

**Germantown Athletic Club Advisory Commission  
Minutes  
Tuesday – August 16, 2011**

**Members Present:** Chairman Stephen Wilensky, Mr. Rob Ayerst, Mr. Phil Clark, Mrs. Dee Dee Dunehew, Mr. Bill Erskine, Mr. Clint Hardin, Mrs. Kristen New, Mr. Harold Steinberg and Mr. Garth Thompson

**Members Absent:** Alderman Ernest Chism, Mr. Larry Williams

**City Staff Present:** Mr. Patrick Lawton, Mr. Phil Rogers, Ms. Carrie Corbett, Mr. Curt Cromis and Ms. Debbie Powers

**Guest:** Mr. Ralph Gabb, Finance Director

**Call to Order**

Chairman Stephen Wilensky called the August 16, 2011 meeting to order. The meeting was held in the Great Hall Conference Center.

**Continuation of the August 2 meeting:**

On August 2, the Commission Meeting convened to continue the discussion of the proposed rate increase staff had presented for a approval.

Mr. Gabb, Director of Finance for the City of Germantown, discussed the Athletic Club Budget for FY11. He explained his handout of the Athletic Club budget, and reminded them the numbers had not been finalized as the audit begins on August 22. He focused on the year to date numbers which shows we exceeded our revenue budget by approximately 5%. He showed the membership fees were up 3%, Personal Training was up by 42%. Expenses for the year were down by approximately 9%. The operating income for the Club reflects was \$38,292, When you examine the expense, you will see there was no Director and Marketing person for a short time at the Athletic Club, items budgeted for maintenance and refurbishing was not completed in FY11 and they will carry over to FY12 budget. Mr. Gabb reminded the commission that these items should be taken into consideration when we are looking at our budget.

Mr. Hardin asked Mr. Gabb about his budget line item for interest payments. Mr. Gabb responded originally the City went out for a \$5 million bond. Of the bond \$2.5 million went to the Athletic Club for expansion. The club has \$2.5 million and the City loaned the Club \$2.5 million for a total of \$5 million for expansion. Originally, the City built the Athletic Club with G.O. debt that debt has been retired by the City.

Mr. Lawton added that this is why originally the City allowed a Resident/Non-Resident rate because they were paying taxes that went into the General Revenue account to pay for the bond on the building. But now that bond debt is long gone, the City can no longer justify a dual rate for the residents.

Mr. Clark asked Mr. Gabb to explain the net cash provided from operations on his report. Mr. Gabb responded this represents the cash derived from operations. In other words, non- cash items such as depreciation are removed from operations to arrive at near cash. If depreciation could be set aside then the money derived from depreciation on the books would be used to refurbish and rebuild the building. He reminded them we are an Enterprise fund and we are expected to cover our expenses.

Mr. Steinberg asked Mr. Gabb about the annual impact of the proposed rate increase totaling \$200,000.00.

Mr. Rogers responded that ultimately we are not going to retain \$200,000.00. The budget anticipated \$150,000.00 impact based on a full year of the impact of the rate increase offset by loss of members due to the increase. Mr. Gabb explained that the FY12 budget reflects projected \$3.7 million in revenue with expenses of \$4 million, a loss of \$293,000.00 with the added proposed rate increase. Mr. Rogers added that we expected this increase at the beginning of July to be in place and now it will be November 1, so we are already behind.

Mr. Clark asked Mr. Gabb if the Athletic Club is breaking even or making a profit.

Ralph explained because of expenses budgeted for in FY11 for projects that were not completed we show a profit. But in FY12 those expenses will hit our budget and we are anticipating a deficit on the Athletic Club.

Mr. Hardin added we are breaking even, because we are paying the City interest payments and depreciation which will be put away for future refurbishing of this building. The members' dues are paying for this and non-resident dues are part of that.

Mr. Steinberg asked them to sell him on the concept to raise rates in this very uncertain economic environment, and asked if it is that the best thing to do from a marketing stand point. Do we really want to risk losing members for a few dollars on the bottom line? Mrs. Dunehew added a F.Y.I. that Life Time had raised their rates in January and again in June. Mr. Rogers added rumor is they will be going up again in September. Mr. Steinberg reminded them we are not Life Time and we are a non-profit facility, we do not have to make a profit.

Mr. Rogers added he agreed but the comparables spread sheet he shared with them shows we are at a much lower rate now. As to the question as to why now, he explained to them this is a modest increase and with inflation, rate increases are inevitable. If we put off the increase to the future we will be looking at a much higher increase to cover losses. Even with an unstable market, whether the market is good or not, you are always going to lose members. This is a wakeup call for members who never use it. These are the people you typically lose. We are going to keep the members who are tied into the athletic club for our programs, our customer service or whatever it maybe are going to stay because they know we still provide a great service for the price.

Members asked questions on the expected rate increase percentages. Mr. Rogers responded we took an average of the rate increase and it averaged out to about 6% rate increase. Also this proposal will allow staff to consolidate the membership types.

The Chairman and Members agreed to take the motion from the table from the August 2<sup>nd</sup> meeting with the amended start date of November 1 for the proposed rate increase.

Mr. Erskine apologized for anything he missed by coming in late and stated he had no objection to raising rates to cover expenses, but added he has a problem with no preferential residential rate. He would like to propose we make an amendment to the motion that the new rates proposed reflect an 8 or 10% rate decrease for residents compared to non-residents. Chairman Wilensky responded that a split between members is 58% resident and 42% non-resident and he is afraid we will lose those non-resident members due to the changes. In turn that will cause us to come back here sooner to raise the rates again.

Mr. Lawton responded that he has to caution us not to go back. We need to look at 3 elements, what has worked in the past, we needed to raise the rates and we went to a single membership. We are more solid today because of those changes we put in place. He added let's take that one step further: we don't want to go back to a dual membership, because the City can't justify a dual membership and we will be throwing out what the thermometer or gauge says is working for us now.

Mr. Steinberg pointed out there was no second to the motion and asked the Chairman to take a vote on the motion because there was no reason to debate the motion if it wasn't seconded.

The Chairman asked if there was a second motion to raise the rates with the amended date of November 1 and the amendment of a dual resident/non-resident membership fee.

The motion was seconded by Mr. Clark.

Mr. Steinberg stated he would rise to speak against the motion for lack of specificity. He would not vote in favor of a motion which does not have specific rates for residents and non-residents. Therefore he speaks against the motion. Regardless of the merits for splitting the rates for residents and non-residents he's not buying a pig in a poke.

Mr. Erskine asked if he wanted to put a number on it for resident and non-resident of 8% or 10% up or down for specificity. He stated that consensus eminently is nice, but it's not required.

Mr. Hardin opposed the motion because the non-residents are paying for the overhead just like the residents and he would offer a recommendation to ask the administration to look at the application fees or other discounts we could offer the residents.

Mr. Rogers responded that the percentage outside of membership dues, that are also contributed by non-residents members. But honestly if we take a look at other programs, for example personal training, non-resident members are supporting that in the same numbers as they are in membership dues. So 42% of personal training revenue comes from non-resident members.

The Chairman was asked to put the motion on the floor of moving forward with the rate increase proposed by staff with the amendment of November 1 start date and the amendment of 8% decrease for resident/ 10% increase for non-resident split membership rate.

Motion failed.

Chairman Wilensky then put the motion on the floor of the original proposal of rate increases by staff, with the amendment of the start date of November 1, 2011.

The motion was approved.

**Adjournment:**

Meeting Adjourned