

Board of Trustees
Washtenaw Community College

DISCUSSION

4800 E. Huron River Drive
Ann Arbor, Michigan 48105-4800

Subject

Date

Contract Extension with Power Wellness

January 23, 2018

Background

Power Wellness has operated the WCC Health and Fitness Center (HFC) since inception in 2007. During this time, the HFC has provided an outstanding resource for students, employees and the greater Washtenaw County community. The College has been in discussions to extend the current contract with Power Wellness, which expires on February 28, 2017 for an additional three year period.

HFC Performance in Recent Years

Under the day to day management by Power Wellness and the ongoing oversight by the College administration, the HFC has shown steady improvement in the number of overall members, strong member satisfaction, growth in serving different segments of our community population and improved financial performance. Attached is a detailed presentation of the HFC performance, but some of the key performance indicators include:

	FY 2016 Actual	FY 2017 Actual	FY 2018 Budget
Community Members	5,673	6,273	6,491
Student Members (avg. enrolled)	821	798	785
New Memberships	2,819	2,943	2,558
Avg. Length of Members (months)	38	40	40
Annual Visits	400,651	433,723	441,477
Net Promoter Score	67%	70%	71%
Secret Shop Score	94%	94%	94%
Operating Margin	\$ 1,575,000	\$ 1,677,000	\$ 1,646,000
less: Bond Payments	(1,280,000)	(1,239,000)	(1,240,000)
less: Deferred Maintenance	(151,000)	(213,000)	(273,000)
	\$ 144,000	\$ 225,000	\$ 133,000

Overall the HFC has performed well, with member participation increasing to near capacity levels at peak hours. Power Wellness is continuing to pursue alternative markets that would utilize the Center in off peak hours, such as the Medical Integration program. Highlights from FY 2017 include:

- Achieved Center Operating Budget Goals
- Exceeded Membership volume per budget
- Achieved Net Income target for Ancillary Services
- Improved customer satisfaction Net Promoter Score from VERY GOOD to EXCELLENT range

- Next Steps Fitness Programming continues to show steady increase year over year
- Center upkeep- New cardio equipment, carpet, paved path from parking lot to South entrance

Regarding student members, College administration along with Power Wellness is striving to better engage with and understand student needs regarding the HFC. Key elements of our efforts reveal the following:

- From most recent Membership Survey (Spring 2017):
 - HFC received higher ratings in every category and question asked of members under the age of 25 than those over the age of 25
 - Net Promotor Score of 81 for members under age of 25 compared to score of 70 for total membership
- Restructured PEA-115 course to enhance student course success rate
- From a recent survey of all PEA-115 students, students were asked: “What do we need to do better to earn you as a member?”
 - 42.6% of respondents stated that the Center was perfect as is and they would not recommend any changes
 - 14.9% stated that the main change they would make would be to reduce the price
- Based on results of surveys, a review of financial forecasts, and internal discussions between Power Wellness and the College, administration is planning a 10% reduction in monthly student dues for the Center for the FY19 budget

A summary of FY 2018 – 2020 goals for the HFC include:

- Retain current membership levels as Center is near membership capacity
- Maintain condition of Center
- Focus on level of service within Center
- Continued emphasis on student success especially in regards to completion of PEA-115
- Continuous improvements and innovation within Center to meet ever-changing demands of fitness world
- Corporate Membership- Continued focus on marketing to new corporate membership accounts and increasing volume within existing corporate memberships
- Medical integration – Next Steps Fitness Programming
- Continued focus on marketing to medical offices
- Targeted communications to medical fitness prospects through ‘High Risk’ direct mail
- Continued collaboration with two major health systems
- Retention- Introducing advanced technology to improve retention rate and member communication
- Retention – New membership bridge program implemented to reduce churn of members who are not in MI for entire year

Contract Terms with Power Wellness

Under current discussions with Power Wellness, all key provisions of the current contract structure are proposed to be retained, with the exception of certain financial incentive provisions tied to the overall performance of the HFC, including overall student participation. Key elements of this proposed contract include:

- i. Power Wellness will be responsible for Center operations, including all member account activities and Center custodial maintenance
- ii. Work in conjunction with College facility and purchasing staff to coordinate new fitness equipment as well as deferred maintenance needs of the Center

- iii. Provide financial accounting and reporting services for data of the Center including monthly financial reporting package, development of annual budget, and performance benchmarking
- iv. Manage relationship with student body and campus community at large including student clubs/activities and student enrollment
- v. Engage with community through the hosting of health and fitness center events
- vi. Partner with local medical associations to create integrated health and fitness programs
- vii. Comply with all regulatory requirements and maintain all appropriate certifications
- viii. Financial terms include:
 - a. Cost reimbursement for HFC operations, based upon an approved annual budget
 - b. Management Fees to include:
 - i. Annual base management fee of \$87,504
 - ii. Annual at risk management fee of \$37,496, tied to five performance metrics including student engagement effectiveness
- ix. Initial three year term ending 2/28/21 and at the college's election an additional three year extension

RECOMMENDATION

That the Board of Trustees approve the extension of the contract with Power Wellness to operate the WCC Health and Fitness Center for the three-year period ending February 28, 2021 and at the College's election an additional three-year renewal term.

A ROLL CALL VOTE WILL BE TAKEN

Prepared by: William L Johnson
Title: Vice President & CFO

Recommended by: *Rose B. Bellanca, Ed D*
Rose B. Bellanca, President
