

# CITY OF PALM DESERT STAFF REPORT

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MEETING DATE: October 12, 2023

PREPARED BY: Shawn Muir, Community Services Manager

REQUEST: AWARD CONTRACT TO SPORTS FACILITIES MANAGEMENT, INC.,  
FOR THE MANAGEMENT AND OPERATION OF THE PALM DESERT  
AQUATIC CENTER

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## **RECOMMENDATION:**

1. Award a contract to Sports Facilities Management, Inc., for the management and operations of the Palm Desert Aquatic Center (PDAC) for a term of five years (plus five 1-year extensions) in the annual fee of \$264,000 in Year 1 and a 5% increase each year in Years 2-5.
2. Authorize appropriation to Palm Desert Aquatic Center Operational Account No. 2424549-4309300 in the amount of \$93,500.
3. Authorize transfer from Unobligated General Fund Reserves in the amount of \$93,500 to Palm Desert Aquatic Center to facilitate the contract increase.
4. Authorize the City Manager to review and approve written contract amendment and change order requests for unanticipated conditions.
5. Authorize the City Attorney to make non-substantive changes to the contract.
6. Authorize the Mayor to execute said agreement.

## **BACKGROUND/ANALYSIS:**

### History

The Family YMCA of the Desert (YMCA) was contracted by the City for the management and operations of the PDAC upon its opening in 2011 and has maintained that contract (Contract No. C36620) through the current fiscal year. The most recent competitive bidding process resulting in an operational contract award was in January 2018. The term of the contract was for one-year with an option to renew every year until June 30, 2023.

Anticipating the end of the contract term, staff issued a Request for Proposals (RFP) in November 2022. Two proposals were received from YMCA and Sports Facilities Management, LLC (SFM). Staff entered negotiations with YMCA, and they provided the contract to their legal counsel for review. At that time, the YMCA encountered a new challenge with lifeguard retention, resulting in reduced operating hours and services. Staff worked with YMCA to increase lifeguard wages leading to restoration of these services.

These changes prompted discussion and further negotiations between YMCA and the City about the new contract needs. Through this process, YMCA submitted two revised fee proposals showing increased administrative costs and annual escalation built in. Their administration cost went from \$178,000 to \$352,028 (20%), and ultimately landed at \$528,041 (35%) annually with escalation built in. This more than tripled their contract management fee from the previous year's rate of \$165,000. In addition, the YMCA legal team completed their review and requested several

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changes to the contract terms. City staff understood that the significant increase in management cost and contract terms would expand the City’s subsidy of the facility. Staff concluded that the need for changes to the scope of work and contract language were significant enough to require the request for proposals for this project to be re-advertised to ensure the right approach was taken in entering a new long-term management contract. At the April 27, 2023, City Council meeting, the bids were rejected, and Amendment No. 5 was approved to extend the current contract to December 31, 2023.

Updated Scope of Work Led by Subject Matter Experts

City staff prepared to readvertise the RFP by conducting interdepartmental meetings to outline the key changes needed in the scope of work. City staff also made the decision to contract with the national aquatic consulting firm Counsilman-Hunsaker in June of 2023 to assist with developing the PDAC Request for Proposals and evaluating proposal submissions. Counsilman-Hunsaker’s scope was to:

1. Create the RFP document to include goals, deliverables, Key Performance Indicators (KPIs), reports and desired outcomes to maintain accountability and track progress.
2. Provide suggestions on reaching the 60% Cost Recovery goal through effective management.
3. Assist the City throughout the bid phase and selection process.

Counsilman-Hunsaker met with City staff on July 6, 2023, to discuss cost recovery goals, review financial information, and discuss RFP goals. Through data analysis it is clear that by driving an increase in attendance, the City’s subsidy could be controlled and potentially reduced. The City’s General Fund subsidy is created by a funding gap between operational revenues and expenditures. Following is a table outlining historical revenues and expenditures for the Palm Desert Aquatic Center from Fiscal Year 15/16 to Fiscal Year 22/23.

Palm Desert Aquatic Center Historical Revenues and Expenditures								
Description	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23 [2]
Charges for Services	765,303	779,688	802,946	793,602	501,514	313,982	667,231	724,675
Interest Income	7,497	13,840	18,878	35,955	31,023	11,503	8,074	64,995
Operating Expenditures	(1,450,270)	(1,394,974)	(1,441,061)	(1,539,494)	(1,323,790)	(1,238,999)	(2,053,385)	(2,221,232)
Net Operating Income	(677,470)	(601,446)	(619,237)	(709,937)	(791,253)	(913,514)	(1,378,080)	(1,431,562)
Capital Outlay [1]	(5,871)	(12,386)	(38,640)	-	(3,637)	(5,325)	(267,759)	(506,656)
<b>Net PDAC Income</b>	<b>(683,341)</b>	<b>(613,832)</b>	<b>(657,877)</b>	<b>(709,937)</b>	<b>(794,890)</b>	<b>(918,839)</b>	<b>(1,645,839)</b>	<b>(1,938,218)</b>

[1] Capital Outlay amounts per Finance Enterprise may differ from the audited financial statement due to auditor reclassifications of capitalizable assets for financial statement purposes  
[2] FY 22/23 amounts are unaudited

In an effort to ensure improved and robust reporting in the future, Counsilman-Hunsaker proposed the following KPIs at a minimum along with reporting cadences.

Financial	Programs	Operations
<ul style="list-style-type: none"> <li>• Attendance/Passes Sold</li> <li>• Member Retention</li> <li>• Concessions Revenue</li> <li>• Rental Revenue</li> <li>• Swim Lesson Revenue</li> <li>• Concessions Per Cap</li> </ul>	<ul style="list-style-type: none"> <li>• Program Attendance</li> <li>• Sessions Held/Canceled</li> <li>• Rentals Held</li> <li>• Special Programs</li> </ul>	<ul style="list-style-type: none"> <li>• Checklist Compliance</li> <li>• Closures</li> <li>• Incidents</li> <li>• Facility Audit Results</li> <li>• Pool Chemical Readings</li> <li>• Customer Satisfaction</li> <li>• Staff Turnover</li> </ul>

Subject	KPI/Topic	Reporting Cadence
<b>Monthly Facility Financials</b>	Topic	Monthly
<b>Attendance/Passes Sold</b>	KPI	Monthly
<b>Member Retention</b>	KPI	Monthly
<b>Concessions Revenue</b>	KPI	Monthly
<b>Rental Revenue</b>	KPI	Monthly
<b>Swim Lesson Revenue</b>	KPI	Monthly
<b>Concessions Per Cap</b>	KPI	Monthly
<b>Program Attendance</b>	KPI	Monthly
<b>Sessions Held/Canceled</b>	KPI	Monthly
<b>Rentals Held</b>	KPI	Monthly
<b>Special Programs</b>	KPI	Monthly
<b>Checklist Compliance</b>	KPI	Monthly
<b>Closures</b>	KPI	Monthly
<b>Incidents</b>	KPI	Monthly
<b>Facility Audit Results</b>	KPI	Quarterly
<b>Pool Chemical Readings</b>	KPI	Monthly
<b>Customer Satisfaction</b>	KPI	Monthly
<b>Staff Turnover</b>	KPI	Monthly
<b>Completed Maintenance</b>	Topic	Monthly
<b>In-service Training Compliance</b>	KPI	Monthly
<b>Staff Recruitment</b>	Topic	Quarterly
<b>Programs Held</b>	Topic	Monthly
<b>Upcoming Programs</b>	Topic	Monthly
<b>Marketing Efforts</b>	Topic	Quarterly or as needed
<b>Goal Updates</b>	Topic	Quarterly

Additionally, the RFP emphasized the goal of decreasing the current subsidy of the Palm Desert Aquatic Center. Creative solutions to increase revenue and/or decrease expenses were encouraged from each submitter.

Following the release of the RFP, Counsilman-Hunsaker assisted in advertising the RFP to potential management companies and were successful in attracting nine (9) different companies to the pre-bid meeting with ultimately six (6) companies submitting proposals.

The submissions were analyzed by the evaluation team and scored according to the following:

- Clarity and conformance of proposal to the RFP – 5%
- Content of the proposal, including the work plan and business plan – 30%
- Proposer's and Team members' experience and performance – 25%
- References – 15%
- Attendance of Non-mandatory preproposal meeting – 5%
- Fee proposal – 10%
- Proposer's Safety Record – 10%

After evaluations were completed, the team chose four (4) out of the six submissions to interview.

- Family YMCA of the Desert
- Sports Facilities Management, LLC
- StandGuard Aquatics
- The Swimming Swan LLC

Interviews were conducted on September 18, 2023, via Zoom. The team of reviewers conferred after the scores and interviews were complete to decide upon a recommendation. **The team unanimously agreed that SFM provided the highest value proposal.** Key areas in which SFM stood out are described below.

Upon contacting SFM to discuss the recommendation to award, they are energized and excited to begin this new partnership. SFM has also committed to hiring locally to meet staffing needs for the facility and will consider current PDAC staff during their hiring process.

*Key factors leading to the recommendation:*

SFM is a national company with over 2,500 employees. Like the other proposers, they presented a core team of professionals to manage day to day operations. However, unlike any other proposer, they have the versatility to pull experts from their corporate pool to provide for specific needs. For example, several lifeguard resignations in quick succession caused the PDAC to significantly reduce operating hours in January. SFM would utilize their corporate Human Resources team to quickly hire or allocate lifeguards from other facilities to fill that gap and ensure continuity of operations. Another example is marketing: YMCA currently works with a marketing consultant to provide the promotional, marketing, and recruitment media needs at the PDAC. SFM would allow the City to expand upon this with their Marketing Services Team that provides assistance to each of the facilities managed by the company. This team would be available to the City to meet those needs but would also be used to create new programs and promotional opportunities.

The interview team unanimously decided to recommend SFM to manage and operate the PDAC beginning January 1, 2024. Upon approval, staff anticipate SFM will begin work November 1, 2023, to ensure the transition from one management firm to the other is smooth.

**References:**

Staff and the aquatic consultant contacted references for several of the proposers during the review process. References for SFM were very positive both within California and in other states.

- The previous parks and recreation director of Pelican Bay Aquatic Center in Edmond, Oklahoma stated they showed they were capable of managing the facility from day one. He said they are experts in their respective fields and capable of responding quickly and professionally when situations arose. They highly recommend SFM to manage the facility.
- Within California, SFM’s experts provided analysis for a proposed project at the City of Murrietta’s pool. The reference stated it was a good experience. The information SFM provided was very helpful and the City of Murietta would utilize them in the future.
- The previous General Manager of City Beach Volleyball Club stated that she was very impressed with SFM’s professionalism and expertise. She highly recommends SFM for any sports or recreation complex.

SFM was highly recommended by all the references contacted.

**Legal Review:**

This report has been reviewed by the City Attorney’s office.

**Strategic Plan:**

High quality facility management and staffing at the Palm Desert Aquatic Center (PDAC) sustains one of the City’s premier recreational facilities. The proposed action will further the goals of the Strategic Plan by providing pervasive recreation opportunities for residents and visitors.

**Appointed Body Recommendation:**

This item was considered at the September 4, 2023, Parks and Recreation Committee meeting. Committee members expressed the desire to provide input on the candidates for the new management contract. Committee Member Guyer was voted unanimously by the Committee to represent them on the evaluation team, which consisted of four City staff members, the representative from the aquatic consultant, and Mr. Guyer.

**FINANCIAL IMPACT:**

The SFM proposed cost for full-time management of the PDAC is \$264,000 in Year 1 with a 5% incremental increase incorporated in Years 2-5 as shown in the table below.

Services	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Management Fee	\$264,000	\$277,200	\$291,060	\$305,613	\$320,894
Total Salaries	\$1,500,000	\$1,575,000	\$1,653,750	\$1,736,437	\$1,823,259
Other Expenses	\$160,000	\$168,000	\$176,400	\$185,220	\$194,481
<b>Total Estimated Budget</b>	<b>\$1,924,000</b>	<b>\$2,020,200</b>	<b>\$2,121,210</b>	<b>\$2,227,270</b>	<b>\$2,338,634</b>

The approved Aquatic Facility Operations Budget for Fiscal Year 2023-24 includes a total of \$1,962,500 for the management and operations of PDAC under the following accounts:

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FY 2023-24	Account #	Budget	Total
Supplies	2424549-4219000	\$ 20,000	
Other Expenses	2424549-4309000	\$ 100,000	
<b>Management Fee</b>	<b>2424549-4309300</b>	<b>\$ 165,000</b>	
Food / Merchandise	2424549-4801100	\$ 40,000	
Contracted Labor	2424549-4802101	\$1,637,500	
			<b>\$1,962,500</b>

The interim, 6-month contract with the YMCA has expended \$82,500 of the \$165,000 allocated to the management fee. In order to help with a smooth transition of duties, staff recommend starting the contract with Sports Facilities Management on November 1, 2023, which will prorate the fee for the transitional term and remainder of Fiscal Year 2023-2024 to \$176,000.

Vendor	Management Term	Account #	Management Cost	Budget
YMCA	July 1 – Dec 31, 2023	2424549-4309000	\$82,500	
Sports Facilities	Nov 1, 2023 – Jun 30, 2024		\$176,000	
TOTAL			\$258,500	\$165,000
<b>VARIANCE</b>				<b>\$93,500</b>

Since the other PDAC expenses are only estimates that could potentially increase due to inflation, increase in staffing and other factors, staff requests an appropriation of \$93,500 to Account No. 2424549-4309300 for the management portion. Staff also requests a transfer from Unobligated General Fund Reserves to accommodate the contract increase. In future budget years, the corresponding amount needed for operations will be included in the budget during the budget approval process.

**ATTACHMENTS:**

1. Sports Facilities Management Proposal
2. Agreement