Company Name

Memo

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| To: | Board of Directors |
| From: | Chris Horne, General Manager |
| cc: |  |
| Date: | 10/11/2019 |
| Re: | Tennis Department Options |

We are moving into the second year of our current arrangement with the Tennis Pros. Due to the changes in the labor laws in California, it leaves us two options:

* **Option 1 –** Continue with the current status where pros rent court time from MTC. MTC’s role is a lessor only. We can designate the times and number of courts available to rent. We can control the number of pros that rent courts. We can set the rental fee either per hour or flat rate per month and require all non-members to sign waivers. MTC cannot dictate schedule, pricing, provide equipment or balls, collect fees on behalf of the pros or require them to attend meetings. This option requires no reporting on behalf of MTC to the IRS.
* **Option 2 –** All teaching Pros would become employees of MTC. MTC would be required to provide all teaching equipment including balls, dictate pro’s schedules, set the lesson rates, determine hourly or salary structure, provide benefits to those pros who were eligible, bill and collect all lesson fees, pay all applicable payroll taxes and provide W-2’s at the end of each tax year. **Compensation: Tennis Director (Full time): Base salary $30/hour for admin based on 20 hours per week average and teaching hourly rate 75% of Hourly lesson rate, eligible for benefits. Head Professional (full or part time position): Teaching Hourly rate 70% of Hourly Lesson rate and $25 hour for admin rate. Benefit eligible if full time. Associate professionals (part time): Teaching Hourly rate 50% – 60% of Hourly Lesson Rate (not eligible for benefits) and $20 hour for admin rate.**
* **Option 3 –** Hire a Tennis Management Company, like [Peter Burwash](https://www.pbitennis.com/) International to provide all your tennis needs.

Majority of the tennis clubs have a structured tennis department that is under the club’s umbrella. Pros are employees and are usually paid an hourly rate. Generally, the department is managed by the Tennis Director who has a Head Professional and associate pros. Tennis Directors compensation is a combined salary and hourly wage for lesson time. The remaining pros are paid hourly for lessons and are tiered based on experience with the Head Pro receiving the highest rate. Associate pros are paid an administrative hourly rate for services outside of lessons. i.e. running tournaments, attending meetings, etc.

With the new labor laws, clubs that were using Independent Contractors to provide tennis instruction are scrambling to restructure their departments to comply and prevent exposure to fines and penalties.

My recommendation for MTC would be **Option 2**. There would be a need to do an analysis of income/expense to see if it would be financially feasible. The benefits of having control over the tennis department would be worth the subsidy, if any, for that department. MTC would have total control of what is offered through the department from clinics to lessons to special events. The biggest issue I see in this conversion is the challenge in retaining the current teaching staff. Most have been very adamant about controlling their own books and fees without any reporting to the IRS. Under an employee relationship, we could not afford to pay the current staff based on their current income level or their needs.

If theclub is willing to start from scratch and develop a whole new teaching department with new blood, then that is the direction I recommend taking.