



CITY COUNCIL AGENDA REPORT

MEETING DATE: APRIL 19, 2005

ITEM NUMBER:

SUBJECT: COSTA MESA TENNIS CENTER AGREEMENT RENEWAL

DATE: APRIL 6, 2005

FROM: ADMINISTRATIVE SERVICES DEPARTMENT / RECREATION DIVISION

PRESENTATION BY: JANA M. RANSOM, RECREATION MANAGER

FOR FURTHER INFORMATION CONTACT: JANA M. RANSOM, 714-754-5300

RECOMMENDATION:

City Council extend the Costa Mesa Tennis Center concession agreement for the first of two 5-year option terms, change the effective date of the extension from February 9, 2003 to May 1, 2005, and authorize the Mayor to sign on behalf of the City.

BACKGROUND:

At the January 3, 2005 regular meeting, City Council discussed the Hank Lloyd Orange County Tennis concession agreement (Attachment 1, Agenda report, Attachment 2, Concession Agreement dated February 9, 1998). Several questions were raised regarding the renewal and operation of the Tennis Center including, whose option is the extension, the City's or the concessionaire's. Staff has researched the questions raised and is now presenting the information and proposed extension and amendment (**Attachment 3**, Proposed Extension and Amendment).

ANALYSIS:

Based on the questions raised, the City Attorney's office has reviewed the concession agreement and determined that Hank Lloyd's Orange County Tennis (HLOCT) has the right to extend the agreement and has properly exercised this right (Attachment 4, City Attorney memo dated January 31, 2005). The January 31, 2005 City Attorney memo also addresses other questions raised at the Council meeting.

The City does assist HLOCT in various areas, including maintenance. According to the Maintenance Services Division, while they maintain a work request tracking system, they do not track specific costs by facility. Maintenance Services does work closely with HLOCT and does assist with lighting repair and landscaping issues that arise. Both HLOCT and City staff work as partners to maintain this facility in good condition. The lights at the Tennis Center are over 30 years old and in poor shape. Replacement parts such as the actual light bulbs and ballasts are increasingly difficult to locate. Staff electricians have significant experience working with this lighting system and are able to respond quickly and assist in repair on an as needed basis. The City is in the process of assessing and upgrading the wiring for safety reasons. The City recently worked with Southern California Edison to install ambient light sensors (to assist in turning on/off lights depending on the

amount of daylight) and the City received a rate adjustment. Although there has been some saving on electricity, staff has been informed by SCE that a 4% rate adjustment is scheduled later in 2005.

As part of the research, staff surveyed other cities regarding their tennis operations. The survey results, (Attachment 5) show Costa Mesa is somewhat unique when compared to other city tennis facilities. In most cases, the city owns and programs the facility, but Costa Mesa differs as it contracts out the operation. Under city programming, the city generally hires independent instructors who provide instruction. The city will register and collect fees, but out of the revenue, they most pay the instructors, commonly 70% of the stated revenue is paid to instructors. As part of the agreement, the City conducts reviews of the financial records of HLOCT. The audit determines if rents have been calculated and paid correctly and if the concessionaire is operating in accordance with the financial requirements of the agreement. Although, according to Section 5.03 of the Concession Agreement, the financial audit report is a confidential work document, audit staff concludes that HLOCT is in compliance with the financial requirements.

The existing agreement also calls for periodic performance evaluations of HLOCT. Attachments 6 and 7 are evaluations performed in 2002 and 2004. Generally speaking, HLOCT meets all of the obligations of the agreement and has, over the years, provided a positive tennis operation to the community. Several minor deficiencies have been noted on the evaluations and staff has worked and will continue to work with HLOCT to correct the deficiencies and improve service. As noted in the evaluations, HLOCT has not presented to the City a satisfaction survey. As part of a larger project, the City is creating a survey of all recreation facilities and has included the Tennis Center facility on the survey and will distribute surveys at the site. This survey will be available for public use within two weeks.

Finally, HLOCT has requested that the effective date of the extension be changed from February 9, 2003 to May 1, 2005. Although HLOCT properly exercised the extension option, the agreement has been on a month-to-month, with mutual consent, while several issues were discussed, such as the potential impacts of the skate park on Tennis Center operations. This change in the effective date would extend the agreement by approximately 27 months, from February 9, 2008 to May 1, 2010, and subsequent second option, if exercised, to 2015.

ALTERNATIVES CONSIDERED:

Produce and issue a new Request for Proposal for tennis center operations.

Maintain agreement on a month-to-month basis.

Maintain the existing effective date at February 9, 2003, and a termination date of February 9, 2008.

FISCAL REVIEW:

The existing agreement specifies payment of rental. Currently Hank Lloyd Orange County Tennis pays the greater of \$1,000 or 10% of the gross amount received from court rental use plus 5% of the gross amount received from pro shop sales. HLOCT has consistently paid greater than the minimum, with an average monthly payment of \$1,949. The City received the following rental fees for the tennis center:

FY 99-00	\$20,721
FY 00-01	\$25,208
FY 01-02	\$25,626
FY 02-03	\$23,677
FY 03-04	\$24,689
FY 04-05	\$23,700 (Adopted)
FY 05-06	\$23,700 (Proposed)

LEGAL REVIEW:

The City Attorney's office has reviewed the documents and approved them as to form.

CONCLUSION:

Hank Lloyd's Orange County Tennis has provided quality tennis programming to the community during the initial contract term. They have met all of the contractual obligations, including the CIP improvements, of the concession agreement and staff has been pleased with Hank Lloyd's Orange County Tennis performance. It is therefore recommended that the City Council extend the Costa Mesa Tennis Center concession agreement for the first of two 5-year option terms, change the effective date of the extension from February 9, 2003 to May 1, 2005, and authorize the Mayor to sign on behalf of the City.

Signatures on the Following Page

JANA M. RANSOM
Recreation Manager

STEPHEN N. MANDOKI
Administrative Services Director

MARC R. PUCKETT
Director of Finance

DISTRIBUTION: City Manager
Assistant City Manager
Public Services Director
Maintenance Services Manager
Hank Lloyd's Orange County Tennis

ATTACHMENTS: 1 [Agenda Report January 3, 2005](#)
2 [Concession Agreement dated February 9, 1998](#)
3 [Proposed Extension and Amendment](#)
4 [City Attorney Memo dated January 31, 2005](#)
5 [Survey of other cities tennis operations](#)
6 [2002 Performance Evaluation](#)
7 [2004 Performance Evaluation](#)