THE KELLER™ POINTE

2017
Fiscal Year End Report

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Introduction

The Keller Pointe has taken another step forward this year in improving the quality of the facility and levels of service, while still identifying several areas in which expenses could be reduced. This commitment has allowed The Keller Pointe to continue to be successful in its 100% cost recovery of model in its 13th year of operation.

This report summarizes aspects of financial management and operational decisions for the Fiscal Year 2017.

Attendance

The total attendance for Fiscal Year 2017 was 294,789. This represents a 12.4% increase over prior year numbers.

Memberships

Total memberships grew by 7.42% to a total of 3,835. Total number of individual members expanded to 12,344. The total number of facility members gives The Keller Pointe a 20% penetration rate among Keller residents despite 16 other fitness facilities in the City of Keller, as well as a number of large chain facilities just outside of the Keller border. The national penetration rate for all fitness clubs is 16.7%, which demonstrates the strength of The Keller Pointe in the market today.

All numbers were pulled at the end of the fiscal year on September 30, 2017.

Goals for 2017

The Keller Pointe staff identified very specific goals for 2017 that focused on member retention, growing membership revenue, and increasing the total amount returned to fund balance.

Our top goals for 2017 were to grow membership revenue by $200,000; complete all facility enhancements and repairs not completed through the renovation project; replace 40% of all cardio equipment; return $500,000 back to our fund balance; and maintain an attrition rate at or below 30%. These goals were aggressive considering the facility had never achieved the financial levels listed. Additionally, the capital outlay required to address the goals would far surpass any other year, with the exception of last year ($637,190 was spent on capital) and FY13 ($348,295 was spent on capital). Below is a summary of each goal and how it was accomplished.

Increase Membership Revenue by $200,000 - Achieved

Membership revenue hit a new record-high of $2,272,565; increasing by $263,892 in FY17. Roughly $100,000 of this total can be attributed to the 9% fee increase that was assessed in

January 2017. (The impact of this fee increase won't be fully realized until FY18 since the fee increase was introduced in the second quarter of the fiscal year, and many members purchased annual memberships prior to fees increasing.) The remainder of the increased revenue was a direct result of the facility renovation/expansion, increased retention efforts, and the elimination of all membership sales/promotions. Although eliminating any type of sale or promotion may seem as though it would have the opposite effect on revenue, staff felt strongly that the quality of the facility could justify the price. The decision was an uncertain one since historical evidence pointed towards a negative impact on revenue as it did in FY14. At that time, the facility had raised fees 3% and eliminated the long-standing annual sale. Membership revenue dropped that year and continued to decrease in FY15. FY16 saw a significant spike in revenue as we made broad-sweeping changes to the facility, giving us the confidence to proceed with a business model that focused on a higher end experience, coupled with infrequent reductions in price.

Complete Facility Enhancements, Repairs, & Equipment Replacement - Achieved

In order to attract new members and remain competitive, we felt it was necessary to reinvest in our equipment and facility. A heavy amount of work was completed in the indoor aquatics space where we repainted the indoor slide, slide tower, and walls; replaced the outdoor pool furniture; and covered all sound boards with artistic renderings to give the space a more inviting feel.

We also replaced 40% of all cardio equipment, along with the addition of numerous pieces of strength equipment and weight plates.

Many back-of-the-house projects were also completed such as repairing HVAC duct work, replacing facility lighting, and repairing pool equipment. The final tally for all one-time expenditures totaled $323,820; the third largest investment to date.

Return $500,000 to Fund Balance – Achieved

This was a bit of an aggressive goal since we had rarely invested so much into the facility, and had never eclipsed $400,000 savings in a single year. We did feel confident we could hit this goal, however, despite these challenges. The key to achieving this goal would be to decrease base operating expenses while increasing revenue.

To decrease our expenses, we opted not to fill our vacant Assistant Manager position. Our team also found several creative solutions to maintenance issues. Additionally, our team sought more bids than required in an effort to gain optimal pricing on all goods and services. The savings from these initiatives totaled $212,624. As a result, we were able to return $568,960 to fund balance this year - a new all-time record

*Final numbers have not been audited.

Wins in 2017

The Keller Pointe enjoyed a number of notable wins in 2017 and received a record number of awards. We were named Tops in Tarrant for Family Entertainment by the readers of Society Life

Magazine. Living Magazine awarded us two Reader's Choice awards for Best Health Club/Gym, and Best Martial Art program. Nextdoor.com awarded us the Favorite Neighborhood Gym in 72 neighborhoods. We were also named runner-up for Best Gym/Fitness Center, and Best Family Entertainment by the readers of The Keller Citizen. Additionally, we received the Texas Amateur Athletic Federation (TAAF) Bronze City award. Finally, the Texas Recreation and Parks Society (TRAPS) recognized our maintenance crew with the North Region Excellence in Maintenance Award for their cost-savings initiatives and creativity in maintenance solutions.

Along with the record-setting financial accomplishments mentioned earlier, it should be noted that our recreation department also achieved a record $170,580 in birthday party revenue through a slight tweak in our sales technique. Facility rentals, personal training, and aquatics programming also saw significant increases in revenue over the previous year. The staff working in each area of the facility are outstanding and a significant amount of the success can be attributed to a cohesive team that has experienced almost no turnover in the past 18 months.

Opportunities for Growth

Although almost every aspect of the facility saw significant growth in participation and revenue in 2017, our team still believes there is opportunity for growth. Personal training is one aspect of the facility that could still handle a large spike in participation. Aquatics programming will also be a focus in Fiscal Year 2018. Some of the barriers to participating in these programs are exposure of these offerings outside of the building, along with difficulty in registering online. Our team is in the process of designing a new website and vetting out a new registration software company to eliminate both of these barriers. We anticipate instant returns once these areas are addressed.

Summary of Revenues and Expenses

The budget for Fiscal Year 2017 projected $3,200,375 in revenues, and allocated $3,140,055.92 in expenditures. Actual revenues generated during the fiscal year were $3,446,920.63. Expenditures came in significantly under budget for a total of $2,877,959.92. $568,960.80 was returned back to fund balance, bringing our total fund balance up to $1,805,080

*Final numbers have not been audited.

Looking Ahead to Fiscal Year 2018

Despite our success the past few years, our challenge will be to stay relevant and continue to grow amid increased competition. We will do this through a commitment to maintenance, exceptional customer service, diverse program offerings, and keeping our equipment maintained and updated.

Our goals for 2018 include: increase our Net Promoter Score (NPS) to 66% (currently at 64%); increase total revenue by 3%; and return $650,000 to fund balance.