

TO: PARKS AND RECREATION COMMISSION

FROM: STEPHANIE DOUGLAS, SUPERINTENDENT OF RECREATION
COMMUNITY SERVICES DEPARTMENT

DATE: OCTOBER 23, 2018

SUBJECT: CITY OF PALO ALTO AQUATICS CONTRACT UPDATE

BACKGROUND

Beginning in 2015, the City struggled to hire and retain adequate pool staff to meet community demand for the lap swim, learn-to-swim and family recreation swim programs at Rinconada Pool. In 2015, the Community Services Department (CSD) entered into an emergency contract with an outside vendor to mitigate its staffing shortages. Working on a very short timeline, CSD was able to write and approve a contract with Team Sheeper Inc., a professional third-party aquatics service provider who mobilized quickly to provide qualified professional swim instructors and lifeguards to support the Palo Alto aquatics programs. In search of a more sustainable and reliable solution for community aquatics services, in December 2015, CSD issued a Request for Proposals (RFP) to oversee all programming at the pool including: 1) learn-to-swim lessons; 2) the youth competitive swim team; 3) the adult masters swim team; and 4) aquatics facilities operations, including recreational swim, lap swim, and pool rentals. After a careful review of proposals, Team Sheeper was selected as the preferred contractor and was awarded a contract with the City effective January 1, 2017 through December 31, 2018. In this agreement, the City continues to be responsible for facility maintenance and repairs and Team Sheeper provides light cleaning and maintenance each day.

Staff and the public have generally had favorable responses towards this new contracted aquatic-services model so on July 18, 2018, an RFP was released to solicit contractors for a longer-term operational contract at Rinconada Pool expected to take effect January 1, 2019. The goal of the new RFP was to identify a long-term partner who will collaborate with the City and the community to provide high quality, accessible, and safe aquatics programming at the Rinconada Pool.

The RFP scope was inclusive of all current programming and included the opportunity to introduce new services as well. The RFP closed on August 21st, 2018 with only one bid received from Team Sheeper, Inc.

Staff completed an evaluation of Team Sheeper's RFP response, using the following criteria:

- Safety of pool users and aquatics employees
- City and Customer Costs
- Quality of Service and Customer Satisfaction
- Diversity of Programming and Accessibility

In conducting this evaluation, staff are confident that entering into a new contract with Team Sheeper will allow the City to continue to provide high quality programming and expanded aquatics services to Palo Alto residents in a safe and welcoming environment at a reduced cost as compared to in-house operations.

DISCUSSION

Staff is finalizing a new contract with Team Sheeper, Inc. to provide continuation of aquatics programming and services through December 2023. The contract negotiations are nearly complete but there are several outstanding issues to resolve, mainly around insurance requirements. Staff are confident that remaining items will be resolved shortly and anticipate bringing the contract to City Council for approval on November 26, 2018.

This contract will include swim lessons, aquatics camps, lifeguard staffing and pool oversight for recreation lap and swim programs. Team Sheeper, Inc. will also maintain a youth swim team and masters swim program. Team Sheeper, Inc. has indicated that they have already established a subcontract with the Palo Alto Youth Swim Club (PASA) to provide the youth swim team programming. Although not yet finalized, Team Sheeper has indicated that they may directly administer the masters swim program. Additionally, Team Sheeper, Inc. plans to introduce some new programming including diving classes and aquatic exercise programs.

While the contract is still being finalized, it is likely that the contract will consist of a revenue share model, similar to their current contract. Team Sheeper, Inc. will pay gross revenues of as much as 12% of all revenues collected from all programs provided on behalf of the City of Palo Alto. The exact share of gross revenue they will remit to the City is dependent on their total revenue earned. If total revenues earned are less than \$1.25 million, the City’s revenue share is 1%, if total revenues earned is \$1.3 million the City’s share is 2% of total revenue; more detail can be found in the chart below. This revenue share formula is similar to the formula currently in place between the City and Team Sheeper, and is also similar to the revenue share terms Team Sheeper has with the City of Menlo Park.

Revenue Share Table between Team Sheeper and the City of Palo Alto

Annual Total Revenue Dollars	Percent of all gross revenue from all programs under this contract owed to City
up to \$1.25 million	1%
\$1,250,001 to \$1,500,000	2%
\$1,500,001 to \$1,750,000	3%
\$1,750,001 to \$2,000,000	4%
\$2,000,001 to \$2,500,000	5%
\$2,500,001 to \$3,000,000	8%
For each additional \$500,000 in revenue, the gross revenue percentage will grow 1% point up to a maximum of 12%	
\$5,000,001 and up	12%

OUTREACH

Staff has engaged residents and Rinconada Pool users to ensure that this contract model is established in a way that preserves Rinconada’s quality customer experience. On March 6, 2018 a formal public forum was held to invite aquatics participants to provide feedback on current aquatics programming and to provide an update on the City’s plan to solicit bids for continuation of services starting in 2019. The overall feedback at that meeting indicated that most customers are happy with Team Sheeper’s operations and that the community feels strongly that PASA should remain the onsite youth

swim club at Rinconada Pool. In addition, lap swimmers attended to advocate for preserving lap swim schedules and some community members came out to request year-round swim lessons.

On October 16th at various times in the day, staff held informal “snack chats” at Rinconada Pool with residents and customers to solicit feedback on the aquatics program and update customers on the contract process. The feedback at these informal meetings was also generally positive, with users of the lap swim program, swim lessons, recreational swim, and PASA satisfied with Team Sheeper’s management of the pool. The final snack chat, on October 18th will take place after this memo is printed.

Operating Changes Associated with this Proposed Agreement

Once the agreement is finalized, staff anticipates that there will be several modest changes which are highlighted below. It is the staffs’ goal to maintain current scheduling, programming and pricing with incremental changes over time when warranted. It is anticipated that changes will result in improved customer service, safety or sustainability for the City and Team Sheeper. A summary of notable changes are below:

- Slight changes to the weekly programming schedule. Team Sheeper may introduce shared use of the pool on early weekday mornings to allow for both masters programming and lap swim hours
- Introduction of an annual administrative fee. Administrative fees will only be charged once per calendar year when customers sign up for swim lessons or masters programming. Team Sheeper provides an extensive “back office” dedicated to maintaining high quality programming and this new fee is intended to offset some of these costs
- Increase from \$45 to \$48 for Monthly Lap Swim pricing
- Increase from \$20 to \$22 for Resident Youth Group Swim Lessons

This contract will continue to allow for close cooperation between City staff and Team Sheeper’s staff. Both organizations will work together to determine schedule and program changes, as well as pricing changes and facility improvements, when possible.