



**RECREATION AND COMMUNITY SERVICES DEPARTMENT**  
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## **CITY COUNCIL STAFF REPORT**

Meeting: July 3, 2018

### Subject

Agreement Extension and Amendment with Lifetime Tennis Inc., DBA Lifetime Activities Inc. (Continued from June 19, 2018)

### Recommend Action

Authorize the City Manager to extend and amend the City's agreement with Lifetime Tennis Inc., DBA Lifetime Activities Inc. for six years (July 1, 2018 – June 30, 2024).

### Background

Lifetime Tennis has been serving the Cupertino community for over 23 years. Their service began in 1994 with a one year agreement for tennis lessons with a gross revenue of \$129,000.

As the relationship continued through a series of 3 year agreements, the services provided by Lifetime Tennis also evolved. By 1998, Lifetime had taken on maintenance of all 18 courts, began renting 120 sq. foot space in the sports center to provide a retail service, staffed a full-time tennis office in the facility; gross revenues had grown to \$600,000. The City renewed their service agreement with Lifetime two more times from 2001-2012 and the program continued to grow. The retail service moved to a 350 sq. foot space in the facility, Lifetime invested \$50,000 into the pro shop renovation, and revenues had reached 1.4 million.

In 2012, the City placed a Request for Qualifications (RFQ) for Tennis Program Operation and Management. Lifetime Tennis was the only business that met the qualifications. The current six year agreement (Attachment A) was awarded with an option to extend for an additional six years. During the current agreement term, in addition to their regular duties, Lifetime has provided \$50,000 in equipment and donations to our programs, including storage sheds, ping pong tables, windscreens, prizes for Open House, gifts for the Giving Tree, and gross revenues have averaged almost 1.6 million/year.

Since 2016, both parties have been operating under the terms of an unsigned first amendment (Attachment B) to the 2012 Agreement. Staff cannot confirm whether the amendment was approved by council. As per the unsigned amendment, Lifetime has extended their offerings to include volleyball, basketball, cricket, and chess as a result of patron surveys. The 2012 Agreement terminates on June 30, 2018 and gives the City the option to extend the Agreement for an additional six-year period, through June 30, 2024 (Attachment C). In November 2017, the City notified Lifetime Activities that they would like to extend, and agreed to amend, the current Agreement (Attachment D).

### Discussion

The Lifetime Tennis program is currently one of the most popular sports programs offered by the Recreation and Community Services Department. During the 2016/17 fiscal year alone, over 6,000 participants enrolled in Lifetime's programs, which contributed approximately \$350,000 to the City. In 2016, due to growing demand from the community, Lifetime Activities in partnership with the Recreation Staff, increased their activity offerings beyond traditional racquet sports, to include volleyball, basketball, cricket, and chess.

Our partnership with Lifetime Activities is like no other. It is the model for this type of relationship. In addition to enabling the Sports Center to operate as an enterprise operation, the impact of their services stretches beyond the Sports Center and into the community. They have employed over 600 local part-time and full-time staff, helped establish the Bay Area's first community college athletic endowment (DeAnza Tennis), and provide tennis coaches for both Kennedy and Cupertino Middle schools.

### Fiscal Impact

Currently the City retains 20% of gross revenue up to \$1,000,000 from lesson fees and 5% of gross revenue \$1,000,000 and above for racquet sports. For non-racquet sports, Lifetime receives 65% of gross revenues, while the City receives 35%. In addition, the City retains a \$7 administration fee for each transaction received from the public.

Over the duration of the current agreement, the existing agreement has yielded 9.5 million in revenue with the City receiving 1.9 million and Lifetime receiving 7.6 million. The revenue breakdown for the City for the years dating 2006 to 2018 is shown below, separated by the 6 year terms of the previous agreements:

<b>Contract Year</b>	<b>Total Revenue</b>	<b>City Net Revenue</b>
2006-07	\$ 1,339,726.29	\$ 266,981.04
2007-08	\$ 1,214,029.68	\$ 239,933.10
2008-09	\$ 1,215,086.83	\$ 247,783.34
2009-10	\$ 1,100,397.39	\$ 238,948.26
2010-11	\$ 1,259,362.50	\$ 254,820.11
2011-12	\$ 1,444,393.10	\$ 269,719.64
<b>2006-12 Totals</b>	<b>\$ 7,572,995.79</b>	<b>\$ 1,518,185.49</b>
<b>Average/Year</b>	<b>\$ 1,262,165.97</b>	<b>\$ 253,030.92</b>
<b>Contract Year</b>	<b>Total Revenue</b>	<b>City Net Revenue</b>
2012-13	\$ 1,647,273.93	\$ 301,336.76
2013-14	\$ 1,601,752.42	\$ 300,289.06
2014-15	\$ 1,512,380.63	\$ 277,968.99
2015-16	\$ 1,621,512.85	\$ 326,626.30
2016-17	\$ 1,556,746.44	\$ 349,995.76
2017-18* (proj)	\$ 1,650,000.00	\$ 360,000.00
<b>2012-18 Totals</b>	<b>\$ 9,589,666.27</b>	<b>\$ 1,916,216.87</b>
<b>Average/Year</b>	<b>\$ 1,598,277.71</b>	<b>\$ 319,369.48</b>
<b>2006-18 Grand Totals</b>	<b>\$ 17,162,662.06</b>	<b>\$ 3,434,402.36</b>

Lifetime pays the City 20% of their gross revenues, significantly more than what they pay the four other cities they contract with in the Bay Area: Sunnyvale, Pleasanton, Walnut Creek, and Santa Clara.

The amendment and extension would include the changes contemplated in the unsigned 2016 amendment, and would convert the payment method to a flat \$335,000 annual fee from Lifetime to the City, with a \$5,000 per year fee escalator, or 16% of the total annual revenue generated by the contractor, whichever is greater. The projected revenue for the City for the next six years is shown below:

<b>Contract Year</b>	<b>Projected City Net Revenue</b>
2018-19	\$ 335,000.00
2019-20	\$ 340,000.00
2020-21	\$ 345,000.00
2021-22	\$ 350,000.00
2022-23	\$ 355,000.00
2023-24	\$ 360,000.00
<b>2018-24 Totals</b>	<b>\$ 2,085,000.00</b>
<b>Average/Year</b>	<b>\$ 347,500.00</b>

This new agreement, would yield a projected maximum of 10.8 million in revenue with the City receiving a guaranteed 2.085 million. The average revenue received by the City over the past six years is \$319,000; the next agreement period would yield a yearly average of \$347,500. This amended agreement will allow the City to weather any unforeseen economic downturns. The termination clause in the amended agreement allows for either party to terminate the agreement at an earlier time by giving one year written notice to the other party.

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Prepared by: Jenny Koverman, Recreation Supervisor

Reviewed by: Christine Hanel, Acting Director, Recreation and Community Services

Approved for Submission by: David Brandt, City Manager

Attachments:

- A – Current Agreement
- B – Unsigned First Amendment
- C – Draft Amendment
- D – Notice to Extend and Amend, Nov 2017