

*City of Lake Oswego*

# **INDOOR TENNIS FACILITY OPERATIONS ANALYSIS**

*City of Lake Oswego*

# **INDOOR TENNIS FACILITY OPERATIONS ANALYSIS**

*Prepared for the*

*City of Lake Oswego  
Parks & Recreation Department*

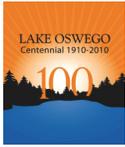
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# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Project Background and Previous Studies

The City of Lake Oswego has a large and vibrant tennis community. The City's four-court Lake Oswego Indoor Tennis Center (LOITC) lacks the capacity to adequately serve the community's demand for tennis play and instruction. The nearly 40-year-old facility does not provide adequate parking, tournament support space, warm-up area, offices, or restrooms. The tennis community has expressed their desire that the City address these limitations through the construction of larger facility with the necessary amenities to support league and tournament play.

The City commissioned two tennis studies. The first study, initiated in 2009, assessed the demand for tennis, analyzed the existing market for tennis, forecasted operational revenue and expense, and identified potential sites. This study identified potential funding options, should there be a desire to proceed with development. The second study, begun in 2010, provided an in-depth analysis of the sites that were identified in the 2009 study. The intent of this study was to determine the site best suited for a new tennis facility. This study developed preliminary building plans and project cost estimates for the design and construction of various facility options on each of the potential sites.

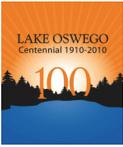
In August 2012, The Sports Management Group was retained by the City to analyze and assess the financial projections and conclusions of the 2009 Tennis Feasibility Study. The current study also explores the feasibility of partial funding of the capital costs using one of two types of bonds,

should the City Council decide to proceed with the development of a new and larger tennis facility. The key findings of the 2009 and 2010 studies are summarized below.

#### **GOLF AND TENNIS FEASIBILITY STUDY**

In 2009, the City of Lake Oswego commissioned PBK Architects, National Golf Foundation, and Tennis Planning Consultants, Inc. to conduct a long-term feasibility study of the City-owned and operated Municipal Golf Course and Indoor Tennis Center. The study included a comprehensive needs assessment, market and operational analysis, facility recommendation to meet community needs, and options for improving the long-term financial capabilities of each facility. The consultant team worked with the Park and Recreation Advisory Board, a 16-member Golf and Tennis Subcommittee, City staff, and interested citizens. The Feasibility Study was presented to the City Council in January 2010.

The major conclusion of the tennis study is there is a tremendous demand for indoor court time in Lake Oswego. The tennis program is robust and offers a range of tennis programming to youth and adults. The study quantified the demand as 24,775 existing or potential tennis players in the Lake Oswego market. With 29 existing indoor tennis courts within that market, the player to court ratio is 854 compared to the preferred, and more typical planning ratio of 250 players to court. Lessons for adults and youth, competitive tennis leagues, and hourly court reservations consume a majority of the available court time.



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The demand for hourly court rentals for league play, seasonal reservations, and classes exceeds the capacity of the existing tennis building to serve that demand. The report recommended the addition of 4 courts, which results in a player per court ratio of 751. Although an improvement, this ratio is three times higher than the desired ratio. Tennis Planning Consultants made the following statement regarding the Lake Oswego demand:

*“Lake Oswego has one of the strongest indoor tennis market areas for the addition of indoor tennis courts that Tennis Planning Consultants, Inc. has seen since it has been conducting tennis feasibility studies since 1970.”*

The study identified potential sites for development of a new tennis facility. Because of the high demand, the study strongly recommended securing a site with sufficient capacity to build an eight-court facility with the option to add two to four courts in the future. The study also projected operating income and expenses for an eight-court indoor tennis facility. These findings and the analysis of the findings are discussed in the Operational Analysis section of this report.

### INDOOR TENNIS FACILITY SITE STUDY

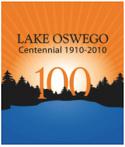
In 2010, the City commissioned Brian C Jackson, Architect, to analyze the potential sites for a new indoor tennis complex and develop site-specific conceptual design options and project costs for each site. The study examined zoning and development requirements, available infrastructure (utilities, transportation), existing natural resources, and potential development costs. The design options provided a range of facility amenities, from nice-to-have amenities such as elevated spectator gallery and exercise space,

to the baseline facility with the necessary spaces to support the tennis program and league play. Detailed preliminary costs estimates were provided. The findings were reported in *The Indoor Tennis Center – Site Study* and presented to the City Council in early 2011. The three sites that were studied were:

- **Armory Site** - located at 1915 South Shore Boulevard
- **Rassekh Site** - located at 18011 Stafford Road
- **West End Building Site** - located at 4101 SW Kruse Way

The preferred site is the Rassekh site, located at 18011 Stafford Road, Lake Oswego. The site is at the northwest corner of the roundabout traffic intersection, south of Christian City Church and east of the Atherton neighborhood. The property has very good vehicular access to the community, and can draw users from the surrounding area. The site is sufficient for enhanced outdoor amenities such as park and picnic features, nature trails, and possible outdoor tennis courts.

The estimated project cost for the baseline building of 73,290 gross square feet constructed on the Rassekh site was estimated at \$4,858,000, in 2010 dollars. The cost estimate included a 15% estimating contingency but did not include an increase for escalation to the time the facility is constructed. The costs are based on 2011 dollars; however, the rate of escalation in the construction market has been relatively flat into 2012. To develop more refined estimate of project cost, the next phase of conceptual design must be undertaken. At that time, an estimate of cost escalation to the mid-point of construction would be included in the project cost estimate.



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## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Needs Assessment and Market Demand

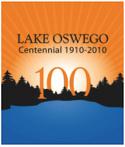
To project the amount of revenue that is likely to result from the operation of a new eight-court indoor tennis facility, it is necessary to understand the market conditions and demand for tennis in Lake Oswego. Historically, the City's existing four-court indoor tennis center has been operating near capacity for court rentals, and tennis players cannot easily obtain court time during the prime season of September through May. Class enrollment has been robust but not at 100%. With only four courts, the number and types of classes that can be offered is limited. For example, if the classes that are offered are not at the desired times or do not provide the specific level of instruction that is sought, participants will find the desired offering elsewhere or not participate at all. With the capacity to provide a greater range of offerings it can be easier to meet more of the tennis needs and interest. The lack of full enrollment can partially be the result of the limited offerings.

In the 2009 study, Tennis Planning Consultants, Inc. (TPC) analyzed the demand for tennis in the Lake Oswego market and developed estimates of likely participants. The use of drive time, demographics, and national survey data to project the likely number of tennis players within a defined market area is the accepted standard for the estimation of demand. Every year the Sporting Goods Manufacturer's Association commissions a statistically projectable survey of 40,141 individuals. The survey measures actual participation in sports and fitness activities (as opposed to the intention or desire to participate) and correlates participation with gender, age, income, household size, region, and population density. By examining the

population characteristics in a specific market area it is possible to project the number of tennis participants.

Studies also indicate that the average tennis player will drive a maximum 15 minutes to play tennis in a regular, non-tournament, social / friendly tennis game (cite: Golf Tennis Feasibility Study, City of Lake Oswego, Oregon 2009). Using drive-time maps from each potential site for a new tennis facility in Lake Oswego and examining population characteristics of the population residing within that drive time area, TPC estimated the number of tennis players within the market area of each site. The number of existing or planned indoor tennis courts within that market area was identified, and a player to court ratio was determined. The methodology and conclusion reached are based on industry standards and the projections of demand represent the best planning information that is available.

The 2009 study estimated there were 24,775 tennis players in the Lake Oswego market. In that time period there were a total of 18 existing indoor courts in the market area. At the time of the study there were 11 new courts proposed as a part of the development of Stafford Hills Club, a private fitness and tennis club. With the closing of the existing 4-court Lake Oswego Indoor Tennis Center, there are 25 existing indoor courts in the Lake Oswego market area. The addition of eight new courts brings the total to 33 with a player to court ratio of 751 players per court.



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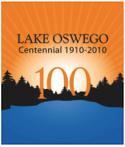
Since the writing of the 2009 report, the Stafford Hills Club has been constructed and the actual number of indoor courts is seven, with the possibility of covering three outdoor courts in the future. The addition of seven indoor courts, not the 11 included in the TPC study, results in a higher player to court ratio of 854 players per court.

Tennis Planning Consultants identified the following indoor courts:

	# INDOOR COURTS IN MARKET AREA
Lake Oswego Indoor Tennis Center	4
Mountain Park Racquet Club	9
Eastmoreland Racquet Club	2
Clackamas River Racquet Club	2
Portland Athletic Club	1
Stafford Hills (Proposed)	11
<b>Total</b>	<b>29</b>

The TPC market analysis concluded that there is a high demand for indoor tennis courts in the Lake Oswego market that cannot be met with the existing or planned indoor tennis facilities. The recent construction of a private, for profit club with indoor tennis courts is an indication that the private sector also recognizes the unmet demand. Even with the addition of ten private courts (7 indoor and 3 outdoor), and the proposed City addition of four additional public courts, the tennis demand will not be met.

When considering the availability of courts, the affordability of courts is another factor that impacts access. As a public facility, the City of Lake Oswego has set hourly rates for court time at a price that is affordable to the community. As with most public facilities, use of the public facilities does not require an annual membership. Participants can make use of courts on a frequency that allows them to determine the amount of money they want to spend. Although the courts may be the same, public recreation and private recreation offer different experiences and products to the market. Both are needed to serve the diverse interest of the market. The City of Lake Oswego offers the only public recreation in the market area. In the opinion of The Sports Management Group, the \$24 per hour court fee for the proposed eight-court Lake Oswego facility is not a barrier to access, and will be very attractive to the market.



# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Operations Analysis

The Tennis Study provided projections of the operating cost and revenue for the proposed eight-court tennis center. The Sports Management Group analyzed the underlying assumptions and conclusions used to develop that operational model.

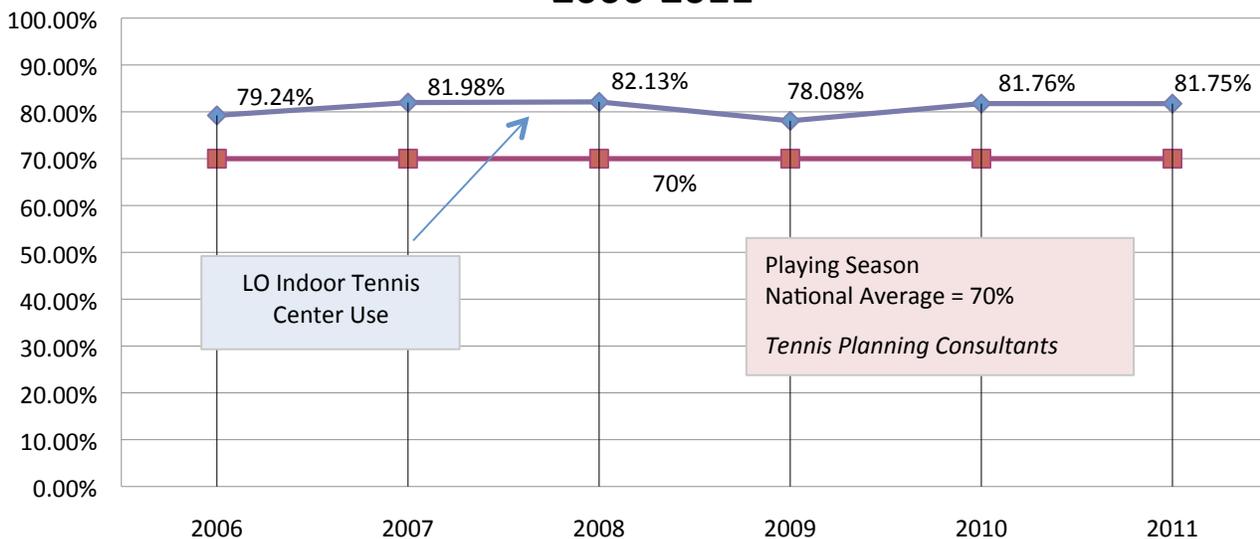
It is useful to understand the operations of the existing center when analyzing the projected operating costs and revenue for the proposed larger center. The Sports Management Group analyzed available data and five years of financial reports relevant to the operation of the current facility.

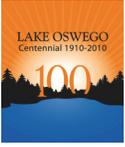
The Lake Oswego Indoor Tennis Facility operates at near capacity the majority of the year and is described as “bursting at the seams”.

Because of capacity issues, the facility cannot meet residents’ demand for court time, tennis leagues, or local, regional, and national tennis tournaments. This capacity issue limits participation and revenue generation. Despite these limitations, and because of a well-managed tennis program, the operation has achieved consistent positive financial performance. Revenue has increased 25% in the past five years, and expenses have been decreased 1% the same period. Evidence of the positive year-to-year financial performance is the \$676,379 fund balance as of June 30, 2012.

It is highly unlikely any tennis facility with extended hours of use would achieve 100% occupancy. TCP reports 70% occupancy as typical of most tennis facilities and there are many reasons for this.

### Total Tennis *Playing Season* Usage (Sept - May) 2006-2011





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## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

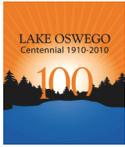
For example, early morning (6am) classes and late classes (9pm) are not convenient for participants and consequently, the classes do not fill up, or are not even offered at those times. Vacation schedules, weekend schedules, school sessions, work hours are a few of the factors making it impossible to achieve 100% occupancy. 100% occupancy is not a standard by which the need for additional courts should be measured.

The current facility is managed through the Parks and Recreation Department and a contractor who oversees staff coordination, training, and

instructional services. In addition, the facility operates from 6 am to 10 pm with hourly staff to manage access and class registration, and take court reservations between the hours of 8 am to 8 pm. During the hours the facility is not staffed, tennis players have card key access.

### **OPERATING ASSUMPTIONS**

The financial pro forma for the new facility relies on a series of assumptions regarding the operation. The key assumptions are summarized on page 7.

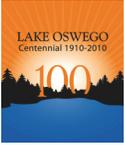


# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Operating Assumptions

	CURRENT 4 COURT FACILITY	PROPOSED 8 COURT FACILITY
<b>HOURS OF OPERATION</b>	6 a.m. to 10 p.m. (Facility staffed 8 a.m. - 8 p.m.)	6 a.m. to 10 p.m. (Facility staffed 6 a.m. - 10 p.m.)
<b>PATRON ACCESS</b>	Card key system allows access when facility not staffed	No card key system. Facility will be staffed at all hours of operation.
<b>COURT FEES</b>	\$18/hr (2012 fee)	\$24/hr (at opening)
<b>STAFFING</b> <i>Facility &amp; Program Management</i>	Parks & Recreation Manager (3hrs/wk) Contractor <i>Contractor Duties:</i> Instructional coordination and training, instructional services	Tennis Facility Manager (Salaried & benefited position) <i>Duties:</i> Facility management and staffing; budget management; marketing; instructional coordination, training, instructional services.
<b>FRONT DESK REGISTRAR &amp; STAFFING</b>	.75 FTE salaried position (Registrar) Supplemented with Temporary P/T	.75 FTE salaried position (Registrar) Supplemented with Temporary P/T
<b>INSTRUCTION &amp; PROGRAM STAFFING</b> <i>(Levels dependent upon enrollment)</i>	Contractor 4-5 Temporary P/T staff	Tennis Facility Manager 4-8 Temporary P/T staff
<b>MAINTENANCE:</b>		
Interior:	Contracted vendor	Contracted vendor
Exterior:	Maintenance contract (landscape and parking)	Maintenance contract (landscape and parking)
<b>UTILITIES</b>	Electricity for 4 courts	Electricity for 8 courts <i>(new building systems will maximize energy efficiency)</i>
<b>CAPITAL &amp; EQUIPMENT MAINTENANCE REPAIRS</b>	Minor: parks maintenance Major/specialized: contracted vendor	Minor: parks maintenance Major/specialized: contracted vendor



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## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Eight-Court Indoor Tennis Center Operational Analysis

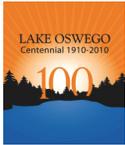
#### LABOR COSTS

The cost of labor, as is typical with all recreation facilities, is the highest expense category. The costs include staffing for facility management, reception, instruction and program coordination. A significant difference in the operating model for the proposed facility is a full-time City employee to manage the facility and increased part-time staffing to provide coverage all hours the facility is open. Labor represent 61% of the total operating costs. The cost of staffing for program instruction and coordination is directly related to revenue generation. If the demand for classes, lessons, and programs decreases or is less than anticipated, there is a reduction in revenue with a commensurate reduction in staffing costs. Conversely, if more classes are added, the labor costs will increase, however, program revenue will increase in an amount greater than the labor cost.

The projected annual operating cost including wages and benefits, materials and supplies and the Transfers to the General Fund is \$500,812. To compare, the actual expense for the four-court tennis center for the fiscal year ending June 30, 2012 was \$336,110. There are economies achieved with the larger facility. The overhead costs for eight courts provides is not significantly more

than for the four courts. These efficiencies decrease the per court operational cost from approximately \$84,000 per court to \$63,000 per court.

Each expense category was reviewed against the current operating costs and estimates of probable costs were developed or confirmed. The projected expenses were then used to project operating costs over a 10-year period. The projected cost of operations remains constant each year and will increase primarily due to inflationary forces in the market. Estimates of inflation were developed using a 7-year average of the Consumer Price Index (CPI) that tracks inflation by sector. There are local, state, regional, national, and international events and forces that can affect the actual rate of inflation. The assumption regarding the rate of inflation is shown on the spreadsheet, page 14, 10 Year Cash Flow Analysis.

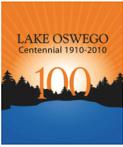


# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Actual and Projected Operating Cost Comparison

	ACTUAL REVENUE FISCAL 2011-2012 AT CURRENT \$18/CRT/HR	PROJECTED 8 COURT
Expense		
Facility Management & Reception		\$173,160.00
Program Instruction & Coordination		\$133,952.00
Part-Time Salaries	\$25,892.04	
Part-Time Other Paid Leave	\$2,147.59	
Temporary / OnCall	\$61,410.02	
Overtime Salaries	\$0.00	
Employee Benefits	\$0.00	
Payroll Taxes	\$7,234.71	
PERS	\$5,849.82	
Health Insurance	\$13,922.39	
Other Benefits	\$675.62	
General Office Supplies	\$369.57	\$1,500.00
Printing and Binding Services	\$0.00	\$1,000.00
Recreation Equipment Purchases	\$5,393.52	\$10,000.00
Misc Professional & Technical	\$106,249.19	\$2,000.00
Bank Service Charges		\$10,000.00
Technical Seminars, Training	\$0.00	\$1,000.00
Conferences	\$0.00	\$3,000.00
Membership Dues	\$0.00	\$1,000.00
Telephone Service Charges	\$0.00	\$1,200.00
Bldg Maint-Misc Contracted Svc	\$3,319.49	\$45,000.00
Computer Equipment Maintenance	\$0.00	\$1,600.00
Electricity	\$32,889.22	\$52,000.00
Water, Sewer, & Surf Water Use	\$2,274.01	\$11,200.00
Advertising	\$555.00	\$7,000.00
Local Travel Expenses	\$195.00	\$1,000.00
Transfer to Gen Fund/Admin	\$31,000.00	\$18,000.00
Transfer to Gen Fund/Insur	\$2,733.00	\$8,000.00
Transfer to Gen Fund/Self-Ins	\$2,000.00	\$6,000.00
Transfer to Parks and Recreation	\$32,000.00	\$5,000.00
General Operating Contingency	\$0.00	\$0.00
Unappropriated Ending Fund Balance	\$0.00	\$0.00
<b>Expense Total</b>	<b>\$336,110.19</b>	<b>\$492,612.00</b>



# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### REVENUE ANALYSIS

The City of Lake Oswego has a thirty-eight year history of successfully operating a fee-based indoor tennis facility. The operation of the existing facility has annual net earnings and repays the General Fund for services received from City departments. As of June 2012, the Indoor Tennis Center has accumulated earnings of \$676,379.

The 2009 Tennis Study included an analysis of the previous five years of revenue generation and projected revenue from the operation of an eight-court facility. The study also surveyed the competitive market, both public and private, rated the quality of the facilities in the market, and collected fee information from each. Each facility was visited and information was gathered regarding the percent of capacity each facility experienced. Based on this analysis, Tennis Planning Consultants recommended an increase in court fees to \$24 an hour when the new facility opens. This fee is consistent with facilities of comparable quality and in a similar market to Lake Oswego (*see table below*). It is anticipated that court usage will be near capacity during the peak season of September to May. Based on the demand analysis, this finding is supported by The Sports Management Group Study.

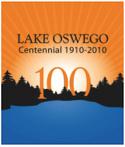
### Tennis Fee Comparison

PUBLIC FACILITIES	2012 FEE COMPARISON <sup>1</sup>
<b>Portland Tennis Center</b>	
Singles	\$22.40/hr
Doubles	\$25.60/hr
<b>Vancouver Tennis Center</b>	
Singles	\$27.20/hr
Doubles	\$44.80/hr
<b>Tualatin Hills Parks &amp; Rec District <sup>2</sup></b>	
Singles - in district	\$16/hr
Singles - out of district	\$32/hr
Doubles - in district	\$16/hr
Doubles - out of district	\$32/hr
<b>Lake Oswego Indoor Tennis Center</b>	
Singles	\$18/hr
Doubles	\$18/hr

<sup>1</sup> Each facility uses a different fee model. Therefore, fees are based upon the cost per hour of play.

<sup>2</sup> Tax payers in THPRD subsidize tennis center operations

The TPC study, analyzed five years of participation and revenue generated from youth and adult classes and special events. Working with the Parks and Recreation staff, and using information about the demand for classes, a projection of program growth was developed. Hourly schedules, by day and month were created for each type of activity. Participation for each class and fees per participant formed the basis for revenue projections. The 2009 study identified participation levels at 100% enrollment with projected revenue of \$343,454. At the time of the study, enrollment in these programs was at 82% of capacity, so, the TPC study projected 82% of class revenue or \$241,471, as the projected class revenue.



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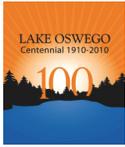
The TPC study did not consider any additional uses of the courts during the summer, should the program enrollment be less than anticipated. For example, summer camp programs other than tennis could be offered indoors if there is court availability. This would provide an additional source of revenue during the summer months. Other facilities have curtained off a court and offered birthday parties using a “bouncy house” or offered children’s tumbling, to name just a few examples. Revenues from these alternative programs are not included in this report.

The Sports Management Group’s analysis of the scheduling, projections of the number of classes, participants per class, and fee per participant are all found to be reasonable assumptions. However, to be conservative, the current 10-year analysis of revenue uses a figure of 78% of class capacity.

The City is expected to reach its revenue objectives almost immediately upon opening the new center. This is based on the assumption that the existing facility stay in operation until the new facility opens and that City aggressively market and takes reservations for court time and classes six months prior to opening the new facility.

The following table provides a comparison of actual revenue for fiscal year 2012 (column 1) with the projected revenue for the eight-court facility in its first year of operation (column 3). Current court fees are \$18 per hour and the recommended court fee for the new facility is \$24 per hour. The middle column depicts the increase in revenue for fiscal year 2012 if the court fee was \$24 per hour. Increased revenue for the eight-courts is a combination of increased court time and a higher rate.

The data from this analysis was used to prepare a 10-year projection of operations and cash flow. The final task was to assess the feasibility of financing approximately \$2.3 million of capital cost through bond funding. The construction of the existing tennis facility was financed using a 30-year revenue bond dated May 1, 1974, and retired in 2005.



# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Revenue for Current Operations Compared to Eight-Court Facility

	Actual 2011-12	Actual 2011-12 With \$24 court fee	8-Court Comparison
	ACTUAL REVENUE FISCAL 2011-2012 AT CURRENT \$18/CRT/HR	REVENUE FISCAL 2011-2012 AT \$24/CRT/HR	PROJECTED REVENUE 8 COURT
<b>Revenue</b>			
Access Card Use Fees	\$3,779.84	\$3,779.84	\$0.00
Youth Classes	\$178,715.60	\$178,715.60	\$204,009.00
Adult Classes	\$91,243.14	\$91,243.14	\$91,990.00
Special Events	\$15,127.00	\$15,127.00	\$30,701.00
Daily Court Fees	\$41,668.34	\$55,558.00	\$139,100.00
Quarterly Fees	\$125,298.25	\$167,022.56	
Seasonal Court Fees			\$312,620.00
Investment Income	\$3,033.36	\$3,033.36	\$20,000.00
Sundry Income	\$1,150.00	\$1,150.00	\$12,000.00
<b>Revenue RevenueTotal:</b>	\$460,015.53	\$515,629.50	\$810,420.00



# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Tennis Center Capital Funding

The objective of this study is to analyze the operations of the proposed eight-court indoor tennis center, and project the financial operation and cash flow over a 10-year period.

A new eight-court indoor tennis center is not an approved project and for that reason, a detailed funding plan has not been developed. The previous studies suggested potential funding sources as: the proceeds from the sale of the existing property, accumulated tennis earnings, and a revenue bond, estimated at the time to be approximately \$3.3 million.

The current study examines the financial impact on the operating budget of adding debt service for a \$2.3 million bond. The \$2.3 million revenue bond is based on a series of assumptions about potential sources of funding a \$4,858,000 capital project. Potential funding sources include \$1 million from the sale of the 2.81 acre site of the existing facility, \$1 million from Park System Development Fees, \$560,000 from tennis center accumulated earnings, and \$2.3 million bond funds paid from tennis operations.

This analysis explores two types of bonds; a bond backed by the full faith and credit of the City, and a revenue bond. The secured bond assumes an interest rate of 4% over 25 years and the revenue bond assumes an interest rate of 7% over 25 years. The cash flow analysis that follows indicates there is sufficient cash flow from the operation of an eight court tennis center to service the debt provide the required coverage and maintain a large cash reserve.

There is insufficient cash flow to consistently meet the debt service and required debt coverage of a bond that is not backed by the full faith and credit of the City.

**Cash Flow Analysis**  
**4% Bond With Full Faith and Credit Backing**

	2013	Escalation	2014	2015	2016	2017	Price Chg	2018	2019	2020	2021	2022	Price Chg	2023
<b>REVENUE</b>														
Access Card Fee	\$3,780		\$3,780											
Youth Classes	\$178,716		\$178,716	\$204,009	\$204,009	\$204,009	5%	\$214,209	\$214,209	\$214,209	\$214,209	\$214,209	5%	\$224,920
Adult Classes	\$91,243		\$91,243	\$91,990	\$91,990	\$91,990	5%	\$96,590	\$96,590	\$96,590	\$96,590	\$96,590	5%	\$101,419
Special Events	\$15,127		\$15,127	\$30,701	\$30,701	\$30,701	5%	\$32,236	\$32,236	\$32,236	\$32,236	\$32,236	5%	\$33,848
Daily Court Fees	\$41,668		\$41,668	\$139,100	\$139,100	\$139,100	\$26	\$150,220	\$150,220	\$150,220	\$150,220	\$150,220	\$28	\$150,248
Seasonal Court Fees	\$125,298		\$125,298	\$312,620	\$312,620	\$312,620	\$26	\$337,630	\$337,630	\$337,630	\$337,630	\$337,630	\$28	\$337,658
Interest Income	\$3,033		\$3,033	\$20,000	\$20,000	\$20,000	\$0	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$0	\$20,000
Misc. Income & Grants	\$1,150		\$1,150	\$12,000	\$12,000	\$12,000	\$0	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$0	\$12,000
<b>TOTAL ANNUAL REVENUE</b>	<b>\$460,015</b>		<b>\$460,015</b>	<b>\$810,420</b>	<b>\$810,420</b>	<b>\$810,420</b>		<b>\$862,885</b>	<b>\$862,885</b>	<b>\$862,885</b>	<b>\$862,885</b>	<b>\$862,885</b>		<b>\$880,093</b>
<b>EXPENSE</b>														
Salaries														
Facility Reception & Registration	\$73,050	2.5%	\$74,876	\$173,160	\$177,490	\$181,930		\$186,480	\$191,140	\$195,920	\$200,820	\$205,840		\$210,986
Program Instruction & Coordination**	\$140,328	2.5%		\$133,952	\$137,300	\$140,730		\$144,250	\$147,860	\$151,560	\$155,350	\$159,230		\$163,211
Materials & Supplies														
Office Supplies	\$370	2.0%	\$380	\$1,500	\$1,530	\$1,560		\$1,590	\$1,620	\$1,650	\$1,680	\$1,710		\$1,744
Printing and Binding	\$0	2.0%	\$0	\$1,000	\$1,020	\$1,040		\$1,060	\$1,080	\$1,100	\$1,120	\$1,140		\$1,163
Recreation Equipment	\$5,394	2.0%	\$5,500	\$10,000	\$10,200	\$10,400		\$10,610	\$10,820	\$11,040	\$11,260	\$11,490		\$11,720
Professional & Technical	\$0	2.5%	\$0	\$2,000	\$2,050	\$2,100		\$2,150	\$2,200	\$2,260	\$2,320	\$2,380		\$2,440
Building Maintenance and Cleaning	\$13,320	2.0%	\$13,590	\$45,000	\$45,900	\$46,820		\$47,760	\$48,720	\$49,690	\$50,680	\$51,690		\$52,724
Bank Service Charges	\$0	1.7%	\$0	\$10,000	\$10,170	\$10,340		\$10,520	\$10,700	\$10,880	\$11,060	\$11,250		\$11,441
Training	\$0	2.3%	\$0	\$1,000	\$1,020	\$1,040		\$1,060	\$1,080	\$1,100	\$1,130	\$1,160		\$1,187
Conferences	\$0	3.1%	\$0	\$3,000	\$3,090	\$3,190		\$3,290	\$3,390	\$3,500	\$3,610	\$3,720		\$3,835
Dues	\$0	1.0%	\$0	\$1,000	\$1,010	\$1,020		\$1,030	\$1,040	\$1,050	\$1,060	\$1,070		\$1,081
Voice and Data	\$0	1.0%	\$0	\$1,200	\$1,210	\$1,220		\$1,230	\$1,240	\$1,250	\$1,260	\$1,270		\$1,283
Computer Equipment	\$0	1.0%	\$0	\$1,600	\$1,620	\$1,640		\$1,660	\$1,680	\$1,700	\$1,720	\$1,740		\$1,757
Electricity	\$32,890	0.8%	\$33,150	\$52,000	\$52,420	\$52,840		\$53,260	\$53,690	\$54,120	\$54,550	\$54,990		\$55,430
Water, Sewer, Surface Water	\$2,275	5.0%	\$2,390	\$11,200	\$11,760	\$12,350		\$12,970	\$13,620	\$14,300	\$15,020	\$15,770		\$16,559
Advertising	\$555	2.0%	\$570	\$7,000	\$7,140	\$7,280		\$7,430	\$7,580	\$7,730	\$7,880	\$8,040		\$8,201
Local Travel Expenses	\$195	4.0%	\$200	\$1,000	\$1,040	\$1,080		\$1,120	\$1,160	\$1,210	\$1,260	\$1,310		\$1,362
Transfers to General Fund														
Administrative Oversight	\$31,000	2.5%	\$31,000	\$18,000	\$18,450	\$18,910		\$19,380	\$19,860	\$20,360	\$20,870	\$21,390		\$21,925
Insurance	\$2,733	2.5%	\$2,800	\$8,000	\$8,200	\$8,410		\$8,620	\$8,840	\$9,060	\$9,290	\$9,520		\$9,758
Self Insurance	\$2,000	2.5%	\$2,000	\$6,000	\$6,150	\$6,300		\$6,460	\$6,620	\$6,790	\$6,960	\$7,130		\$7,308
Parks & Recreation	\$32,000	2.5%	\$32,000	\$5,000	\$5,130	\$5,260		\$5,390	\$5,520	\$5,660	\$5,800	\$5,950		\$6,099
<b>Sub Total Operating Expense</b>	<b>\$336,110</b>		<b>\$198,456</b>	<b>\$492,612</b>	<b>\$503,900</b>	<b>\$515,460</b>		<b>\$527,320</b>	<b>\$539,460</b>	<b>\$551,930</b>	<b>\$564,700</b>	<b>\$577,790</b>		<b>\$591,212</b>
<b>Debt Service (\$2.3 mil @4%, 25 yrs)</b>	<b>\$0</b>		<b>\$47,800</b>	<b>\$149,500</b>	<b>\$152,200</b>	<b>\$149,000</b>		<b>\$152,300</b>	<b>\$149,700</b>	<b>\$152,000</b>	<b>\$154,100</b>	<b>\$151,000</b>		<b>\$153,000</b>
<b>Capital Outlay (Depreciation)</b>														
Allocation to Capital Reserve Fund	\$40,000		\$40,000	\$40,000	\$40,000	\$40,000		\$40,000	\$40,000	\$40,000	\$40,000	\$40,000		\$40,000
<b>TOTAL ANNUAL EXPENSES</b>	<b>\$376,110</b>		<b>\$286,256</b>	<b>\$682,112</b>	<b>\$696,100</b>	<b>\$704,460</b>		<b>\$719,620</b>	<b>\$729,160</b>	<b>\$743,930</b>	<b>\$758,800</b>	<b>\$768,790</b>		<b>\$784,212</b>
<b>NET REVENUE</b>	<b>\$83,905</b>		<b>\$173,759</b>	<b>\$128,308</b>	<b>\$114,320</b>	<b>\$105,960</b>		<b>\$143,265</b>	<b>\$133,725</b>	<b>\$118,955</b>	<b>\$104,085</b>	<b>\$94,095</b>		<b>\$95,880</b>
<b>ACCUMULATED EARNINGS</b>	<b>\$200,284 *</b>		<b>\$374,043</b>	<b>\$502,351</b>	<b>\$616,671</b>	<b>\$722,631</b>		<b>\$865,896</b>	<b>\$999,621</b>	<b>\$1,118,576</b>	<b>\$1,222,661</b>	<b>\$1,316,756</b>		<b>\$1,412,636</b>

\* Includes \$116,379 balance from prior years accumulated earnings after transfer of \$560,000 to capital funding.

\*\* Contracted services for program coordination and instruction is included under "salaries"



**Lake Oswego Tennis Complex**  
**Financial Analysis**



# City of Lake Oswego

## INDOOR TENNIS FACILITY OPERATIONS ANALYSIS

### Conclusion and Next Steps

The Sports Management Group has reviewed and analyzed the methodology, assumptions, financial analysis, and conclusions reported in the 2009 Tennis Feasibility Study. Accepted industry practices were used to estimate tennis demand, and a thorough market analysis was performed. Projected expenses were reviewed in the context of the new staffing and operations plan and the projected expenses are believed to be on the high end. The Sports Management Group added the annual operating expense a \$40,000 payment to a depreciation fund.

The Sports Management Group has taken a more conservative approach in projecting revenue from classes and special events and reduced the revenue projection. However, there are opportunities available to the City that would likely generate additional revenue that is not included in the financial pro forma.

It is the opinion of The Sports Management Group that the proposed tennis center can generate sufficient revenue to service the debt on a \$2.3 million dollar bond, if backed by the full faith and credit of the City, and maintain a large cash reserve.

#### **NEXT STEPS**

The next step for consideration is to authorize the development of the Concept Plan. This next phase of work will provide more definition of the project design and site costs that are needed to develop a more refined total project cost. Once completed, the Council can decide if the project is affordable based on the new cost estimate. At that time a more detailed funding plan and plan for sale of the existing tennis center site can be presented for Council consideration.