



PARKS AND RECREATION DEPARTMENT

QUINLAN COMMUNITY CENTER
10185 NORTH STELLING ROAD • CUPERTINO, CA 95014-5732
TELEPHONE: (408) 777-3120 • FAX: (408) 777-1305
CUPERTINO.ORG

CITY COUNCIL STAFF REPORT

Meeting: November 19, 2024

Subject

Award a contract to Lifetime Activities Inc. for Sports Center Instruction, Court Maintenance, and Retail Services at the Cupertino Sports Center for a total not-to-exceed amount of \$24,000,000.

Recommended Action

1. Award a 10-Year contract to Lifetime Activities Inc. to provide Sports Center Instruction, Court Maintenance, and Retail Services at the Cupertino Sports Center for a total not-to-exceed amount of \$24,000,000 with the estimated revenue amount of \$3,450,000; and
2. Authorize the City Manager to execute the contract with Lifetime Activities Inc. consistent with City Council direction.

Reasons for Recommendation

Currently, these Sports Center programs are managed by a Contractor that provides the supporting classes, camps, and activities. The Contractor processes program registration and runs a retail pro shop, providing services such as restringing racquets and selling sports accessories, food, and beverages within the Sports Center. The Contractor also provides specified maintenance services for courts and surrounding areas and replaces equipment as necessary. To further support these programs, the City provides the Contractor retail and office space within the Sports Center and other sites to host their programs, classes, and camps. The current contract expires on December 31, 2024.

The current Contractor has been providing programs at the Sports Center and serving the Cupertino community for 30 years. Their service began in 1994 with a one-year agreement for tennis lessons and evolved over time with them taking on maintenance of all eighteen courts, renting retail service space in the facility, and increasing their activity offerings beyond traditional racquet sports to include volleyball, basketball, cricket, and chess.

Request for Proposal

On September 6, 2024, the City issued a Request for Proposal (RFP) seeking a qualified vendor to provide the specified racquet sports, basketball and chess classes, camps and programs, court maintenance, and retail services at the Cupertino Sports Center. The RFP sought proposals for a five-year contract commencing on January 1, 2025.

The RFP process was conducted in accordance with applicable City policy and the Municipal Code while following standard criteria for this process. The RFP was posted on the City's website, which included notification to local plan rooms and builders exchanges. Additionally, it was advertised on DemandStar, a publicly available procurement site for government contracts with thousands of registered vendors. An optional pre-proposal meeting was held on September 12, 2024.

On October 4, 2024, the City received two proposals from Gorin Tennis Academy ("Gorin") and Lifetime Activities.

Staff evaluated both proposals based on the submitted team qualifications and experience, firm qualification and experience, work plan and approach, the proposed number of program activities and the compensation amount. As is typical with an RFP, the compensation/proposal amount is not the sole determining factor.

Gorin demonstrated experience in providing sports programs and recreational activities across multiple facilities; however, Gorin only demonstrated minimal experience with municipalities. Additionally, the proposal did not display a clear understanding of the operation, the City, and the scope of work. Based on the submitted information on the allocated court space and the amount of staff, the numbers in the cost proposal did not seem viable.

Lifetime Activities' proposal demonstrated a clear understanding of the City's work request and included a clear explanation of the use of space, the methodologies used regarding program offerings, procedures, and the on-site staff organization and duties. Lifetime Activities also has experience providing services in municipalities and is currently doing so in Sunnyvale, Santa Clara, San Francisco, Pleasanton, and Walnut Creek.

After evaluating both proposals in accordance with the criteria in the RFP, Lifetime Activities was evaluated as the highest rated proposer. Staff then began discussions with Lifetime Activities on the contract details, scope of work, and cost revenue. Lifetime Activities presented the City with a 5-year proposal that met the expectations of the RFP and an optional proposal for a 10-year term agreement. In considering both options, staff negotiated an increased percentage of Lifetime Activities' total annual revenue the City receives from 10%, which was initially submitted, to 12%. The contract terms for either option would be an 88/12 split on revenue from all fees collected by the Contractor for services including, but not limited to, camps, classes, private lessons, and the use of this retail and office space. In both service options, Lifetime Activities will manage all program registration and absorb the 3% merchant fee and provide retail staff at the Pro Shop for

registration and service needs.

Summary of the Projected Compensation

The following is a summary of the projected compensation for instruction, court maintenance and retail services related to these programs at the Cupertino Sports Center. It is important to note that the projected classes and camps proposed by Gorin were not deemed by staff to be possible to provide at the Cupertino Sports Center, so the estimated revenue projections reflect the proposal submittal and not accurate analysis.

Bidder	Percentage of Gross Annual Revenue Paid to City	Estimated Amount of Annual Revenue Paid to City	5-Year Amount of Revenue Paid to City	10-Year Amount of Revenue Paid to City
Gorin Tennis Academy	10%	\$ 273,984	\$ 1,374,920	-
Lifetime Activities (Option #1)	12%*	\$200,000*	\$1,050,000**	-
Lifetime Activities (Option #2)	12%*	\$250,000* + \$500,000 in capital contribution in Year 1	-	\$3,450,000**

*Annual contribution to City or 12% of gross annual revenue, whichever is greater, with a \$10K annual escalator

** Estimated sum over the lifespan of the contract with annual escalator

Service Option #1

Option #1 is a 5-year agreement with a base compensation paid to the City at a minimum of \$200,000 per year or 12% of gross annual revenue, whichever is greater. This includes a \$5,000 annual escalator added to the base compensation throughout the duration of the contract. The City is estimated to receive at a total of \$1,050,000 over the 5-year lifespan of the contract based on proposed programming.

Year	Estimated Amount of Revenue Paid to City
1 – 2025	\$200,000*
2 – 2026	\$205,000*
3 – 2027	\$210,000*
4 – 2028	\$215,000*
5 – 2029	\$220,000*
Total	\$1,050,000

* Or 12% of Lifetime Activities' gross annual revenue, whichever is greater

Service Option #2

Option #2 is a 10-year agreement with a base compensation paid to the City at a minimum of \$250,000 per year or 12% of gross annual revenue, whichever is greater. This includes a \$10,000 annual escalator added to the base compensation throughout the duration of the contract. This proposal also includes a capital contribution to the City of up to \$500,000 towards enhancements at the Sports Center. Lifetime Activities will be contracted to manage the capital project improvements and meet all City, local and state standards, and requirements for these projects. The City is estimated to receive a total of \$2,950,000 over the 10-year lifespan of the contract based on proposed programming. Considering the \$500,000 in capital contributions offered in year 1, this increases the total revenue and benefit to the City to an estimated total of \$3,450,000 through the life of the contract.

Year	Estimated Amount of Revenue Paid to City
1 – 2025	\$250,000* + \$500,000 in capital contribution
2 – 2026	\$260,000*
3 – 2027	\$270,000*
4 – 2028	\$280,000*
5 – 2029	\$290,000*
6 – 2030	\$300,000*
7 – 2031	\$310,000*
8 – 2032	\$320,000*
9 – 2033	\$330,000*
10 – 2034	\$340,000*
Total	\$3,450,000

* Or 12% of Lifetime Activities' gross annual revenue, whichever is greater

After careful evaluation, staff recommends Option #2. This option demonstrates Lifetime Activities' vested interest in their operation with the City. By managing outside racquet court reservations, the tennis court reservation process becomes streamlined and easier to use, including the use of a phone application. The reduction in workload for the front desk would provide the City an annual amount of \$50,000 in savings of part-time staff and allow the Recreation Coordinator to focus on additional revenue generating programs in the fitness area. In addition, the provided capital contributions to the Sports Center will enhance the facility and provide an opportunity for better quality programming, lead to an increase in the duration of member usage on specific courts at certain times of the year, and move the current pickleball courts away from the nearby condominiums. Lifetime Activities currently manages capital investment projects with other municipalities that it contracts with and has demonstrated experience in performing this. With the potential to draw more members, these enhancements are expected to increase revenue and save the City approximately \$17,000 in one time court resurfacing costs.

Lifetime Activities has the experience and knowledge in managing courts and facilities in

the Bay Area, including a passholder-based municipal facility. As the current Contractor at the Sports Center for the past 30 years, Lifetime Activities has proven their responsiveness to the City's requests and compliance with City requirements in the past.

Sustainability Impact

No sustainability impact.

Fiscal Impact

If the proposed contract is approved for Lifetime Activities, the City will receive an estimated amount of \$2,950,000 in Sports Center Operations Revenues (GL 570-63-621 420-436) over the 10-year lifespan of the contract. Considering the \$500,000 in capital contributions offered in year 1, this increases the total revenue and benefit to the City of an estimated total of \$3,450,000 through the life of the contract.

City Work Program (CWP) Item

No.

CWP Item Description

N/A

Council Goal

Quality of Life.

California Environmental Quality Act

The award of the contract is exempt from CEQA pursuant CEQA Guidelines section 15301 (operation of an existing facility).

Prepared by: Jacinta Liang, Management Analyst

Reviewed by: Rachelle Sander, Director of Parks and Recreation

Approved for Submission by: Tina Kapoor, Acting City Manager

Attachments:

A - Draft Agreement