



## City Council Staff Report

**From: City Manager**

**Report Type: CONSENT CALENDAR**

**Lead Department: Community Services**

**Meeting Date: October 21, 2024**

Report #:2408-3386

### **TITLE**

Approval of Contract Amendment Number 2 to Contract Number C19173035 with Team Sheeper, Inc., for a five-year Operating and Revenue Sharing Agreement for operations of Rinconada Pool, with an option to renew for an additional five years, effective January 1, 2025; CEQA status –not a project.

### **RECOMMENDATION**

Staff recommends that Council approve and authorize the City Manager or designee to execute Amendment No. 2 to Contract Number C19173035 with Team Sheeper Inc. (Attachment B), for an additional five-year revenue share contract for operational oversight of Rinconada Pool's aquatics programming for the term of January 1, 2025 through December 31, 2029.

### **EXECUTIVE SUMMARY**

The City of Palo Alto owns the Rinconada Pool which has been operated by third-party service provider, Team Sheeper, Inc., since 2018. Contract Number C19173035 with Team Sheeper, Inc. became effective January 1, 2019 and will terminate on December 31, 2024<sup>1</sup> based on a five-year contract term. Staff is recommending a contract amendment to extend the term for five years with an option for an additional five years if mutually agreeable to both parties. This recommendation is based on exceptional performance by Team Sheeper, Inc. and positive feedback from pool users, including a survey conducted by the Friends of the Rinconada Pool asking if pool users support a contract extension. Ninety percent of survey respondents were in favor of Team Sheeper, Inc. continuing as the Rinconada Pool operator.

Aquatics programming provided by Team Sheeper, Inc. includes swim instructors and certified lifeguards to provide lap swim, open/recreation swim, a youth swim team, youth swim lessons, youth camps, masters swim, lane rentals for community swim teams and other community groups, and pool parties. Team Sheeper, Inc. is responsible for operating and delivering high-

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<sup>1</sup> City Council, December 18, 2018; Agenda Item #14; SR #9909

<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=62283.26&BlobID=67973>

quality aquatics programs, managing program registration, providing responsive customer service, adapting programs to community needs and demands, and setting user fees comparable to those of aquatics facilities in other nearby communities. The City is responsible for facility maintenance.

## **BACKGROUND**

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. The Community Services Department (CSD) entered an emergency contract with an outside provider to mitigate its staffing shortages. Working on a very short timeline, CSD executed a contract with Team Sheeper Inc.,<sup>2</sup> 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
4. Aquatics facilities operations, including recreational swim, lap swim, and pool rentals

After a careful review of proposals, Team Sheeper, Inc. was selected as the preferred contractor and was awarded a contract with the City effective March 1, 2017 through December 31, 2018.<sup>3</sup>

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

The RFP scope included all current programming and the opportunity to introduce new services. Invitations to bid were sent to 60 potential bidders including the providers currently at the Rinconada Pool: Palo Alto Stanford Aquatics, Rinconada Masters and Team Sheeper, Inc. The RFP

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<sup>2</sup> City Council, May 9, 2016; Agenda Item #8; SR #6812  
<http://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=52154>

<sup>3</sup> City Council, January 9, 2017; Agenda Item #10; SR #7552  
<https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmr/yr-archive/2017/id-7552-sheeper.pdf>

received one response, from Team Sheeper, Inc. Staff completed an evaluation of Team Sheeper Inc.'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

Contract Number C19173035 was awarded to Team Sheeper, Inc. effective January 1, 2019 to December 31, 2024<sup>4</sup>.

### ANALYSIS

Operating with a single full-service contracted operator has resulted in a positive pool user experience with higher service levels than before. Therefore, staff recommends the Council approve Amendment Number 2, a five-year Operating and Revenue Sharing Agreement (Attachment B) with Team Sheeper, Inc.

Team Sheeper Successes at Rinconada Pool from January 1, 2017 - Present

1. *Stability and Consistency of Providing Services:* Since assuming operations of Rinconada Pool in 2017, Team Sheeper, Inc. has provided seven years of consistent, stable, and safe operations.
2. *Increase in Community Usage of Pool 2018-2024:* Pool usage has steadily increased since Team Sheeper, Inc. began operating all pool programs as shown in the table below.

Table # 1: Usage Comparison 2018 v 2024			
Program	Jan-Jul 2018	Jan-Jul 2024	% Increase
Lap Swim Avg Monthly Members	190	288	51.6%
Annual Open Swim Visits	15,142	20,059	32.5%
Swim Lessons	3,397	4,160	22.5%
Campers	339	604	78.2%

3. *Increase in Customer and Safety Services:* It is a company practice and value to have a pleasant, friendly, and highly informed customer service staff member greet each patron and certified lifeguards to attentively watch and monitor all facility activities.

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<sup>4</sup> City Council, December 18, 2018; Agenda Item #14; SR #9909

<https://www.cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=62283.26&BlobID=67973>

4. *Community Satisfaction:* Team Sheep, Inc.'s annual customer satisfaction survey reports have reflected overwhelming acceptance and high satisfaction with operational practices including program delivery, customer service, fee structure, safety, program content, and staff members.

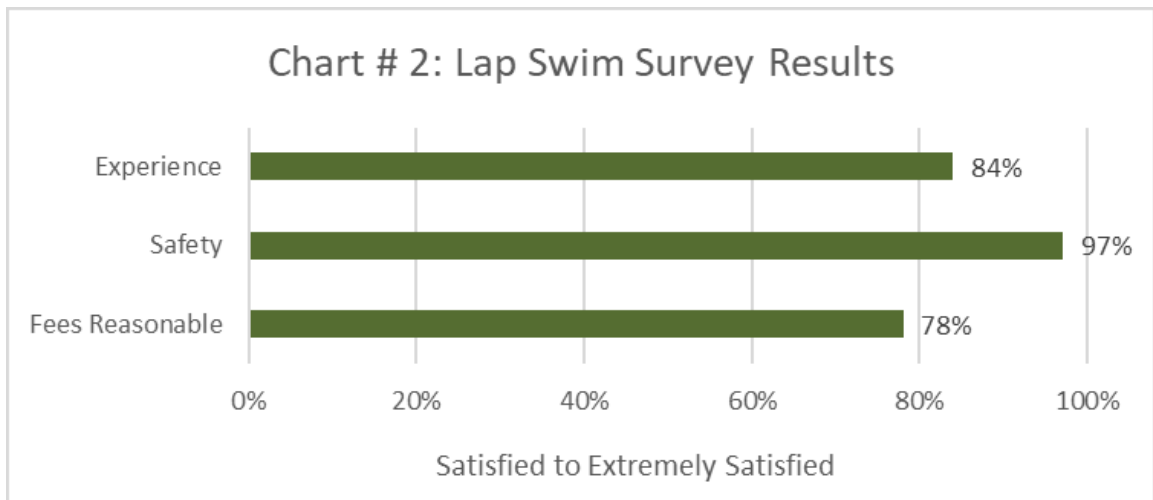
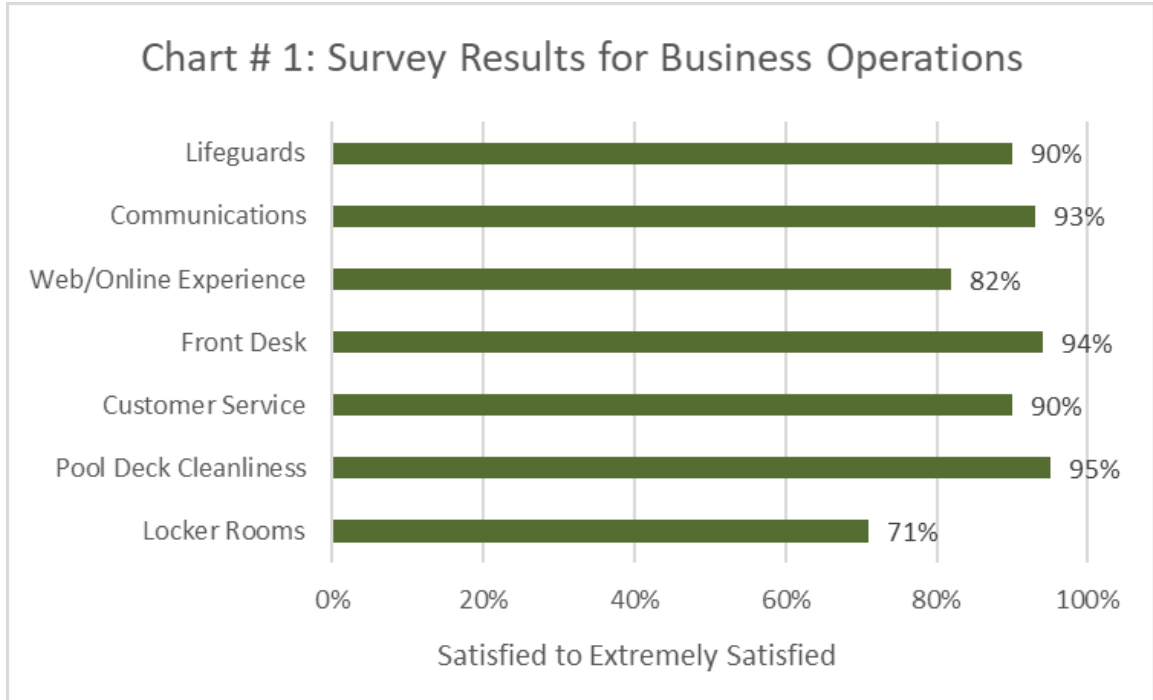


Chart # 3: Open Swim Survey Results

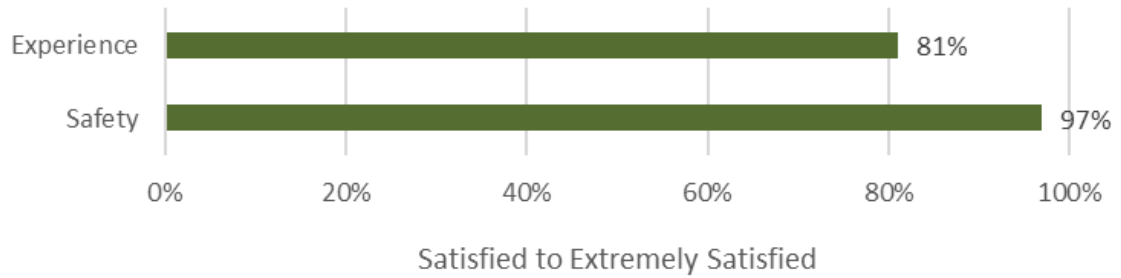


Chart # 4: Swim Lesson Survey Results

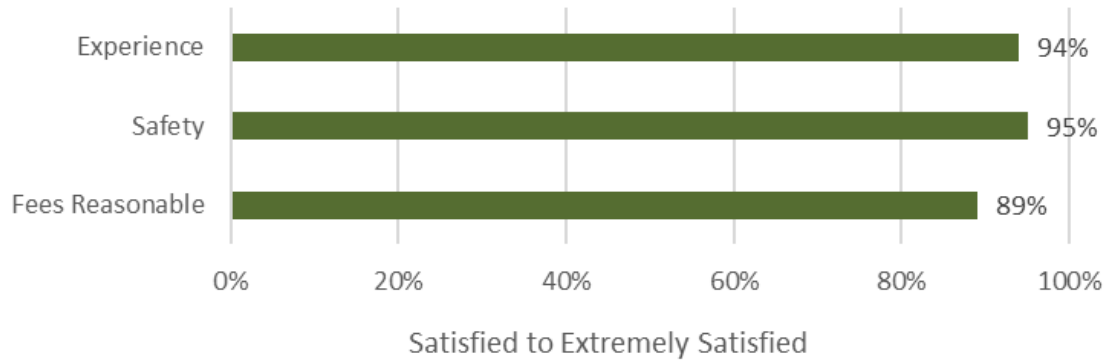
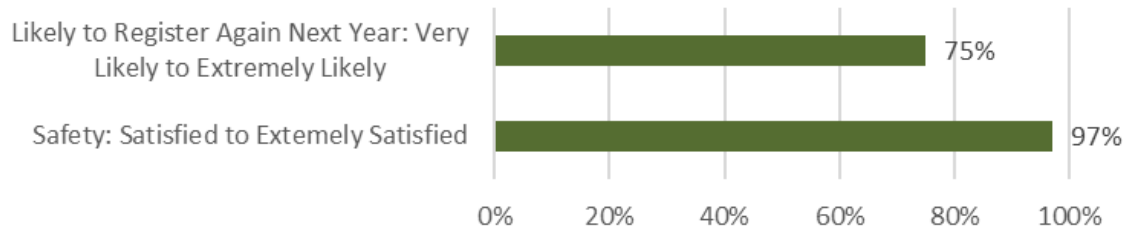
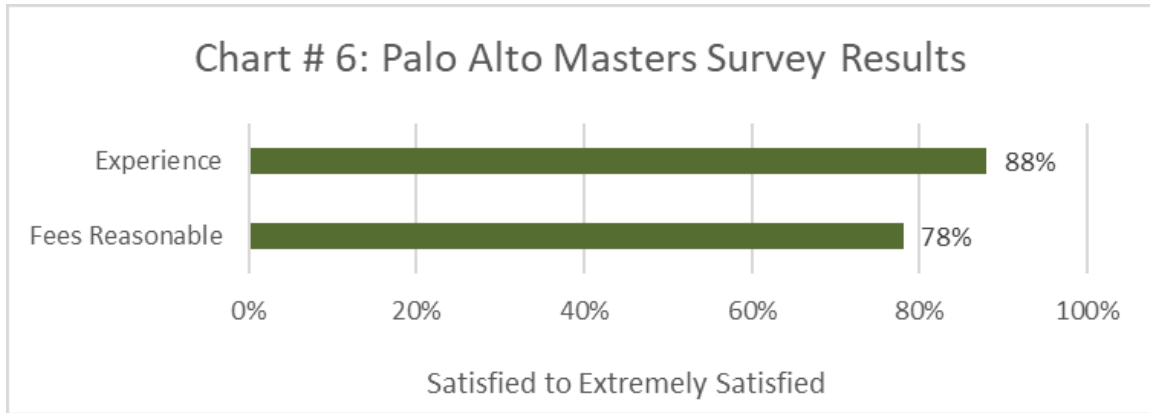


Chart # 5: Camp Survey Results





5. *Development of Youth Summer Swim Camps:* In their first year of operations, Team Sheeper began producing weekly learn-to-swim summer camps that have grown into camps for campers from 5 to 14 years of age. In 2024, 604 campers improved their swim skills.
6. *Involvement with a Community Focus Group:* Team Sheeper interacts and communicates regularly with “The Friends of Rinconada Pool” to better understand the wants and needs of the community lap swimmer. The Friends of Rinconada Pool is a group of swimmers formed to advocate for lap swimmer representation in pool operations surrounding time and space allocations. The group has evolved to include twice-annual social gatherings for all community members.
7. *Pandemic and Post-pandemic Services:* Team Sheeper, Inc. provided safe and robust aquatic services and programming that served the community with appropriate modified operations. During the pandemic, Rinconada Pool and Burgess Pool were the only pools operational in the area.
8. *Conscience Steward of Community Asset:* Team Sheeper, Inc. watches and listens to the needs of the community and interfaces with City Staff. They have played a role in the maintenance and improvement of pool fences, the pool slide, plaster resurfacing of both pools, the addition of bike racks, introduction of play pool covers, additional wall-mounted pace clock and refurbishment of lifeguard towers.
9. *Understanding of Facility Legacy from Long-Time Pool Users:* Every aquatic facility possesses a spirit and soul that develops from the patrons that make up the pool population. An operator must understand the wants and needs of the patrons who use the pool and potential patrons who may not yet be using the pool. Balancing the past, present and future with a desire to achieve a harmonious relationship across the spectrum of user groups is the overriding goal for Team Sheeper, Inc.

If the Council does not approve the staff recommendation, staff would extend the current contract term for a reasonable time to allow staff to conduct a new competitive bid process. This is not desirable as it would be disruptive to already satisfied pool users, a significant staff effort, and unlikely to attract a significant number of responses due to the highly specialized nature of the work.

### **FISCAL/RESOURCE IMPACT**

Like Team Sheepher's current contract, this contract utilizes a revenue share model, which means that the City does not pay Team Sheepher anything to operate Rinconada Pool. Instead, Team Sheepher, Inc. will collect customer payments and remit gross revenues of as much as 12% of revenues collected from all programs to the City of Palo Alto. The exact share of gross revenue remit to the City is dependent on the total revenue earned. The tiers that determine the percentage owed are proposed to change with this amendment as shown in the below table. For example, if total revenues earned are less than \$1.75 million, the City's revenue share is 1%, if total revenues earned is \$2 million the City's revenue share is 2%. Given that the average total annual revenue for Team Sheepher has been \$845,000, the new proposed tiers are not anticipated to have a large impact on revenues owed to the city.

<b>Table 2: Comparison of Revenue Sharing Tiers (Current and Proposed)</b>		
<b>Annual Total Revenue</b>		<b>% of all gross revenue from all programs under this contract owed to city</b>
<b>Current Contract Tiers</b>	<b>Proposed Tiers</b>	
up to \$1.25 million	up to \$1.75 million	1%
\$1,250,001 to \$1,500,000	\$1,750,001 to \$2,250,000	2%
\$1,500,001 to \$1,750,000	\$2,250,001 to \$2,750,000	3%
\$1,750,001 to \$2,000,000	\$2,750,001 to \$3,250,000	4%
\$2,000,001 to \$2,500,000	\$3,250,001 to \$3,750,000	5%
\$2,500,001 to \$3,000,000	\$3,750,001 to \$4,250,000	6%
For each additional \$500,000 in revenue, the gross revenue percentage will grow 1% point up to a maximum of 12%		

### **STAKEHOLDER ENGAGEMENT**

Staff and Team Sheepher, Inc. provide an annual performance update to the Parks and Recreation Commission (PRC) on progress of the Rinconada Pool operations. The report and presentation include revenues, expenditures, and program updates within lap swim, open swim, Master's, swim lessons and camps. This also includes Palo Alto Stanford Aquatics' (PASA) use of the pool.

A monthly community e-newsletter provides program updates, pool closures, and facility maintenance to those who are signed up to receive them.

Staff and Team Sheeper, Inc. also provide a quarterly update with the Friends of the Rinconada Pool. Friends of Rinconada Pool (FoRP) is an unincorporated association that represents the interests of lap swimmers of Rinconada Pool, and facilitates communication and problem-solving between lap swimmers, the City of Palo Alto, and pool or swim program operators under contract to the City.

At the request of the City, FoRP surveyed its members to solicit their opinions on the upcoming renewal of the contract with Team Sheeper, Inc. This report (Attachment A) summarizes the results, while appendices contain the text of the questionnaire and all individual responses.

#### **ENVIRONMENTAL REVIEW**

The recommendation in this report does not constitute a project requiring review under the California Environmental Quality Act (CEQA).

#### **ATTACHMENTS**

Attachment A: Friends of the Rinconada Pool Survey Results

Attachment B: Contract with Team Sheeper, Inc.; Contract C19173035, Amendment Number 2

#### **APPROVED BY:**

Kristen O'Kane, Community Services Director