

**Germantown Athletic Club Advisory Commission
Minutes
Tuesday – April 13, 2010**

- Members Present:** Chairman Stephen Wilensky, Mr. Rob Ayerst,
Mr. Bill Erskine, Mr. Clint Hardin, Ms. Laura Jaggar, Mr. Paul
Mosteller, Mrs. Teresa Rando and Mr. Garth Thompson
- Members Absent:** Alderman Ernest Chism, Ms. Dee Dee Dunehew and Mr. Larry Williams
- City Staff Present:** Mr. Patrick Lawton, Ms Danelle Toole, Mr. Curt Cromis, Ms. Scarlet
Jones and Ms. Debbie Powers
- Guest:** Mr. Ralph Gabb, City Finance Director
Mr. Reynold Douglas, City Facility Services Manager
Mr. Bobby Brown
Mr. Paul Boone

Call to Order

Chairman Stephen Wilensky called the April 13, 2010 meeting to order. The meeting was held in the Great Hall Media Room.

Approval of the Minutes

Chairman Stephen Wilensky asked for a motion to approve the minutes. Motion to approve the March minutes was made by Mr. Ayerst and seconded by Mr. Hardin and all were in favor.

Club Reports/Pool

Danelle introduced Reynold Douglas the City's Facility Services Manager. She explained we are having problems with a leak in the basement area around the pool and displayed pictures of the pipe area Reynolds believes is causing the leak.

Mr. Douglas explained on February 19,th around noon, he discovered that GAC and GPAC did not have air conditioning. As he started troubleshooting, he found water running through conduit into the top of an electrical switch gear. The conduit serves DHU 1, which was cut and repaired during the locker room renovations. The water had caused a number of electrical control components to short circuit. Through a quick process of elimination, all indications leaned toward the indoor pool.

In order to verify the constant stream of water, the pool pump motor was turned off and the water flow did stop. An electrical contractor installed temporary wiring from a different route so that he could get the building air conditioning back into service. This work was performed on Saturday, February 20,th and the air conditioning equipment for GAC and GPAC along with DHU 1 was put back into service on the same afternoon.

After several phone calls to vendors that could possibly perform leak detection test, a company advised Mr. Douglas that a process called magna flux could be used to verify any metal or weld joint leaks. A magna flux kit was ordered and staff reported to work on Sunday morning, March 28,th to perform the leak detection testing. The testing process consists of using spray on dye and a black light. The north side of the stainless steel gutter system was the target area. The dye and black light showed weld joints that were allowing water to come through them even though the pool water level had been lowered approximately 8 inches on Saturday night, March 27th.

Mr. Douglas stated that he is confident that the gutter system is going to continue leaking until the issue is addressed. His recommendation is to look closely at alternative solutions rather than trying to repair the multiple weld joints around the entire gutter system or even replacing the gutter system.

Chairman Wilensky asked if the staff was seeking anything from the Commission Members beyond informing the commission.

Danelle responded for the time being they are just informing them of the situation. Currently the staff is going to try to maintain and leave it as is. For the future, we are looking at different options. The commission asked questions about solutions and budget and Danelle explained that it will not be in the FY11 budget.

Chairman Wilensky requested that if it takes another turn, the Commission would like to be updated on the situation.

Mr. Lawton asked the Commission members to keep in mind that we are dealing with a 20 year old building and things are starting to fail in a number of areas.

Chairman Wilensky added that we are talking about capital budget and planning for the future and prioritizing.

Age Limit for the Weight Floor

Danelle explained our current policy does not allow anyone under the age of 16 in the fitness area. She gave examples of what the competitors in our surrounding area are offering for teenagers who are ages 13 and up in the weight floor/workout area.

Danelle has received many letters from parents who would like for their teenagers to be allowed to use the weight floor. Danelle added that after evaluating other facilities the staff's recommendation is lowering the age to 14, with a required fee based class. Danelle added that the Commission re-visited the policy last year and recommended keeping the age limit as is. Danelle asked for suggestions from the Committee on re-visiting the age limits. There was discussion among the staff and Commission members and Mr. Brown asked the Commission to consider revision of the age limit because age 14 is the varsity age limit and he addressed some of the issues and concerns and said as a parent he would have no problem staying beside his child on the weight floor, and coming at specified times and following specified regulations to allow his child to use the weight floor. He also suggested we could generate some revenue off the necessary orientation for the teenagers to use the weight floor properly. At this time the Commission members asked to table this topic and come back to it once staff has more information or specified guidelines.

Mr. Hardin made a motion to table this topic for another time and in the meantime for the Commission members to send suggestions on the age-limit guidelines to Danelle.

Mr. Thompson seconded and all were in favor.

Membership Fee Adjustment

Danelle spoke to the members about staff evaluating our competitors and explained the staff's recommendations to increase the rate for new memberships at the club and offering a tiered membership plan. These increases would only affect new members and members who let their membership lapse over the 60 day grace period. She explained the proposal on a power point with the tiered rates in comparison to our competition as of today and explained the Club would still be in line with the competition. Staff is proposing for FY11 that we increase membership fees for future new members and make adjustments to our corporate accounts and families of more than 2 children and tier our application fees. Our proposal will show a tiered membership and application rate structure for new members only, as of July 1st.

Danelle asked for the blessing of the Commission members on the rate increase proposal by staff. Upon discussion among the members, Mr. Lawton asked Danelle to explain the Fitness Industry standards on determining rates. Danelle explained in the Fitness

Industry it is normal for your membership plan to remain the same year after year to build loyalty with the members but to increase the rates for new members or any member who allows their membership to lapse over the 60 day grace period. Only once value added services or amenities are offered to existing members would the Club increase current membership rates.

Danelle added eventually you will have the funds to upgrade your facility through the increases with the new members. The Commission members agreed, staff for the Club needs to be allowed to evaluate the situation every year for decisions on the rate structures in line with the Fitness Industry.

Chairman Wilensky asked if there is a plan for increasing existing member's rates in FY11. Danelle responded that there is no plan for increasing existing member's rates that do not let their membership lapse for FY11.

Chairman Wilensky asked if there was a motion on the floor which opened up discussion between the Commission Members and staff concerning expectations of revenue, the expense for investments in the Club and upholding the City's Mission Statement which is "Excellence Every Day". Also questions were asked about the impact of the rate increase and if we are just increasing rates to be competitive. Curt explained we are in an environment where we are competing for members, in an environment where the City expects us to make money at least in the short term if not in FY11, and on top of that we have to look at our capacity issue. None of these things are considered to be independent of the other. We are attempting to build value in our memberships and meet the City's requirements or at least to have on the horizon the idea of not costing the City any money. Curt stated he can't see that horizon today; we have an old facility that is requiring maintenance. If this was an independent facility with a board of directors he's not sure we could come up with the money to make the repairs that Mr. Douglas says we need to do. Curt added we are engaged in a business opportunity with many moving parts, we understand we have partially inherited quality issues dealing with an older building and inherited a modestly compensated younger staff. We are attempting to provide a facility that will be easier to maintain, that will be easier to satisfy our members and make money with or at least break even and satisfy the City. He can't imagine this year, that the rate increase staff is asking for will raise more than \$25,000.00 in revenue. He reminded them we are evaluating current rates with our competitors and they are looking to increase their rates too. In an open discussion the members agreed the Club will still be a bargain.

Mr. Ayerst made a motion to accept the proposal by staff for increases in rates for new members of the Club as of July 1 and agree to do an overall review of the rates on an annual basis, beginning evaluations around January of each Fiscal year.

Mr. Thompson seconded the motion and all voted in favor.

Danelle touched on improvements we are looking at for FY11 Capital improvements, such as the first phase of the dehumidification unit, repaving the parking lot, racquetball renovations and possibly working on the foot prints of the men's locker room area off the pool. Danelle added we are looking to do a study on utilizing our space in the facility and possibly looking to add a top floor above Gym 3 in the future.

Patrick agreed the Board has approved to pay out of the general fund for the FY11 Capital Budget for these improvements.

Curt discussed the budget for the Club which has not been approved by the F.A.C. (Financial Advisory Committee) yet. In his charts the Operating Income Line shows if we achieve the budget we will reduce the operating income deficit by about \$53,000.00. The Interest payments may go down though at this time we do not have all of our numbers from City Hall. Curt mentioned the budget has many moving parts one of which is Interest income in the budget that may climb a little bit. The membership revenue supplies 77% - 81% of the Club Operating Revenue. The change from one year to the next on the total revenue increase is about 7.5% for memberships, 6.4% in personal training and aquatics is expected to increase by 18% in part because we expect to have the pool available the whole year. A rough estimate of revenue expected from the rate increase for new members is about \$25,000. He reminded everyone that our capacity rate is going to exacerbate our sales, and the sales staff's ability to bring new members in. Next Curt explained the comparison's on the expense side showing in 2009 to 2010 where we cut cost in some areas by as much as 2%. In 2011 the numbers are similar. He explained these charts and numbers give you a sense of where our expenses are. This is about a 5% increase above what we forecasted 2010 to be. Depreciation is a significant number in the budget.

Mr. Lawton added that he is amazed that when you look at the FY2008 revenue, we have increased over a million dollars plus in membership revenue, because of the attraction of the Athletic Club even though it costs so much to run the facility.

Mr. Hardin commented that when he was at City Hall and talking to other residents there after the Mayor's awards ceremony, the discussion centered on the Club being the only thing in Germantown to serve as a community center.

Adjournment:

Meeting Adjourned