



Muskegon Community College

BOARD OF TRUSTEES BOARD STUDY SESSION MINUTES June 8, 2020 – 1:00 p.m. Zoom Meeting

Present: Chair Osborn, Vice Chair Mullally, Trustee Frye, Trustee Moore, Trustee Crandall, Trustee Oakes and Trustee Portenga

Chair Osborn called the meeting to order at 1:00 p.m.

1. Agenda - Moving Forward on Future Planning for the Lakeshore Fitness Center – *Chair Osborn*
Dr. Nesbary discussed the George Floyd killing and some actions that haven taken place before and since. He took the time to put a lot of thought into his statement, which will be posted on LinkedIn and the MCC website later today.
2. Presentations and Public Comments
 - Roger Rapoport presented his proposal for an independent planning firm. There would be no cost to Muskegon Community College and no one contributing to this study will have a financial stake in any potential development. Whatever the developers come up with is what MCC and the Board will see. Roger and Gary Neal are asking for six months to complete the study and would like the Board to hold off on entertaining any offers that involve removing the Fitness Center. While they don't expect it to take six-months, this timeframe would allow the Board time to reflect on their proposal. They are looking at a mixed-use facility that would be a community center, continuing on its successes of a diverse membership, centrally located, important to our community.

Trustee Crandall asked if they could raise the money, have the planner survey and have a report within the six-month timeframe. He also asked if the group Roger and Gary are putting together is primarily to raise the money and, if the planner decides an appropriate structure would be a community-wide, non-profit organization, would that be that entity? Roger responded it could be a different group and that is one of the reasons they want the planners involved, to tell them what kind of structure they should have.

Trustee Frye asked about the planner. Roger stated they have identified a very strongly recommended company with experience in this type of work including economic development. They have not named them or moved forward yet because they first wanted to see if the Board is interested in the idea. As soon as the Board indicates interest, they would make all the information available and the Board would be welcome to talk to the planner before they are hired. They do not want to move forward without Board support.

Trustee Portenga asked what type of group they are envisioning to hire the planner? Roger replied he and Gary have talked to supporters in town and those planning to help pay for it. Before signing the contract, they want the Board to have a chance to talk to the company and get questions answered, so everyone is on the "same page".

- Michael Kordecki sent an email that was forwarded to the Board, detailing his business history, successes, interest, and plans for what he would do if he were to become the owner of the LFC. He would like to see it stay a fitness facility. Michael stated he would also be 100 percent behind Roger and Gary's group, as well as Marcia's group if they have a good plan. He would like to see the facility open by September 1, so we don't lose anybody.

Trustee Portenga stated he loves the enthusiasm and ideas Michael presented and shared a few ideas, thinking out loud: 1) the YMCA and MCC did a good job running this place, but they were losing money, if Michael were to purchase it, what is he envisioning to make up the \$500,000 annual losses MCC was sustaining plus pay the major capital improvements? Michael replied they want to get to the current membership quickly and believe with their marketing experience and expertise they can reach out and follow-up with additional interested parties. They expect to bring in a little over \$2.9M a year (their minimum goal) and out of that, they expect labor costs of \$332,000; cost of goods of all the products in the building of \$200,000; repair work of \$710,000; interest on debt of \$292,000. The total amount spent would be \$2,500,687 leaving them \$400,000 for immediate repairs. Additionally, they would likely have a reasonable increase in membership fees.

Trustee Portenga asked whether Michael would be interested in a restriction on the deed that it can only be used as a fitness center for life in being (say Michael's) and 21 years. Michael stated he loves that idea and is totally for that.

Trustee Portenga presented another idea – for the building itself, Mike Kordecki owns 50 percent of the stock and a group (for example Friends of the LFC) own 50 percent so they have just as much say as Mike. Michael responded he might be a little interested with 51 percent interest.

Trustee Mullally wondered how closely Michael has been in communication with our staff regarding some of the maintenance status of the building. There are still some outstanding things that need addressing and he wants to make sure Michael has as clear a picture as possible of what is needed. Michael stated his architect did a walk through, some rough sketches, and came up with all the necessary items to be addressed and he has not reached out to our staff, nor does he really want to. This is going to be a project he does and he is sure there will be surprises. Whatever is decided he is behind it and will help.

- Marcia Hovey-Wright stated she likes the ideas presented. There are many different approaches to solving the same problem, to open the center again. She revisited the letter sent by Ellen Beal on behalf of the Friends group on May 16, stating there were some things they asked for and have not gotten any answers: 1) that MCC and the Board not entertain any offer to buy the facility from developers until the end of 2020; 2) that the facility be maintained and kept in good repair, anticipating a future re-opening; 3) that the equipment remain at the center; 4) that Trustees be committed to reopening the Center as a public asset; perhaps under different ownership. The friends would be willing to work with community leaders to sustain the Center in its current location. They requested that answers be given or that they be addressed in some way.

Marcia presented their proposal: 1) put together a planning committee to assess community needs and strategies for proceeding, to be part of sustaining the Center in this location. This could include Foundation, Chamber, Rotary, MCC, YMCA, medical facilities, United Way, community-minded companies such as AvaSure, McKee and the Sappi Management Group, the county, and Mr. Kordecki; 2) Establish a recreational authority to address a recreational facilities plan including the fitness center; 3) a county-wide millage either just for the fitness

center, or a county-wide millage including other facilities needing financial help such as the Winter Sports Complex, development of the Nugent Sand property, extension and maintenance of the bike trail; working with the county to focus on the plan and establishing county needs; 3) assemble a group of interested individuals, hire an expert to advise what needs to be done. The main thing is it has to be self-sustaining – one way is a millage, another is to develop the property adding a marina, developing revenue-generating options, such as better utilizing the lakefront. Nancy Stier shared additional ideas for increased revenue and Donna Secor Pennington shared ideas for viable options and their reasons for desiring to keep the facility open and operating as a fitness center.

- Karla Murphy shared that she has struggled since the closure of the LFC and encouraged the board to continue to think strongly about our community. Look at the proposals presented today and try to find one that will work for our community and the college.
- Marvin Nash gave his community health perspective asking the Board to ponder how healthy are we as a community and what type of quality of life would we have in Muskegon in the future? He stated all this rests on public health, sharing local statistics supporting how the fitness center is a solution. It's important to give it the highest consideration to keep it going.
- Trustee Portenga stated to the friends that through this process, we saw them as allies and they have done, and continue to do, a great job. For about 18-months he, Trustee Crandall, and Chair Osborn let people know we were hurting and needed collaborators and nobody stepped forward. The earliest millage we could probably go for is May, which may be too late, with too many people having left the facility. Also, we may lose and if so, there is no public option; somehow we have to bring in the private sector. He asked if they would be interested in a collaboration with someone like Mike Kordecki, where he owns 51 percent for the facility itself and 49 percent represents all the customers an important 49 percent. He asked whether they would be interested in a private/public corporation where they have the money now, the facility is saved now, it opens earlier, and someone is watching that bottom dollar and asked for thoughts on this idea.
- Roger Rapoport stated with the caveat of a planning process being part of it, the idea presented to a planner would be a good option, including the legal framework outlined by Trustee Portenga, but we need a planner involved to address all the questions raised before we jump ahead.
- Marcia stated they would need a Board meeting to discuss this, but she thinks a public/private partnership is an option. She would lean towards Roger's ideas because it seems like they have some say in what happens and perhaps Mr. Kordecki would open up to having some public input as well. They would need public input and she is not sure what the percent ownership would be. The community needs to feel ownership, not dictated from above, and that's why she likes the planner idea. Mr. Kordecki said maybe he could lease it for a couple of years until the group develops a plan.
- Trustee Mullally suggested maybe the private/public group could work out the details and MCC could lease the facility and hand it off at a later date.
- Dr. Crandall noted the Board had established an ad hoc committee and he and Dr. Nesbary have been working since last fall looking for a way for broader community involvement in the fitness center and improving the community health outcomes at large. They brought together a group of organizations (MCC, Mercy Health and the Foundation represented by

their CEO's, the Chamber and Arconic) and had preliminary discussions. A lot of what they examined were examples that have worked around the state and country – developing an independent organization, an NGO or something like it that would own and manage the healthcare facility. The next phase they were entering before COVID-19 came along, was what kind of structure is most beneficial and suitable to move forward with the ownership and management of a health facility or a wellness program for the community. He believes that blends very well into Roger's proposal of financing a planning group to get input from the community on: 1) what we need to do; 2) current situations; 3) the community's desires and 4) the most appropriate structure for moving forward with this initiative. It moves the leadership from the college to the community and it's a continuation of what was started last fall.

- Trustee Mullally asked how much the College is spending in a closed state to maintain and secure the LFC. He's also concerned about lost membership stating, "We've got people who are now not in the habit of coming. If the better part of a year moves by, will they have moved on?" Marty confirmed it is costing MCC approximately \$10,000 a month in the summer for the LFC currently and will be more in the winter. He also noted, in the fitness industry if you're not open people are going to go elsewhere. The fitness industry is very cyclical, memberships drop in the summer and start to pick up late fall to early winter. He wanted to make sure everyone understands that as far as members, there is a total of 3,700 members, with only about 2,600 billable members – people that were paying the full rates every month. The other 900-1,000 are Silver Sneakers, grant awards, etc.
3. Request For Proposal – Marty McDermott shared a brief outline of what the College uses for each RFP. This draft was not the complete document; he just gave a brief snapshot of what the College is thinking. The draft document outlined many options, many of which were presented today: 1) Selling the property to a developer, with the right to engage community members in the future of the property if they wish, or they could do whatever they decided; 2) Working with a non-profit advisor - the College would sell or look to partner to run the facility. The college would want all the financial obligations not to be on the college; 3) A healthcare initiative, whether it's Mercy Health, Spectrum Health, University of Michigan Health, etc. is there a way for the hospitals to get involved. 4) Working with a governmental entity, which would look more like a millage and; 5) Other – anything that relieves the College of the financial pressure that it's under. Marcia requested the first item Marty presented, to make it available for sale by developers, be removed from the RFP, giving them the chance to get the planner and work out details.

Dr. Crandall would like to see a short-term triple net lease on the list for RFP's that would allow an organization to take over operations of the facility and maintain it for the short-term. They would open it and use it while we go through the planning process and establishment of a different entity.

Trustee Portenga stated, "As we consider an RFP just know that we as Board members did not see the RFP proposals until the same moment you just did." He is interested in trying to narrow down a few absolutes. To him, an absolute is right now, we have a fitness center that the community uses. Step one - this place not be torn down and continue as a fitness center. Step two - we look at public and/or a public/private collaboration to run it, narrow down what we want for this facility down the road and even the RFP for the planner. Certain essentials have to be laid out first before we can send out an RFP.

Trustee Mullally agreed with Trustee Portenga. He also wanted to revisit the idea of reopening on an interim basis with some sort of operator; something we need to think about, especially if we are going to take six-months to get ideas in order before a decision is made. He doesn't want to wait that long and have it closed. Trustee Portenga suggested the possibility of an RFP for someone to run the facility in the short-term until we work with a planner to determine how we are going to move forward. Chair Osborn added that we need to plan for the short-term, medium-term, and long-term going forward.

Dr. Crandall said he is seeing a short-term RFP to see if it's feasible to have the center open by another management team in the short-term, while we decide what to do going forward. Then if Roger's group is willing to raise the money to do the planning, that would be an important step; and off that plan, the Board would have a stronger idea of what they want off their final RFP's in creating a new structure or a new path forward for the facility.

Trustee Moore commented she would like everyone to consider a hybrid of all the proposals. Would Roger consider a planner over the next 3-months – July, August and September, but also include discussions with Mr. Kordecki and the Friends of the LFC, with the primary goal of the feasibility of sustaining the fitness center and prioritizing the health and wellness of the community. After a three-month plan/feasibility study, we could come back and consider the RFP, once we've gotten that feedback, anticipating that RFP process would take the months of October, November and December, then transition by January 2021. As the Treasurer, she knows we cannot continue to sustain the deficit; as the Public Health Director, she also knows one of the primary barriers to health for our vulnerable residents is accessibility. She agrees with some of the prior discussions to prioritize public, then the private/public venture and last a complete private venture.

Trustee Portenga asked Trustee Oakes and Trustee Frye where they are in their thinking. Trustee Moore stated she's not sure we can say "we" until we actually vote. She stated, "I think we have put the notice out there that it is not our intent to continue as the sole owner or operating this facility." We have made a good faith effort in talking to community stakeholders on how we could preserve the operation as it was, or in some new fashion, but she also thinks we have a lot of interested community members who have committed to dedicating more time and effort to this. She believes three-months through a planner could give us additional information, but as Treasurer, she suggests some type of definitive goal be set such as January 2021 to call it quits.

Trustee Frye, in response to Trustee Portenga's question, stated she is thinking we need to have more time for those who have presented today to get back to their people "our community" and we have to hear what they have to say. The difficult part is that money is still going out from the College to keep things going and we cannot just continue to put out money for that building. She is eager for the Board meeting next week and eager to hear what those who contact the Board have to say.

Trustee Oakes stated she appreciates all the input; all of the presenters today want the fitness center to stay open at its present location. It seems as if the three major presenters somehow could collaborate, one person has the money, one person want's to survey the Greater Muskegon area, and the Friends of LFC have stuck with us for nearly two years, trying to get people to help relieve the financial burden. She is not interested right now in a proposal to sell, but would like to get a feel on where the general public is, as they are getting letters continually

concerning keeping the facility open. She asked Roger Rapoport, Michael Kordecki and Marcia Hovey-Wright to get together and pull one proposal together, because all have the same purpose. She wants to keep the facility open, but as Trustee Moore said, we cannot continue to lose over \$500,000 annually.

Chair Osborn thanked everyone for their comments and stated we do really appreciate all their help and support. We will be working on this.

4. Announcements

A. Board Comments

- Chair Osborn gave the Board's deepest condolences to Trustee Moore in the loss of her father.
- Trustee Moore thanked everyone, stating her father did pass with COVID-19 as a contributing factor. She also thanked the President and the Board for sending a condolence gift of a beautiful fresh fruit basket that her entire family is enjoying.
- Nancy and Hugh Frye were congratulated on their 60th Anniversary.
- Trustee Frye stated she really learned so much today and things she hadn't heard before. She hopes that per Trustee Oakes suggestion, they will contact each other to see what they can do together. She also thanked Chair Osborn and Dr. Nesbary for the part played in today's meeting and for the amount of time put into all of this.
- Trustee Portenga stated to all the people attending today who are interested in the LFC, to please be sensitive to the fact that we as a Board and our Administration have to deal with many other huge issues right now (the state of the nation, COVID, the lack of state funding, etc.), which is impacting a lot of people right now in a lot of other ways. This isn't our only issue, to please remain sensitive to that as we have our staff work on all this, they are doing a lot.
- Trustee Mullally thanked the presenters stating, "We got a level of detail in those presentations that was very helpful and it will be very important in the decision-making going forward."

With no further business, the meeting was adjourned 2:53 p.m.

Minutes submitted by Secretary Nancy Frye.

/csd