

**Tracking Form - Audit Committee
Open Meeting Items**

	Submitted to Committee by (name):	Date sent to Committee	Description of Topic	Action to be Taken	Date Due to AC	Extensions	Revised Due Date to AC	Item Complete? (Y/N)
1	Mr. Young	6/24/2015	Provide a copy of the current and most recent organization charts.	Ms. Krabbe to provide.	July 2015 AC meeting	-	-	Y - provided to AC with draft minutes from the June 2015 meeting.
2	Mr. Berman	6/24/2015	Expand the description of Internal Audit's independence in the Office of Internal Audit Mission Statement and Charter.	Ms. Tuma to revise.	July 2015 AC meeting	-	-	Y - Done.
3	Mr. Young	12/7/2015	Add totals to the "Status of Capital Projects Over One Year Old" schedules in the quarterly Financial Reports.	Ms. Krabbe to coordinate.	March 2016 AC meeting	-	-	Y - Done.
4	Mr. Young	12/7/2015	Provide a list of initiatives that will be put in place to help reduce the operating losses in the Sport & Fitness Department in FY16.	Ms. Krabbe to provide.	March 2016 AC meeting	-	-	Y - Done. Attached to the tracking log provided with the backup materials for the Mar 2016 meeting.



February 26, 2016

To: Members of the Audit Committee
Milton W. Matthews, President/CEO

From: Dan Burns, Director, Sport and Fitness
Norma Heim, Director, Communications and Marketing
Susan Krabbe, Vice President and CFO

CC: Columbia Association Board of Directors
Jackie Tuma, Director of Internal Audit

Re: Initiatives to Reduce the Operating Losses in the Sport and Fitness Department

At the December 7, 2015 Audit Committee meeting, committee members charged staff with providing a list of initiatives that will be put in place to help reduce the operating losses in the Sport and Fitness Department in FY 16. Before the Audit Committee meeting, we had committed to meeting bi-weekly to strategize solutions primarily related to improving revenue from membership sales and Sport and Fitness programs and services. The initiatives and work plan are in three categories: membership revenue, non-membership revenue and expense control.

Membership Revenue Initiatives and Work Plan

Total membership revenue of over \$18 million represents almost two-thirds of the Sport and Fitness Department revenue, and 27 percent of CA's total revenue. The following initiatives are underway to improve membership sales:

1. Additional training and more frequent sales-related communication has been developed in-house and is being provided to the Customer and Member Service Center (CMSC) sales team, and to sales people in the facilities.
2. We found that the data needed to understand changes in membership sales, renewals, cancellations, etc. is not being captured, tracked and analyzed. Efforts to correct this are underway.
3. Membership and related advertisements were recently increased in the media that have historically been productive in generating leads, and new channels for marketing have been added.
4. We are actively working on the development of a new membership structure based on the results and recommendations from ClubIntel presented to the CA Board in May and September of 2015. Management of the project timeline for communicating, marketing, implementing and launching a new membership program, including the related staff training, will be a major focus during FY 17, pending the CA Board's decision on the proposed structure that will be made in FY 16. Obviously, the impact of this initiative will not be realized until FY 18; it is included so you are aware of the analysis and planning that are underway.

Non-Membership Revenue Initiatives and Work Plan

Non-membership revenue is almost 35 percent of the total revenue for Sport and Fitness, accounting for \$9.8 million of the \$28.1 million FY 16 budget. The research conducted by ClubIntel as part of their assessment of membership revenue indicated that CA has great opportunity to increase non-membership revenue for all programs except tennis, which they found is out-performing the industry benchmarks. Strong non-dues revenue is a fairly reliable indication of good member engagement, which helps with renewals and new member sales. Therefore, the team has developed and is aggressively working on the following:

1. Personal Training
 - a. Focused on increasing staffing, including re-starting the intern program at Howard Community College.
 - b. Restructured some positions.
 - c. Developed a "3 for \$149" promotion for new members being presented at two points in the sales/engagement process, as well as Fitness Consultations for existing members.
 - d. Fitness Consultation promotion/focus for February.
 - e. Evaluating changing the personal training support tool.
2. All Sport and Fitness programs and facilities have been charged with developing their own annual marketing plans to improve member engagement and drive traffic, which is a new responsibility for this team.
3. Birthday Parties
 - a. Centralized the focus and management, which is expected to lead to more efficient marketing and lead generation.
4. Golf
 - a. Focused on adding 5,000 rounds of play to each club over the next two to three years
 - i. Fairway Hills - more public play
 - ii. Hobbit's Glen - more members
 - b. Adding Footgolf to Fairway Hills
 - c. Young professionals' events at Hobbit's Glen.
 - d. Evaluating partnership with Aquatics and Tennis to have "Family" Events.
 - e. Working to generate more traffic to driving range at Hobbit's Glen, since customers do not need to be members to use it.
5. Haven on the Lake
 - a. New pricing – approved by the CA Board in December 2015.
 - b. Added group fitness managers for yoga and pool to improve programing and membership.
 - c. Using the Sheraton relationship as an example, staff is working on additional relationships with other hotels and businesses.
 - d. Completing the conference room in the first quarter of 2017.
6. Aquatics
 - a. Focus on reversing decreasing trend for lessons and Columbia Neighborhood Swim League (CNSL) participation. Developing marketing plan to drive participation from lessons to CNSL.
 - b. Continued marketing for Wibit parties, which have been successful.
7. Ice Rink
 - a. Program participation is up significantly this winter.

- b. Creating a list of available ice times and discounted rental rates and will target marketing to groups who could potentially benefit.
- 8. Skate Arena/Ice Rink/Sports Park Rentals
 - a. Developing the plan to market these rentals to specialty groups.
- 9. Sales within the Sport and Fitness Department
 - a. Requiring the use of the customer relationship management component of the Spectrum NG system.
 - b. Changing the culture to make it a privilege to be a sales person in the clubs.
 - c. Engaging an outside sales trainer/consultant to work with the CMSC sales team, as well as the facility sales people.
 - d. Forming a work team to develop how to roll out the “Think Strawberries” concept of brand pride and exceptional customer service to the fitness clubs initially.

Expense Control Initiatives and Work Plan

We are working aggressively to manage expenses as follows.

1. Payroll Management
 - a. Reviewing and adjusting work schedules to ensure we are staffed appropriately for the situation.
 - b. Assessing the need to fill positions as they become open through normal attrition.
 - c. Developing a cross-training plan to eliminate unneeded redundancies and overtime.
2. Operating Supplies
 - a. Examining purchasing to ensure we are using the appropriate contracted vendors to maximize savings.
 - b. Examining stock levels and keeping on hand only what is needed.
 - c. Looking for more opportunities to create purchasing agreements - i.e. everyone purchasing from Party City to create eligibility for a corporate account.
3. Cost of Goods – focused on better inventory management in relation to snack bars
 - a. Consolidating to improve purchase pricing opportunity, and bidding out items.
 - b. Pricing products to ensure a food cost average of 40 percent. It had previously been as high as 90 percent in some circumstances.
4. Repairs and Maintenance (R&M)
 - a. R&M continues to be a struggle with our older buildings, but we have been working closely with Construction (bi-weekly meetings) to review and discuss all projects to ensure we are following best practices. For example, we received a quote of \$6,000 to replace faucets at a facility. After much discussion we were able to modify the existing faucets to be functional for less than \$1,000.
 - b. We are also focusing on eliminating non-productive work calls. Restrictions are now being indicated on work tickets to assist in scheduling.
5. Professional Fees - we are reviewing all of the vendor contracts to ensure we still need the services and if we are receiving the best value.
6. Utilities – CA is engaged in an aggressive campaign being led by CA’s energy manager, and we are cooperating with and supporting his initiatives as much as possible.