



## Agenda Report

21-1155

Agenda Date: 1/12/2021

### REPORT TO COUNCIL

#### **SUBJECT**

Action on Amendment No. 1 to the Management Agreement between Lifetime Tennis, Inc. and the City of Santa Clara to address COVID-19 Impacts to Programs & Revenue

#### **COUNCIL PILLAR**

Enhance Community Sports, Recreational and Arts Assets

#### **BACKGROUND**

The Parks & Recreation Department operates and maintains 28 tennis courts at 10 park sites throughout the City. The primary facility is the Santa Clara Tennis Center at Central Park, which consists of eight courts, a ball wall and small pro shop with two additional courts adjacent to the Community Recreation Center. Other multiple tennis court sites are located at Henry Schmidt Park and the new courts at Buchser Middle School. The City's tennis courts have been used year-round by the community for reserved and drop in use for recreational and competitive tennis play. In addition, the City has an instructional recreation tennis program with camps, clinics, and special events.

On December 4, 2018, following a competitive Request for Proposal (RFP) process, Council authorized the City Manager to execute a five-year (2019-2024) Management Agreement with LifeTime Tennis, Inc. dba LifeTime Activities (Attachment 1) to manage the tennis courts, pro shop and restrooms at the Santa Clara Tennis Center and two of the four courts located at Henry Schmidt Park. By agreement, LifeTime Activities provides in person and on-line reservation/registration services, certified professional tennis instruction and staff, recreational programs, clinics, summer camps, special tennis related events, pays the City a Management Fee of \$30,000 per year (and annual increases tied to the Bay Area Consumer Price Index (CPI) plus 1%), and \$50,000 toward capital maintenance and improvements.

In March of 2020, State and County Health Orders shut down non-essential business activities including LifeTime Activities in Santa Clara in response to the global coronavirus pandemic. As updated State and County Orders have allowed, some Tennis operations and activities have been able to resume under required health and safety Protocols, but not without significant disruptions in services, added cost to implement protocols, and lower participation rates and corresponding reductions in revenue. In addition, there have been periodic closures of the facilities due to unhealthy air quality and heat due to unprecedented California fires and weather conditions.

LifeTime Activities has reported a loss in revenue and therefore requested an adjustment in program hours and fees.

#### **DISCUSSION**

City Parks & Recreation staff met remotely with Lifetime Activities several times to assess the impact

on revenue, review and implement protocols, and to restore services and activities for the general public to the extent permitted. Lifetime Activities has had to lay-off a majority of its staff, reduce costs, and absorb revenue loss. The net revenue decrease has \$201,000 (approximately 40%) during the April through August 2019 to 2020 year over year comparison in Santa Clara (and over \$515,000 company-wide decrease). Unfortunately, current operations are not sustainable, and Lifetime Activities has requested an amendment to the Management Agreement.

Amendment No. 1 (Attachment 2) contains COVID-19 impact response measures to provide relief to LifeTime Activities while maintaining professional facility supervision at Central Park Tennis Center for the City. If approved, the Amendment would include:

1. Forbearance of the Management Fee in the amount of \$30,000 plus the CPI escalator for the period April 1, 2020 through March 31, 2021. The elimination of the fee may be extended through December 31, 2021 depending on the net revenues of LifeTime Activities.
2. Modification of Supervised Hours at the Santa Clara Tennis Center in Central Park through March 31, 2021.

Schedule	Current	Modified
Monday - Friday	8:00 a.m. to 10:00 p.m.	8:00 a.m. to 1:00 p.m.
		3:00 p.m. to 9:00 p.m.
Saturday/Sunday	8:00 a.m. to 8:00 p.m.	8:00 a.m. to 6:00 p.m.
The weekday, mid-day "break" 1:00 p.m. to 3:00 p.m. is the least active time and is within the weekday 12:00 p.m. to 4:00 p.m. "free" public play period. Closing the Tennis Center Office during this non-prime time will not result in adverse impact to public use.		

3. The addition of a "Monthly Operational Review" meeting starting in March 2021 between Lifetime Activities and City to re-evaluate the "state of tennis", determine next steps, and consider any continuation of management fee forbearance. While collection of revenue (fees for services) from the public based on muni fee schedule will continue, it is expected to remain at, or below operating costs (i.e. at a loss).

If approved, the Amendment will reduce the City's General Fund and Parks & Recreation Department's anticipated revenues by approximately \$30,000, which will be absorbed through cost reductions in the Department, such as not filling a position vacancy until the salary savings have been achieved which will result in a minimal, short term Recreation service reduction.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve commitment to a specific project which may result in potential significant impact on the environment.

### **FISCAL IMPACT**

The Amendment No. 1 will reduce City General Fund revenues in the amount of \$30,000 plus the CPI escalator to reflect the elimination of the management fee through March 2021. The elimination

of the fee may be extended through December 2021 depending on the net revenues of LifeTime Activities.

**COORDINATION**

This agreement has been coordinated with the Finance Department and the City Attorney's Office.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>>.

**RECOMMENDATION**

Authorize the City Manager to Execute an Amendment No. 1 to the Management Agreement between LifeTime Tennis, Inc. dba LifeTime Activities and the City of Santa Clara and delegate authority to make any needed modifications to the Agreement through December 31, 2021.

Prepared by: James Teixeira, Director of Parks & Recreation

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Management Agreement
2. Amendment No. 1