

Germantown Athletic Club Advisory Commission
Minutes
Tuesday – July 7, 2009

Members Present: Alderman Ernest Chism, Chairman Stephen Wilensky, Mr. Rob Ayerst, Ms. Dee Dee Dunehew, Mr. Clint Hardin, Ms. Laura Jaggar, Mr. Paul Mosteller, Ms. Teresa Rando, Mr. Garth Thompson

Members Absent: Mr. Walker Uhlhorn and Mr. Larry Williams

City Staff Present: Mr. Derek Chaput, Ms. Scarlet Jones, Ms. Debbie Powers and Ms. Danelle Toole

Guest: Mr. Stan Weinrich

Call to Order

Chairman Stephen Wilensky called the July 7, 2009 meeting to order. The meeting was held in the Great Hall at the Club.

Approval of the Minutes

Chairman Stephen Wilensky asked for a motion to approve the minutes.

Mr. Hardin asked for a correction to the minutes on a statement made by Chairman Wilensky (page 3). Chairman Wilensky stated that they would **not** do it too many times, but at some point you will train yourself to know you can't come in.

Mr. Mosteller asked for a correction on a statement he made (page 3). Mr. Mosteller asked that we take another look at keeping these doors open until at least construction **is finished**.

With corrections to the minutes made, a motion by Mr. Hardin to approve the minutes was passed.

CLUB REPORTS

Derek started the meeting discussing the locker room update. Things are going as planned and the jack hammering should be finished today. They are moving along on schedule hoping to complete by Thanksgiving as planned. They should be able to give a better date after the Labor Day Holiday. There will be a couple of hours without plumbing; we will send notices to the members so they can make other arrangements.

The membership sales numbers are up. In May we had a record number in total revenue of \$300,000.00 for the first time ever for one month and in June we broke that number with about \$350,000.00. If July is similar to that, we are well on our way as far as the budget. Derek agreed to update the numbers in the early fall.

Derek added that the Club will be in the Memphis Business Journal next month, and that they had a phone interview with him today. They had discussed our membership growth in the worst economic settings and the things we have done to turn things around.

Ms. Dunehew added we were given some great coverage from the Commercial Appeal a few weeks ago.

Derek's update on the Great Hall was that The Board of Mayor and Alderman had voted to separate the Great Hall from our Commission meeting and to create a Task Force for the Great Hall. Derek added if this is something any of our commission members are interested in, they should contact Mr. Brogdon at City Hall to be involved in the Task Force for the Great Hall.

Chairman Wilensky asked if that had already taken into effect since their representatives were not at this meeting.

Derek responded that is correct as of July 1st. The budgets are now separate and we are two separate entities.

Scarlet discussed handouts she had on the expenses for the Grill and Chill Open house and the comparison to the Membership Revenues for that day, showing a 53% day of profit margin.

Scarlet thanked Ms. Dunehew for volunteering to work that day, Alderman Chism for his help and also Alderman Billingsley who had volunteered to grill that day. Things went very well and she was very grateful for all the help.

Mr. Hardin asked if the numbers in the report represent the Silver Sneaker's members, and if they were represented at the Open House.

Scarlet explained that their numbers were not included in those counts. But Derek added that they were included on the revenue side.

Scarlet explained that their Silver Sneakers' representative only come out once or twice a year and they did not want a booth at the Open House because of the heat at this outdoor event, they did not believe this would be a good day for their clientele.

Scarlet also discussed reports on Memberships she passed out comparing new memberships and renewals since the beginning of January and expressed her excitement about the growth. Scarlet stated now her attention would be focusing on retention and keeping the pool members here.

Mr. Ayerst asked how the 6 month prepay worked along with the application fee.

Scarlet explained Members can pay the entire 6 month renewal amount at the month to month rate. As long as their membership hasn't expired more than 60 days, there is no application fee. Of course, new members would pay an application fee.

Chairman Wilensky asked about the promotions we offered in May concerning the Application fees. Also what the application fee would cost today.

Scarlet responded that we will offer promotional discounts throughout the year in the slower months to build memberships. Today the application fee is \$99.00. On the day of the Open House, we had various discounts depending on the package purchased.

Chairman Wilensky asked if we had any comments about how our fees compare to other fitness club fees since we are all competing for memberships.

Scarlet stated that Prairie Life has been offering discounts since before the opening of Life Time Fitness.

Derek added the facilities that are really hurting are offering really low ridiculous fees, but we are not competing with them, because they do not offer the amenities we have. We are still approving membership contracts daily and we have 55 waiting to be approved today. Our sales are still going pretty strong.

Chairman Wilensky stated the good news is, that is happening, but it is summer and he wonders how many are tied to people wanting to use the pool only. But, most significantly, when we agreed to a plan to raise the rates we had a Summary Chart of the other facilities. Chairman Wilensky requested that for next month Scarlet bring an updated comparison chart or summary sheet of other facilities. Now that these other places are up and going, how do we compare to other facilities. These are questions he knows the commission members have been asked or will be asked. Now that we have hit July, he feels like they need to be armed with that information.

Mr. Weinrich asked how this is compared to our planned budget for the year.

Derek responded that the renewal rate was at 55%. We prolonged the increase of the rates by six months and were in the hole significantly the last two years, but we have reduced that deficit with our memberships the last few months. We will still finish the year with a deficit in the revenue, but if our trend continues our average goal per month is \$216,000.00 in membership revenue to meet budget that started this year. To break even this year's budget we will need to reach \$233,000.00 per month. Our June's number is going to post about \$234,000.00. We are expecting a drop in revenue about October or November. The month of July revenue should be on the other side of the fence. The question is can we maintain that during slow periods. We don't have the final numbers, but as far as revenue goes we took in about \$900,000.00 more in FY09 than in FY08 which is a significant jump in one year. These numbers not only represent membership rates but personal training and other programs. We are still budgeted for a 2013 exit as far as deficit but he expects it to be before then. This month is a key month for us. We sent

out over 700 renewal letters for the January and July members. The January renewals are the old members that were allowed last year to renew for 6 months at the old rate.

Mr. Hardin commented that last year we had to borrow \$800,000.

Chairman Wilensky commented that the signs have remained solid throughout the year despite ongoing renovation work throughout the building, even with the launching of the new locker room renovations, which displaced members accustomed to using them. Again it is month to month and he believes it is important that we maintain our focus on the Customer Service aspect. We went through the training, are we still continuing that program and are we still focusing on building cleanliness? Chairman Wilensky stopped and turned the floor back over to staff.

With no other questions on the financial aspect, Derek turned the floor over to Scarlet.

Scarlet discussed the Luau planned for July 17 for which members may buy dinner tickets at the outdoor pool. She shared a menu being offered at the Luau and that GPAC has offered to work a cash bar, and Heart and Soul will be catering the food. We will have a band, Steve Hopper and the Wolf Island band which was here last year and everyone was pleased. She is working on having the Kid's Klub stay open and offer babysitting for the Luau.

Concessions:

Danelle gave a brief report on the concession sales. From May to June 30th we have made over \$22,800.00 and our expense for that time was \$12,045.00 for the outdoor pool concessions. She feels the outdoor concessions are doing tremendously well. The indoor concessions sales are picking up. It sells approximately \$200.00 a day, and we will be adding smoothies to the sales very soon.

Chairman Wilensky asked if there were any consideration to modifying the hours.

Danelle responded we have made some changes to the hours of operations. Originally we opened at 7 am until 1pm and reopened at 2:30 – 8 p.m. now we have extended the hours from 7 am to 8p.m. with no breaks in between.

Chairman Wilensky asked the commission members what they were hearing from the members and did they have any issues that the staff needs to be aware of or require additional focus.

Mr. Mosteller commented on space, for example in the Pilates class on Tuesday night and Saturday morning, and asked if we could offer additional classes.

Derek responded that Pilates is the only class that is a different animal. We have an exclusive contract with Cindy Qualls, and until the current contract expires we can't make any changes unless she asks to add more classes. Cindy and Amy have spoken, she wanted to test the Gym briefly but that wasn't conducive. She has moved her class back to room 1, we don't want to turn anyone away, but she wants to be cognizant of her business as well.

Chairman Wilensky asked about the status of the pool and it shutting down.

Derek stated that it will be shut down August 8 – 15th. We have been working around programs with the swim team and school starting back. As far as they are concerned it should be an easy fix, and public works is asking us to fill the pool at non peak water times. It could take us an extra day if something happens.

Chairman Wilensky asked about the cleanliness of the pool.

Derek responded that Danelle has been working significantly with the Aquatics Coordinator, and we have revamped the cleaning schedule. We have had a major issue with sand getting into the pool, the water is so high powered going through the filtration system and not settling like it should. They have had to gage back the water pressure to clean the pool and cleaning every 4 -6 days to clean the sand out of the bottom and backwashing and then repeat the process. Staff has been working with the deck and other issues we have on the deck. We are going to continue to work on that.

Derek discussed Customer Service training that was asked about earlier by Chairman Wilensky. He explained he and Danelle have made some changes in the training with Union University; it will be a requirement for employees to go through orientation with our Customer Service Training at the beginning of each summer with new seasonal employees. The computer module training was restructured, because they felt like it wasn't useful, participation was low and people were just scanning for the answers.

Derek asked did the members have any questions.

Mr. Hardin commented he had noticed crowding on the weekends on the strength training equipment like the back machine, and crunch machine as well.

Derek said one point he should bring up, is that Scarlet's job is now shifting from one side to the other, and this commission's focus is shifting as well, from adding memberships to space for the members and how we are going to address that. We can continue to add members, but we are going to get to a point if we don't have space and equipment you are going to run them off. At first the space in this facility was looked at as a possibility but now it is not on the table, now we need to turn our focus on how we can acquire space, or shift classes and equipment around or other possible plans. It all comes down to capital, but if we continue trending, we may have our own capital to do those things. That is a significant look for us this upcoming year, is what we do to acquire space.

Alderman Chism added that he had mentioned several times that there is an area about 1400 – 1500 square feet down there if we move a wall out in the fitness area. No one has ever explained to him why we can't do that. He knows we have talked to the fire dept. All we need to do is move the wall. We have people working in the building now, and it shouldn't interfere with anything going on or with very little interference if we move a wall.

Derek responded that the only problem is ADA access if we push the wall out, we would need to figure out how to grade it. There is space there, but we will have to grade the hill.

Mr. Hardin asked about the safety exit.

Alderman Chism stated that the fire dept. said it would be fine.

Danelle commented that the Fire Marshall had told her that we would need another 4 -6 feet to move the wall out for ADA access.

Alderman Chism offered to sit down and talk to the Fire Chief and have him talk to us, if that is the issue. It seems to him that no one wants to move the wall out, and that shouldn't be that expensive compared to adding a 1500 square feet building.

Derek stated the only other significant issue would be heating and air, and coming up with the capital. The heating and air was taken off the table because FY10 budget is so tight.

Alderman Chism stated that making another floor on top of the gymnasium, we are talking about dollars.

Derek responded that the gymnasium is going to be a requirement. Going along with Pilates and making space for group exercise classes. We have some significant issues with space for classes.

Ms. Dunehew asked about the numbers we are running on group exercise classes.

Derek responded we are running anywhere between 80-85 classes per week, Pilates has approximately 40-45 participants and Zumba is averaging 40-60 depending on the instructor but it is on the gym floor. The only one that has a consistent number is Silver Sneakers which is in the 25-30 range. The average participation for classes is closer to 20 -25.

Chairman Wilensky asked if there is any consensus from this Commission that we are rapidly approaching that point where we would like to explore the relative cost are to potentially expand. There is a step process that you have to follow and he is not sure where the options are. For example Mr. Chism mentioned a plan, if there was a desire, what does that option cost. It is never too early to start planning for the next capital expenditure for the next fiscal year.

Ms. Jaggar stated that she believes the option Alderman Chism mentioned might be a valid one, but what Derek is trying to say is that the problem might be bigger than just taking a wall out, if we are talking about taking group exercise classes to 70+ participants and the possibility to having additional room to grow.

Ms. Dunehew asked about our child care facility.

Derek responded that child care is by far the number one priority. It is very streaky. For instance, on Monday we were at 38 children; we have certain times when classes are in that we have problems in the Kid's Klub with approximately a 30 minute window with a huge influx of children coming in and going out. We are still continuing to look at that and other space. Staffing wise, we have been ok, but without the Kids on Campus program we could not have survived this summer. Amy's programming for the Kids on Campus was a great idea.

Chairman Wilensky stated that what Ms. Jaggar said is right. We have multiple needs so that space that Alderman Chism's described meets one of those needs, but there are others. Whether there is or is not any money to invest this year, when the time comes that there is or we continue to grow... Alderman Chism mentioned to Chairman Wilensky that we may need to turn off the faucet to retain those members we have.

Mr. Thompson asked has anyone given any thought to what membership number is a critical mass.

Mr. Hardin stated we have peaks, and it depends on the peaks.

Mr. Thompson said he understands peaks, but what number is critical mass and he is sure it changes seasonally?

Members and staff agreed we are there now. Derek added we have been able to handle the influx this summer because of the outdoor pools.

Mr. Thompson responded then if we retain those members from the outdoor pools like Scarlet wants to do, then they will be inside this winter and then we will really have a problem.

Ms. Rando stated we need to know the potential numbers in the surrounding area that we want to come in. There needs to be a study of potential numbers to come in.

Derek responded at this point we still could capture another 10% and that is a rough guess. If you look at a 5 mile radius we still have not tapped Germantown as much as we could. Derek believes we have picked up as much as we can in surrounding areas such as Cordova and outside of Germantown. He agreed we need to figure out what that critical number for growth is. If smart growth happens in 5 to 7 years, we are not going to be able to handle it.

Mr. Hardin responded that is why long term planning is so critical.

Alderman Chism said that when Shelby County projected growth, the schools planned for the long term growth. We need a plan.

Derek stated he and Danelle have discussed long term, and if we flipped the Great Hall area and put it on the other side of GPAC, they could have the kitchen and things they need and we would have the space we need for growth.

Alderman Chism added the Board of Alderman and Mayor are already looking at the FY11 budget. We need a cost estimate, and take a plan to the Board so they can prioritize.

Mr. Hardin said we missed the opportunity we had for utilizing the Great Hall for the Club space. He also believes if we moved our group activities over here and relocate the cardio equipment we would be better off. Mr. Hardin added he knows everyone has their own ideas on this.

Alderman Chism suggested anyone who has an idea about planning, needs to make an appointment with the Staff at the Club to present their plans. Then if we need help from the Board of Mayor and Alderman, and if we have a good presentation, they will support us. It doesn't hurt to plan ahead.

Mr. Hardin stated he thinks we need to do some long range planning and make a proposal and he likes Derek's idea about relocating the Great Hall. "That's the future that goes with our 20/20 program".

Derek commented he knows GPAC has some larger events that don't fit in their lobby and this would be a good project and if the City believes it is necessary to keep this space, but he doesn't

believe their plans go with the 20/20 vision. But he believes the plans for relocating the Great Hall would be a good project to take to the Board of Alderman and Mayor.

Alderman Chism stated there are about 4 acres over there, but the Great Hall is as important and if we get it separated and get some management and promote it, this is a money maker right here. Nowhere else in Germantown can you rent space for wedding receptions and meetings?

Mr. Mosteller asked about the closing of the Great Hall doors and if we had any response from the members on that.

Derek discussed the Great Hall door closings that the Staff had compromised on changes and sent out notifications to the members. He apologized for not having enough time to discuss it more with the Commission before making the changes. He added they have received about 8 or 9 emails that had responded, but for the most part it had gone very well.

Ms. Rando asked if we had some issues with people exiting the building and the doors being closed at 5:00 for people who came earlier and were parked on that side of the building.

Derek stated we had a few disgruntled people that had actually broken the pen in the lock because they thought the doors were locked. The people who come once a month are the ones frustrated. We have not actually locked the doors upstairs between the Great Hall and the Club.

Ms. Rando asked if there was an easy way to put up a barrier downstairs on the Great Hall side, so people would not climb the stairs before they realized they couldn't exit.

Derek stated temporarily we have a cone on the stairwell blocking the stairs so they won't be frustrated about climbing the stairs and not being able to get out.

The consensus Derek is hearing is what our long term and short term vision and how we are going to cope with the issues we have. We have come in and done what the City has asked us to do with building memberships and now the question is how we are going to manage it and control it. But now that the economy is turning around we have to be prepared for the influx of people who can afford memberships.

Chairman Wilensky asked Derek to ask Patrick at what point the City will authorize funds to retain the services of an architect for the 1500 square feet.

Alderman Chism interrupted and asked why he was crossing the fence.

Chairman Wilensky continued No, the very limited projects that were mentioned tonight, the 1500 square feet and third part of the Gym. You would still have to design and have a cost estimate for that. The other ideas go into a much bigger and deeper vision that requires a lot of money. These first two suggestions don't feel like a lot of money, but with today's economy we really don't know what lots of money is, but we know we are working on a shoe string. Yet we are still able to do some really nice things. Thank you for that, it doesn't feel like a shoe string.

He also mentioned for anyone who wants to tout that we have visors and shirts, advertising our facility and he is seeing it around town more. Everyone agreed they like the colors and products.

With no other business Chairman Wilensky asked for a motion to adjourn and Mr. Hardin seconded.

Adjournment

Meeting Adjourned.