

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Workshop November 4, 2013

A budget workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 6:04 p.m. by Chairman William B. Hawk, on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Supervisors present in addition to Mr. Hawk were: William C. Seeds, Sr., William L. Hornung, Gary A. Crissman, and David B. Blain.

Also in attendance was George Wolfe, Township Manager; Bruce Senft, John Deiter, and Sandy Prahl, Friendship Center Operating Board; Brian Luetchford, Parks and Recreation Director; and Watson Fisher and Ted Robertson, SWAN.

Pledge of Allegiance

Mr. Seeds led in the recitation of the Pledge of Allegiance.

Public Comment

Public Comment was suspended until the 7:30 p.m. meeting.

Continued Review of the Friendship Center market analyses
final report from Brailsford and Dunlavey

Summary of ongoing activities in regard to FC finances and
Review of FC Operating cash flow

Mr. Wolfe noted that the purpose of this special Board budget workshop session is to discuss the Friendship Center (FC) annual operating budget and its potential impact on the Township's General Fund (GF) given the recent year-end deficits and what can be done moving into the future to take the FC to where it is more financially self sufficient.

Mr. Wolfe noted that he had a power point presentation that would provide an introduction to the current status. He noted in 1996, when the FC was conceived, it was built as a 56,000 square foot building at a cost of \$7.8 million. He noted today it is a little bit bigger as the West and East Annexes have been added to the building. He explained that the East Annex holds the Friendship Senior Center and the West Annex is being leased to Drayer Physical Therapy. He noted that the Township provided \$2 million in financial assistance and \$100,000 of annual

support to operations which in the first year was more than that with a guarantee of bond financing. He noted that the Board issued \$5 million in general obligation bonds to fund the FC.

Mr. Wolfe noted that the FC opened in February of 2000 and its motto is, “Family, Fun, and Fitness”. He noted that the mission statement is, “The Friendship Center fulfills the recreational needs of its customers by providing high-quality health and fitness services at an affordable cost in a family-oriented social environment.”

Mr. Wolfe noted in 2011, the year end budget was a negative \$46,678 with the Operating Fund of \$123,288 and Capital Fund at \$167,686. He noted in 2012, the year end fund was a negative \$165,565 with Operating Fund of \$194,966 and the Capital Fund at \$104,098. He noted that the projections for year end for 2013 is a negative \$230,163 with an Operating Fund of a negative \$70,178 and Capital Fund of a negative \$62,398.

Mr. Wolfe noted that this is not the first time the Board has heard of deficit numbers from the FC as it has been discussed for almost two years. He noted on September, 25 2011, the Board of Supervisors received an Operations Audit from Ballard King providing recommendations for how to maximize operations in the current format of the FC in an effort to reduce expenses and increase revenues. He noted that many of the recommendations from the Ballard King Report have been implemented by the Friendship Center Operating Board (FCOB) and staff.

Mr. Wolfe noted that the Board has had the FC appraised and that report was completed on June 25, 2103. He noted that staff has prepared options for a modified facility operations and a potential of options to address financial concerns. He noted that part of the ongoing issue is funding the capital needs at the FC with expected replacement of HVAC units coming in the next two years, and as a result, the Board issued a \$1 million General Obligation Bonds in the beginning of 2013 for capital improvements. He noted, finally, the Board commissioned the Brailsford Dunlavey Report (B&D Report) which specifically analyzed six modifications to the facility or operations as previously recommended by staff to improve operations above the current format for the center.

Mr. Wolfe noted that the Board has decided that it has common ground on some issues such as the Township has a facility that is not meeting its financial expectations based upon the original Performa of the Township. He noted that the Township has a facility that is a valuable financial asset to the community as proven by the appraisal of the building that was prepared this year. He noted that the Township has a facility that provides needed indoor recreation for all

ages. He noted that the facility needs to be financially self-sufficient to include its debt service and the annual contribution from the Township's GF. He noted that it is understood that the facility does not meet that objective. He noted for expenses, the FC adequately manages the cost of operations, noting that expenditures are not what are driving the issue; it is more a revenue based concern. He noted that the FC has been impacted by the national recession and increased indoor recreational options in the market and the increased reliance on health insurance memberships which had a decrease on a per capita basis in revenue per member. He noted that the FC should not impact the Township's GF.

Mr. Wolfe noted that the B&D Report which is the last step the Board has taken over the past two years in regards to the operation of the FC, specifically looked at six items to modify the current operations to expand the ability to generate more revenue. He noted that they were: Expansion of the Fitness Center into the Social Hall; Expansion of the existing Fitness Center into the Gymnasium; Expansion of the existing Fitness Center with a building addition; Convert the open-air patio abutting the Natatorium into a "splash pad"; Modify the menu of programs to offer only those that maximize revenues over expenses; and implement a premium membership alternative that includes the cost of certain programs. He noted that the six items were presented to B&D and their charge was based upon the market area to determine the cost for each one and the revenue expected to be generated from each one, and then to determine if all or some would make sense to implement as a means to generate additional revenue for the FC.

Mr. Wolfe noted that the final B&D Report was provided to the Board and staff recommends that the Board consider the expansion of the existing Fitness Center into the Social Hall, modify the menu of programs to offer only those that maximize revenues over expenses, and implement a premium membership alternative that includes the cost of certain programs.

Mr. Wolfe noted that he would like to review those specific items and how they can be expected to impact the FC cash flow based upon our current financials and the improvements mentioned.

Mr. Wolfe noted that Mr. Blain was extremely helpful in assisting staff in getting this into a format that is understandable and visible to the Board for where the FC currently is and where it could go. He noted there is no change in operations with an estimated negative cash flow of year end deficient of \$265,163 for 2013 and \$207,004 for 2014. He noted that the operating and capital funds status at the end of this year and projected for 2014 is also shown. He noted that forecasting those numbers out without changing operations shows deficits positions

increasing on an annual basis with an operating deficit of the \$125,000 to almost \$200,000 range but what is most concerning is the position of the operating fund on a cumulative basis where in 2017, it could have a deficit of three quarters of a million dollars.

Mr. Wolfe noted that the options recommended by staff from the B&D Report and applying a conservative thought process to those results would take the cash flow and improve upon its current standing on an adjusted cash flow basis. He noted that in 2013 there would be a deficit of \$265,163 and the projection for 2014 is a deficit of \$207,004. He noted by implementing these recommendation in 2014, the financial impact would occur in 2015 reducing the expected deficit from \$186,201 to about \$88,000. He noted that it would improve the deficit in 2016 from \$153,928 to \$33,898 and in 2017 from \$125,149 to a positive \$998.00.

Mr. Wolfe noted that using the B&D numbers for each of the options, they provided a range of costs and benefits. He noted using a best case scenario, 2013 and 2014 remain the same with implementation in 2015, taking the expected deficit from \$286,201 to a deficit of \$35,525. He noted for 2016 the deficit would go from \$153,928 to a positive of \$21,592. He noted for 2017 the deficit would go from \$125,149 to a positive of \$58,539.

Mr. Wolfe explained that the following slides show how staff arrived at these numbers, noting the FC normalized operating loss statement. He noted that the FC operated in a loss in 2010 of \$63,659; 2011 of \$47,678; 2012 of \$165,565 and 2013 of \$230,163. He noted that the budgeted loss for 2014 with the depreciation expense reduction is \$172,004. He noted that the FC has been operating in the black and has been funded by a surplus in the operating fund and that surplus is almost exhausted and the impact of future deficits would be on the Township's GF.

Mr. Wolfe noted if you take operating revenues and expenses and project through to the future without change, it takes the out years of 2015 through 2017 to additional losses on a cash basis of \$186,201, \$153,928 and \$125,149.

Mr. Wolfe noted that that if you look at years 2015, 2016, and 2017... Mr. Blain noted based upon historical analysis, the revenues increased 4% per year but on the expense side it has been increased by 2% to 3% per year, so he calculated a 3% increase in expenses for year to year except for debt service, as it was picked up by the numbers provided by Jay Wenger, the Financial Manager.

Mr. Wolfe noted that the scary number is the accumulative deficit by 2017 which is estimated to be \$742,479.

Mr. Hornung questioned what were the estimations used for expenses and revenues. Mr. Wolfe answered that it was 4% for revenues and 3% for expenditures. Mr. Hornung noted that some of the numbers went down from 2010 and 2014, and he questioned how Mr. Wolfe derived the 4% increase for revenues. Mr. Wolfe answered that it was a conservative number, noting that the important number is the 1% difference between revenues and expenditures. He noted on a conservative basis, it is very realistic over time. He noted that he had a much better means to manage the expenses then predict the revenues but we have always been able to keep the expenditures in check over time. He noted that the importance is the spread and not the actual numbers. Mr. Blain noted when he was working on the analysis, he did not want to put too much weight on the early years because we had a recession and many things that occurred in the economy were hard to manage so he tried to focus more on the out years which were 2013 and the budget for 2014. He noted if you think you can get 3% or 4% increases which are doable, and if you look at 2007 and before that, it might not be a bad factor to factor in. He noted that on the expense side, historical expenses have only increased 1.5% to 2% and he used a higher expense ratio to increase expenses because with the economy getting better there will be likelihood that you could have inflation. He noted that there will be more adjustments for salaries and things like that so you have to factor in a higher expense ration.

Mr. Wolfe noted in the conservative analysis, we have taken the options and used the out years of 2015 through 2017, and inserted the B&D options for 1, 5, and 6, with the revenues and expenditures on the conservative side; he also added the online registration recommendation from the Ballard King Report. He noted that there is an upfront capital cost to do that and as a result it has not been implemented yet. He noted that it is the only large outstanding recommendation from the Ballard King Report that remains. He noted in 2017, it takes the FC to a positive cash basis and break even point. He noted, over time, the accumulative impact from the GF would decrease from \$750,000 to \$398,664.

Mr. Wolfe noted that the best case scenario has also been prepared for Options 1, 5, and 6 and the online registration, taking an upper end number, resulting in a FC cash excess of \$22,000 in 2016 and in 2017 it is \$59,000. He noted that the impact upon the GF for a cumulative basis drops from \$750,000 loss to less than \$250,000.

Mr. Wolfe noted that staff picked the options that made the most sense, which is why the Board commissioned the report to see what would work, based upon cost, given the expected revenue generated, given the market conditions and what the FC can capture from the market,

and then what the impact will be. He thanked Mr. Blain for helping him put it into a format that is understandable and fairly represents the information from the B&D Report. He noted if the Board should accept the report, it is staff's recommendation to implement options 1, 5, and 6 as well as the online registration from the Ballard King Report. He noted that the recommendation would be that such implementation would occur in 2014 so that if you choose that route you would then have the impact available to the FC in 2015.

Mr. Hawk questioned if the recommendation is for either of the options. Mr. Blain answered that he is saying that you have to do all three plus the on line registration. He noted if you didn't want to do all four you would not have to but the bottom line is those four options give the maximum benefit.

Mr. Wolfe noted that none of the options has a huge financial impact, and you need all four to get where you want to be and if you look at the other options that we did not select, their impact would be far less significant than what is shown here. He questioned if turning part of the gymnasium into a fitness place is a better idea financially then turning the social hall, and obviously from the report, it is not. He noted that these are the items to do if you are going to do something.

Mr. Blain noted that Options 1 and 5 add additional debt service, so you would have to fund those build outs through an inter-fund loan from the Township or through a traditional bank financing, but the total debt for both options is \$350,000 and it is not as much as the other options that were discussed. He noted that it would have a significant impact on the debt service. Mr. Crissman questioned if the debt service is reflected in the numbers. Mr. Wolfe answered that it is. Mr. Crissman questioned if it is for the current information, not extending the debt service. Mr. Blain answered that he used the current debt service, and layered it in to see exactly what the operation would do under the current financial... Mr. Crissman questioned if the \$350,000 was thrown into the current debt service structure. Mr. Wolfe answered yes. Mr. Blain noted that it would be \$11,000 for Option 1 and \$16,000 for Option 5, and in years 2015, 2016, and 2017, the out years where the debt service increases.

Mr. Crissman noted that the debt service could be extended out, but we don't know what that would do in terms of yearly reductions. Mr. Wolfe noted that it would be the Board's determination to do that. He noted that the financial advisor recommended not doing that on a formal basis, rather doing it as an inter-fund. Mr. Crissman questioned if it would make a substantial difference in the expenditures every year to extend the debt service. Mr. Blain noted

from a cash flow perspective, if you extend out the debt, you will reduce your payments. Mr. Crissman questioned how much it would reduce the payments. Mr. Blain noted that based upon the current debt service analysis that was provided by Jay Wenger, it runs from 2013 to 2025. He noted that it would be for another 12 years. He noted that it does go down over time; you could extend it out from as it is inter-fund money, so you could negotiate terms with the Township to extend out the debt. He noted that the debt service is based upon what was originally outlined.

Mr. Hawk noted that one suggestion was to do extensive marketing so if it was successful, it would make those numbers look better. Mr. Wolfe noted that the additional revenue projected by these options is based upon a market capture of additional memberships due to the added facility. Mr. Hawk noted that there would have to be an increase in memberships and he suggested that is the unknown factor. Mr. Blain answered that he factored in an increase in memberships. Mr. Wolfe noted that there was facility revenue of Option 1 of \$53,000 and that would be additional memberships. He noted that you have a program increase in Option 5 of \$60,100 with more people buying programs and for Option 6 there is additional memberships as a result of having a premium package and that is represented as \$35,000. He noted that additional memberships or programming have been factored into the numbers based upon what the consultant believes the FC can capture. He noted the one problem is building more than the space, taking out half the gym which would triple the space of the Fitness Center but can we capture enough of that market to amortize the cost of that improvement.

Mr. Crissman noted that he knows that the expenditures and revenues are built in, and there are items built in, but the only thing not included in these sheets is extending the life of the debt service. Mr. Wolfe noted that this analysis was done to complete the B&D Report to take it to its final conclusion. He noted that the Board would always have the option of doing something with the debt and factoring for instance for the next five years, to take \$50,000 of the debt service and plug it out in future years. Mr. Blain noted that he did not factor in the debt as it has to be a Board decision.

Mr. Hornung noted that he remembers pursuing the debt extension and he remembered going over that discussion, but the outcome would be difficult at best, and he did not remember the big details. Mr. Wolfe noted that the details are that it is such a small amount of debt that the cost of an official issuance would be too expensive. He noted that the Township would be paying a premium to extend a small amount of debt over a few years. He noted that the recommendation was to do it as an inter-fund transfer, taking the GF balance and using it to

offset whatever portion the Board decides and at whatever interest rate the Board decides and for whatever return it decides. Mr. Hornung noted that the Township would take it from the GF surplus. Mr. Crissman noted that the total debt would remain the same but it would be paid off over a longer period of time. Mr. Wolfe noted what was not favorable was a true debt issuance. He noted that the financial advisor suggested that it be done internally.

Mr. Hornung noted for the calculations, how much included the replacement of equipment. Mr. Wolfe noted that it only relies on new equipment to implement the option. He noted that the FC has a capital plan which has a goal of reaching \$170,000 each year to fund it over a 20 year period. He noted in the interim, the Board borrowed \$1 million to fund the next four years of the capital plan and that debt service is figured into this analysis.

Mr. Blain noted if you look at the very bottom cash number which is \$33,000 that is capital cash, it doesn't change because we still haven't impacted the deficit cash position from prior years as we are trying to pay that down first. Mr. Hornung noted that Mr. Blain answered his questions as there is no more money available after that is spent.

Mr. Wolfe noted if you look at 2017 on the chart, it is a real case scenario and you end up with \$60,000 to that good that year; that would be your contribution to the capital plan for the next year. Mr. Hornung questioned what was budgeted for the capital plan. Mr. Wolfe noted that the capital plan as adopted by this Board says that the annual costs on a 20-year basis are \$170,000 a year. He noted that some years we may spend more and others we may spend less, but it averages to be that amount. He noted that you have debt service in here for \$1 million which divided by \$170,000 covers five years of capital funds. He noted that you have already paid on it as that number is figured in. He noted that it does not get you where you need to be yet. Mr. Crissman noted that the debt service does not go away until 2025 and if you extend it out internally it still reduces the time that you have to recover that money.

Mr. Hornung questioned is there is anything else that the Board could add, items that are not mentioned in any report that might have an impact on a potential gain of revenue.

Mr. Wolfe noted that the FC Senior Center costs could be paid by the GF. He noted that the Township's pledge to the FC was \$100,000 but it was never pledged to increase annually but if the Board was to adjust it to the CPI, today it would be \$135,000. He noted that we have talked about smoothing the debt, and there is the issue of addressing the \$175,000 a year for the Capital Fund for future facility needs as we could institute an aggressive FC capital campaign. He noted one other item is the grant application to Dauphin County Family for local share funds

for capital needs at the FC. He noted that he applied for \$300,000 but the grants have yet to be determined. He noted that we will know that one way or the other by the end of the year. He noted that others in the room may have other ideas.

Mr. Blain noted when Mr. Wolfe stated that adjusting the \$100,000 to \$135,000, technically you have a negative cash position and the only way it would be funded is through the GF. He noted that you have to fund cash at the FC, and it is technically a Township account. He noted that it has already been adjusted. Mr. Wolfe noted that the Board has a general obligation bond pledge.

Mr. Hawk noted that it is a team effort by the Township and the Friends of the Community Center to make it work and he suggested that a capital campaign should be started to get more members to join. Mr. Wolfe noted what he attempted to do was to have a discussion about the options and whether or not the Board believed it is what the Board wants to do to proceed into the future. He noted that it has been a two-year process, trying to lay out steps to get here and the Board has looked in the past for information and he questioned what position does it put the Board into making a decision.

Mr. Blain noted that the whole intent on doing this was to look at a couple of things, paying \$38,000 to have the B&D Report completed. He noted that we used it and analyzed it with staff making the best decision on what they think are the best options, layering them in. He noted if you do those options and the Ballard King online registration suggestion you can improve the cash position of the FC and potentially get it back to break even or better if the best case scenario results. He noted that the question will be what the Township wants to fund negative cash for the next number of years to be patient enough to allow it to occur. He noted after you get the FC to the point of break even or making some money, you would be talking five to seven years after that when you would have cash position to where it needs to be. He noted that the options can work but questioned if the Township wants to swallow the negative cash flows out of the operation for a number of years, it is a decision that has to be discussed.

Mr. Crissman noted that it would be to 2025 because that is when there is a gain of \$250,000 from the debt payment. Mr. Blain suggested that you may not have to go that far out and he is looking at the full cash flow of the operation. He noted if the debt stays constant until 2025, but in the meantime you will assume that you will get increases in membership dues and maybe from some of the other options, overall you assume that the revenues will increase and if you manage the expenses you might get payback well in advance of 2025. Mr. Crissman noted

that you don't know what municipal contracts will do on the expenditure side. Mr. Blain noted that we don't know what the economy will do either, but the options appear to be viable and if managed appropriately, it could work. He noted that you have to have an FCOB that is going to be very focused on the numbers and in driving the results to make it happen.

Mr. Hawk noted that he likes the recommendation but he does not want to have an issue six months from now. Mr. Blain noted that there could be issues six months from now if we continue to contemplate, we need to make a decision for how to move forward. He noted we need to decide if we want to go with the options, because the longer we wait; we have shown you what will happen with no change.

Mr. Crissman noted with the existing management that we have, one of the factors that is difficult are union contracts, wages and benefits. He noted that the facility is managed well, but many of the variables that we have to contend with are out of the Board's hand which drives forces in the overall expenditures.

Mr. Deiter noted he would like the Board to look at how this would impact the residents, families, seniors and the community. He noted that is something that we have to consider. He noted that we have a vast park system but he noted that the FC provides resources at a nice price for the families and seniors, and he would like the Board to consider that. Mr. Seeds noted that no one wants to close the doors. Mr. Crissman noted that the FC is a value to the community.

Ms. Prah noted that she has the history for the project, noting that back in 1999, the Board had a study done by Ballard King after the original vote to start the project, and the study found that it was overly optimistic that you would never be able to earn a profit, but consider what it does for the community, paying for indoor recreation. She noted that it was a long report and three of the board members were sitting on the Board at that time, and you all said this is different than what the community was told originally, but everyone agreed that it was such value that it should go forward and the report advised that the FC would probably need \$174,000 to make it balance. She noted that \$174,000 in 1999 is the equivalent of \$300,000 today. She noted that it was decided at that time that the project should go forward even if the Township had to put in additional funds.

Mr. Hawk noted that he did not disagree with that but we are talking about tax payer dollars and he did not want to fund something that would force the Board to raise taxes. Ms. Prah noted that the Board spends \$300,000 on outdoor recreation that you can only use eight or nine months of the year, you are not spending money for indoor recreation. Mr. Blain noted that

he disagrees with that. He noted that outdoor recreation is available to all citizens of the Township but all citizens cannot use the FC without having to pay a membership fee for one-day pass fee. He questioned how many members are Township residents. It was noted that it is about 60% Township membership. Mr. Wolfe noted if it was based on the overall population, it would be very small. Mr. Blain noted that thousands of people use the parks every day. Ms. Prah noted that the numbers do not tell you how many residents use the day pass system. Mr. Wolfe suggested that membership and day pass usage is not the same. Mr. Deiter noted that we have a dog park and he doesn't have a dog. Mr. Blain noted that it is available to anyone and if you do have a dog you can use it. He noted that you can't compare the park system to the FC as the park system is funded by the tax payer's property tax and Earned Income taxes and anyone can use it but it is a different story for the FC. He noted that it is supposed to be funded by memberships and not every Township resident has a membership to the FC. Ms. Prah noted that someone can walk into the FC for a cost of a movie and use the center. She noted that it also sponsors activities where people come at no cost, such as the Tree Lighting and other activities that the Township holds. She noted if you held them elsewhere you would have to pay to rent those facilities. She noted that it is a financial benefit.

Mr. Bruce Senft noted that the Board has to decide in its own mind whether the FC is worth the investment that the Township will need to make to operate it. He noted whether or not it is a true comparison or analysis, going to the fact if it can be financially viable or not, if you were to take out the debt service, it would be financially viable, but that would have meant that you had the money up front to build the facility. He noted in regards to Mr. Hornung's comment, what else could you do presently from the B&D Report; the Operating Board has pretty much maxed out the ability to drive revenue into the FC given the existing facility. He noted that the programs are well run, appropriately priced, and driving revenue into the door. He noted in terms of the use of available space, the only available space that is under utilized is the gymnasium. He noted that there is not much you can do with it.

Mr. Senft noted if you want to drive new revenue into the building, you will have to bring in opportunities that utilize space that people are willing to pay for. He noted that the most dramatic way to do that is to expand into the social hall.

Mr. Senft noted if you want to find other ways to make the FC more self-sufficient, the only other way that he knows is to say to the community, are you willing to financially support it from private sector dollars to offset or retire a portion of that debt. He noted that it would be a

major fundraising capital campaign for the FC, something that we are not used to doing, and it will be a major under taking. He noted that we do not know if it is possible to do that but it will take more than the collective resources that are sitting in this room to be able to accomplish it. He noted that the recommendations made by staff are well thought out but he does not see any other way to bring revenue into the door other than bringing in outside private sector dollars to lower the major cost that we don't seem to be able to handle which is the debt service itself. He noted that until the Board does that, it will take some sort of financial commitment from the Township for three more years until it starts to recover.

Mr. Senft noted the value of the resource is an argument that the Board members will have to argue on their own. He noted that the appraisal stated that it is a valuable resource, worth \$7.8 million. He noted that he has been sitting on the Board for a year, and its major focus is the numbers. He noted that at every meeting the Board looks at the memberships, noting that the insurance memberships are increasing for many of the senior citizens, but the cost that we receive is going down due to the nature of the payment. He noted that the facility is different in that we appeal to a larger spectrum of potential customers. He noted that we have competition in the area but we are the only facility that is focused on families, senior citizens, and children and it is a unique situation. He noted that the family membership declined during the course of the recession. He noted that we need to focus on families, and provide opportunities to them and when things start coming around financially we need to be competitive and to provide a place for families to utilize the service.

Mr. Senft explained that he is a transplant to the area and after he got married in 1997, he and his wife looked around to determine where to move and Lower Paxton Township had a great appeal and part of that appeal were the parks and facilities and convenience. He noted that things like the FC really stood out and made it a very appealing place to move to raise a family. He noted that it is a tremendous value, not just for the people who utilize it but for everyone, for property tax, real estate values, as it adds value to the community whether you use it or not.

Ms. Denise Hussar noted that the over 55 community, Amesbury that is adjacent to the FC, many of those people belong to the FC. She questioned if the Township wants to keep this or not and if it does there are other options to explore as well. She noted that she does not know what else could be done to bring in more revenue into that center and if you passed it off to a management company or to another buyer, what could they do except they would not have the union wage issue as it takes up quite a bit of the revenue. He noted that the Operating Board has

discussed naming opportunities, such as naming the Natatorium; it would provide other types of funding revenue that we would not have.

Mr. Hawk noted that it is a decision the Board has to make noting that many people think the Township is a never ending bank account so money is a major concern for the Township. He noted that the Board does not disagree with the need for the FC, but it is a question of the best way of funding it.

Mr. Seeds noted that he is glad that staff eliminated Options 2 and 3. He noted that part of the Request for Proposal was to include in B&D's analysis recommendations to maximize revenues regarding appropriate configuration of the expansion area and the equipment to be placed in reference to Option 1. He noted that he did not see where they have completed that task. Mr. Luetchford noted that the chart under Option 1 listed the cost for the renovations and equipment. He noted that they provided a dollar figure estimation. Mr. Seeds noted that he did not believe that the appropriate configuration was included in the report. Mr. Luetchford suggested that we did not want them to provide a floor plan for the recommendation to include the equipment. He noted that they look at 1,000 square feet of equipment in general in an area but not to configure each piece of equipment individually. Mr. Seeds noted that the FC was needed in the 1990's and it is still needed today, but the issue is who will run it and if you are strictly looking at dollars and what is making money then we should get out of the business because we are not here to make money but we are here not to cost the taxpayers any money. He noted once we start taking areas away like that we lose the community affect. He noted that he is concerned if we take part of the social hall what will we have left, maybe we will only have a television and a couple of chairs left. He noted that the pool tables will be gone and he is concerned when we start doing that and also when we start dumping more money in, can we really get it back. He noted that the bottom line does not look good for the \$170,000 a year that was talked years ago that we would need. He noted before we know it we will be replacing the roof and things like that as the building is getting older. He noted that Option 6 would not cost hardly anything. Mr. Luetchford noted that there are no building changes with that option.

Mr. Wolfe noted that it is up to the Board to make a decision or not and in his mind the Board has received the final report and staff's recommendation and how it could affect finances at the FC. He noted that it is back in the Board's court for action as he showed what can happen if the Board fails to do anything.

Mr. Crissman suggested that there are three choices to look at. He noted if the Board decides to keep the FC, we value it and we know we will have to spend money on it and then what are all the options that staff recommended from B&D, and a possible tier membership. He noted that the second option would be to retain the facility and land and look at someone else to operate the facility that would be in a different fiscal environment, the union contracts, etc. He noted option three would be to sell the land and the building and be totally rid of the entire process.

Mr. Hawk noted that we need more time to review the options and beyond that there is a public meeting to start at 7:30 p.m. and Mr. Wolfe needs to leave the meeting. (Mr. Wolfe was dismissed from the meeting at this time.)

Mr. Hornung questioned that the reason we have never gone down the naming opportunity route is because of this Board making a policy not to do that. Mr. Crissman agreed.

Mr. Luetchford noted that that Operating Board has tackled some priority items and there are other items the Operating Board wants to tackle over the next year or two.

Mr. Crissman noted that consideration has not been limited to the FC, noting that Parks and Recreation Board have also had similar discussions and we want to be universal saying no to the process. Mr. Blain noted that sports groups have requested naming rights for fields. **Mr.** Seeds suggested that the Board has never said no. Mr. Luetchford noted that there is a difference between advertising and naming field, so the long standing policy with the Parks Board was not to allow advertisements in the parks. Mr. Seeds noted that we have them in parks. Mr. Luetchford noted that we have some advertisements with logos. Mr. Seeds questioned what the difference is if someone advertises on a scoreboard. Mr. Luetchford noted that is something we should have a discussion about noting that we allow for recognition versus typical advertisements. Mr. Seeds noted when someone puts their name on a scoreboard it is an advertisement. Mr. Hornung noted that it could be a little gray area as he thought it was a Board policy to stay away from advertising or naming.

Mr. Hawk noted that Mr. Hornung might be right but he did not remember doing that.

Mr. Crissman noted that decision from this Board has to be universal and uniform across the municipality.

Mr. Hornung questioned if there are any changes that could be considered by the Operating Board that may be more reactive to the conditions. He questioned what impact has the Board of Supervisors had on the FCOB's ability not to grow and to be more successful. He noted

that he wanted to know what the Board could have done differently to impact the future success and what can we do in the future to facilitate a greater working relationship or whatever if it is even important, other than allowing naming or advertising at the FC. He noted that the niche has always been the family and is the FC doing all it can do to drive that niche home. He noted that people will pay for good but they will pay more for great and he questioned how much the Board may have made an impact on that.

Mr. Seeds questioned what would happen if someone stood in front of LA Fitness or Gold's gym and asked them why they are a member at that location instead of the FC. He questioned what you think they would say.

Mr. Senft noted if the focus is families, what would drive family memberships are the programs that we offer, not just the facilities, he noted that he uses the fitness center for physical fitness, but he could easily go to LA Fitness or Central Penn. He noted that he is the only member of his family that uses the FC as his two daughters are out of the area and his wife does not like physical fitness. He noted that the programs do not drive his membership as he is a single person. He noted if you want to attract a single person, that is what LA Fitness does, but if you want to attract families we need to do the things we are doing. He noted that staff comes up with great ideas in terms of trying more things to drive more families into the program, especially with smaller children. He noted the more we do, the more we will attract those people into the FC, the more we differentiate ourselves from the LA Fitness Center.

Ms. Prahm noted that children come there to study after school.

Mr. Crissman noted after the Ballard King Report was received there was mention of tiered memberships. He noted that they stated that we shouldn't increase the membership rates as we could not be competitive, but one suggestion that came from staff and the Operating Board was a tiered membership. He noted if you only want to use the natatorium, you pay one fee, and if you want to use the Fitness Center you pay another fee. He noted that they suggested that the membership could include some programs as some facilities include programs in their memberships. Mr. Senft noted that we could probably do more. He suggested that focus groups are the way to test those adjustments to see what drives more review from packaging memberships. He noted that you could do focus groups of members and non members to see what will work to help with the marketing approach.

Mr. Hawk noted if there are any restrictions that the Board of Supervisors has placed on the FCOB we need to know so you would have more opportunities to do naming or other items.

Ms. Hornung questioned if there is a follow up call to those who do not renew their memberships to find out why they are leaving. He noted when people tell you that they can't afford it; they are really saying there is no value to it. He noted that they may feel that they aren't getting what they need or want. He noted then we have to ask what could we have done differently that would attract people back to the FC. He noted that he does not know if those questions are being asked. He noted that the economy did have an impact on the FC, and many things change during an economic downfall, but it takes someone with forthright to rise above this. He noted that he does not know what that is.

Mr. Hawk noted that he must call the meeting to a close at this time as we need to go into the next business meeting.

Mr. Crissman thanked those for coming and noted that we are in this together as a team effort to make the right decision for the community.

Adjournment

Mr. Crissman made a motion to adjourn the meeting and the meeting adjourned at 7:25 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary