



April 8, 2016

To: Columbia Association Board of Directors
Advisory Committee Chairpersons
Village Board Chairs
Village Managers
Members of the Press
CA Management

From: Andrew C. Stack, Board Chair

The Columbia Association Board of Directors Work Session will be held on Thursday, April 14, 2016 at 7:30 p.m. at the Columbia Association Building, 6310 Hillside Court, Suite 100, Columbia, MD 21046.

AGENDA

1. Call to Order (Announce Directors/Staff in Attendance) **1 min.**
2. Approval of Agenda **1 min.**
3. Resident Speakout
(Limited to the topics of the work session only, per the "Policy on Conduct of Work Sessions of Board of Directors and Board Committees" adopted by the CA Board of Directors on August 28, 2008)
4. Chairman's Remarks **3 min.**
5. President's Remarks; Follow-Up Questions from the Board Members **10 min.**
6. Work Session Topics **105 min.**
 - (a) Proposed Guidance to the CA Representatives on the Inner Arbor Trust Board of Directors *(15 min.)*
 - (b) Proposed Rates/Pricing for Proposed New Membership Structures *(90 min.)*
7. Adjournment – Anticipated Ending Time: Approximately 9:45 p.m.

Next Board Meeting
Thursday, April 28, 2016

ARRANGEMENTS FOR AN INTERPRETER FOR THE HEARING IMPAIRED CAN BE MADE BY CALLING 410-715-3111 AT LEAST THREE DAYS IN ADVANCE OF THE MEETING.

CA Mission Statement

Working every day in hundreds of ways to make Columbia an even better place to live, work, and play.

CA Vision Statement

Making Columbia the community of choice today and for generations to come.

Guidance for the CA Representatives on the IA Board

Context

CA is in a partnership with the Inner Arbor Trust (IAT) for the timely creation of a park in Symphony Woods that is affordable and appropriate to the importance and beauty of the site. Since CA remains the landowner, has provided an easement to IA for the use of the land and has invested \$1.6 million in its execution, CA has a continuing role to play in the design, construction, and management of the project. Under the easement agreement between CA and IAT, CA has three seats on IAT's board of directors. Our members sit on that board to represent CA's interests and reflect the advice and concerns of the CA board. Our members also serve the Columbia community at large and ensure that the community's voice is heard in matters relating to the park. This unique role needs to be recognized and respected.

Guidance

CA's representatives should:

1. Clearly and respectfully communicate CA's positions to the IAT board and report back to the CA board IAT's plans, programs and activities, to the extent these are not confidential.
2. Stress the need that IAT be guided by principles of transparency and accountability. Examples that would demonstrate transparency include IAT regularly posting on its website easily accessible board minutes and detailed quarterly financial reports listing all income received and payments made. IAT should also publish plans, schedules, and budgets for completion of park amenities.
3. Insist on regularly scheduled, monthly IAT board meetings with agendas and back-up materials distributed at least three days prior to meetings. CA representatives should also insist on regular progress reports along with notification of potential problems and how they are being addressed. IAT board members should be kept aware of activities taking place between meetings and generally oppose any attempt to bypass board participation through an executive committee or other structural changes that diminish the role of CA's representatives.
4. Encourage IAT to take advantage of recommendations from CA's Internal Audit staff regarding back-office functions affecting internal controls, financial oversight, regulatory observance, and governance.
5. Remind IAT that they must protect Symphony Woods from damage and that they should inform the community and CA, well in advance, of scheduled events that will result in the closure to the general public of any portion of Symphony Woods. This will include any time required for set-up, tear-down or clean-up.
6. Remind IAT as appropriate that it is CA's position that the correct name of the park is "Symphony Woods," not "Merriweather Park at Symphony Woods."

7. Make clear that IAT is not the owner of Symphony Woods. CA owns Symphony Woods and has granted IAT an easement to the property. This should be properly recognized in any contracts, leasing agreements, sub-easements, etc.
8. To the extent possible, bring major or potentially controversial issues to the CA Board in advance for discussion and formulation of a position that can be conveyed to the IAT Board.



April 8, 2016

To: Columbia Association Board of Directors
Milton W. Matthews, President/CEO

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

Subject: Recommendations for CA Membership Structure and Rate Changes

Background

CA currently has 14 core membership options for participation in Sport and Fitness activities plus 4 additional options that allow for access to Haven on the Lake. With pricing variables (resident, non-resident, income-qualified, senior, corporate, etc.) and combined memberships, the total number of different membership options that are currently in use is over 200, covering 19,379 memberships.

The Board hired Club Intel to conduct research into simplifying the current CA membership structure. The outcomes that were expressed at the onset of the study and during the intervening time are:

1. Create a less complex structure that is easily presented on the web and understood by the Members and staff to improve overall experience.
2. Generate increased participation and market share.
3. Provide market-competitive and flexible options for the user.
4. Net revenue neutral during the transition period with regard to existing Members and net revenue positive through the aforementioned increase in participation.
5. Sport and Fitness allocation from the annual charge should remain relatively flat year over year.
6. A new membership structure should be compatible with CA's chosen membership management software, SNG.

Club Intel conducted market research that included interviews with the CA Board of Directors and key CA leadership staff. They moderated three focus groups with Members to explore sentiment regarding their club usage and behavior, lifestyle demands and ideas for future revenue-generating opportunities for CA. They conducted

an online survey to collect both Member and Non-member feedback on their perceptions of the CA experience, offerings that drive value, appeal of various membership options and price sensitivities that generated 1,507 responses which represented all age demographics with relative equality.

In addition to the Member and Non-member feedback, Club Intel also conducted site visits to each CA property, as well as club scanning (on site and online) among competitive clubs/properties within a five county radius of CA to collect intelligence in marketing, sales, branding, pricing and general membership offerings.

Following the collection of data, Club Intel made two presentations to the Board. In May of 2015 Club Intel presented a summary of the data collected and conclusions that could be drawn from the information. With direction from the Board, Club Intel returned in September of 2015 with a proposal for an updated membership structure for CA. Following the Club Intel presentation, the Board generally agreed that this was the direction CA should explore moving forward and directed staff to evaluate the Club Intel recommendations and return with a proposal for Board discussion.

Utilizing the Club Intel model as a basis for moving forward, staff evaluated data and Member needs against the goals outlined above and presented the Board with a proposal for a membership structure in March of 2016. The staff recommended a structure that not only provides for greater access for a larger number of our Members, it also reduces the number of core memberships to 6 plus the 4 for Haven on the Lake access. Pending a final decision on pricing variables, this would potentially reduce the number of possible membership options to fewer than 50.

In developing the pricing model for the recommended membership structure, staff held to the premise that revenue from existing Members should be neutral during the transition period and that any revenue growth would come from adding new Members and increased participation. After again comparing CA's membership options with the competitive market and reexamining the way existing Members have chosen to purchase their memberships, we elected to anchor the proposed membership rates around the AquaFit membership, which is equivalent to the current Package Plan Plus membership and is the membership that is presently held by over 50% of our Members. In developing the pricing, consideration was also given to maintaining a significant difference between the Resident and Non-resident rates.

In addition to the overarching themes, each membership had individual considerations that went into the development of the pricing recommendation.

1. **Fitness** - While this membership adds significant comparative value with the inclusion of group fitness classes and treadmills, we wanted to maintain an option that was easily accessible to all Residents of our community. We did have

to take in to consideration a potential decrease in fee income once Package Plan Members no longer have to pay for attending the Package Plan Plus Memberships.

2. **Recreation** – Aquatics is one of our most valued assets and our goal was to add more family value to this option while creating greater access and participation in some of CA’s non-fitness club properties such as the Ice Rink, Skate Park and Sports Park and Tennis. Given that these additional amenities currently have little to no membership fee required, there was not a need to increase the overall cost of this membership and each dollar reduction in the existing Outdoor Pool/Swim Center membership will result in \$2,600 per month loss in revenue therefore, the recommendation is to keep the existing pricing.
3. **AquaFit** – This membership is basically equivalent to the current Package Plan Plus membership and with the merger of the Package Plan membership into either the Fitness or AquaFit membership, the goal was to make this new membership available at the lowest possible price and still remain revenue neutral.
4. **Weekday GolfRec** – This represents a change from the membership structure presented in March. In considering feedback from the Board and other stakeholders, staff is now recommending that the proposed Weekday Golf membership include the Recreation membership. The Weekday GolfRec membership allows access to the golf course at a lower cost than the traditional membership, while providing the additional flexibility of utilizing some of CA’s other amenities. With that in mind, the goal was to create a price point that allowed those individuals who have the flexibility to play during the week to do so at a reduced rate versus the market.
5. **7-Day Golf** – The goal of the 7-Day Golf pricing was to create a market-competitive price point that produced tremendous Member value while allowing the non-resident rate to attract new players.
6. **GolfFit** – The GolfFit membership was priced to be market competitive with the most similar option in the area. This pricing would allow CA to provide tremendous value to our residents and to attract those interested in golf, but also introducing the feature of additional options for the Member and their family.

Other Memberships for Consideration

1. **A la Carte Membership Structure** – An a la carte membership structure was proposed for consideration. The proposal places group fitness and other classes as an add-on fee, which would not be included in any membership. The proposed structure contained the following memberships:
 - a. **Basic Membership (choose one)**
 - i. Athletic Club
 - ii. Columbia Gym

- iii. Supreme Sports Club
- iv. Outdoor Pools
- v. Swim Center
- vi. Skate Arena, Ice Rink, Skate Park and Sports Park
- vii. Fairway Hills Golf Club
- viii. Tennis
- b. **Advanced Membership**
 - i. Choose any of the three facilities from the Basic Membership
- c. **Full Membership**
 - i. Access to all of listed facilities
- d. **Luxury Membership**
 - i. Adds either Haven on the Lake or Hobbit's Glen Golf Course to the Full membership

Basic membership – All memberships are already currently available for purchase and have existing pricing with the exception of separate Outdoor Pool and Swim Center memberships and a membership for the Skate Arena, Ice Rink and Skate Park and Sports Park. We currently offer the Outdoor Pools and Swim Center as one membership. Until 2012, CA offered separate memberships for the Outdoor Pools and Swim Center, but these were combined at that time in response to a Board directive to reduce the number of membership offerings.

Advanced Membership – This membership is comparable to the existing Package Plan membership. The main difference is that the Advanced membership reduces access from the Package Plan's all-facility access to only three facilities. The existing Package Plan individual renewal rate is only \$2 more than the single club. This pricing dictates that the Advanced membership must be priced at least at the same level as the current Package Plan membership but will offer fewer services. Reducing the Advanced membership rate below the existing Package Plan level would decrease membership income by approximately \$4,700 per month for every dollar that the rate is reduced. Reducing the Advanced membership rate would necessitate the reduction of the single club rate to keep it below the Advanced membership and would result in a decrease in membership income of approximately \$1,100 per month for every dollar it is reduced.

If the membership rate for the Advanced membership was determined by the sum of the individual pricing of the 3 chosen amenities, there would be no membership combination that would be less than the current Package Plan membership. There would be significant challenges pricing the Fairway Hills membership into the package.

Full Membership – This membership is the equivalent of the existing Package Plan Plus Membership. The significant difference is that group fitness classes have been removed and Fairway Hills has been added. This would create challenges with the existing Members since more than 200,000 (over 20%) of the annual club visits are accounted for by group fitness. The removal of the group fitness classes and adding Fairway Hills to the package would result in the membership cost increasing by 100%. If the member chose to purchase the group fitness option, the increase would be approximately 138%.

Luxury Membership – This membership is similar in structure to the staff-proposed GolfFit membership but can include Haven and doesn't include group fitness. The addition of Haven would create a membership that is a 32% increase over the proposed GolfFit membership rate (based on Annual Golf membership plus Package Plan Plus membership) and a 39% increase if the Member chooses to include group fitness.

2. **Aquatics Membership** – A membership that would allow access to just the Outdoor Pools and Swim Center and one that would include the Indoor Pools.
 - a. **Outdoor Pools/Swim Center** – Staff is not recommending a rate increase over the existing Outdoor Pool/Swim Center membership for the Recreation membership. The Tennis membership and Ice Rink Seasonal Pass will see an increase to reach the level of the Recreation membership, but the current Outdoor Pool membership will not. Each dollar reduction in the existing Outdoor Pool/Swim Center membership will result in \$2,600 per month loss in revenue.
 - b. **Aquatics Membership including Indoor Pools** – There are many items to consider with the inclusion of the Indoor Pools in the Aquatics membership. We do not have sufficient data at this time to make a recommendation on the creation, execution and pricing of a membership of this type.

Budget Impact/Considerations

There is significant risk associated with the restructuring and pricing of the memberships. Memberships account for \$18,858,000 of the budgeted revenue in FY17. That represents 27% of the overall revenue and 57% of the non-annual charge revenue. Under the existing membership structure and pricing, the current budgeted average monthly fee across all memberships for FY17 is \$79. This number represents the average of all membership revenue divided by the total number of memberships, meaning that some pay less (Pool membership) and some pay more (Family PPP membership). The implication is that with 20,000 memberships, every dollar, whether

added or subtracted from that amount, will create a \$20,000 variance in monthly revenue.

This presence of this variance means that the goal of remaining revenue neutral with the current number of memberships leaves CA little margin for error, and that every change in the rates must be considered carefully to examine the full financial impact not only to the Members, but the availability of revenue generated by programs and activities offered by the Department of Sport and Fitness.

Recommendation

FY2017 RATES + 2-1/2%
INCREASE

EXISTING MEMBER RATES	CA RESIDENT PRICE			NON RESIDENT PRICING		
	INDIV.	2 PP	FAMILY	INDIV.	2PP	FAMILY
PPP	\$68	\$94	\$96	\$85	\$136	\$155
PP	\$51	\$67	\$71	\$74	\$119	\$129
ATHLETIC (SINGLE GYM)	\$49	\$62	\$66	\$62	\$98	\$114
OUTDOOR POOLS W/SWIM CENTER	\$21	\$27	\$29	\$41	\$52	\$56
7 DAY GOLF	\$256	\$315	\$315	\$326	\$415	\$415
5 DAY ("WEEKDAY") GOLF	\$189	\$299	\$299	\$205	\$317	\$317
TENNIS	\$10	\$21	\$24	\$25	\$28	\$35

PROPOSED EXISTING MEMBER RATES		CA RESIDENT PRICE			NON RESIDENT PRICING		
		INDIV.	2 PP	FAMILY	INDIV.	2PP	FAMILY
AQUA-FIT	PPP	\$68	\$94	\$96	\$85	\$136	\$155
CONVERTS	PP PHASE INS	\$56	\$75	\$78	\$79	\$125	\$137
FITNESS		\$54	\$67	\$71	\$67	\$103	\$119
RECREATION		\$20	\$25	\$30	\$41	\$52	\$56
7-DAY GOLF		\$256	\$315	\$315	\$326	\$415	\$415
5-DAY GOLF REC		\$199	\$309	\$309	\$215	\$327	\$327
GOLF-FIT		\$324	\$351	\$351	\$420	\$462	\$462

CURRENT NEW MEMBER RATES	CA RESIDENT PRICE			NON RESIDENT PRICING		
	INDIV.	2 PP	FAMILY	INDIV.	2PP	FAMILY
PPP	\$83	\$113	\$118	\$89	\$134	\$160
PP	\$52	\$72	\$78	\$80	\$132	\$146
ATHLETIC	\$49	\$61	\$68	\$71	\$99	\$126
OUTDOOR POOLS W/SWIM CENTER	\$21	\$29	\$30	\$42	\$52	\$56
7-DAY GOLF	\$298	\$378		\$336	\$441	
5-DAY ("WEEKDAY") GOLF	\$199	\$305		\$234	\$339	

PROPOSED NEW MEMBER RATES	CA RESIDENT PRICE			NON RESIDENT PRICING		
	INDIV.	2 PP	FAMILY	INDIV.	2PP	FAMILY
AQUA-FIT PPP CONVERTS	\$85	\$116	\$121	\$91	\$137	\$164
PP PHASE						
INS	NOT APPLICABLE			NOT APPLICABLE		
FITNESS	\$56	\$69	\$76	\$75	\$105	\$135
RECREATION	\$25	\$30	\$35	\$43	\$53	\$57
7-DAY GOLF	\$305	\$387	\$387	\$344	\$452	\$452
5-DAY GOLF REC	\$213	\$322	\$322	\$250	\$357	\$357
GOLF-FIT	\$356	\$386	\$386	\$462	\$509	\$509