiting times for open

bowling on the weekends is typically 1-1/2 hours. The number of lines bowled at the Great Lakes Center over the past 10 years is presented in Table 1.

TABLE 1
TEN-YEAR BOWLING HISTORY AT NTC,
GREAT LAKES BOWLING CENTER

FY	Lines bowled
1979	361,922
1980	378,132
1981	402,997
1982	381,607
1983	415,455
1984	392,266
1985	379,482
1986	363,061
1987	290,763
1988	290,000 (Estimated)
1990	390,550 (Projected for new center)

The most important point to note from the data in Table 1 is that the number of lines bowled peaked at about 415,000 in 1983 and steadily declined to 290,000 in 1986, where it appears to be holding constant. The reason for the 25 percent drop in usage since 1983 was the increase in the Illinois drinking age from 18 to 21. The hospital corps students, whose training facilities are located close to the bowling center, used to use the bowling center snack bar/lounge as a de facto "club" before the drinking age was raised. The change in drinking age also cut sharply into other nonleague recreational bowling. By now, the effects of the increase in the drinking age appear to have stabilized.

The current level of usage represents almost 9,100 lines per lane per year, which is less than the 10,000 annual lineage per lane that private sector bowling centers expect from a profitable center. Although the current 32-lane center could handle significantly more nonleague bowling, as the historical data in Table 1

indicate, the days of the week and times of day that the current customers want to bowl are full. The Smart Compass survey also revealed that, while more than 90 percent of customers rated the facility and operations as satisfactory, the long waiting time for nonleague (i.e., open) bowling is their biggest complaint. Therefore, some amount of excess demand for bowling cannot be met with the current facility.

PROPOSED BOWLING CENTER EXPANSION

NTC Great Lakes has a project programmed to expand the current bowling facility. The total approved budget for the expansion is \$2.7 million, and is in the form of a nonrepayable grant from the central NAF. The project, which is at the 35 percent design stage, is to have the following expansions and renovations:

- An additional 18 lanes, for a total of 50 lanes
- Relocation and expansion of the snack/bar lounge
- Renovation of the locker rooms
- Expansion of the pro shop
- An additional manager's office
- Relocation of the cashier/control desk
- Two additional multipurpose rooms
- Replaced lighting (fluorescent lighting)
- Relocation of utility runs and hookups
- Various other smaller renovations
- New kitchen and other equipment.

The installation would also like an additional 150 parking spaces, replacement of other ceiling tiles, and other smaller items. However, these items will not fit within the budget. The current schedule calls for a contract to be awarded in November 1988 to begin construction on the new center.

The determination that an additional 18 lanes was required was based on the Naval Facilities Engineering Command (NAVFAC) P-80 Facility Planning Criteria for Navy Marine Shore Installations guidelines. However, as we have pointed out before, those guidelines were written in an environment in which APF could be used to support such bowling centers. Therefore, an 18-lane addition is not necessarily

the optimum-sized addition in a zero APF environment regardless of whether the center remains an in-house operation or becomes a PPV center.

The installation estimates total lineage of 390,550 in FY90 (see Table 1), the first full year of operation of the new center. This is a 34 percent increase over actual FY87 lineage. In our financial analyses, we estimate the net profits of a downsized center that still attains 390,550 in annual lineage by making appropriate construction and operating cost adjustments.

The construction portion of the NAF project is projected to be approximately \$66 per square foot. However, the architect estimates that, if the kitchen renovations and special construction features are eliminated, the cost of adding 18 lanes will be approximately \$40 per square foot. *Marshall's Commercial Service* estimates the cost of construction for a bowling center in the Chicago area to be approximately \$33 per square foot, or about 13 percent less than the NAF estimate. Davis-Bacon Act requirements, other social legislation applicable to federal construction projects, and relatively high (compared to private sector) supervision, inspection, and overhead (SIOH) costs would account for the 13 percent difference. Besides consulting *Marshall's*, we consulted major U.S. owner-operators who routinely renovate or expand existing bowling centers. Those owner-operators estimated a cost of \$81,000 per lane, fully equipped, and that cost matched the total \$80,000 cost estimate we derived using the detailed cost estimating methodology prescribed by *Marshall's*. Thus, we are reasonably confident that a PPV owner-operator could construct the addition and renovations for approximately 13 percent less than the NAF estimate.

According to the estimates from *Marshall's*, bowling lane construction costs are about \$19,500 per lane excluding food, beverage, and other ancillary facilities, or about 61 percent of total per lane construction costs. Using the same percentage, we estimate the NAF cost to be \$26,880 for construction of lanes only. These two figures are used in our financial analyses for a downsized addition that has fewer lanes but retains all of the proposed food, bar and other ancillary improvements. We believe that under either a PPV or in-house operation, a smaller addition at NTC Great Lakes, say 10 to 14 lanes, could still handle the estimated 390,550 total annual lineage, have fewer expenses, and return a higher net NAF cash flow.

FINANCIAL ANALYSIS OF OPERATIONS

The bowling center at NTC was profitable before the drinking age was raised. In recent years the center has been operating at a loss. The consolidated statement of income and expenses for the NAF-operated facility for FY87 is shown in Table 2 (estimates of appropriated fund subsidies are included). Applying all APF and central NAF subsidies, the center lost \$258,921 in FY87. Excluding the central NAF's 23 percent employee fringe costs, the local NAF loss was \$183,921. This net loss was incurred on total lineage of 290,763 (see Table 1) at an average price per line of \$1.25. The \$1.25 price is 75 percent of the average market price in the area under a new pricing policy instituted by NTC.

TABLE 2
NTC GREAT LAKES BOWLING CENTER FY87 CONSOLIDATED INCOME STATEMENT

Revenues	
Sales	\$339,755
Other Income	+ 224,106
CGS	- 113,059
Gross income	\$450,802
Expenses	
Salaries	\$387,165
Fringe benefits	75,000
Utilities	180,000
Operations & other	65,058
Repairs & maint. contract	2,500
Total expenses	\$709,723
Total Net Profit	(\$258,921)
	(Total NAF net cash flow)
Add back: Fringe benefits	75,000
Local net profit	(\$183,921)
	(Local NAF net cash flow)

The installation expects the expanded 50-lane center to be fully operational by the beginning of FY90. The installation's projection of revenues and expenses for

FY90 is presented in Table 3. The projected sales figures are based on a 34 percent increase in lineage over FY87 and FY88, and an average price of \$1.50 per line. In addition, food and beverage revenues are projected to almost double over current figures. Apparently the installation believes that the snack bar/lounge expansion will generate proportionately more revenues than the percentage increase in lineage.

The bottom line is that the installation projects a NAF profit (net NAF cash flow) of \$328,000 in FY90. How can a bowling center that is currently losing money or, at best, breaking even, add 56 percent to capacity, increase lineage by only 34 percent, keep prices at a constant 75 percent of market, and return such large profits? Assuming that the 34 percent increase in lineage can actually be attained, the installation's answer lies in the following:

- Food and beverage revenues are projected to double.
- Direct salary expenses are not projected to increase.
- The installation is not putting funds into escrow for future capital improvements.
- The installation is not counting central NAF employee fringe benefit costs and is continuing APF maintenance costs for the structural integrity of the facility.
- The installation does not have to pay back any portion of the \$2.7 million expansion costs

We believe that food and beverage revenues can double after the expansion because of the increased lineage and the upgrading of food and beverage facilities, which should attract proportionately more business. We believe, however, that the installation's projection of stable direct salary expenses is unrealistic. The current organization chart for the bowling center shows 8 full-time staff and 23 part-time or intermittent staff. In contrast, the planned organization chart for the new center shows 13 full-time staff and 44 part-time or intermittent staff. This 35 to 40 percent staff increase should increase direct salary expenses proportionally. Added to that increase are the step increases and cost-of-living raises for current staff. Therefore, it seems likely that direct salary expenses should increase by at least one-third over current levels, or a little more than \$100,000. However, in our estimates we assume that NAF direct salary expenses will stay constant as the installation predicts.

We made appropriate adjustments in the last three items on the list in order to give an accurate cost comparison with a PPV-operated bowling center at NTC. Our estimate of the full cost for FY90 is presented in Table 3 if the project is a grant and in Table 4 if the project is a loan. Continued capital improvements must be ongoing over the life of a bowling center to continue to attract customers and to stay cost-efficient and competitive whether the center is operated in-house or as a PPV. Therefore, we added a capital improvement escrow of 5 percent of bowling lineage revenues, or \$29,000, to the installation's estimate of annual operating expenses. This is the same requirement that the local NAF would place on a PPV contractor.

TABLE 3

**NTC GREAT LAKES BOWLING CENTER CONSOLIDATED INCOME STATEMENT, AND
CENTRAL NAF COSTS, FY90, PROJECTED, AS A GRANT**

	Local	Central
Revenues		
Sales	\$728,000	
Other Income	443,000	
CGS	- 233,000	
Gross income	\$938,000	
Expenses		
Salaries	\$330,000	
Fringe benefits		\$76,000
Utilities	200,000	
Operations & other	75,000	
Repairs & maint. contract	5,000	
Escrow	29,000	
Grant amortization		180,000
Lost interest		162,000
Total expenses	\$639,000	\$418,000
Net Profit	299,000	(\$418,000)
Plus escrow	29,000	
Net cash flow	\$328,000	(\$418,000)

TABLE 4

**NTC GREAT LAKES BOWLING CENTER CONSOLIDATED INCOME STATEMENT, LOCAL
AND CENTRAL NAF COSTS, FY90, PROJECTED, AS AN ROI LOAN**

	Local	Central
Revenues		
Sales	\$728,000	
Other Income	443,000	
CGS	- 233,000	
Gross income	\$938,000	
Expenses		
Salaries	\$330,000	
Fringe benefits		\$76,000
Utilities	200,000	
Operations & other	75,000	
Repairs & maint. contract	5,000	
Escrow	29,000	
Loan payment	180,000	
Lost interest		\$162,000
Total expenses	\$819,000	\$238,000
Net Profit	119,000	(238,000)
Plus escrow	29,000	
Net cash flow	\$148,000	(\$238,000)

The central NAF fund pays the fringe benefits of NAF employees, calculated by Naval Military Personnel Command (NMPC) to be 23 percent of direct salary costs. These real out-of-pocket expenses are directly attributable to the bowling center and should therefore be added to the center's expenses. Fringe benefit expenses for the expanded center would therefore be \$76,000 in FY90 (see Table 4). In addition, the central NAF loses interest earnings (assumed 6 percent) on the \$2.7 million construction cost, whether the in-house project is a loan or grant, once the money is paid to the NAF construction contractor.

More important, as shown in Table 4, we amortized the \$2.7 million NAF project cost over 15 years at zero interest, giving a fixed payment of \$180,000 per

year. The total net effect on the NAF (local and central) of the in-house project is a \$72,000 annual profit. From the central NAF's point of view, it is a \$418,000 annual loss (net cash flow) if it is a grant and a \$148,000 loss if the project is a loan. From the local NAF's point of view, the total effect is a \$328,000 profit if it is a grant and a \$148,000 profit if it is a loan.

Now we compare the projected revenues, expenses, profits, local and total NAF fund effects of a PPV. As Table 5 shows, the local NAF effect of a 50-lane PPV for NTC is a \$91,000 profit (payment to NAF plus escrow for improvements). However, the central NAF fund does not lose the \$76,000 in employee fringe benefit costs, the \$180,000 grant amortization or the \$62,000 in interest. These PPV estimates assume the same prices and revenues as the in-house operation and industry-standard expense ratios, including debt amortization, taxes, and profits.

TABLE 5

NTC GREAT LAKES BOWLING CENTER COMPARISON OF NET CASH FLOW EFFECTS FOR IN-HOUSE AND PPV EXPANSIONS, FY90

	Local NAF net cash flow (\$000)	Central NAF net cash flow (\$000)	Totals (\$000)
In-house, grant	328	(318)	10
In-house, loan	148	(138)	10
PPV	91	0	91

Finally, we believe that a smaller addition, in the neighborhood of 12 to 14 lanes, could generate the same lineage and revenues at less expense under either an in-house or PPV center. For example, we estimate that a 46-lane center would return an additional \$60,000 a year in profit to either an in-house or PPV center. The size of the center for a PPV contract should be a bid item in the RFP, with larger centers given more points. In general, the Navy should revise its bowling center sizing guidelines to be effective in a zero-APF environment.

STRUCTURE FOR THE REQUEST FOR PROPOSALS (RFP)

The RFP should be as flexible as possible in order to take maximum advantage of the private sector's expertise in constructing and operating bowling centers. The main aspects of the RFP should be:

- Contractor design, construction, financing and operation of the center
- 20-year contract, with two 10-year options
- Bidders propose how many lanes for expansion and over what time period, with a minimum of 12 additional lanes within the first 2 years, all other improvements planned in the NAF expansion as mandatory minimum
- 5 percent of lineage revenues as capital improvements escrow
- Usage limited to current authorized users
- Price per line and shoe rental remain at 75 percent of average market, all other prices uncontrolled (market will control them)
- All food, beverage, and amusement expense and revenue to be part of contractor's operation
- Contractor to give current center employees a right of first refusal on jobs, with no arbitrary dismissal for 180 days
- Proposers to bid schedule of percentage of gross revenues to be paid to local NAF fund
- Use award fee contract to provide positive incentive to contractor to provide maintenance, cleanliness, and quality of operations that is desired by a local (base) advisory committee
- Routine maintenance and operations plan to be submitted with proposal, and, if contractor doesn't live up to plan, the NAF can take corrective action and bill the contractor and/or reduce award fee.

The criteria for source selection should encompass four primary areas:

- Design and construction plans (including number of lanes in the expansion)
- Experience and performance history
- Amount and timing of NAF payments
- Operations and maintenance plan.

CONCLUSIONS AND RECOMMENDATIONS

The real issue for Navy bowling centers is whether to pursue a global strategy of looking at total (local and central) NAF fund effects. At some point, NMPC will deplete its grant and loan funds for capital projects. The decision at Great Lakes is a 20-year decision, and other factors are involved since there is an approved project. Bowling center privatization is size-specific, not site-specific, and NMPC will ultimately have to address the global strategy decision.

A summary of our conclusions and recommendations is as follows:

1. The bowling center at NTC Great Lakes would be a successful PPV and should be contracted out. Net cash payments to the local NAF would be more under an in-house operation but loss avoidance would be greater to the central NAF under a PPV.
2. If the bowling center is kept in-house, NTC Great Lakes should be made to repay the loan over 15 years (i.e., convert from a grant to an ROI loan). In the new environment of drastically reduced or eliminated APF support, funds for capital investment are among NMPC's scarcest resources. A highly profitable bowling center such as NTC Great Lakes, which can easily afford to repay the money, should be helping the NAF instead of being a drain on investment funds. The grant decision was made in a positive APF subsidy environment; however, the zero APF environment suggests conversion to a loan.
3. Regardless of whether the center at NTC Great Lakes remains in-house or becomes a PPV, the optimum size of the addition should be reevaluated in light of zero APF support. Just as a private, for-profit operator would not want to have a center that was too large for his market, the installation should not build a larger-than-optimum addition that may prove to be an overhead or maintenance drain.
4. NAVFAC and NMPC should strive to retain APF maintenance for the "structural integrity" of facilities under PPV arrangements.