



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

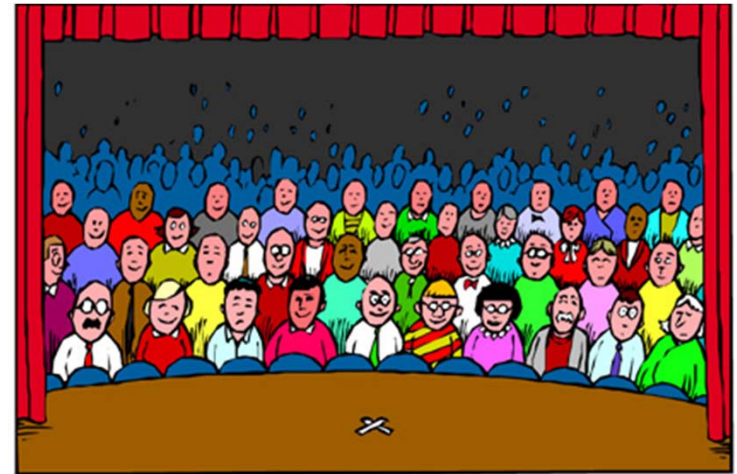


Ann Drummie

- 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.



NINE MONTHS OLD AND I STILL HAVEN'T
SAVED A CENT FOR MY RETIREMENT.
WELL, IT'S TOO LATE TO START NOW!



© Randy Glasbergen. www.glasbergen.com randy@glasbergen.com

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 Student Revenue				\$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				\$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
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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
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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

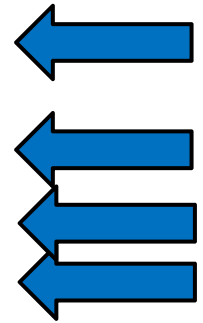


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Determining Impact “Above the Line”

- 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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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.



BRAILSFORD & DUNLAVEY

Inflation Rate 3.00%

Component	Quantity	Unit Type	Unit Cost	2010 Unit-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

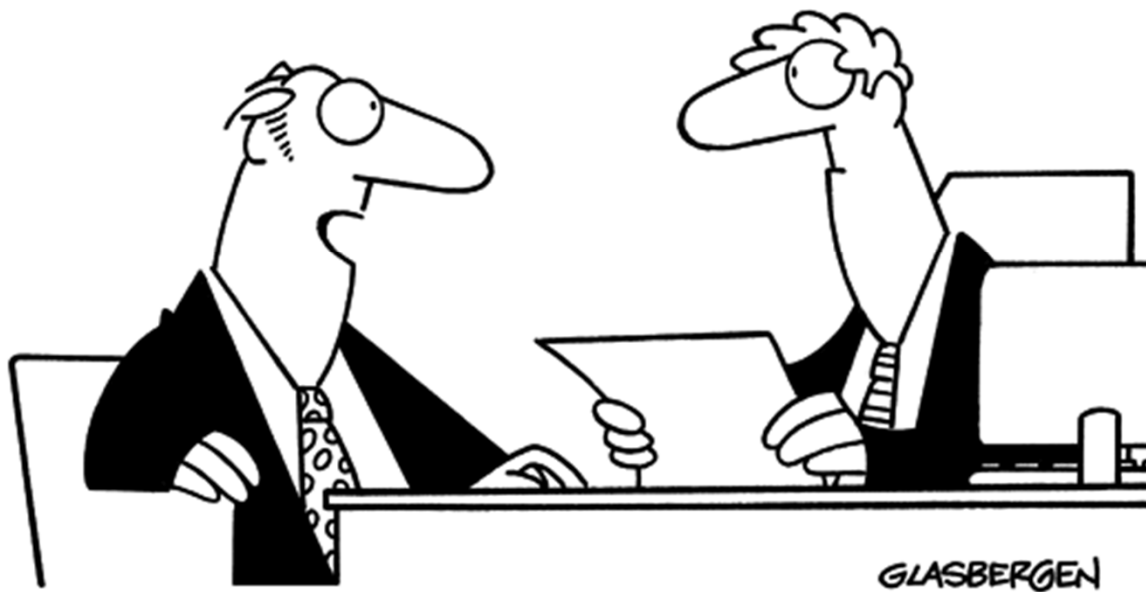
* Useful life will vary by facility for quality and utilization rate, and unit costs will vary for quality, size of order, and local labor rates.

Inflation Rate 3.00%

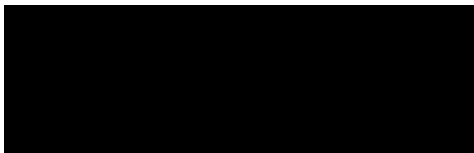
Component	Quantity	Unit Type	Unit Cost	2010 Unit-based Value	2010 Value	Years Out	0 FY11	1 FY12	2 FY13	3 FY14	4 FY15	5 FY16	6 FY17	7 FY18	8 FY19	9 FY20	10 FY21	11 FY22	12 FY23	13 FY24	14 FY25	15 FY26	
Replace roof	11,000	gsf	\$25.00	\$275,000	\$275,000	15																\$428,000	
Swap out RTUs	65	nominal tons	\$2,355.00	\$200,575	\$200,000	25																	\$341,000
Replace windows and frames	62	count	\$2,500.00	\$155,000	\$155,000	15																	\$199,000
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	gsf	\$23.00	\$38,037	\$38,000	10											\$51,000						
Replace carpeting	1,654	gsf	\$23.00	\$38,037	\$38,000	15																	\$59,000
Replace carpeting	1,654	gsf	\$23.00	\$38,037	\$38,000	20																	
Replace carpeting	1,654	gsf	\$23.00	\$38,037	\$38,000	25																	
Replace carpeting	1,654	gsf	\$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	window #	\$125.00	\$7,750	\$8,000	10											\$11,000						
Replace window blinds	62	window #	\$125.00	\$7,750	\$8,000	15																	\$12,000
Replace window blinds	62	window #	\$125.00	\$7,750	\$8,000	20																	
Replace window blinds	62	window #	\$125.00	\$7,750	\$8,000	25																	
Replace window blinds	62	window #	\$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	gsf	\$4.35	\$122,299	\$122,000	10											\$164,000						
Replace resilient tile flooring	28,115	gsf	\$4.35	\$122,299	\$122,000	15																	\$190,000
Replace resilient tile flooring	28,115	gsf	\$4.35	\$122,299	\$122,000	20																	
Replace resilient tile flooring	28,115	gsf	\$4.35	\$122,299	\$122,000	25																	
Replace resilient tile flooring	28,115	gsf	\$4.35	\$122,299	\$122,000	30																	
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	5																	
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	10																	
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	15																	
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	20																	
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	25																	
Replace ceramic tile	662	gsf	\$9.00	\$5,954	\$6,000	30																	
Replace toilet partitions	13	restrooms	\$1,500.00	\$19,500	\$20,000	5						\$23,000											
Replace toilet partitions	13	restrooms	\$1,500.00	\$19,500	\$20,000	10											\$27,000						
Replace toilet partitions	13	restrooms	\$1,500.00	\$19,500	\$20,000	15																	\$31,000
Replace toilet partitions	13	restrooms	\$1,500.00	\$19,500	\$20,000	20																	
Replace toilet partitions	13	restrooms	\$1,500.00	\$19,500	\$20,000	25																	
Replace toilet partitions	13	restrooms	\$1,500.00	\$19,500	\$20,000	30																	
Replace sinks and counters	13	restrooms	\$3,500.00	\$45,500	\$46,000	10											\$62,000						
Replace sinks and counters	13	restrooms	\$3,500.00	\$45,500	\$46,000	20																	
Facade cleaning and painting	1	lump sum	\$20,000.00	\$20,000	\$20,000	5						\$23,000											
Facade cleaning and painting	1	lump sum	\$25,000.00	\$25,000	\$25,000	10											\$34,000						
Facade cleaning and painting	1	lump sum	\$20,000.00	\$20,000	\$20,000	15																	\$31,000
Facade cleaning and painting	1	lump sum	\$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	lump sum	\$5,000.00	\$5,000	\$5,000	10											\$7,000						
Replace electric door operators	1	lump sum	\$5,000.00	\$5,000	\$5,000	15																	\$8,000
Replace electric door operators	1	lump sum	\$5,000.00	\$5,000	\$5,000	20																	
Replace electric door operators	1	lump sum	\$5,000.00	\$5,000	\$5,000	25																	
Replace electric door operators	1	lump sum	\$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	gsf	\$0.10	\$3,308	\$3,000	10											\$4,000						
Replace fire extinguishers	33,076	gsf	\$0.10	\$3,308	\$3,000	15																	\$5,000
Replace fire extinguishers	33,076	gsf	\$0.10	\$3,308	\$3,000	20																	
Replace fire extinguishers	33,076	gsf	\$0.10	\$3,308	\$3,000	25																	
Replace fire extinguishers	33,076	gsf	\$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	gsf	\$12.00	\$12,000	\$12,000	11											\$17,000						
Replace playground surface	1,000	gsf	\$12.00	\$12,000	\$12,000	21																	
Subtotal NPV					\$2,223,000		\$0	\$12,000	\$0	\$0	\$0	\$249,000	\$0	\$0	\$0	\$0	\$360,000	\$117,000	\$0	\$0	\$0	\$0	\$1,204,000
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!”**

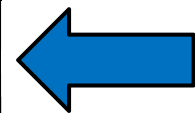


Recreation Center

Cash Flow Summary

Scenario: Baseline

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 Student Revenue				\$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				\$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													
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	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	\$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	\$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
<i>non-personnel cost/SF</i>				<i>\$5.35</i>	<i>\$6.11</i>	<i>\$6.29</i>	<i>\$6.48</i>	<i>\$6.67</i>	<i>\$6.87</i>	<i>\$7.08</i>	<i>\$7.29</i>	<i>\$7.51</i>	<i>\$7.73</i>
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
NET OPERATING 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
CASHFLOW AFTER DEBT SERVICE													
				(\$317,393)	(\$56,966)	\$153,993	\$368,754	\$404,661	\$626,872	\$639,564	\$653,943	\$670,126	\$688,236
SUBORDINATED EXPENSES													
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	\$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)
BALANCE													
				(\$373,487)	(\$264,742)	(\$55,516)	\$157,459	\$191,527	\$411,845	\$422,585	\$434,955	\$449,069	\$465,047



Generating Reserve Levels

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



Generating Reserve Levels

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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Contribution	\$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



Generating Reserve Levels

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	\$0	\$0	\$94,484	\$307,459	\$341,527	\$561,845	\$572,585	\$584,955	\$599,069	\$615,047
Additional Contribution	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Balance	\$0	\$0	\$0	\$945	\$4,029	\$2,484	\$8,128	\$13,935	\$19,924	\$26,114
Reserve Need	\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	\$0	\$0	\$1,000,000
End Balance	\$0	\$0	\$94,484	\$402,887	\$248,444	\$812,773	\$1,393,486	\$1,992,377	\$2,611,369	\$2,252,530



Generating Reserve Levels

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	\$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)



Generating Reserve Levels

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	\$3,030	\$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	\$6,040	\$106,101	\$207,162	\$309,233	\$412,325	\$16,449



Generating Reserve Levels

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

Ann Drummie

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