



STRATEGIC CAPITAL FUND PLANNING BEFORE AND AFTER THE DOORS OPEN

Thursday, December 1, 2011 8:00AM-9:30AM

Outline

- Objectives
- > Introductions
- Terminology
- Review of Pro Forma
- Determining Reserve Need
- Capital Reserve Approaches
- After the Doors Open
- > Q&A



Objectives

- Look for opportunities to align necessary capital improvements with enrollment and membership projections and with program growth expectations
- Discuss the need for contributing to a reserve fund, and the choices related to timeline and scale of funds.
- Show how reserves for maintenance and repair and/or a capital fund are noted and tracked on an enterprise's pro forma



Brailsford & Dunlavey

- National leader in planning, programming, and development of market and budget-responsive "quality of life" facilities
- > Offices in:
 - Washington, DC
 - Charlotte
 - Chicago
 - Columbus
 - Irvine





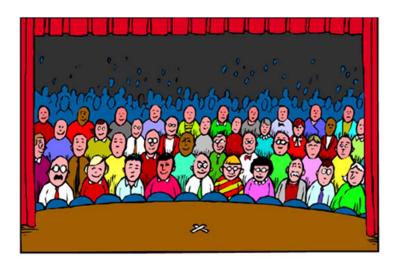
Ann Drummie

- Senior Project Manager, Brailsford & Dunlavey
- Architecture and engineering background
- Worked with 30+ institutions guiding facility projects through feasibility to implementation to opening





Participants





Why at this year's conference?

- Boards are asking to see it
- Underwriters are asking to see it
- Continuing shrinking budgets make strategic planning even more critical
- > Trend of campus administrations requiring transparency
- > Trend of funding sources requiring it
 - > Revenue bonds; referendum on student fees
- Theme of sustainability includes wanting to leave a healthy legacy for others to continue
- Rec centers are often the first facilities on campus with a protected fund; setting precedents



Terminology

Reserve Fund aka Repair & Replacement Fund aka Capital Fund

Reserve:

- a. cash, or assets readily convertible into cash, held aside, as by a corporation, bank, state or national government, etc., to meet expected or unexpected demands.
- b. uninvested cash held to comply with legal requirements.

Strategy:

Plan, method, or series of maneuvers or stratagems for obtaining a specific goal or result.

BRAILSFORD & DUNLAVEY



Pro Forma: Before the Doors Open

Planning process should include a business plan with a pro forma that will be reviewed for 3 financial tests:

- 1. Can revenues cover expenses?
- 2. Can Net Operating Income (NOI) cover debt service?
- 3. Will sufficient funds be available for repair and replacement when needed?



Recreation Center

Cash Flow Summary Scenario: Baseline

Source	2011	Inflation Rate	1st Yr Factor	3	4	5	6	7	8	9	10	11	12
REVENUES													
Student Fee Revenue				\$4,150,000	\$4,150,000	\$4,150,000	\$4,150,000	\$4,150,000	\$4,356,000	\$4,356,000	\$4,356,000	\$4,356,000	\$4,356,000
Summer and Continuing Stu	ı dent Reveni	le le		\$102.713	\$102.713	\$102.713	\$102.713	. , ,	\$107.811	\$107.811	\$107.811	\$107.811	\$107.811
Employee Revenue		ĺ		\$13,901	\$23,987	\$32,443	\$34,066	+ - / -	\$37,557	\$39,435	+ - /-	\$43,477	\$45,651
Alum Member Revenue				\$369,972	\$688,966	1 1	\$1,151,586	\$1,209,166		\$1,333,105	\$1,399,760	\$1,469,748	\$1,543,236
Community Member Revenue	e			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue		103%		\$78,084	\$139,570	\$169,261	\$200,608	\$233,683	\$240,694	\$247,915	\$255,352	\$263,013	\$270,903
TOTAL REVENUES				\$4,714,670	\$5,105,236	\$5,369,405	\$5,638,972	\$5,731,330	\$6,011,686	\$6,084,266	\$6,160,330	\$6,240,049	\$6,323,601
OPERATING EXPENSES													
Personnel													
Full-time	\$387,450	103%	100%	\$423,377	\$436,078	\$449,161	\$462,636	\$476,515	\$490,810	\$505,534	\$520,700	\$536,321	\$552,411
Part-Time Staff Payroll	\$293,996	103%	100%	\$321,258	\$330,896	\$340,822	\$351,047		\$372,426	\$383,599	\$395,107	\$406,960	\$419,169
Subtotal				\$744,635	\$766,974	\$789,983	\$813,683	\$838,093	\$863,236	\$889,133	\$915,807	\$943,281	\$971,580
Non-personnel													
Maintenance	\$82,379	103%	31%	\$27,886	\$92,718	\$95,500	\$98,365	\$101,316	\$104,355	\$107,486	\$110,710	\$114,032	\$117,453
Janitorial Contract	\$204,746	103%	100%	\$223,732	\$230,444	\$237,357	\$244,478	\$251,812	\$259,367	\$267,148	\$275,162	\$283,417	\$291,919
Facility Repairs	\$54,599	103%	100%	\$59,662	\$61,452	\$63,295	\$65,194	\$67,150	\$69,164	\$71,239	\$73,377	\$75,578	\$77,845
Administrative & Marketing	\$56,595		74%	\$45,496	\$63,698		\$67,577		. ,	\$73,844	\$76,059	\$78,341	\$80,691
Utilities	\$307,120	103%	100%	\$335,598	\$345,666	\$356,036	\$366,717	\$377,718	\$389,050	\$400,721	\$412,743	\$425,125	\$437,879
Insurance & Other	\$0	103%	100%	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$0
Sports Equipment Repairs	\$10,000	103%	100%	\$10,927	\$11,255	\$11,593	\$11,941		\$12,668	\$13,048	\$13,439	\$13,842	\$14,258
Miscellaneous Expenses	\$25,000	103%	100%	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619	\$33,598	\$34,606	\$35,644
Subtotal				\$730,619	\$833,371	\$858,372	\$884,123			\$966,105	\$995,088	\$1,024,941	\$1,055,689
non-personnel cost/SF				\$5.35	\$6.11	\$6.29	\$6.48	\$6.67	\$6.87	\$7.08	\$7.29	\$7.51	\$7.73
Unsubordinated Fees													
Management Fee	\$154,000	103%	100%	\$168,280	\$173,328	\$178,528	\$183,884	\$189,401	\$195,083	\$200,935	\$206,963	\$213,172	\$219,567
TOTAL EXPENSES				\$1,643,534	\$1,773,673	\$1,826,883	\$1,881,690	\$1,938,140	\$1,996,284	\$2,056,173	\$2,117,858	\$2,181,394	\$2,246,836
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DEBT SERVICE													
Debt Service				\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529
Debt Coverage				0.91	0.98	1.05	1.11	1.12	1.18	1.19	1.19	1.20	1.20
CASHFLOW AFTER DEBT SE	ERVICE												
				(\$317,393)	(\$56,966)	\$153,993	\$368,754	\$404,661	\$626,872	\$639,564	\$653,943	\$670,126	\$688,236
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Management Fee	\$51,333	103%	100%	\$56,093	\$57,776	\$59,509	\$61,295	\$63,134	\$65,028	\$66,978	\$68,988	\$71,057	\$73,189
RESERVE FUND	. ,			. ,	. ,						. ,	, ,	. ,
Beginning Balance				\$0	\$0	\$150,000	\$301,500	\$454,515	\$109,060	\$260.151	\$412,752	\$566,880	\$722,549
Annual Contribution	\$150,000	100%	100%	\$0 \$0	\$150,000	\$150,000	\$301,300 \$150,000		\$109,000	\$150,000	\$150,000	\$150,000	\$150,000
Additional Contribution	\$100,000	.0076	10070	\$0 \$0	\$130,000	\$130,000	\$130,000	. ,	\$0	\$130,000	\$130,000	\$130,000	\$130,000
Interest on Balance	1%			\$0 \$0	\$0 \$0	\$1,500	\$3,015	* -	\$1.091	\$2.602	\$4,128	\$5,669	\$7,225
Reserve Need	170			\$0	\$0	\$0	\$0,510		\$0	\$0	\$0	\$0	\$1,000,000
End Balance				\$0	\$150,000	\$301,500	\$454,515	\$109,060	\$260,151	\$412,752	\$566,880	\$722,549	(\$120,226)
BALANCE													
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Test 1

Test 2

Test 3

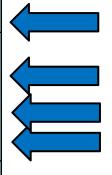
Terminology

- Above the line Annual maintenance
 - > Furniture, Fixtures, and Equipment
 - General maintenance
- Below the line Physical Assets
 - Roof
 - Gymnasium floor
 - Facility upgrades

Recreation Center

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Summer and Continuing Stud	dent Reveni	ue		\$102,713	\$102,713	\$102,713	\$102,713	\$102,713	\$107,811	\$107,811	\$107,811	\$107,811	\$107,811
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Other Revenue		103%		\$78,084	\$139,570	\$169,261	\$200,608	\$233,683	\$240,694	\$247,915	\$255,352	\$263,013	\$270,903
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Subtotal non-personnel cost/SF				\$7.30,619 \$5.35	\$6.11	\$6.29	\$6.48	\$910,646 \$6.67	\$937,900 \$6.87	\$900,105 \$7.08	\$995,066 \$7.29	\$1,024,941 \$7.51	\$1,055,669 \$7.73
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DEBT SERVICE				4 0,000,000	70,000,000	V 0,012,022	40,101,200	40,100,100	4 1,010,102	V .,0_0,000	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	* 1,000,000	V 1,010,00
Debt Service				\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529
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				(\$317,393)	(\$30,900)	\$100,990	φ300,734	φ404,001	φ020,072	φ039,304	φ000,940	\$070,120	\$000,230
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RESERVE FUND													
Beginning Balance				\$0	\$0	\$150,000	\$301,500	\$454,515	\$109,060	\$260,151	\$412,752	\$566,880	\$722,549
Annual Contribution	\$150,000	100%	100%	\$0	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Additional Contribution				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Balance	1%			\$0	\$0	\$1,500	\$3,015	\$4,545	\$1,091	\$2,602	\$4,128	\$5,669	\$7,225
Reserve Need				\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$1,000,000
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Determining Impact "Above the Line"

- Choices in capital costs will impact:
 - Annual operating costs:
 - Energy systems
 - Monitoring/tracking systems
 - Quality of initial FF&E
 - Staffing for desired level of service and standards of maintenance
 - Square footage for staff



Recreation Center

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Management Fee	\$51,333	10070											
RESERVE FUND	\$51,333	10070		00	^	#450.000	#004 F00	MAE 4 545	#400.000	#000 451	0440 750	Ф г оо осо	ф 7 00 5 (0
RESERVE FUND Beginning Balance			40000	\$0	\$0	\$150,000	\$301,500	\$454,515	\$109,060	\$260,151	\$412,752	\$566,880	\$722,549
RESERVE FUND Beginning Balance Annual Contribution	\$150,000	100%	100%	\$0	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
RESERVE FUND Beginning Balance Annual Contribution Additional Contribution	\$150,000		100%	\$0 \$0	\$150,000 \$0	\$150,000 \$0	\$150,000 \$0	\$150,000 \$0	\$150,000 \$0	\$150,000 \$0	\$150,000 \$0	\$150,000 \$0	\$150,000 \$0
RESERVE FUND Beginning Balance Annual Contribution Additional Contribution Interest on Balance			100%	\$0 \$0 \$0	\$150,000 \$0 \$0	\$150,000 \$0 \$1,500	\$150,000 \$0 \$3,015	\$150,000 \$0 \$4,545	\$150,000 \$0 \$1,091	\$150,000 \$0 \$2,602	\$150,000 \$0 \$4,128	\$150,000 \$0 \$5,669	\$150,000 \$0 \$7,225
RESERVE FUND Beginning Balance Annual Contribution Additional Contribution Interest on Balance Reserve Need	\$150,000		100%	\$0 \$0 \$0 \$0	\$150,000 \$0 \$0 \$0	\$150,000 \$0 \$1,500 \$0	\$150,000 \$0 \$3,015 \$0	\$150,000 \$0 \$4,545 \$500,000	\$150,000 \$0 \$1,091 \$0	\$150,000 \$0 \$2,602 \$0	\$150,000 \$0 \$4,128 \$0	\$150,000 \$0 \$5,669 \$0	\$150,000 \$0 \$7,225 \$1,000,000
RESERVE FUND Beginning Balance Annual Contribution Additional Contribution Interest on Balance	\$150,000		100%	\$0 \$0 \$0	\$150,000 \$0 \$0	\$150,000 \$0 \$1,500	\$150,000 \$0 \$3,015	\$150,000 \$0 \$4,545	\$150,000 \$0 \$1,091	\$150,000 \$0 \$2,602	\$150,000 \$0 \$4,128	\$150,000 \$0 \$5,669	\$150,000 \$0 \$7,225
RESERVE FUND Beginning Balance Annual Contribution Additional Contribution Interest on Balance Reserve Need	\$150,000		100%	\$0 \$0 \$0 \$0	\$150,000 \$0 \$0 \$0	\$150,000 \$0 \$1,500 \$0	\$150,000 \$0 \$3,015 \$0	\$150,000 \$0 \$4,545 \$500,000	\$150,000 \$0 \$1,091 \$0	\$150,000 \$0 \$2,602 \$0	\$150,000 \$0 \$4,128 \$0	\$150,000 \$0 \$5,669 \$0	\$150,000 \$0 \$7,225 \$1,000,000

Determining Reserve Need

Replacement Value Approach

• Ballpark estimate for initial planning or reference

	\$10,052,780	Assessment					
	\$8,506,689	Construction	Cost				
	\$9,279,734	Average for R	eplace	ement Value			
	Annual Contribution	5 Years	%	10 Years	%	15 Years	%
1.0%	\$92,797	\$463,987	5%	\$927,973	10%	\$1,391,960	15%
1.5%	\$139,196	\$695,980	8%	\$1,391,960	15%	\$2,087,940	23%
2.0%	\$185,595	\$927,973	10%	\$1,855,947	20%	\$2,783,920	30%
2.5%	\$231,993	\$1,159,967	13%	\$2,319,934	25%	\$3,479,900	38%
3.0%	\$278,392	\$1,391,960	15%	\$2,783,920	30%	\$4,175,880	45%
3.5%	\$324,791	\$1,623,954	18%	\$3,247,907	35%	\$4,871,861	53%
4.0%	\$371,189	\$1,855,947	20%	\$3,711,894	40%	\$5,567,841	60%



Determining Reserve Need

Implementation Approach

- List of components
 - The usual (roof, HVAC, flooring, windows, façade)
 - plus wishlists (solar, upgrades in lighting)
 - plus considerations of things that don't exist yet (new technologies)
- Cost of replacement
 - Material and labor
- Useful life
- Inflation



Determining Reserve Need

- Asphalt paving
- Seal and restriping parking
- Exterior light fixtures
- Fire detection panel
- Smoke/fire detectors
- Roofing
- Mechanical equipment
- Windows, doors, skylights
- Restroom accessories
- Resilient flooring
- Carpet
- Facade

- Year 11
- Years 6, 11, 21
- Years 7, 13, 21
- Year 16
- > Years 11, 21
- Year 21
- Year 21
- Year 21
- > Years 8, 16
- Year 16
- > Years 5, 10, 15
- Year 15



^{*} Useful life will vary by facility for quality and utilization rate.

				2010 Unit-		
Component	Quantity	Unit Type	Unit Cost	based Value	2010 Value	Years Out
Replace roof	11,000	gsf	\$25.00	\$275,000	\$275,000	15
Swap out RTUs	85	nominal tons	\$2,355.00	\$200,175	\$200,000	25
Replace windows and frames	62	count	\$2,500.00	\$155,000	\$155,000	15
Replace doors and frames	73	count	\$1,750.00	\$127,750	\$128,000	15
Replace skylights	1	lump sum	\$40,000.00	\$40,000	\$40,000	20
Replace carpeting	1,654	gsf	\$23.00	\$38,037	\$38,000	5
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	10
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	15
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	20
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	25
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	30
Replace window blinds	62	window #	\$125.00	\$7,750	\$8,000	5
Replace window blinds	62		\$125.00	\$7,750	\$8,000	10
Replace window blinds	62		\$125.00	\$7,750	\$8,000	15
Replace window blinds	62		\$125.00	\$7,750	\$8,000	20
Replace window blinds	62		\$125.00	\$7,750	\$8,000	25
Replace window blinds	62		\$125.00	\$7,750	\$8,000	30
Replace resilient tile flooring	28,115	gsf	\$4.35	\$122,299	\$122,000	5
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	10
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	15
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	20
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	25
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	30
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	5
Replace ceramic tile	662	₹ ****	\$9.00	\$5,954	\$6,000	10
Replace ceramic tile	662		\$9.00	\$5,954	\$6,000	15

^{*} Useful life will vary by facility for quality and utilization rate, and unit costs will vary for quality, size of order, and local labor rates.

Inflation Rate 3.00%

				004011-0					,	,				7			10	- 11	12	12	- 14	15
Component	Quantity	Unit Type	Unit Cost	2010 Unit- based Value	2010 Value	Years Out	FY11	FY 12	FY13	FY14	FY15	FY16	6 FY17	FY18	FY19	FY20	10 FY21	11 FY22	12 FY23	13 FY24	14 FY25	15 FY26
Replace roof	11,000	qsf	\$25.00	\$275,000	\$275,000	15																\$428,000
Swap out RTUs	85	nominal tons	\$2,355.00	\$200,175	\$200,000	25																
Replace Windows and frames	62	count	\$2,500.00	\$155,000	\$155,000	15																\$241,000
Replace doors and frames	73	count	\$1,750.00	\$127,750	\$128,000	15																\$199,000
Replace skylights	1	lump sum	\$40,000.00	\$40,000	\$40,000	20																
Replace carpeting	1,654	gsf	\$23.00	\$38,037	\$38,000	5						\$44,000										
Replace carpeting	1,654	301	\$23.00	\$38,037	\$38,000	10						,					\$51,000					
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	15											4-0,					\$59,000
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	20																403,000
Replace carpeting	1.654		\$23.00	\$38,037	\$38,000	25																
Replace carpeting	1,654		\$23.00	\$38,037	\$38,000	30																
Replace window blinds	62	window #	\$125.00	\$7,750	\$8,000	5						\$9,000										
Replace window blinds	62	WEIGOW #	\$125.00	\$7,750	\$8,000	10						35,000					\$11,000					
	62		\$125.00		\$8,000	15											\$11,000					\$12,000
Replace window blinds	62			\$7,750		20																\$12,000
Replace window blinds			\$125.00	\$7,750	\$8,000																	
Replace window billnds	62		\$125.00	\$7,750	\$8,000	25																
Replace window billnds	62		\$125.00	\$7,750	\$8,000	30																
Replace resilient tile flooring	28,115	gsf	\$4.35	\$122,299	\$122,000	5						\$141,000										
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	10											\$164,000					
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	15																\$190,000
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	20																
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	25																
Replace resilient tile flooring	28,115		\$4.35	\$122,299	\$122,000	30																
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	5																
Replace ceramic tile	662	-	\$9.00	\$5,954	\$6,000	10																
Replace ceramic tile	662		\$9.00	\$5,954	\$6,000	15																
Replace ceramic tile	662		\$9.00	\$5,954	\$6,000	20																
Replace ceramic tile	662		\$9.00	\$5,954	\$6,000	25																
Replace ceramic tile	662		\$9.00	\$5,954	\$6,000	30																
Replace tollet partitions	13	restrooms	\$1,500.00	\$19,500	\$20,000	5						\$23,000										
Replace toilet partitions	13		\$1,500.00	\$19,500	\$20,000	10											\$27,000					
Replace toilet partitions	13		\$1,500.00	\$19,500	\$20,000	15											421,000					\$31,000
Replace toilet partitions	13		\$1,500.00	\$19,500	\$20,000	20																451,000
Replace tollet partitions	13		\$1,500.00	\$19,500	\$20,000	25																
	13		\$1,500.00	\$19,500	\$20,000	30																
Replace toilet partitions						10											FEO 000					
Replace sinks and counters	13	restrooms	\$3,500.00	\$45,500	\$46,000	20											\$62,000					
Replace sinks and counters	13		\$3,500.00	\$45,500	\$46,000																	
Façade cleaning and painting	1	lump sum	\$20,000.00	\$20,000	\$20,000	5						\$23,000					F34 000					
Façade deaning and painting	!		\$25,000.00	\$25,000	\$25,000	10											\$34,000					
Façade cleaning and painting	!		\$20,000.00	\$20,000	\$20,000	15																\$31,000
Façade cleaning and painting	!		\$20,000.00	\$20,000	\$20,000	20																
Replace electric door operators	1	lump sum	\$5,000.00	\$5,000	\$5,000	5						\$6,000										
Replace electric door operators	1		\$5,000.00	\$5,000	\$5,000	10											\$7,000					
Replace electric door operators	1		\$5,000.00	\$5,000	\$5,000	15																\$8,000
Replace electric door operators	1		\$5,000.00	\$5,000	\$5,000	20																
Replace electric door operators	1		\$5,000.00	\$5,000	\$5,000	25																
Replace electric door operators	1		\$5,000.00	\$5,000	\$5,000	30																
Replace fire extinguishers	33,076	gsf	\$0.10	\$3,308	\$3,000	5						\$3,000										
Replace fire extinguishers	33,076		\$0.10	\$3,308	\$3,000	10											\$4,000					
Replace fire extinguishers	33,076		\$0.10	\$3,308	\$3,000	15											10.10.10.10					\$5,000
Replace fire extinguishers	33,076		\$0.10	\$3,308	\$3,000	20																OF FEB.
Replace fire extinguishers	33,076		\$0.10	\$3,308	\$3,000	25																
Replace fire extinguishers	33,076		\$0.10	\$3,308	\$3,000	30																
Replace playground surface	1,000	gsf	\$12.00	\$12,000	\$12,000	1		\$12,000														
Replace playground surface	1,000	300	\$12.00	\$12,000	\$12,000	11		412,000										\$17,000				
	1,000		\$12.00	\$12,000	\$12,000	21												917,000				
Replace playground surface	1,000		\$12.00	\$12,000	\$12,000	21																
Cultivial NOV					E0 000 000		675	E10.000	₹A	EA.	671	50407000	ē/i	EA.	E71	EA.	£250.000	6477000	67	EA.	671	E 4 200 4 200
Subtotal NPV					\$2,223,000		\$0	\$12,000	\$0	\$0	\$0	\$249,000	\$0	\$0	\$0	\$0	\$360,000	\$17,000	\$0	\$0	\$0	\$1,204,00
Subtotal with Inflation					\$3,712,000																	

^{*} Useful life will vary by facility for quality and utilization rate, and unit costs will vary for quality, size of order, and local labor rates.

INVESTMENTS AND FINANCIAL PLANNING



"I retire on Friday and I haven't saved a dime. Here's your chance to become a legend!"

Recreation Center

Cash Flow Summary Scenario: Baseline

		Inflation	1st Yr										
Source	2011	Rate	Factor	3	4	5	6	7	8	9	10	11	12
REVENUES													
Student Fee Revenue				\$4,150,000	\$4,150,000	\$4,150,000	\$4,150,000	\$4,150,000	\$4,356,000	\$4,356,000	\$4,356,000	\$4,356,000	\$4,356,000
Summer and Continuing Stu	dent Reven	ue		\$102,713	\$102,713	\$102,713	\$102,713	\$102,713	\$107,811	\$107,811	\$107,811	\$107,811	\$107,811
Employee Revenue				\$13,901	\$23,987	\$32,443	\$34,066	\$35,769	\$37,557	\$39,435	\$41,407	\$43,477	\$45,651
Alum Member Revenue				\$369,972	\$688,966	\$914,988	\$1,151,586	\$1,209,166	\$1,269,624	\$1,333,105	\$1,399,760	\$1,469,748	\$1,543,236
Community Member Revenue	e			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue		103%		\$78,084	\$139,570	\$169,261	\$200,608	\$233,683	\$240,694	\$247,915	\$255,352	\$263,013	\$270,903
TOTAL REVENUES				\$4,714,670	\$5,105,236	\$5,369,405	\$5,638,972	\$5,731,330	\$6,011,686	\$6,084,266	\$6,160,330	\$6,240,049	\$6,323,601
OPERATING EXPENSES													
Personnel													
Full-time	\$387,450	103%	100%	\$423,377	\$436,078	\$449,161	\$462,636	\$476,515	\$490,810	\$505,534	\$520,700	\$536,321	\$552,411
Part-Time Staff Payroll	\$293,996	103%	100%	\$321,258	\$330,896	\$340,822	\$351,047	\$361,579	\$372,426	\$383,599	\$395,107	\$406,960	\$419,169
Subtotal	*,			\$744,635	\$766,974	\$789,983	\$813,683	\$838,093	\$863,236	\$889,133	\$915,807	\$943,281	\$971,580
				, ,,,,,	*,-	, ,,,,,,,,,	*,	, , , , , , , , ,	, , , , , ,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	** *,***	,,,,,,	,
Non-personnel	00-			A		00	00000	0.6.	0.15 : -:	0.45=			
Maintenance	\$82,379	103%	31%	\$27,886	\$92,718		\$98,365	\$101,316	\$104,355	\$107,486	\$110,710	\$114,032	\$117,453
Janitorial Contract	\$204,746		100%	\$223,732	\$230,444	\$237,357	\$244,478	\$251,812	\$259,367	\$267,148	\$275,162	\$283,417	\$291,919
Facility Repairs	\$54,599		100%	\$59,662	\$61,452		\$65,194	\$67,150	\$69,164	\$71,239	\$73,377	\$75,578	\$77,845
Administrative & Marketing	\$56,595	103%	74%	\$45,496	\$63,698	\$65,609	\$67,577	\$69,605	\$71,693	\$73,844	\$76,059	\$78,341	\$80,691
Utilities	\$307,120	103%	100%	\$335,598	\$345,666		\$366,717	\$377,718	\$389,050	\$400,721	\$412,743	\$425,125	\$437,879
Insurance & Other	\$0	103%	100%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sports Equipment Repairs	\$10,000	103%	100%	\$10,927	\$11,255	\$11,593	\$11,941	\$12,299	\$12,668	\$13,048	\$13,439	\$13,842	\$14,258
Miscellaneous Expenses	\$25,000	103%	100%	\$27,318	\$28,138	\$28,982	\$29,851	\$30,747	\$31,669	\$32,619	\$33,598	\$34,606	\$35,644
Subtotal				\$730,619	\$833,371	\$858,372	\$884,123	\$910,646	\$937,966	\$966,105	\$995,088	\$1,024,941	\$1,055,689
non-personnel cost/SF				\$5.35	\$6.11	\$6.29	\$6.48	\$6.67	\$6.87	\$7.08	\$7.29	\$7.51	\$7.73
Unsubordinated Fees													
Management Fee	\$154,000	103%	100%	\$168,280	\$173,328	\$178,528	\$183,884	\$189.401	\$195,083	\$200.935	\$206,963	\$213,172	\$219,567
Wanagement 1 cc	ψ10-1,000	10070	10070	ψ100,200	ψ170,020	ψ170,020	ψ100,004	ψ105,401	ψ135,005	Ψ200,300	Ψ200,300	Ψ210,172	Ψ213,307
TOTAL EXPENSES				\$1,643,534	\$1,773,673	\$1,826,883	\$1,881,690	\$1,938,140	\$1,996,284	\$2,056,173	\$2,117,858	\$2,181,394	\$2,246,836
NET OPERATING INCOME				. , ,	. , ,					. , ,	. , ,	. , ,	. , ,
NET OF ENATING INCOME				\$3,071,136	\$3,331,563	\$3,542,522	\$3,757,283	\$3,793,190	\$4,015,402	\$4,028,093	\$4,042,472	\$4,058,656	\$4,076,765
DEBT SERVICE													
Debt Service				\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529	\$3,388,529
Debt Coverage				0.91	0.98	1.05	1.11	1.12	1.18	1.19	1.19	1.20	1.20
				0.91	0.90	1.03	1.11	1.12	1.10	1.19	1.19	1.20	1.20
CASHFLOW AFTER DEBT SE	ERVICE												
				(\$317,393)	(\$56,966)	\$153,993	\$368,754	\$404,661	\$626,872	\$639,564	\$653,943	\$670,126	\$688,236
SUBORDINATED EXPENSES													
	\$51,333	103%	1000/	\$56,093	¢57.776	\$59,509	\$61,295	¢c2 424	\$65,028	\$66.978	\$68,988	Ф74 OF7	\$73,189
Management Fee	φ51,333	103%	100%	\$56,093	\$57,776	\$59,509	\$61,295	\$63,134	\$65,028	\$00,978	\$66,966	\$71,057	\$73,169
RESERVE FUND													
Beginning Balance				\$0	\$0	\$150,000	\$301,500	\$454,515	\$109,060	\$260,151	\$412,752	\$566,880	\$722,549
Annual Contribution	\$150,000	100%	100%	\$0	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Additional Contribution				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Balance	1%			\$0	\$0	\$1,500	\$3,015	\$4,545	\$1,091	\$2,602	\$4,128	\$5,669	\$7,225
Reserve Need				\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$1,000,000
End Balance				\$0	\$150,000	\$301,500	\$454,515	\$109,060	\$260,151	\$412,752	\$566,880	\$722,549	(\$120,226)
D.1. 4110=													
BALANCE				(0070 107)	(0001 717)	(0===+=)	0455 455	0404.50	044101	0.400.707	0.46.4.07	0.440.000	0.467.0.4
				(\$373,487)	(\$264,742)	(\$55,516)	\$157,459	\$191,527	\$411,845	\$422,585	\$434,955	\$449,069	\$465,047

- Replacement Value Approach
- Endowment Approach
- Seed Money Plus Surplus Approach
- Fixed Sum Per Year Approach
- Fixed Sum Per Year Plus Lump Payment Approach



Replacement Value Approach

• Ballpark estimate for initial planning or reference

	\$10,052,780	Assessment					
	\$8,506,689	Construction	Cost				
	\$9,279,734	Average for R	eplace	ement Value			
	Annual Contribution	5 Years	%	10 Years	%	15 Years	%
1.0%	\$92,797	\$463,987	5%	\$927,973	10%	\$1,391,960	15%
1.5%	\$139,196	\$695,980	8%	\$1,391,960	15%	\$2,087,940	23%
2.0%	\$185,595	\$927,973	10%	\$1,855,947	20%	\$2,783,920	30%
2.5%	\$231,993	\$1,159,967	13%	\$2,319,934	25%	\$3,479,900	38%
3.0%	\$278,392	\$1,391,960	15%	\$2,783,920	30%	\$4,175,880	45%
3.5%	\$324,791	\$1,623,954	18%	\$3,247,907	35%	\$4,871,861	53%
4.0%	\$371,189	\$1,855,947	20%	\$3,711,894	40%	\$5,567,841	60%



Endowment Approach

- Start with seed money, and use revenue generated from interest rates/growth rates as available cash
- Only feasible if interest rates are reasonably high

RESERVE FUND										
Beginning Balance	\$1,000,000	\$1,080,000	\$1,166,400	\$1,259,712	\$1,360,489	\$969,328	\$1,046,874	\$1,130,624	\$1,221,074	\$1,318,760
Annual Contribution	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Contribution	\$0	\$0	\$0	0.0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Balance	\$80,000	\$86,400	\$93,312	\$100,777	\$108,839	\$77,546	\$83,750	\$90,450	\$97,686	\$105,501
Reserve Need	\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$1,000,000
End Balance	\$1,080,000	\$1,166,400	\$1,259,712	\$1,360,489	\$969.328	\$1,046,874	\$1,130,624	\$1,221,074	\$1,318,760	\$424,261



Seed Money Plus Surplus Approach

- Gather all budget surplus into reserve
- Able to plan for changes in enrollment, housing, demographics, fee caps, etc.
- High debt coverage ratio will generate high surplus

RESERVE FUND										
Beginning Balance	\$0	\$0	\$0	\$94 484	\$402 887	\$248 444	\$812 773	\$1 393 486	\$1 992 377	\$2 611 369
Annual Contribution	\$3	\$0	\$94,484	\$307,459	\$341,527	\$561,845	\$572,585	\$584,955	\$599,069	\$615,047
Additional Contribution	\$0	\$ U	\$∪	\$ ∪	\$ ∪	\$ ∪	\$∪	\$ U	\$ U	\$ ∪
Interest on Balance	\$0	\$0	\$0	\$945	φ4,029	\$2,484	\$8,128	\$13,935	\$19,924	ф 26,114
Reserve Need	\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$6	\$1,000,000
End Balance	\$0	\$0	\$94,484	\$402,887	\$240,444	\$812,773	\$1,393,486	\$1,992,377	\$2,611,369	\$2,252,530



Fixed Sum Per Year Approach

- Protect a fixed amount per year, perhaps inflated
- Simplifies annual requests if needed

RESERVE FUND										
Beginning Balance	\$0	\$0	\$150.000	\$301.500	\$454.515	\$109.060	\$260.151	\$412.752	\$566.880	\$722.549
Annual Contribution	\$0	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Additional Contribution	\$0	\$ 0	\$ 0	\$ 0	\$ 0	\$0	\$ 0	\$ 0	\$ 0	\$0
Interest on Balance	\$0	\$0	\$1,500	\$3,015	ŷ4,545	\$1,091	\$2,602	\$4,128	\$5,669	\$1,225
Reserve Need	\$0	\$0	\$0	\$Q	\$500,000	\$0	\$0	\$0	\$6	\$1,000,000
End Balance	\$0	\$150,000	\$301,500	\$454,515	\$109,060	\$260,151	\$412,752	\$566,880	\$722,549	(\$120,226)



Fixed Sum Per Year Plus Lump Payment Approach

- Allow for a lower fixed fee per year
- Rely on timing and messaging of capital campaigns

RESERVE FUND										
Beginning Balance	\$0	\$0	\$100 000	\$201,000	\$303 010	\$6,040	\$106 101	\$207 162	\$309 233	\$412 325
Annual Contribution	\$0	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Additional Contribution	\$0	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0	\$0	\$500,000
Interest on Balance	\$0	\$0	\$1,000	\$2,010	7550	\$60	\$1,061	\$2,072	\$3,092	\$4.123
Reserve Need	\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$1,000,000
End Balance	\$0	\$100,000	\$201,000	\$303,010	\$6,048	\$106,101	\$207,162	\$309,233	\$412,325	\$16,449



Approach	When	Impact
Replacement Value	quick planning test	time expenses with age
Endowment	upfront is available	time expenses with market performance
Seed Money Plus	high debt coverage	time expenses with
Surplus	ratio	growth patterns
Fixed Sum Per Year	systemic approval	parse expenses into
	system	even bites
Fixed Sum Per Year	capital/bond campaign	bundle expenses into
Plus Lump Payment	system	key years



After the Doors Open

- Acknowledge the business plan as a dynamic tool that needs regular updating
- Monitor the assumptions that change with time
 - Enrollment, demographics, inflation
- Regularly report on performance as validation of the long term story (the more people stay aware of the history of the fund, the better you will be able to protect it)
- Assess if the chosen approach is still the best fit; be open to changing the approach



Take-Away

Ask Questions

- Where are reserves shown on this pro forma?
- How were the amounts determined?
- Why was that approach used to contribute funds?
- Which are the critical years for potential peaks in reserve need?



Take-Away

Leverage the Planning Phase

You will be developing the following anyway!

- Appraisal
- Warranty list
- Building material and equipment unit costs
- Assessment of existing FF&E
- > FF&E procurement list and unit costs
- Risk management strategy for successful operations



Q&A





Thank you!

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