

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES

Annual Report 2009 - 2010

A Note From The Director

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College of San Mateo



A NOTE FROM THE DIRECTOR

Fiscal year 2009-10 proved to be a challenging year as well as an exciting one for the Auxiliary Services teams. The effect of the State budget crisis on enrollment at all three colleges presented financial challenges for the bookstore, food service and vending operations at all three campuses. These challenges notwithstanding, the team pulled together and offered exemplary services to our community.

The District welcomed a new service to the Auxiliary Services team at College of San Mateo this spring with the opening of the San Mateo Athletic Club and Aquatic Center on April 1, 2010. A tremendous amount of energy and effort went into opening the club and the results have far exceeded expectations. The campus community and our neighbors have embraced this amazing facility. You can read more about this successful venture on page 9.

We are very excited for the opening of the new College Center at College of San Mateo during the spring 2011 semester. The four story building will unite Student Services into a "One-Stop Shop", including Admissions, Career Services, Counseling, Health Center, Financial Aid, Disabled Students Programs & Services, Student Activities, Welcome Center, Cafeteria, Bookstore, Convenience Store, Espresso Bar and Copy Center. This One-Stop-Shop approach will allow CSM to greet new students with a clear understanding of a personalized college experience, as well as provide continued and convenient centralized access student services near the academic core of the campus. We plan to begin moving into the new building early in 2011 and be operational by mid spring. We are all very excited as it will be the first time in over two years that the campus will have a fully functioning cafeteria as well as a new bookstore with the added convenience store, coffee shop and copy center right in the same building!

The Auxiliary Services team is pleased to present this overview of our activities and achievements for the 2009-10 academic year. We will continue as always to seek innovative ways to serve the District community as well as our neighboring community members in the year ahead and we thank you for your support and patronage.

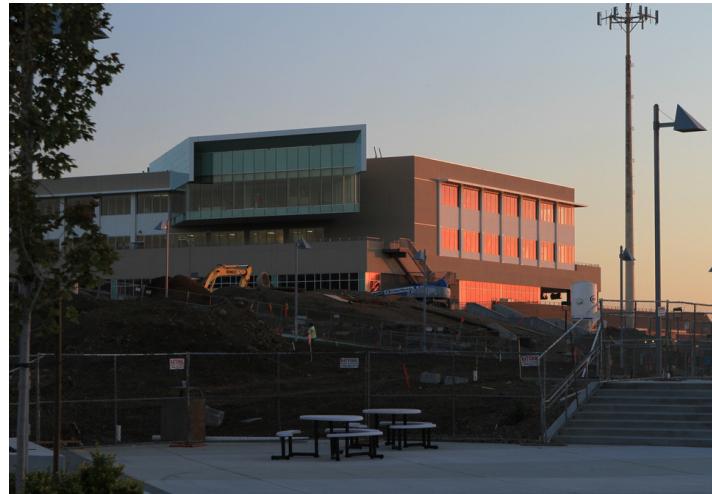
Tom Bauer
bauert@smccd.edu
Director of Auxiliary Services

On the cover: SMCCD Bookstores student employees (front row L-R) Lu Zheng, Dana Christensen, Alan Lopez, Caitlin Bortoli, Amanda Nguyen; (back row L-R) Kayla Gallagher, Cecilie Sorensen, Trevor Gober, Michael Corzonkoff. Photo courtesy of SMCCD Bookstores student employee - Amanda Bortoli.

THE BOOKSTORES

STAFFING CHANGE

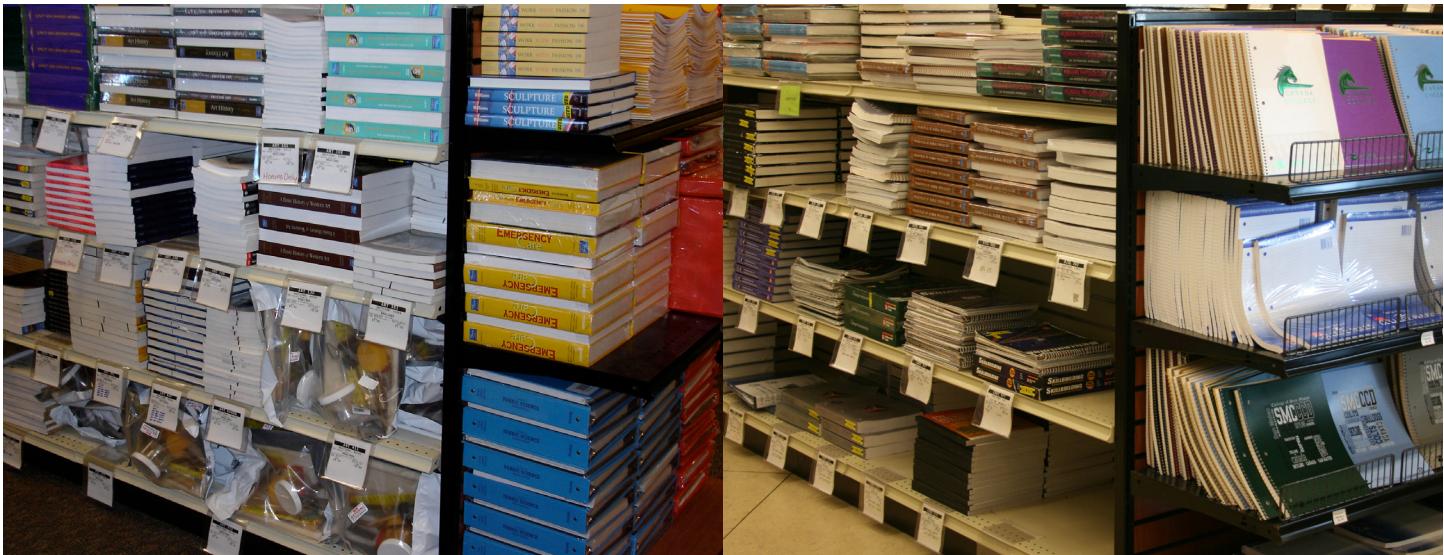
Just following the successful completion of our fall back to school rush, Judy Worster, manager of the CSM Bookstore, retired. Judy served the District for over 20 years and spent all of her 30+ year career working in the college bookstore industry. Judy's tireless work ethic and her care and concern for the students and staff that have walked through our doors every day is what makes Judy such a special lady. Throughout her career, Judy worked to develop a number student staff into full time classified staff members. The new textbook manager at CSM Bookstore, James Peacock, was detailed into the position of Store Manager upon Judy's retirement. James began his career working as a student assistant at the CSM Bookstore much the same as his counterparts at Cañada College (Jai Kumar) and Skyline College (Kevin Chak). James has done an exceptional job stepping into the position. We look forward to many wonderful accomplishments from James in his tenure with the District Bookstores.



Above: College of San Mateo College Center (Building 10).
Photo courtesy of David McLain.

WE'D LIKE TO HEAR FROM YOU!

We welcome your comments on this report
and your feedback on your experience at the
SMCCD Bookstores. Stop in, call us,
or e-mail us at bookstore@smccd.edu.



Photos courtesy of Kevin Chak.

COURSE MATERIALS SALES

The sale of new and used textbooks, coursepacks, digital books and rental books are the core mission of the District Bookstores and account for roughly 85% of the total sales in the District Bookstores. The Bookstore managers, Jai Kumar from Cañada College, Kevin Chak from Skyline College and James Peacock from College of San Mateo work very closely with our faculty and academic support staff as well as publishing company representatives to ensure that the Bookstores meet their goal in providing the right book at the best price at the exact time the student needs it. In addition to this, the Bookstore managers are charged with obtaining as many used textbooks as possible as well as identifying titles to add to our textbook rental program. The Bookstore managers also work closely with the academic department support staff, faculty and Deans to coordinate constructive dialogue with publisher representatives to offer customized textbook packages and incentives that will result in lower prices for students as well as a more useful, tailored product for the students learning experience.

To date, there are four major used textbook wholesale companies in the United States today. Every college and university in the country sends its textbook list to these wholesalers with the hope of obtaining as many used textbooks as possible. The key to success is getting the booklist from the faculty as early as possible to work with the companies for the longest period possible. Equally important and doubly beneficial to the student is our ability to buy back books at the end of each semester. When textbook orders are processed by the Bookstore on time and the textbook is being readopted in the same edition for the coming semester, the Bookstore can give the student a 50% cash return on his or her investment and further supplement the stock of used textbooks for future students. Used textbooks represent the best overall savings to our students. Priced 25% less than new textbooks, used textbooks are obtained through a rigorous procurement process by each store manager.

This year, textbook sales dropped with a 2% overall



<http://www.textbookaid.org>

reduction in new textbook sales and an 11% drop in used textbook sales. Course pack sales increased by 15% and textbook rentals continued to increase by an additional 8% this year. The decline in textbook sales can be explained in part by the reduced enrollment. The increase in rental textbooks also affects the sale of textbooks. The more textbook titles we have to rent, the fewer books students will buy. Because the textbook rental titles are books that are used semester after semester, the impact of this type of increase is most significant on used book sales. There was also a significant increase in the number of custom packages adopted, particularly at Skyline, which resulted in a 10% increase in new book sales but a 21% decrease in used book sales. Custom packages are designed for a specific course by a professor and a publisher working in coordination with the bookstore management team. Custom textbooks often have a pricing advantage for students and allow a professor to customize the material specifically for their class leaving out other material that may not be germane to the class. These packages cannot be obtained used and do impact the sale of used books as well. Skyline has introduced a number of newly designed packages this academic year.

Lastly, the numerous on-line competitors that have cropped up this year doing everything from selling books to renting books have been an additional challenge for brick and mortar college bookstores across the country. Despite all of our challenges, the unit sales of textbooks decreased only 4% over last year despite significant challenges noted here. This is actually quite exceptional and displays the commitment of our student customers as well as our faculty and staff to support the campus bookstores.

TEXTBOOK RENTAL PROGRAM

The textbook rental program continues to flourish and serve as a model for college bookstores around the country. Thanks to the joint efforts of Auxiliary Services Director Tom Bauer, the District Foundation team (in partnership with our District Bookstore and auxiliary vendors) and the very innovative work on the part of Cañada bookstore manager Jai Kumar in collaboration with campus partners, we raised and allocated over \$85K to fund the purchase of additional textbooks for the rental program now active at all three of the Colleges. In addition, the Bookstores added \$30K worth of books to the program using its reserve dollars. Cañada College continues to lead in its efforts to raise funds for the program as well making Cañada Bookstore the leader in textbook rentals in the District and possibly the State. The District Bookstores now boast over 1,000 titles in the textbook rental program spanning most disciplines at the three colleges. The District Bookstores are currently partnering with other bookstores in the Bay 10 in pursuing a federal FIPSE grant of \$1 million dollars that will be used to set up a rental program benefitting all colleges in the Bay 10. Notification of grant awards should come sometime in the Fall 2010 semester.

Textbook rentals increased 8% this year over last year. In this academic year alone, the Bookstores rented textbooks valued at \$815K for \$203K, saving students a total of \$612K; the program has saved students over \$1.8 million since 2005 with recent inventory additions increasing that number exponentially. We expect the cumulative savings to top \$2



Photo courtesy of Kevin Chak.

million dollars by the Fall 2010 semester with our rental library, which started out with 35 titles in 2005, now exceeding 1,000 titles spanning almost all disciplines. Special acknowledgement and congratulations go to Jai Kumar, manager of the Cañada College Bookstore and the store staff, Brian Horowitz and Laura Brugioni, along with a dynamic team of student assistants. The Cañada Bookstore leads the District in all matters concerning textbook rentals and was the founding store of the program. Jai and his team receive unparalleled support from the College administration along with faculty and staff to make this program a shining success, enabling it to be duplicated at both CSM and Skyline.



Photo courtesy of SMCCD Bookstores student employee - Amanda Bortoli.



STUDENT EMPLOYEES

The District Bookstores are fortunate to have the talents of many students working in the Bookstores at all three Colleges. Student employees provide essential perspective on the needs of students to the Bookstore management team and classified staff, provide essential services to the Bookstore and are able to learn how to work in a fast paced retail environment with a focus on exceptional customer service. Many of our student employees are so successful that the majority of the classified and professional supervisory staff working in the

Bookstores today actually started as student employees. Outstanding "senior" students in each Bookstore provide exceptional service and serve as mentors and role models for newer student employees. From CSM, Patricia Brown, Rosalyn Fischer, Fernando Martinez; from Skyline, Michelle Brackett, Jennifer Wong, Alex Torres; and from Cañada, Reshma Prasad, Charles Cianos, Alvin Lal and Maxwell Tachis. Congratulations to each of these students on a job well done!

COMPUTER SALES

The computer hardware and software department had a tough year this year with sales declines at each bookstore. Sales actually dropped this year by \$151.8K or 12% from our record sales year last year. The sole reason for this decrease is the drop in institutional sales to the District. The District purchases its Apple computers, primarily for use in computer labs across the District. These sales are cyclical as the life span of computers ranges from 3-4 years on average. Institutional sales have dropped by 40% this year. The positive note here is that our consumer sales or the sales to individual students, faculty and staff have increased by 28%. There are a number of people to acknowledge for this continued achievement including Skyline Bookstore manager, Kevin Chak, who has spearheaded the project with Apple; Jai Kumar; CSM Bookstore Operations Assistant Munendra Sharma; and Brad Witham of the District ITS department.

In 2006, Brad began to work with Kevin to place all Apple computer orders through the Bookstores. As a result, the Bookstores increased sales of Apple computers and were

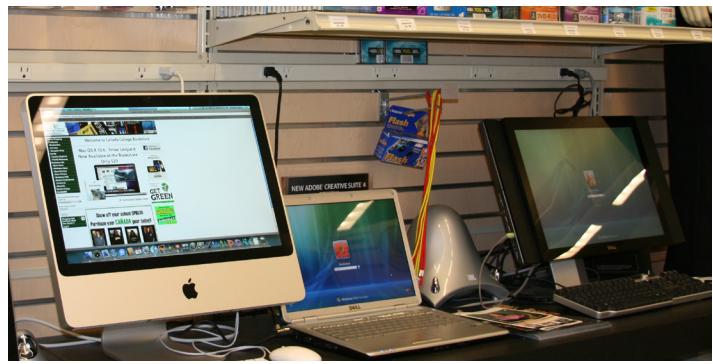


Photo courtesy of Kevin Chak.

able to share a portion of sales commission totaling \$8,520 with Information Technology Services (ITS) to help defray the costs of recycling computers. This partnership helps the entire District, and the Bookstore team is proud to be a part of it.

Unfortunately, due to some drastic changes imposed by Apple on higher education resellers, our relationship with Apple terminated in April 2010. The Bookstores are working closely with Dell and other manufacturers as a result of this regrettable decision on the part of Apple Computer.

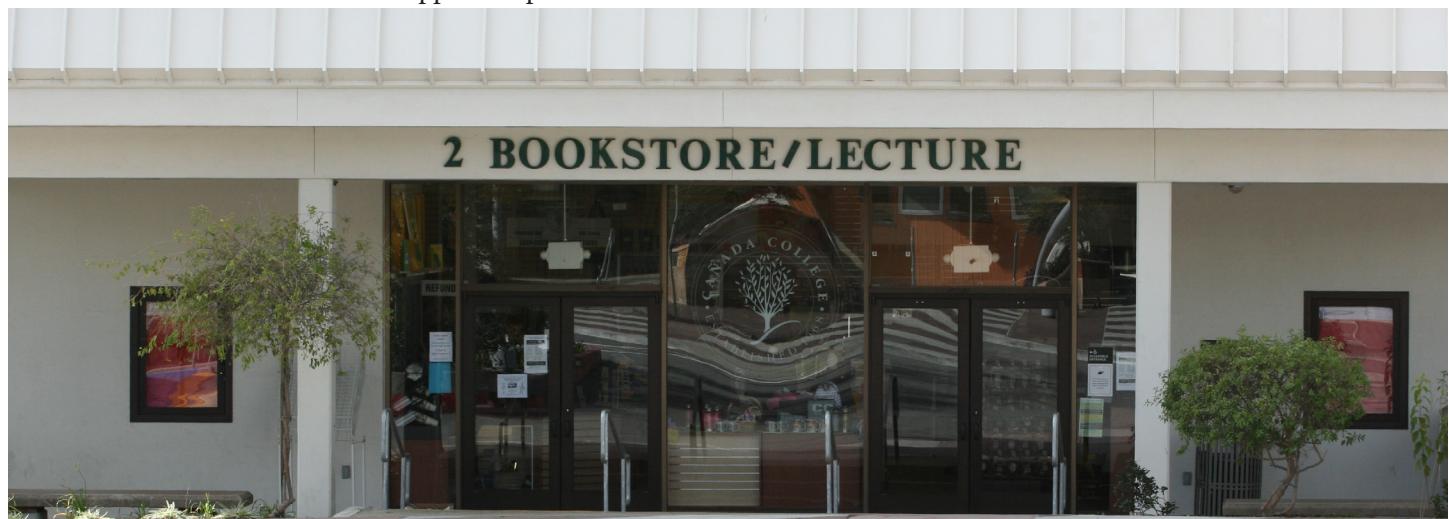


Photo courtesy of Kevin Chak.

BOOKSTORE CONTRIBUTION

It is important to note that the Bookstores are self-sustaining and cover all of their expenses. There is no use of general funds (Fund 1) support for the Bookstores or any other District enterprise operation. In addition, the Bookstores return money to the District for additional support and for the support of students each year.

The Bookstores are proud of this support and plan to

- \$117K in salary and benefit support to District which offsets Fund 1 expenses
- \$67.7K in support to the Peninsula Library System
- \$6K per year in student textbook scholarships
- \$18K per year in product donations to campus causes
- \$30K in product to support the textbook rental program

continue supporting the goals and objectives of the District. These contributions would not be possible if not for the continued efforts of the Bookstore team; From CSM, Judy Worster (Retired), James Peacock, Jo Pisa, Mary Leonard, Jackie Collado, Munendra Sharma; from Skyline, Kevin Chak, Marta Cuellar, Matt Hernandez and Tan Tam Wai; from Cañada, Jai Kumar, Brian Horowitz and Laura Brugioni.



Photos courtesy of Kevin Chak and James Peacock.

FINANCIAL PERFORMANCE AND INFORMATION

The Bookstore Fund budget for 2009-10 totals \$8,957,700. The net beginning balance for the Bookstore Fund is \$6,471,738. The budget includes provisions for increased annual cash flow requirements, inventory and full maintenance needs of the store facilities.

The following data reflects Bookstore operations for the fiscal year beginning July 1, 2009 through June 30, 2010. It includes Fall 2009, Spring 2010 and Summer 2010 semesters.

Bookstore Sales	2008-09	2009-10	\$ Change	% Change
Regular Merchandise Sales	\$ 7,613,662	\$ 7,445,858	\$ (167,804)	-2.20%
Computer Products Sales	1,090,891	427,188	(663,702)	-60.84%
Total Merchandise Sales	\$ 8,704,553	\$ 7,873,046	\$ (831,507)	-9.55%

Regular merchandise sales have decreased slightly this year compared to last year. The decrease in textbook sales is a result of our decline in enrollment due to the State financial crisis. A very healthy \$81K increase in the sale of high margin food and convenience items as well as increases in the sale of school and office supplies, gifts and sundries helped offset the \$663.7K decrease in computer product sales.

Computer sales, as stated previously, have declined dramatically this year due to the now defunct partnership with Apple and a decrease in institutional sales to the colleges which are cyclical in nature due to lifecycle replacement. It is important to note that since the relationship with Apple has now ended for the bookstores, the District will purchase computers directly from Apple via General Services in the future. These sales will not return to the bookstores.

There was a notable decrease in cost of goods sold commensurate with the decrease in computer product sales.

The decrease in operating expenses over last year reflects the Lehman loss booked in the prior year increasing operation expenses at that time as well as the strong expense control by the store managers this year. We also show a loss in interest and other income due to the reduction in interest payments on our investments coupled with lower commissions from Apple Computer due to the decrease in institutional computer purchases and the ending of the Apple relationship in April 2010.

While the Bookstores ended 2009-10 in the black after all expenses, it was still a very challenging year financially as articulated here. As stated, District Auxiliary Services are dependent of a strong, stable enrollment for continued success. We will continue our commitment to focus on all efforts to improve service, offer more used textbooks, continue to grow the rental program, further integrate digital textbooks at all three Colleges, increase the amount of custom and institutionally adopted textbooks District wide and further maximize the interest and other income potential of all the campus bookstores. In so doing, we will remain well positioned for future growth as we serve the students of the San Mateo Community College District.

Bookstore Recap	2008-09	2009-10	\$ Change	% Change
Total Merchandise Sales	\$ 8,704,553	\$ 7,873,046	\$ (831,507)	-9.55%
Cost of Goods Sold	6,194,387	5,543,684	(650,703)	-10.50%
Gross Profit	2,510,166	2,329,363	(180,803)	-7.20%
Total Operating Expenses	2,498,138	2,352,108	(146,030)	-5.85%
Net Income from Operations	12,028	(22,746)	(34,774)	289.10%
Interest and Other Income	462,233	432,995	(29,238)	-6.33%
Net Income Before Other Expenses	474,261	410,249	(64,012)	-13.50%
Other Income: In-Kind Donation, POS System	64,516	0	(64,516)	100.00%
Other Expense: Salary/Benefits, POS Contribution, Donations	248,963	204,250	(44,713)	-17.96%
Net change in Fund Balance	\$ 289,814	\$ 205,999	\$ (83,815)	-28.92%

Food Service

The Cafeteria Fund budget for 2009-10 totals \$187,000. The net beginning balance in the Cafeteria Fund is \$398,444.
Beverage, Snack and Food Service Vendors:

- The District's beverage vending service partner is Pepsi Bottling Group.
(The contract was awarded effective July 1, 2007 ending on June 30, 2012.)
- The District's snack vending partner is Action Vending.
(The contract was awarded on January 1, 2007 ending on June 30, 2011.)
- The District has a contract with KJ's Café to operate the coffee concession stands at both Skyline College operating as El Capitan Espresso and College of San Mateo operating as Drip Coffee.
(The contract was awarded on August 16, 2006 and expires on August 16, 2011.)
- The District's food service partner is Pacific Dining Services.
(The contract was awarded on July 1, 2007 ending on June 30, 2010 with an option for two one year renewals thereafter. The District has renewed the contract for the 2010-11 year as per the option to renew in the contract.)



Photos courtesy of Kevin Chak.

Pacific Dining, under the leadership of Rick McMahon, Enrique Alonso and Octavio Amezcue operate the food service at the three District campuses after being awarded the contract in June 2007. College of San Mateo has both a mobile kitchen procured to augment operations with the demolition of Building 5 (where the CSM cafeteria was previously housed) and a satellite food operation (kiosk) to serve the central campus. The kiosk was demolished in early June 2010 to begin the landscaping work around the new building 10N. The campus will be served by the mobile kitchen and the newly opened Le Bulldog (located in the Health and Wellness Building (B5) for the 2010-11 academic year. The cafeteria at Cañada College located in B5 was closed after classes in December 2009 to renovate that building. Cañada College is now being served by a mobile kitchen located adjacent to B9 as well as the Bookstore and the Pony Espresso operated by the bookstore.

Food service income has decreased by 1.62% due to the temporary closures of the café facility at CSM and Cañada College. The fact that the decrease in income is only 1.62% is actually very promising given that we have two colleges operating out of small, temporary facilities. Further effecting sales is the State fiscal crisis which has dramatically impacted the catering requests throughout the District. Catering accounts for a significant portion of income for the food service team. Skyline cafeteria sales are very strong since the

opening of Building 6.

Vending incomes has decreased by 22.52% compared to last year. The decrease in vending sales can be seen at all three colleges where construction closures of buildings have impacted the placement of vending machines on the campuses.

Overall expenditures have decreased dramatically this year due to the fact that the new, mobile facilities are easier to maintain than a fully functioning cafeteria. So, although the income is down, the reduced expenses more than make up for it on balance.

Income from food service and vending contracts enables the District to provide food and beverage services to the students. These combined resources, along with interest income, also provides a stable Cafeteria fund not requiring support from the general fund. The fund is also responsible for the long-term maintenance and upgrading of aging facilities and equipment, as well as all expenses relating to the ongoing operational requirements under the food service and vending contracts. The cafeteria and vending operations are part of the Enterprise Fund and are fully self supporting. No general fund (Fund 1) dollars go to support any Enterprise Operation.

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Cafeteria Fund summary:

CAFETERIA FUND	2008-09	2009-10	\$ Change	% Change
Food Service Income	\$106,286	\$104,568	(\$1,718)	-1.62%
Vending Income	104,175	80,718	(23,457)	-22.52%
Interest Income	4,383	2,390	(1,992)	-45.46%
Other Income	997	1,113	116	11.59%
Total Income	\$215,842	\$188,790	(27,052)	-12.53%
Expenditures	225,465	171,732	(53,733)	-23.83%
Net change in Fund Balance	(\$9,624)	\$17,058	\$26,681	277.24%



*Action
Vending*

It is important to note that our Auxiliary Services vendors offer great service as well as support for our students via scholarships and donations. The following is a highlight of the support from our vendors:

Pacific Dining:

- \$6K per year of the 3 year contract in student scholarships (\$2K per campus)
- \$27.9K per year of the three year contract in in-kind catering services supporting the Scholarship Awards Ceremony at each campus as well as numerous activities sponsored by the President's Office and Associated Students at each college.
- Commission on sales paid monthly that support the maintenance of all our food service facilities and equipment.

Pepsi:

- \$20K donation each year of the five year contract used to support college endeavors.
- \$10K in support of the textbook rental program in 2009-10 based on a \$1.00 per case rebate on sales through the bookstores and cafeterias; we receive this support each year.
- \$13.5K in donated product each year of the five year contract; each campus receives 100 free cases of Pepsi product each year of the contract.
- \$6K in marketing dollars per campus each year of the five year contract to support bookstore, food service and associated students endeavors.
- Commission on sales paid monthly which is turned over to the Associated Students to support the many programs and services they offer.

Action Vending:

- \$3K in student scholarships per year each year of the five year contract (\$1K per campus).
- Commission on sales paid monthly which is turned over to the Associated Students to support the many programs and services they offer.

The support of our vendors displays their commitment to our students, our goals as a District. Each of them is a valued partner for which we are all grateful.

While income from contracts enables the District to provide services to students, faculty and staff, the program must be self-supporting. The income from food services and vending contracts, along with interest income, provides a stable Cafeteria fund that does not require support from the general fund.

The Cafeteria fund provides for long-term maintenance and upgrade of aging facilities and equipment including expenses relating to ongoing operations.

SAN MATEO ATHLETIC CLUB



Above: Tom Bauer (SMCCD Director of Auxiliary Services) and the staff of the San Mateo Athletic Club at College of San Mateo
Photo courtesy of Diana Thomas.

In the spring of 2010, the District opened a state-of-the-art fitness and aquatic center on the campus of College of San Mateo in the newly constructed Health and Wellness Building. This incredible new building provides classrooms and labs for career and technical programs including nursing, dental assisting, cosmetology, health fitness, and dental hygiene (when state funding permits).

The San Mateo Athletic Club is a professionally managed enterprise program sharing the state-of-the-art fitness facility. The San Mateo Athletic Club shares the instructional and training space on two levels of the Health and Wellness building that includes a large main floor along with four exercise studios on the second level and an aquatics complex with a 50 meter Olympic size competition pool along with a 25 meter instructional pool for Adaptive Fitness and other group exercise classes. The San Mateo Athletic Club and its members enjoy this multi-use College of San Mateo facility that provides credit classes, non-credit classes, community education and adaptive fitness.

Operating as an enterprise, the San Mateo Athletic Club is a community-centered, fee-based operation offering numerous service options to the San Mateo campus community and the community-at-large. The concept of a multi-use space enables the District to maximize the use of facility resources and create a revenue stream that will supplement the College budgetary needs including equipment maintenance and replacement. The San Mateo Athletic Club provides the community broader access to the College of San Mateo and demonstrates in a very real way that the District is a community-based organization serving a broad spectrum

of educational and training opportunities. The concept of multi-use facilities has gained much attention from other community colleges up and down the state. Interest has been so high that both Vice Chancellor Jose Nuñez and Director of Auxiliary Services Director Tom Bauer have been asked to present this concept in November 2010 at the Community Colleges Facility Conference in Sacramento.

An enormous amount has been accomplished since the District Board of Trustees approved hiring MediFit, our fitness management partner, and the official start-up of our San Mateo Athletic Club pre-sale which began on February 1st 2010. We initially worked to assemble a top notch staff, starting with our General Manager Diana Thomas, and key sales staff and then immediately began soliciting memberships while performing daily tours of the facility and preparing the fitness center for a very aggressive projected April 1st opening date.

With just 60 days to pull all facility, operation and staffing aspects of the San Mateo Athletic Club together, there were many long nights and a lot of team work between the District team, college staff and Medifit. Key facility issues had to be addressed, operating policies had to be finalized, forms and supplies had to be procured and all start-up program elements had to be completed. On top of all this, on the final day of presale, the fitness center team sold and processed more than 100 memberships! Facility start-ups of this size and scope are generally executed over a six month period or longer so there was a strong sense of accomplishment when that final presale membership was completed.

Continued on page 10



Photo courtesy of San Mateo Athletic Club.

During the presale period start-up operating costs of \$158,521 were incurred with the most significant costs being start-up consulting fees of \$66,999, payroll of \$39,295 and marketing costs of \$27,174 or an approximately \$47.00 Cost of Acquisition (COA) per membership. The industry standard for like sized, like priced clubs runs between \$90-\$150. Our COA is significantly lower than the industry standard. Due in large part to the high number of membership referrals from existing members, we expect that number to continue dropping to between \$40-\$43 per membership.

The San Mateo Athletic Club center opened successfully on Thursday, April 1st 2010 as scheduled and the growth and popularity of the facility, product and services has continued to be very strong. Through June 30th 2010, key accomplishments include:

- 1,422 memberships (already above 2010/11 projected levels)
- 2,081 members
- More than \$62/month average dues (avg. dues originally projected at \$51.10)
- 400+ visits per day with a peak of nearly 1000 visits per day
- 46% of staff are College students, staff or faculty
- More than 50 group exercise classes per week
- More than 2,800 group exercise attendees per month
- More than 160 Master Swim program enrollees
- Highly successful Community Swim events including 700 swimmers from the Peninsula Athletic League which held the annual Mavericks Sprint-o-Rama meet here in May, our first major event
- Initiating successful pool rental program for local schools and community-based swim programs
- 100% of staff are AED and CPR certified
- 100% of staff meet or exceed MediFit/District employment standards and criteria
- High level of customer satisfaction as witnessed by lower than projected levels of membership attrition and high levels of membership referral:
 - > April Referral = 74
 - > May Referral = 77
 - > June Referral = 83
 - > July Referral = 115

Key presale accomplishments include:

- Presale sales of 576 memberships (over 800 members) sold versus a goal of 350
- Hiring and training of key management staff in fitness, group exercise, aquatics, member service and sales
- Hiring and training of service desk, fitness, group exercise and aquatics staff
- More than 46% of staff hired are college student, staff or faculty
- Development of schedules for shared use of the fitness, group exercise and aquatics facilities and staff between the fitness center operations and the academic classes.



Photo courtesy of San Mateo Athletic Club.



Photo courtesy of Kevin Chak.

During the period April 1st through June 30th 2010 total operating revenue was \$215,505 with total expenses of \$382,036 for a net operating loss for this period of (\$166,531).

- Key expenses are staffing at 70% of revenue. Staffing expense is projected to level off at approximately 50% of revenue when target membership levels are achieved. Based on our latest projections with the close of business on August 31, 2010, we expect to be at the 50% payroll to gross revenue ratio by March 2011.

- During this period, membership dues and registration fees represent more than 80% of total revenue and will eventually account for approximately 60% of revenue as alternative revenue sources mature, specifically Aquatics and Personal Training. Additional sources of revenue including the sale of personal items such as heart rate monitors, goggles, souvenir towels, swim parkas, emblematic clothing and gifts will help supplement our financial goals as well.

The projected operating losses for this period (4/1/10-6/30/10) and the first full fiscal year of San Mateo Athletic Club operation were originally budgeted to be over (\$400,000). With the current membership/revenue levels and projected expense levels we

anticipate the San Mateo Athletic Club reaching operational break even very early in the current fiscal year and expect to bring in a first full fiscal year budget well ahead of projections.

Operating as an enterprise through the District Auxiliary Services Department, the operation of the San Mateo Athletic Club will be self-sustaining with no contribution from the General Fund. Like the other enterprise operations in the District (bookstores, food services and campus vending), the San Mateo Athletic Club is expected to generate revenue sufficient to meet all of its operational expense needs and as we mature, develop a surplus that will aid the District and College in other mutually agreeable endeavors. As part of the San Mateo Athletic Club budget, we have allocated 4% of net revenue to a sinking fund so that equipment can be replaced as it ages with no impact on the General Fund. This

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CSM Fitness Center financial summary:

CSM Fitness Center	Pre-open	2009-10
Registration & Membership	-	\$ 178,444
Personal Training	-	10,582
Aquatics	-	19,415
Parking	-	6,202
Other Income	-	4,410
Total Income	-	219,053
Expenditures	158,521	382,036
Net change in Fund Balance	\$ (158,521)	\$ (162,983)



Photo courtesy of David McLain.

is a critically important benefit to the college.. The sinking fund will allow us to replace instructional equipment when needed without impacting the over-burdened instructional equipment budget. It is expected that the seed money from the District's Redevelopment Funds used to fund this start-up operation will be completely repaid within the first three years of operation, if not sooner. As of August 2010, the San Mateo Athletic Club membership has climbed to 2,034 memberships and 2,495 members, leading us to believe that, not only is the value and the need for this facility continuing to grow at a rapid rate, but also that we will meet and achieve our financial and operational goals.

Areas of opportunity exist in the further development of our non-dues related revenue categories and specifically Aquatics and Personal training. We are beginning to see positive growth in our personal training volume and are looking for the fall season to show dramatic improvements and move us closer to our goal of generating \$125-\$150 per membership per year in personal training revenues.

Due to the timing of our presale and opening, we were not able to take full advantage of the aquatics summer season where we will expect to generate 60+% of our Aquatics

revenue in future years. While we had excellent success with establishing our Master Swim program and partnering with the District to deliver several outstanding community-based aquatic events, we are looking forward to a full spring and summer programming season in 2011.

While there is much work left to be done to achieve our ultimate goals and vision for the San Mateo Athletic Club, we are extremely pleased with the results achieved thus far and see a very bright future for the District, College of San Mateo and our community members who all ultimately benefit from our success.



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