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The Benefits and Challenges of Master Planning

Most casino owners, whether they are tribal entities, public corporations or individuals, have a vision for what they want their casinos to be. Transforming that vision into bricks and mortar requires a master plan. The benefits of master planning are obvious but the challenges and obstacles in the planning process are numerous and often difficult to overcome. This article explores those challenges and offers suggestions on overcoming them.

The Master Planning Process

The master planning process is complex. It relies on a keen understanding of trends in the marketplace, the changing needs of consumers, actions taken by competitors, a certain tolerance for risk, access to capital markets as well as a healthy dose of gut instinct and intuition. When done right, a sound master development plan will allow the tribe's gaming enterprise to grow and flourish, providing jobs to the community and a steady stream of revenue to meet the needs of the tribal government.

The methodology that comprises the master planning process is equally relevant to a tribe that is planning to replace a temporary gaming facility, expand an existing facility, develop an entirely new resort or simply to plan and implement the suite of capital improvements necessary to keep the property fresh and attractive.

In a perfect world a casino's master plan follows a very deliberate course: goals are established by a committee consisting of casino management, tribal leadership and often a business council that oversees the tribe's various enterprises. Those goals may include the development of a new gaming property, a hotel, or a series of capital improvements that will allow the casino to attract new market segments and give the casino a sustainable competitive advantage. From there, casino leadership formulates strategies which are delineated in a five year business plan, a development plan, a capital plan that outlines where funding will come from to fulfill the development plan, and finally, a series of annual operational plans. Each year, the Five-Year Plan is adjusted to better match market conditions and a new operations plan is formulated to maximize revenues and minimize expenses. Capital improvements take place on schedule according to the development plan and funded by a combination of debt and equity, as detailed in the capital plan. The casino enterprise continues to evolve and improve, while revenues grow.

Unfortunately, this is not a perfect world. While any business enterprise faces challenges in designing and implementing a master plan, it is a particularly daunting task in Indian casino enterprises. This is because there are multiple constituents, each with valid concerns. Tribal government has

certain financial expectations from the gaming enterprise so that it may fund government services. The business council is concerned not only with the success of the casino but other business entities that it oversees. Casino management strives to constantly improve the gaming and entertainment environment, replace old gaming devices, add new amenities, repair and improve the property, all in order to grow the business. While each wants to see the gaming enterprise prosper, often their goals conflict.

Establishing a Clear Vision

The most difficult question to answer by people tasked with developing a master plan is, "what do you want the property to be when it grows up?" Is the vision to be the best locals' casino or is it to be a regional gaming and entertainment destination? Is the vision to be a 5-star resort or a diverse mix of retail, commercial, entertainment and gaming businesses? It is therefore imperative that the owners, in this case government, business oversight and casino management agree on a fundamental vision for the casino property.

Once the vision is established the master planning can begin. What is the suite of facilities that will be necessary to fulfill the vision? Is each amenity financially feasible? Is it what the market needs? How will they physically relate to one another? How will the competition respond? Once the core group of amenities is built, what else will be needed to further fulfill the vision? These are ultimately detailed in the Development Plan and manifested in the five-year business plan. Concurrently, a capital plan describes how each piece of the puzzle will be funded. Some may be paid with debt while other components are paid out of cash flow. Regardless, every piece of the puzzle must have a funding mechanism.

Obstacles to Master Planning

There are several obstacles to the master planning process that are unique to Indian tribes. The most obvious obstacle is that, unlike independently owned businesses, there are three entities (tribal, business oversight and casino management), each of which has a large stake in the planning process. Each entity is subject to executive turnover. Tribal leaders face re-election, business councils are re-appointed or dismissed and casino managers sometimes resign or are terminated. Often, when turnover in leadership takes place, plans created by previous administrations are ignored, deferred or discarded. The plans may wind up as binders resting on a bookshelf, never to be opened because they were another administration's idea.

There is a tendency among tribal government to place inordinate demands on the casino in terms of how much

money must be up-streamed to fund government services. Money that was earmarked for capital improvements is sometimes diverted to meet the needs of government. The casino in turn, is unable to adequately fund the capital plan. Expansions do not take place, slot machine purchases are deferred, public areas are not repainted, carpeting is not replaced with the property ultimately falling into a state of lethargy in order to meet the financial needs of government. To permit these risks places the gaming enterprise in a dangerous downward spiral where deferral of capital improvements prevents the property from meeting its targeted financial goals, and places further demands from tribal government on the gaming enterprise.

Plan the Work- Work the Plan

The master plan needs to be fulfilled independently of changes in leadership. While relegating a master plan from another administration to a bookshelf may be an expedient solution, it is disservice to the business and the tribe's members that rely on that business's success. In a sea of

personnel changes, the master plan must be the one constant - a roadmap for the casino's future. While the plan may be modified and adjusted on an annual basis to meet the needs of the marketplace, with each succeeding administration adding its insights to the plan, it cannot be discarded because of political differences or radically different business policies.

The plan must also be properly funded as detailed in the capital plan. While the capital plan may be adjusted depending on macro economic changes, funding must take place. At times government may need to curtail, for the short term, expansion of social services so that the casino can be allowed to grow.

Tribal gaming is a business that is both a right and a privilege. It is a right, defined by law, and a privilege, simply because not everyone can open a casino. As such, the business must be nurtured and allowed to grow. Adherence to the master planning process allows the business to grow and ultimately benefit all members of the tribal community. ♣

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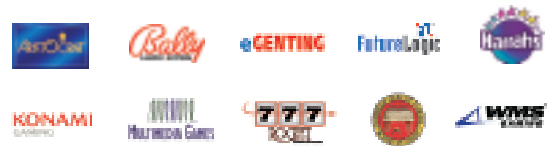
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