

Germantown Athletic Club Advisory Commission Minutes

**Wednesday, February 8, 2017 – 6:00 pm
Great Hall & Conference Center**

Members Present: Chairman Ric Wolbrecht, Mr. Justin Buck, Mr. Jim Hastings, Jason Herrington, Mr. Jason Orman, Mr. Ronald Poll, and Mr. Albert Pope

Members Absent: Mr. Frank Baker, Mr. Keith James and Alderman Dean Massey

City Staff Present: Mr. Phil Rogers, Mrs. Amy LaRusso, Mr. Curt Cromis, and Mrs. Debbie Powers

Guest: None

Call to Order

Chairman Ric Wolbrecht called the February 8, 2017 meeting to order. It was held in the Media Room at the Great Hall and Conference Center.

Approval of the Minutes

Chairman Ric Wolbrecht asked for a motion to approve the January minutes. Motion to approve the minutes was made by Mr. Jim Hastings and seconded by Mr. Justin Buck. All were in favor.

Club Updates:

Mr. Rogers opened the meeting asking for participants interested in serving on the task force for discussing the new cardio equipment lease and assisting in the selection of equipment to get with him. He shared a powerpoint presentation of what the Club budget looks like for the current year and for next year, for both operating and capital improvement projects. Mr. Rogers explained this is a fluid budget document in the fact that it changes throughout the budget process over the next several months. This is just the first step in the process before the final adoption by the BMA in June. The City looks at insurance, employee benefits, and workers comp. and verifies many payroll and benefit numbers at a later date. He stated the budget shows the Club is expected to end FY17 with a positive \$530,000; which is about a \$30,000 increase over what the Club was budgeted. Mr. Rogers stated he expects to do the same next year. Mr. Rogers showed that membership revenue is estimated to come in under what was originally budgeted. He added he expected revenue to drop due to construction; also he knew the revenue growth the Club experienced was not sustainable.

Mr. Rogers stated he predicted the plateau; staff has planned for it, expenses are obviously going to go up this year and for that reason the Club is looking at a rate increase this year. He noted that the rate increase is accounted for in his budget for FY18.

Next Mr. Rogers listed a number of expense increases expected in the coming years:

- Thirty additional cardio pieces and ten additional spin bikes which will increase yearly lease amounts
- Expected payroll increases
- Expected depreciation increases
- Additional cost of goods and service

Mr. Rogers stated the lease cost will affect his operating budget, as it is not a capital lease and that will hit his net operating numbers. Mr. Rogers said every time he finishes a project at the Club, that cost is then depreciated. He said the \$1.5 million spent on the renovations last year is hitting depreciation this year; and the \$2.5 million the Club spends on construction this year, will hit the depreciation account next year when the project is complete. He expects the cost of depreciation to go up by \$50,000 - \$75,000. He added for these reasons he has to project a rate increase in the budget document; which he has estimated approximately a \$300,000 increase in membership rates. Mr. Rogers stated he expects to get some of the past members back who left during renovations, and he expects the renovations to bring in more members. He requested that in the next couple of months for the Commission members work with him on his rate increase proposal.

Mr. Orman questioned if the rate increases will go across the board or for new members. Mr. Rogers responded at this time we are not at a point the Club can grandfather in current members. His recommendation is for a rate increase across the board. His goal is to have all the cardio equipment in place and all of the phase II renovations complete when the new membership rate goes into effect. Mr.

Rogers said this will show we are investing the money back into the facility. Mr. Rogers added his recommendation is to have the new rate increase in place by fall; which will allow the Club to capitalize on the New Year. He said that will put the Club at approximately a \$550,000 net income.

Mr. Rogers responded that the motion the Commission will vote on tonight is the budget as he presented. He added all these budgets are fluid, once this Commission approves; it will go to the Finance committee next month. The Finance committee will meet five or six times in the next three months looking over the budgets before going to the Board. He added the Finance committee will approve realizing this is a fluid document with minimal changes before July 1st.

Mr. Buck asked in regards to the rate increase, if that is something that requires an action of this group or the Finance Committee or if there is any kind of flexibility that could be added periodically based on inflation.

Mr. Rogers responded the rate increase will be presented discussing attrition, and how groups will be affected. Next staff and this Commission make a motion, and it will go the Board of Mayor and Alderman. Mr. Rogers stated as to a cost of living increase, he doesn't have enough to show for it, and he can't wait another six years to ask for an increase.

Chairman Wolbrecht explained the process of discussions and motions by the Commissions; and how the Commission Motions are represented by Mr. Rogers and Alderman Massey at the Board and Alderman meetings for approval.

Mr. Rogers stated the Board of Aldermen is aware there is a request for a rate increase for the Club.

Mr. Pope asked Mr. Rogers if he had a contingency plan if this increase is not approved. He said while that is a possibility, administration is in favor of the necessary increase and the BMA is aware of a proposed increase. If membership dues were not increased, then services or staffing would need to be cut. Mr. Rogers said he understands it is hard to agree to a membership increase; hopefully during the discussion process they will understand it is a necessary to sustain Club profitability and reinvestment in a very competitive market.

Next Mr. Rogers discussed the Capital Improvements Projects budget. He said with the cash the Club has, he doesn't expect to finish the planned project in one more year. The original estimate of the project is now four years old. Due to the changes in the project phasing and construction costs; he has commissioned a project estimator to give an estimate of what is remaining of the planned project. Club estimated capital needs: \$1,000,000 for the phase III; \$105,000 for the HVAC boiler units.

Mr. Buck asked if it would be better to take a loan and knock out the construction for the Club and save time and disruption.

Mr. Rogers responded that the Club is an Enterprise fund under the City; and with the City facing building a new school, and asking for a tax increase, it isn't reasonable to ask for a loan. He said for the current project he had to borrow \$300,000 from the General Fund last year to cash flow the 2.5 million; the Club starts paying that back this year in FY18. Mr. Rogers added the current project is under budget, until it is complete he can't predict how much. Mr. Rogers agreed this renovation is a big disruption, but there was no way to piecemeal this renovation without disruption. He added the extra cost in the Phase III project is in the aquatics area. Mr. Rogers stated the grid hangers in the ceiling are rusting and falling in the canopy.

He said with funds permitting we need to clean the ceiling grids and replace lighting in the aquatics area.

Chairman Wolbrecht asked if there was a motion on the floor to approve the Club Operating and Capital budgets as presented, forward to the Financial Advisory Committee.

Mr. Hastings moved to make a motion to approve, Mr. Buck second the motion and motion passed.

Mr. Rogers then discussed the origins of the master plans for renovations and how Rudy Fabiano one of the leading health and fitness architects in the world; was commissioned by the Club in 2011 to help design and advice on maximizing the space in this facility. Mr. Rogers shared the results and renderings which he explained are all product of the town hall meetings staff and Mr. Fabiano had with the membership during that time. He showed the renderings and explained how each part of this was a phase in the overall master plan. He noted there have been changes due to unexpected challenges in the construction. Mr. Rogers offered at the end of the meeting to take the members through the construction area and let them see the work that has been done.

Chairman Wolbrecht asked if anyone on the Commission would like to change the meeting day to Tuesday versus Wednesday. He explained in the past, Tuesday did not work for one of the previous Alderman Liaisons and it was changed to Wednesday. Chairman Wolbrecht asked for a show of hands of everyone who preferred Wednesday night and a show of hands of anyone it would be convenient for on Tuesday night. The census was to leave the meeting night on the first Wednesday of the month. Mr. Rogers reminded everyone there would not be a commission meeting in March other than the equipment taskforce meeting.

Adjournment:

Meeting Adjourned