

# Preliminary Evaluation: Troy's Phoenix Branch Reorganization Plan

**Date:** November 13, 2024

**Prepared For:** Strategic Planning Team

**Subject:** Analysis of Troy's Parallel Reorganization Plan

## Executive Summary

Troy's plan proposes a 5-branch structure (West, Central, East, Tucson, Commercial) with **43 employees** managing **1,752 total pools** (residential + commercial). The plan includes detailed staffing assignments, revenue projections, and financial targets. This evaluation compares Troy's plan against the previously analyzed structure and identifies key considerations.

## 1. STRUCTURAL OVERVIEW

### Branch Configuration

Branch	Starting Pools	Projected Growth	End Count	Growth Rate	Employees Assigned
<b>West</b>	494	+65	559	13.2%	10
<b>Central</b>	434	+65	499	15.0%	11
<b>East</b>	690	+30	720	4.3%	14
<b>Tucson</b>	70	+65	135	92.9%	3
<b>Commercial</b>	64	+22	86	34.4%	5
<b>TOTAL</b>	<b>1,752</b>	<b>+247</b>	<b>1,999</b>	<b>14.1%</b>	<b>43</b>

## Key Leadership Assignments

Branch	General Manager	Assistant Director	Repair Lead	CSM
West	Steve Lucas	Oney Urquiza	John McCowan	Alexis Butler
Central	Steve Gutierrez	Megan Bradley	Bryan Walters	Chris Bentley
East	Todd Johnston	Charles Gay	Jordan Garcia	Taryn Takeda (to hire)
Tucson	Matthew Halteman	(To hire)	(Vacant)	(To hire)
Commercial	Talynn Stewart	Thomas Rau	(Future role)	(To hire)

## 2. COMPARISON WITH PREVIOUS PLAN

### Pool Count Differences

Branch	Previous Plan	Troy's Plan	Difference	Notes
West	~500	494	-6	Minor adjustment
Central	~450	434	-16	Slightly smaller
East	~680	690	+10	Slightly larger
Tucson	70	70	0	Consistent
Commercial	N/A	64	NEW	<b>New division added</b>

**Critical Difference:** The addition of the **Commercial division** (64 accounts) is the most significant change. Commercial accounts were not previously included in our analysis.

### Employee Assignment Changes

**Previously:** Employees were assigned based on **proximity analysis** to three 2026 office locations (West, Central, East).

**Troy's Plan:** Employees are assigned based on **operational/organizational considerations**, which may differ from pure geographic optimization.

### Notable Assignment Differences:

- **Michael Grant:** Previously not assigned; now in **Commercial**
- **Thomas Rau:** Previously unassigned; now Assistant Director of **Commercial**

- **Talynn Stewart:** Now GM of **Commercial** (previously Assistant Director)
  - **Todd Johnston:** Now **East GM** (previously overall Director of Service)
  - Several service pros reassigned based on operational needs vs. pure distance optimization
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## 3. FINANCIAL ANALYSIS

### Revenue & Profitability Targets

Branch	Total Revenue	Labor Costs	COGS	Other Costs	EBITDA	Margin
West	\$1,330,342	\$616,669	\$483,824	\$199,551	<b>\$30,298</b>	<b>2.3%</b>
Central	\$1,168,762	\$540,297	\$425,060	\$175,314	<b>\$28,091</b>	<b>2.4%</b>
East	\$1,858,170	\$756,072	\$675,786	\$278,726	<b>\$147,587</b>	<b>7.9%</b>
Tucson	\$188,510	\$100,000	\$68,558	\$28,277	<b>(-\$8,325)</b>	<b>-4.4%</b>
Commercial	\$975,312	\$240,031	\$450,859	\$146,297	<b>\$138,125</b>	<b>14.2%</b>
<b>TOTAL</b>	<b>\$5,521,096</b>	<b>\$2,253,069</b>	<b>\$2,104,087</b>	<b>\$828,165</b>	<b>\$335,776</b>	<b>6.1%</b>

### Key Financial Observations

#### ✓ Strengths:

1. **Commercial Division is highly profitable** (14.2% EBITDA margin) - excellent strategic addition
2. **East Branch is solid performer** (7.9% margin) with largest revenue base
3. **Modest profitability in West/Central** (2.3-2.4%) - acceptable for residential service

#### ⚠️ Concerns:

1. **Tucson is projected to lose money** (-\$8,325 EBITDA, -4.4% margin)
  - High growth target (92.9%) may be aggressive
  - Understaffed (only 3 employees) for 70 existing + 65 new pools
  - May need additional resources or revised expectations
2. **West & Central margins are thin** (2.3-2.4%)
  - Limited buffer for operational challenges
  - Any cost overruns or revenue shortfalls could turn negative
3. **Heavy reliance on growth** to hit targets
  - Plan assumes 247 new pools (14% growth)
  - Growth assumptions vary dramatically by branch (4% to 93%)

## 4. OPERATIONAL CONSIDERATIONS

### Staffing Ratios (Pools per Service Professional)

Branch	Pools	Service Pros*	Ratio	Assessment
West	494	~8	<b>62:1</b>	✓ Good - Manageable
Central	434	~8	<b>54:1</b>	✓ Excellent
East	690	~11	<b>63:1</b>	✓ Good - Manageable
Tucson	70	~2	<b>35:1</b>	⚠ Low - Growth may strain
Commercial	64	~4	<b>16:1</b>	✓ Strong (commercial needs more attention)

\*Excluding management, repair, and CSM roles

### Staffing Assessment:

- **West, Central, East:** Well-balanced ratios (54-63 pools per tech) are sustainable
- **Tucson:** Current ratio is fine (35:1) but will jump to **68:1** with 93% growth - **needs attention**
- **Commercial:** Lower ratio (16:1) appropriate for more complex commercial accounts

### Geographic Distribution of Employees

Using the employee address data:

#### West Branch (10 employees):

- Concentrated in: Glendale (3), Phoenix (2), Laveen, Buckeye, Surprise, Peoria, Goodyear
- **Observation:** Good west-side coverage; Buckeye/Goodyear employees may have longer commutes

#### Central Branch (11 employees):

- Concentrated in: Glendale (3), Phoenix, Scottsdale (2), Surprise, Peoria, Tempe (2)
- **Observation:** Strong central/north Phoenix & Scottsdale coverage

#### East Branch (14 employees):

- Concentrated in: Mesa (5), Casa Grande (3), Phoenix (2), Chandler (2), Gilbert, Tempe
- **Observation:** Excellent Mesa/East Valley coverage; Casa Grande employees handle the southern territory

#### Tucson Branch (3 employees):

- Located in: Tucson (2), Arizona City (1)
- **Observation:** Minimal staffing for current operations; growth plan requires additional hires

#### Commercial Branch (5 employees):

- Spread across: Phoenix, Tempe (2), Glendale (2)
- **Observation:** Central locations good for metro-wide commercial service

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## 5. KEY RISKS & MITIGATION STRATEGIES

### Risk #1: Tucson Profitability & Growth

**Issue:** Tucson projects negative EBITDA (-\$8,325) with aggressive 93% growth target

**Mitigation Options:**

1. Revise growth expectations to more realistic 20-30%
2. Add 1-2 more service professionals as growth materializes
3. Reduce overhead allocation or share CSM with another branch
4. Focus on higher-margin accounts

### Risk #2: Thin Margins in West & Central

**Issue:** 2.3-2.4% EBITDA margins leave little room for error

**Mitigation Options:**

1. Aggressive cost control on discretionary spending
2. Focus on route optimization to reduce drive time/fuel costs
3. Target higher-value services (repairs, remodels) to boost margins
4. Monitor staffing levels closely - avoid over-staffing

### Risk #3: Dependency on Growth Assumptions

**Issue:** Plan requires 247 new pools (14% growth) to hit revenue targets

**Mitigation Options:**

1. Develop aggressive marketing campaigns in each territory
2. Leverage the “permitted pools” market size data to target new construction
3. Focus on customer retention (reduce churn) to make net growth easier
4. Consider acquisitions of smaller competitors to accelerate growth

### Risk #4: Open Positions & Hiring Needs

**Issue:** Multiple open positions (CSM roles, Tucson Assistant Director, future repair pro)

**Mitigation Options:**

1. Prioritize hiring for Tucson (most urgent due to growth plan)
2. Consider promoting from within for CSM roles
3. Develop clear job descriptions and compensation packages
4. Plan 90-120 day lead time for hiring and training

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## 6. COMMERCIAL DIVISION - STRATEGIC ASSESSMENT

 **Positive Aspects:**

1. **Highest profitability** (14.2% margin) - excellent addition to portfolio
2. **Dedicated leadership team** (Talynn, Thomas Rau) with commercial expertise
3. **Growth potential** (34% projected) in underserved market
4. **Revenue diversification** - reduces residential-only risk

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### Questions to Address:

#### 1. What is the commercial account composition?

- HOAs, apartments, commercial facilities?
- Contract types and terms?
- Geographic concentration?

#### 2. Commercial-specific operations:

- Are commercial accounts geographically clustered or spread across metro?
- Can commercial teams support residential during slow periods?
- What specialized equipment/training is needed?

#### 3. Data gaps:

- We **do not yet have commercial pool addresses** or detailed account list
- Need this data to:
  - Map commercial territories
  - Validate employee assignments
  - Assess route efficiency
  - Identify growth opportunities

## 7. RECOMMENDATIONS

### Priority 1: Data Collection (Immediate)

- [ ] Obtain **commercial pool addresses and account list**
- [ ] Validate pool counts against actual customer database
- [ ] Confirm revenue figures align with historical performance
- [ ] Verify all employee assignments and acceptance

### Priority 2: Tucson Planning (Week 1-2)

- [ ] Revise Tucson growth targets or staffing plan
- [ ] Identify CSM and Assistant Director candidates
- [ ] Develop Tucson-specific retention and growth strategy
- [ ] Consider partnership with East branch for overflow support

### Priority 3: Financial Validation (Week 2-3)

- [ ] Stress-test financial model with conservative growth (50% of plan)
- [ ] Identify breakeven pool counts for each branch
- [ ] Develop contingency plans for branches with <5% margins
- [ ] Review pricing strategy to improve margins

### Priority 4: Operational Readiness (Week 3-4)

- [ ] Complete all open position hiring
- [ ] Establish office locations and lease/setup logistics
- [ ] Develop territory boundaries and routing software configuration
- [ ] Create transition communication plan for customers and employees

## Priority 5: Integration with Previous Analysis

- [ ] Map commercial accounts alongside residential territories
  - [ ] Update all maps and visualizations with 5-branch structure
  - [ ] Reconcile employee assignments with commute analysis
  - [ ] Create master territory assignment spreadsheet
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## 8. COMPARISON: GEOGRAPHIC OPTIMIZATION VS. TROY'S PLAN

### Employee-to-Office Distance Analysis

**Question:** How do Troy's assignments compare to pure distance-based optimization?

We previously calculated optimal office assignments based on employee home addresses and three 2026 office locations. Troy's plan makes some different choices based on operational factors.

#### Potential Commute Issues to Review:

1. **Buckeye → West Office** (Michael Vendetti)
  - May be longer commute than Central office
  - Verify acceptable to employee
2. **Casa Grande employees → East Branch** (Kenneth Felix, Corey Cox, Ivan Martinez)
  - 3 employees in Casa Grande assigned to East
  - Commute may be 30-40 miles
  - Good geographic coverage for southern territory, but verify employee satisfaction
3. **Surprise employees** (Joan Magana-Chavez → Central, Oney Urquiza → West)
  - Split between two branches
  - Verify office assignments make sense for their routes

**Recommendation:** Review Troy's assignments against commute distance analysis and validate that any non-optimal assignments are intentional and acceptable.

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## 9. SUMMARY & NEXT STEPS

### Overall Assessment: PROMISING BUT NEEDS REFINEMENT

#### Strengths:

-  Well-structured 5-branch model with clear leadership
-  Commercial division adds high-margin revenue stream
-  Most branches have sustainable staffing ratios
-  Reasonable growth targets (except Tucson)

#### Concerns:

-  Tucson projections are not viable without adjustments
-  West/Central margins are very thin
-  Multiple open positions need to be filled
-  Growth assumptions are optimistic

**Critical Data Gaps:**

- ~~X~~ Commercial pool addresses and detailed account data
- ~~X~~ Validation of pool counts against current database
- ~~X~~ Employee acceptance of assignments
- ~~X~~ Office location lease agreements and setup costs

**Recommended Path Forward:**

1. **Collect missing commercial data** (this week)
  2. **Revise Tucson financial model** (this week)
  3. **Validate employee assignments** with affected staff (next week)
  4. **Create integrated map** showing all 5 branches with residential + commercial territories (next week)
  5. **Stress-test financial model** with conservative assumptions (week 3)
  6. **Finalize hiring plan** for open positions (week 3-4)
  7. **Develop detailed implementation timeline** for 2027/2028 rollout (week 4)
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**Prepared by:** Strategic Planning Analysis

**Next Review:** Upon receipt of commercial account data