

# Business Performance Consulting Program

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# Aston Park Tennis Center Business Plan

Finance Committee  
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# Tennis Center Project

- Goal:
  - Explore opportunities to reduce the operating subsidy for the Aston Park Tennis Center
- Project Scope:
  - Issue RFP for tennis operations
  - Review & evaluate RFP responses
  - Develop business plan options for Aston Park Tennis Center

# Tennis Center Background/ Overview

- Location: densely populated area, adjacent to the CBD, near Aston Park Towers, part of the WECAN neighborhood
- The first three clay tennis courts were constructed in the park in the early 1900's (and were free to the public)
- Aston Park Tennis Center was operated by Buncombe County for decades. Returned to City of Asheville management in 2004
- In 2006, the City of Asheville made significant capital improvements (totaling \$676 K) to the facility and park with more than 80% going into the courts and clubhouse.
- More recently, two banks of courts have been lifted and rebuilt using CIP funds, greatly improving the playing surface

# Tennis Center Overview - continued

## Operations:

- Season is April 1 to mid-December (weather permitting)
- Gearing up of operations and maintenance improvements starts mid-Feb
- Opens at 9 AM and closes at 9 PM during the summer months
- Open 7 days a week
- Most intense use is during the City Open in June
- Highest use month is August
- Strong partnership with ATA. Assist with outreach to low-income youth

## Tennis Center Overview - continued

- Staffing:
  - Operates with two year-round, full-time staff, hires on temp-seasonal staffing to supplement during the season
  - Coordinates with Recreation Center staff on tennis programming
- Annual operating subsidy has averaged \$120-\$155 K

## Request for Proposal – Tennis Ops

- One respondent
- Staff review by Finance & Executive Team & and Parks Dept. management & staff
- Proposal offered:
  - a management fee of 4% of gross revenue
  - capped City's losses at \$100 K per year
  - 4% capital reserve
  - profit-sharing on net profits

## RFP Determination

- Because the proposal still showed potential losses to the City annually, staff chose to consider alternatives
- Staff is offering alternative business plans today for consideration.

# Business Plan Methodology

- Budget, Fee & Market Analysis
- Operational review (on site)
- Benchmarking research
- Interviews with management and staff
- Interview with ATA President
- Limited interviews with customers
- Scenario analysis and modeling

# SWOT Analysis

## Strengths

- Unique position in market
- Limited competition

## Weaknesses

- Seasonal Business
- Parking
- Tracking customer use/flow

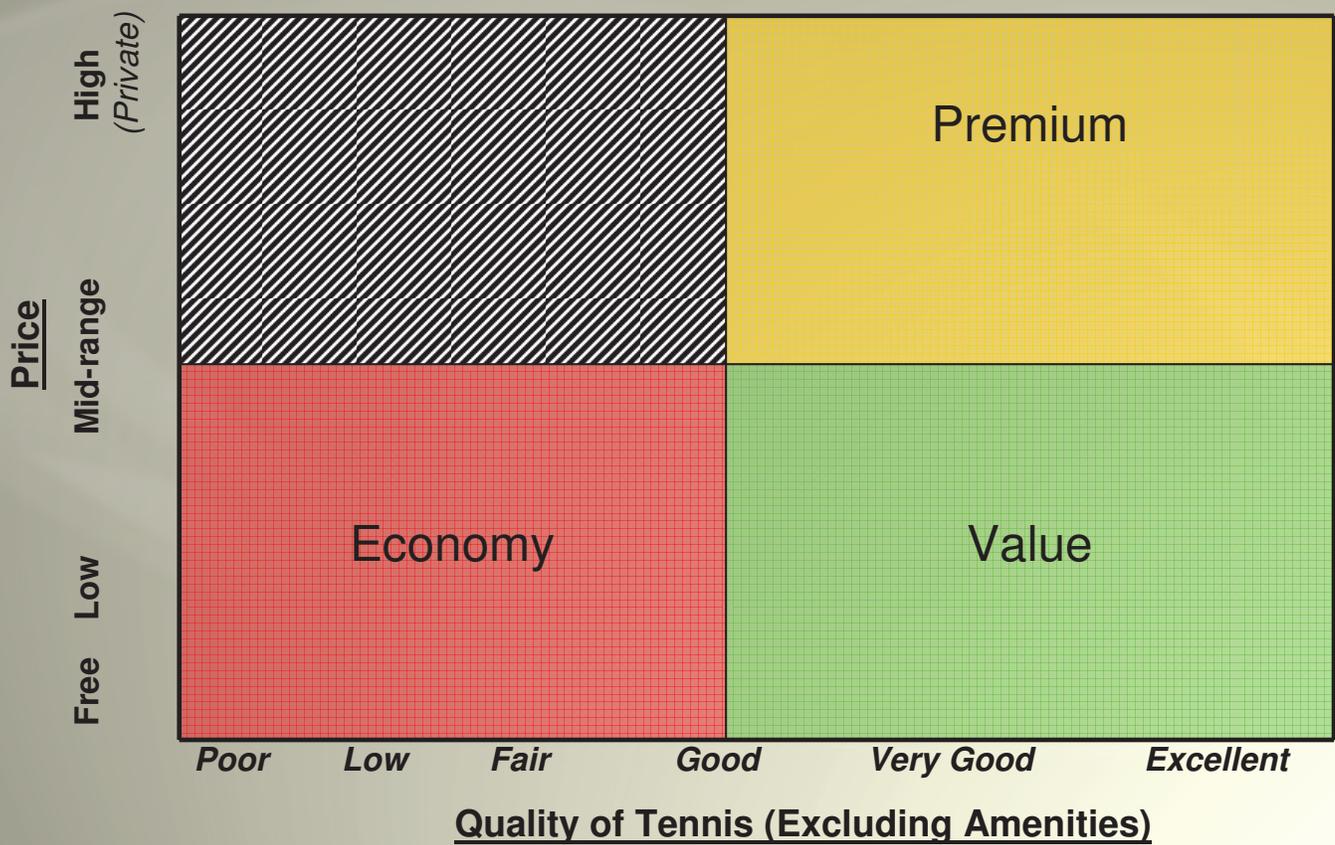
## Opportunities

- Pricing
- Programming
- Marketing and customer/  
passholder retention
- Sponsorship

## Threats

- Weather
- Maintenance level & costs
- Price sensitivity of customers
- New entrants in the “Value”  
category or competitive pricing  
from existing competition

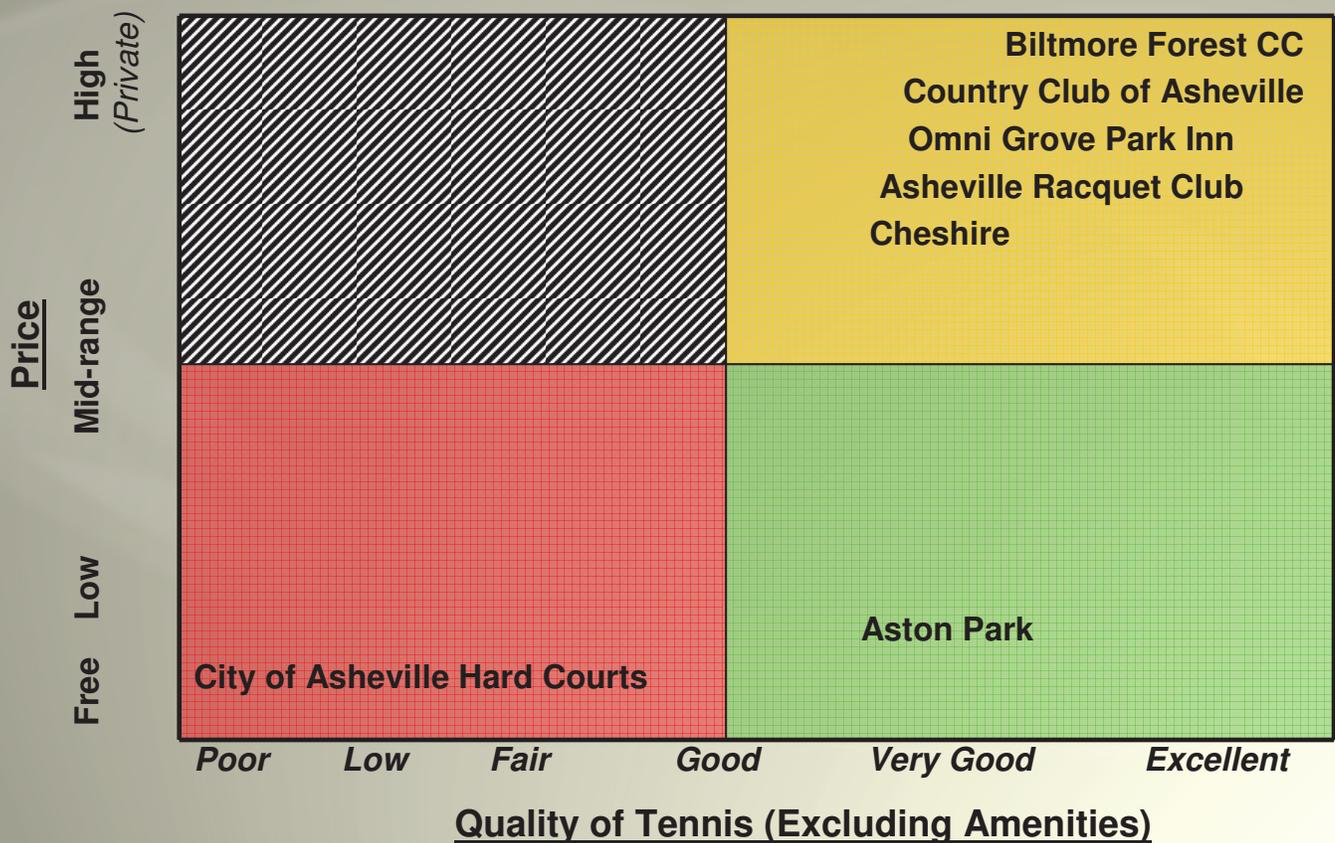
# Tennis Market Segments



# Competition

Facility	Price (Free, Low, Mid, High)	Quality of Tennis	Market position
Asheville Racquet Club (2 locations)	<i>Mid-range to High</i>	<i>Very good to Excellent</i>	<i>Premium</i>
Aston Park Tennis Center	<i>Low</i>	<i>Range of Good to Very Good (depends on the court)</i>	<i>Value</i>
Biltmore Forest Country Club	<i>High (Exclusive)</i>	<i>Very good to Excellent</i>	<i>Premium (Exclusive)</i>
Cheshire	<i>Mid-range</i>	<i>Very good to Excellent</i>	<i>Premium</i>
City of Asheville Hard Courts	<i>Free</i>	<i>Range of Poor to Good</i>	<i>Economy</i>
Country Club of Asheville	<i>High (Exclusive)</i>	<i>Very good to Excellent</i>	<i>Premium (Exclusive)</i>
Omni Grove Park Sports Complex	<i>High</i>	<i>Very good to Excellent</i>	<i>Premium</i>

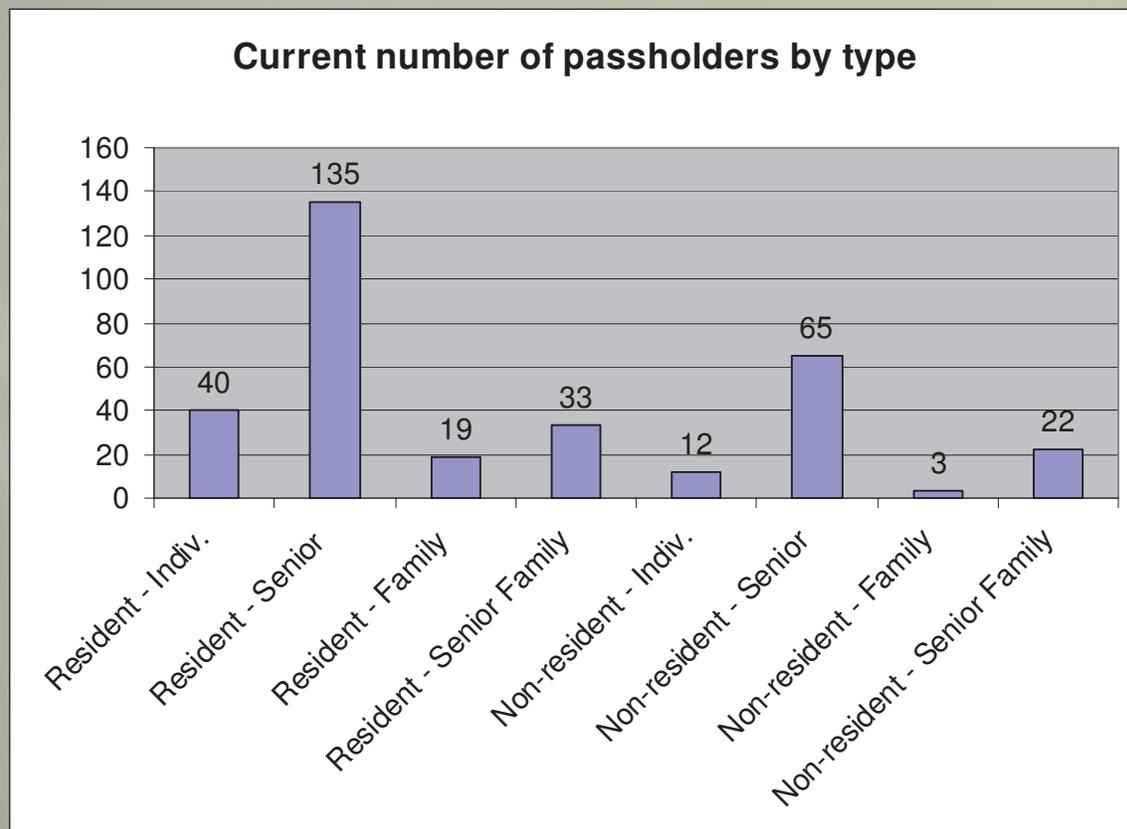
# Competitive Landscape



# Current Customers

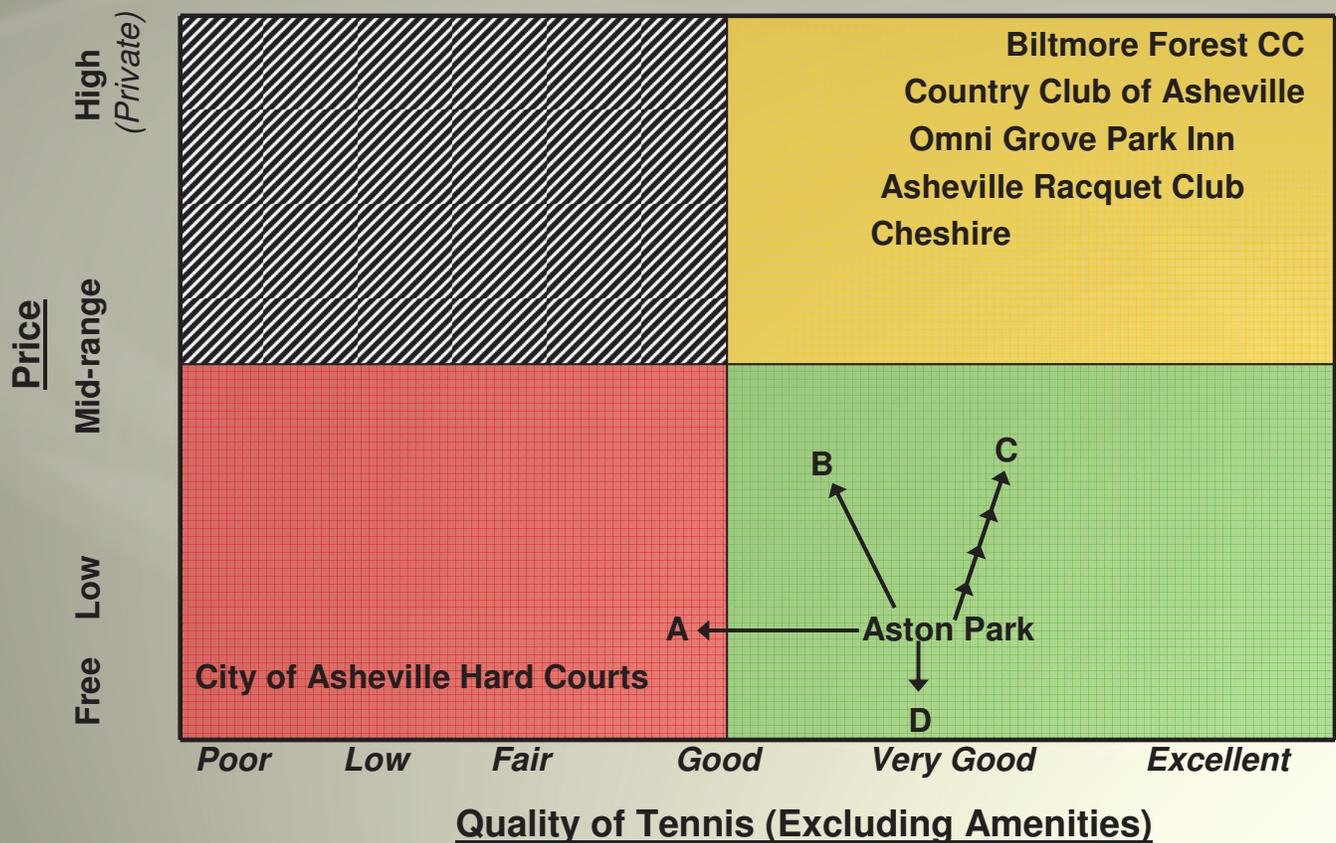
- In FY 2013:
  - 329 passholders
  - 1040 daily play customers
  - Approximately 33% of passholders and daily play customers are non-residents
  - 77.5% of passholders are currently classified as “Senior”
  - Note: Senior discount has been given to those age 50 and above

# Passholders by Type





# Positioning in the Tennis Market



# Positioning Options

- A) Status quo. Estimated annual subsidy = \$120 - \$150 K
- B) Raise prices without long-term capital and programming plan -- quality suffers
- C) Raise prices incrementally with a capital plan to maintain and increase quality, as well as expanding programming
- D) Offer the to the public for free, investing only in maintenance and capital

## Maintenance Only Option (D)

- In this scenario, no fees are charged
- In order to preserve and maintain the asset, it would still be necessary to have maintenance staffing and to pay for supplies necessary for upkeep.
- Projected operating subsidy (loss) = (\$126,533)
- Projected operating subsidy (loss) over 5 years = (\$632,665)

## Incremental Fee Increase Option (C)

### Key features:

- Stepped passholder and daily fee increases over four years
- Increase in fee-based programs, camps, clinics & lessons
- Ground lease to ensure adequate customer parking
- Recommendation: 95% of passholder revenue to operating & 5% to capital reserve

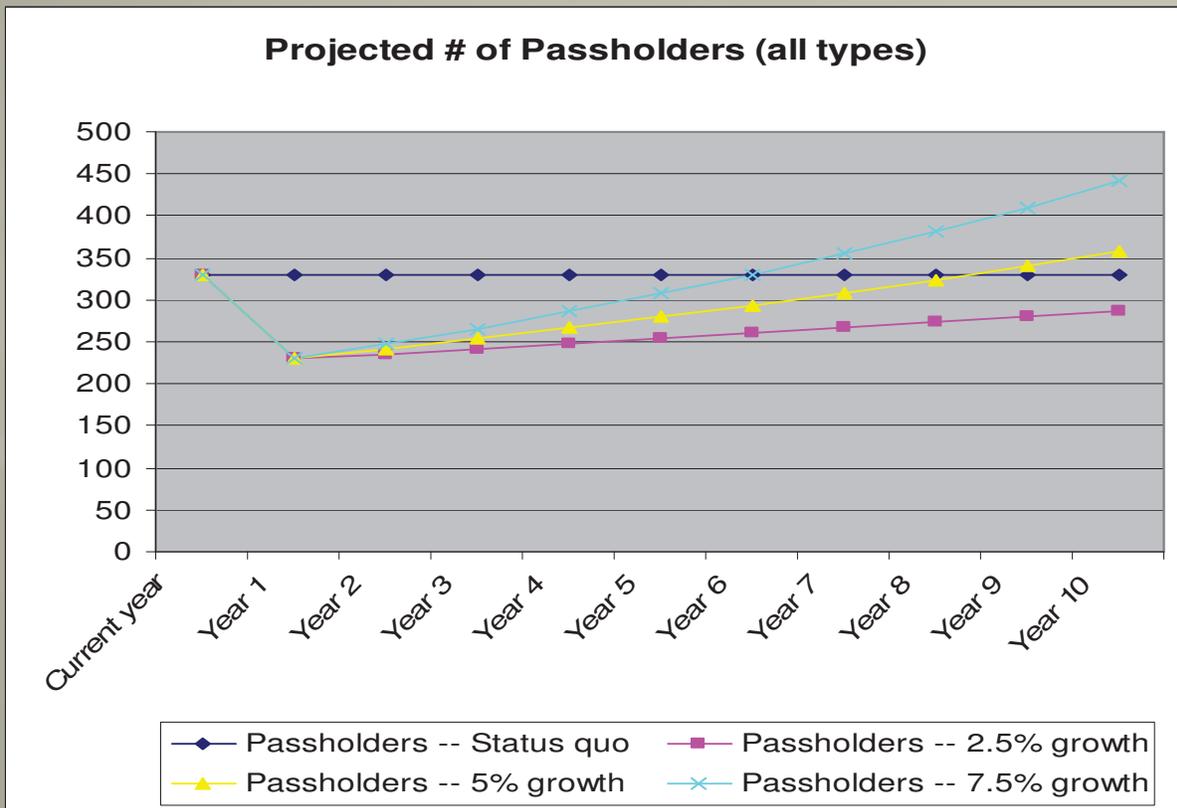
# Case for Raising Fees

- Current passholder rates:
  - Asset is undervalued
  - Allow avid players (play more than once a week) to pay an effective rate of less than \$3 for court fees
  - Out of line with overall market
  - Ignores that all other clay courts charge premium rates
- Increasing passholder rates:
  - Still allows for value pricing
  - Favors Asheville residents
  - Creates a revenue stream for future capital needs after year 5

## Increased Programming, etc.

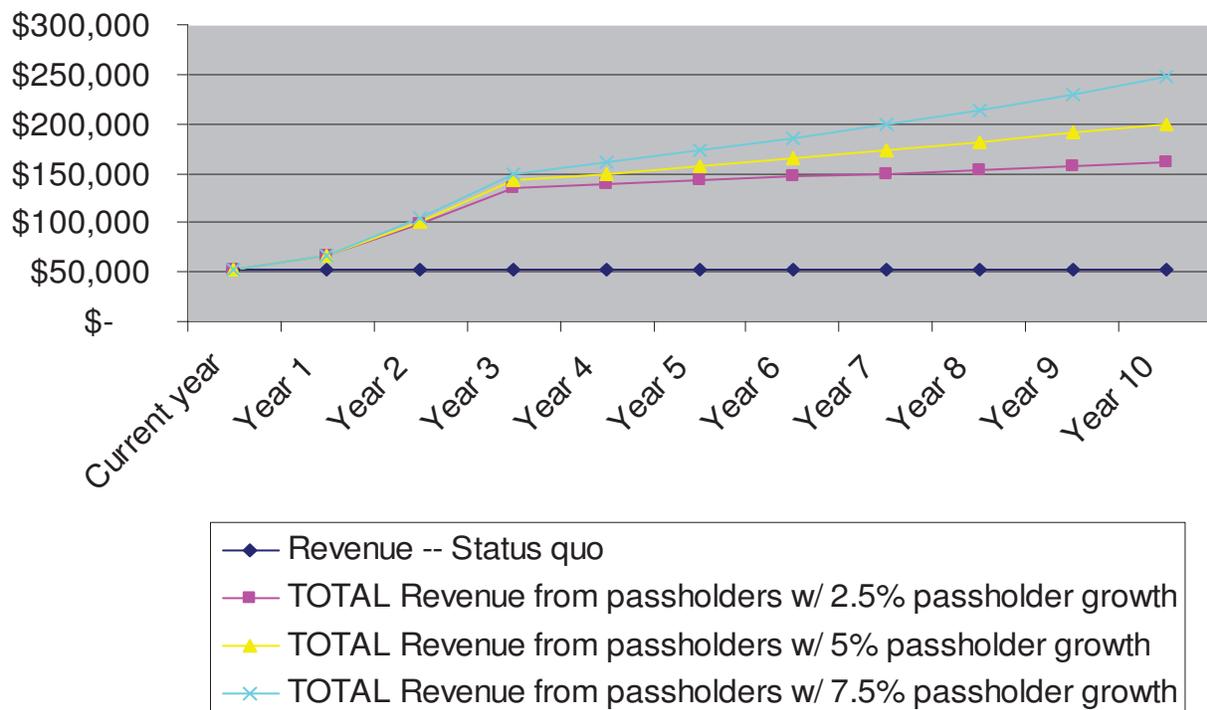
- Revenue generating programs will be increased:
  - Camps
  - Lessons
  - Clubs, Ladder program
- Sponsorship for City Open
- Market adjustments to concessions
- Pro Shop, racquet stringing

# Passholder Projection



# Revenue Projection

## Revenue Growth -- Scenario Analysis



# 5-year Projected Budget



## Caveats

- Trying to paint a realistic picture
- Conservative passholder revenue growth factor was used (2.5%)
- For the base year, most recent actuals were used – inflation factors were estimated for future years
- Estimating a 30% loss of passholders
- 5-year operating loss in this scenario = (\$531,348)

# Next Steps