

From: [Jenny Koverman](#)
To: [Jeff Milkes](#)
Subject: FW: Lifetime Activities Contract Proposal (2018-2024)
Date: Tuesday, April 24, 2018 3:11:40 PM

From: Jenny Koverman
Sent: Tuesday, November 28, 2017 12:04 PM
To: 'Dana Gill' <danag@lifetimeactivities.com>
Subject: RE: Lifetime Activities Contract Proposal (2018-2024)

Dana-

Thank you for all of the information. I have been waiting to find out from our Director and the City Attorney's office on how they would like us to proceed with the contract. As I said in our meeting on November 3, our intent is to extend the contract for the maximum time (six years). This will be subject to city council approval on December 19th. We will be asking council to approve authority for the City Manager to extend and amend your contract. This will allow us to make changes to the contract that are acceptable to both parties. I will get back to you soon about the contract proposals!

Jenny Koverman, | Recreation Supervisor
City of Cupertino Recreation and Community Services
408.777.3129 | JennyK@cupertino.org

From: Dana Gill [<mailto:danag@lifetimeactivities.com>]
Sent: Monday, November 13, 2017 9:24 AM
To: Jenny Koverman <JennyK@cupertino.org>
Cc: Colleen Ferris <ColleenF@cupertino.org>; John Vest <johnv@lifetimeactivities.com>
Subject: Lifetime Activities Contract Proposal (2018-2024)

Hello Jenny,

Thank you for meeting with me on Friday, November 3rd. I enjoyed providing you with a synopsis of our tenure as the City's tennis and emerging activities service provider.

First of all, thank you in advance for your time and consideration in reading the following email and corresponding attachments. The content is detailed as it highlights a number of important factors pertaining to both present and future recreational experiences as provided by Lifetime Activities.

As we look forward, we see opportunities and challenges in continuing to serve Cupertino. Since 1993, we have prided ourselves on being a comprehensive, employee-based, customer-

focused, year round professional enterprise. Investing in career staff members, upgrading equipment, maintaining A rated insurance, selecting top-rated information systems, adhering to all human resource protocols, and actively engaging in community outreach initiatives are some of our core values; all of which require commitment, dedication and financial capital.

Unfortunately, over the past 6 years, we have found our Cupertino cost basis has exceeded our revenue share expectations and have made us question the operation's future viability. While possibly the largest municipal tennis and activity programs in California, our 350K contribution to the 2016-17 recreation budget is the far and away the highest we have found among comparable services. In addition, gross revenues have stalled and have hovered between 1.5m - 1.65M over the past 6 years. During that time, our operating costs have increased 38% and yet our revenue share has declined from over 1.3M in 2012-13 and 2013-14 to down to an average of 1.25M (-50K) over each of the past 4 years. Due to state/local statutes, insurance premiums and cost of living increased, we project that our operating cost will increase another 28-33% over the next 6 years. Additionally, our efforts to expand the activity service menu at the Cupertino Sports Center (CSC) has led to a positive increase of overall participation, along with a growing revenue share and budgetary contribution for the City of Cupertino (301K in 2012-13 to 350K in 2016-17).

As we assess our future, we find ourselves seeking new growth opportunities rather than looking to reduce programming or service quality to the community. Forward progress will enable us to continue delivering one the state's most robust municipal service operations.

Fortunately, we have developed long-term community relationships wherein we receive regular input regarding new service ideas, operational enhancement and ways to provide greater patron convenience. However, at a time when we aim for an upward trajectory, we find ourselves faced with a reduced service role with regard to chess programming. And, on behalf of our service team and the families/patrons who have enjoyed chess at the CSC since the summer of 2015, I am restating our disappointment with the City's decision to discontinue individual chess classes and/or camps at the Sports Center. The decision and reasoning to completely remove these actively running programs from the Spring 2018 guide is perplexing on many levels.

It has been stated that the CSC individual chess offerings have not met enrollment requirements. However, our data and rosters show that many (if not most) of these single classes/camps have met and exceeded participation minimums. For reference, I have included an updated chess participation spreadsheet (individual and combination) for the past 2 calendar years and can provide a copy of all class rosters upon request. Since January of 2016, there have 518 individual chess class and 227 individual chess camp participants; enrollment numbers that are likely higher than a number of other Cupertino program. These ala carte chess programs have yielded approximately \$96,000 in revenue; not including the upcoming December holiday camp offerings. So moving forward, we foresee a net loss of hundreds of annual chess students and \$50,000 in gross revenues; not including the impact of any future chess and other attached "combination" classes/camp activities that may not have enough traction to meet program minimums over time. Cupertino could certainly lose additional activity patrons who want a physical/cognitive sport and chess combo class or camp...only to have it cancelled for lack of supporting chess enrollment from the simultaneously offered stand-alone chess option. This decision could result in the loss of thousands of chess/sport participants, \$300,000+ in revenue and countless complaints over the next 6 years.

Despite our significant concern, we recognize our role and standing as a contracted service provider. And since the conclusion of our contract term (June 30th, 2018) is fast approaching, we are including 2 contract proposals (with revenue-generating add-on concepts) for your consideration. These proposals include options with and without individual chess offerings at the Sports Center. Also, to help compare other regional contracts, you will find an additional attachment which summarizes our other Bay Area municipal agreements.

Lastly, per the terms of the current Cupertino contract, we request that our service agreement be agreed upon and renewed by the end of this calendar year (12/31/17) or we be notified, in writing, that the City is pursuing a formal RFP process. Due to upcoming annual vendor agreements, we must know our future status in fairly short order. Our business relationships include Wilson Sporting Goods, Leavitt Insurance, Club Automation, ADP payroll service, Wells Fargo credit department, Vanguard Retirement program...along with our annual management budgets, operational goals, and staff member reviews. Consequently, should the City and Lifetime not reach a renewal agreement, 6 months is the minimum time needed to transition an operation this size (43 staff members and 1000+ patrons a week) to another provider and for our career staff to prepare for other employment opportunities.

After 24 years, we are proud and grateful for the opportunity to deliver positive recreational experiences throughout the Bay Area and to thousands of Cupertino residents. On behalf of our senior myself, *Dana Gill* - Founder & CEO (1993), our Cupertino management team: *John Vest* - Chief Operations Officer (1997), *Jennie Shem* - General Manager (1999), *Tom Uyehara* - Tennis Director (2000), *Juan Garcia* - Maintenance Manager (2006), *Ali Khadem* - Activities Director (2010), and 37 other individual contributors in Cupertino, we thank the City for entrusting us to best serve the community. We remain interested in continuing as the Cupertino's tennis and activities vendor of choice for another 6 years; July 1st, 2018 through June 30th, 2024.

I look forward to connecting as your schedule allows.

Dana Gill

Founder & CEO

Lifetime Activities Inc.

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P.S. The Cupertino municipal tennis and activity program is a public/private collaboration like no other! Throughout the state of California, encompassing 50 municipal tennis/sports centers, there is no operation that can compare to the high level of year round patron

participation and revenue share results that exists between the City of Cupertino and Lifetime Activities...here at the Cupertino Sports Center.

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P.P.S. For added convenience, I am including the 3 other documents (Lifetime synopsis, chess info and historical revenues) provided in a previous email a couple of weeks ago.

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