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TO: Rick Howard, Town of Discovery Bay Community Services District
FROM: Tom Gaffney and Alison Lechowicz, Bartle Wells Associates
DATE: October 22, 2013
SUBJECT: Community Center Cash Flow Analysis

DRAFT MEMORANDUM

Provided below is a cash flow analysis of the Town of Discovery Bay Community Services District's (District) Community Center. The Community Center is currently operated on a limited basis and the District is evaluating options for expanding operations to better serve the residents.

The following sections describe the revenues, expenses, and financial planning assumptions used in the analysis. This memorandum includes only operating revenues and expenses. BWA understands that the Community Center may have capital outlays in the future and is expecting some grants and capital reimbursements. BWA did not include these capital expenses and revenues in the cash flow projection.

Revenues

The major funding source for the Community Center is the Landscape and Lighting Zone #8 tax assessments which collect about \$460,000 annually. Budgeted for FY2014/15, the Community Center will increase occupancy and programming resulting in increased revenues and less reliance on the tax assessments as a source of funding. New and expanded revenue sources include food sales, facility rental fees, and programming. The District expects increased occupancy with Water and Wastewater staff offices and District Board meetings being hosted at the Community Center in the foreseeable future.

Programming

In calendar year 2014, the District anticipates offering a number of classes, sports, and fitness programs including Zumba, ballroom dancing, yoga, art classes, soccer, tennis, and continued public access to the swimming pool.

The FY2013/14 budget assumed a 5-month operating period spanning from January 1, 2014 to June 30, 2014 (winter/spring period). The District estimates program revenues ranging from \$8,400 to \$19,500 for this period based on low and high participation, respectively.

For FY2014/15 and beyond, the District will offer programming on an annual basis consisting of three 4-month periods (fall, spring, and summer). BWA scaled the District's 5-month programming estimate to a 4-month period. BWA estimates that each period will generate between \$6,400 and \$14,600 in revenues. Assuming moderate (average) participation for each of the three annual periods, the District is estimated to collect \$31,400 in FY2014/15. Beyond FY2014/15, BWA estimates programming revenues to increase by 5% per year as the District promotes and advertises the Community Center.

Rentals and Goods Sold

The District estimates revenues of \$4,200 in FY2014/15 from facilities and grounds rentals and goods sold (concessions). BWA estimates that these revenues will increase in the coming years as the Community Center expands operating capacity and increases advertising.

Reimbursements

One other potential revenue source for the Community Center is reimbursements for office space for Water and Wastewater staff and for the hosting of Board of Directors' meetings. BWA estimates a reimbursement of \$50 per meeting and 24 meetings per year. BWA estimates the Water and Wastewater office space reimbursement at \$250 per month based on about 165 square feet of office space rented at a cost of \$1.50 per square foot. The Community Center is also anticipated to collect a utilities reimbursement of \$100 per month. In total, BWA estimates reimbursement revenues of \$5,400 annually.

Expenses

For FY2014/15, the District estimates operating expenses of \$254,200 for the Community Center reflecting a full year of expenses. Staff salaries and benefit costs are \$142,000 or about 56% of the Community Center budget. Other expenses include repairs, maintenance, facilities upkeep, utilities, and other costs.

Staffing

The FY2014/15 staffing cost of \$142,000 (full time staff, part time staff, and benefits) includes a new employee and extended hours to fully operate the Community Center.

Repairs, Maintenance, and Facilities

BWA understands that the District has recently conducted a minimal level of capital improvements and that the Community Center is in generally good condition. In the future, major maintenance issues will be conducted as capital outlays. BWA projected facility upkeep costs to remain relatively stable over the next five years assuming the existing building continues to remain in use.

Utilities

The utility expense reflects water, power, and garbage service to the Community Center. These expenses are expected to increase by 4% reflecting approved water rate increases and assumed inflationary increases for power and garbage service.

Training

BWA projects increases of 10% in training costs for the first two years of the cash flow projection. This increase reflects recruiting, training, and retention of volunteers under the expanded operating capacity of the Community Center. Volunteers are a less stable workforce with high turnover rates that can result in high training costs.

Cash Flow Projection

The Landscape and Lighting Zone #8 budget is shown in Table 1A and the projected revenues and expenses of the Community Center are summarized in Table 1B. BWA expects the Community Center to operate at a deficit of over \$199,000 per year which will be funded by the Landscape and Lighting Zone 8 tax assessments. At this level of unconstrained funding for the Community Center, the Zone 8 ending fund balance will become negative in FY2016/17.

Tables 2A and 2B show a constrained budget option with lower operating costs for the Community Center. Under the constrained option, the Community Center deficit is projected at over \$160,000 per year. As Table 2A shows, the constrained budget option can be absorbed by the net revenues of Zone 8.

Table 1A
Unconstrained 5-Year Zone 8 Cash Flow
Town of Discovery Bay Community Services District

	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19
Estimated Starting Fund Balance	\$421,600	\$283,600	\$129,600	(\$39,200)	(\$220,800)
Revenues					
Community Center Revenue	48,000	51,400	53,100	54,800	56,600
Zone 8 Revenue	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Total Revenues	508,000	511,400	513,100	514,800	516,600
Expenses					
Community Center O&M Budget	247,400	254,800	259,000	260,800	262,700
Zone 8 O&M Budget	<u>398,600</u>	<u>410,600</u>	<u>422,900</u>	<u>435,600</u>	<u>448,700</u>
Total Expenses	646,000	665,400	681,900	696,400	711,400
Estimated Ending Fund Balance	\$283,600	\$129,600	(\$39,200)	(\$220,800)	(\$415,600)

Table 1B
Unconstrained 5-Year Community Center Cash Flow
Town of Discovery Bay Community Services District

	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19
Operating Revenues					
Programming (classes)	\$31,400	\$33,000	\$34,700	\$36,400	\$38,200
Facilities Rentals	1,500	2,500	2,500	2,500	2,500
Grounds Rentals	1,500	2,000	2,000	2,000	2,000
Goods Sold	1,200	1,500	1,500	1,500	1,500
Swimming Pool Fees	7,000	7,000	7,000	7,000	7,000
Board of Directors Reimbursement	1,200	1,200	1,200	1,200	1,200
Water and Sewer Reimbursement	3,000	3,000	3,000	3,000	3,000
Utility Reimbursement	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total Operating Revenues	48,000	51,400	53,100	54,800	56,600
Zone 8 Operating Fund	61,400	49,400	37,100	24,400	11,300
Zone 8 Reserves	138,000	154,000	168,800	181,600	194,800
Operating Expenses					
Full Time Staff Salaries	99,300	102,300	102,300	102,300	102,300
Part Time Staff Salaries	27,700	28,500	28,500	28,500	28,500
Benefits	15,000	15,500	15,500	15,500	15,500
Professional Services	4,200	4,200	4,200	4,200	4,200
Repairs and Maintenance	10,000	10,000	10,000	10,000	10,000
Facilities Expense	12,000	12,000	12,000	12,000	12,000
Utilities	32,500	33,800	35,500	37,300	39,200
Swimming Pool Chemicals	6,000	6,000	6,000	6,000	6,000
Training, communication, advertising	17,700	19,500	22,000	22,000	22,000
Intergovernmental Charges (Tax)	12,000	12,000	12,000	12,000	12,000
Other and misc.	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Total Operating Expenses	247,400	254,800	259,000	260,800	262,700
Surplus or Deficit	\$0	\$0	\$0	\$0	\$0

**Table 2A
Constrained 5-Year Zone 8 Cash Flow
Town of Discovery Bay Community Services District**

	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19
Estimated Starting Fund Balance	\$421,600	\$475,200	\$518,600	\$551,900	\$577,300
Revenues					
Community Center Revenue	48,000	51,400	53,100	54,800	56,600
Zone 8 Revenue	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Total Revenues	508,000	511,400	513,100	514,800	516,600
Expenses					
Community Center O&M Budget	208,800	215,000	219,200	221,000	222,900
Zone 8 O&M Budget	<u>245,600</u>	<u>253,000</u>	<u>260,600</u>	<u>268,400</u>	<u>276,500</u>
Total Expenses	454,400	468,000	479,800	489,400	499,400
Estimated Ending Fund Balance	\$475,200	\$518,600	\$551,900	\$577,300	\$594,500

**Table 2B
Constrained 5-Year Community Center Cash Flow
Town of Discovery Bay Community Services District**

	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19
Operating Revenues					
Programming (classes)	\$31,400	\$33,000	\$34,700	\$36,400	\$38,200
Facilities Rentals	1,500	2,500	2,500	2,500	2,500
Grounds Rentals	1,500	2,000	2,000	2,000	2,000
Goods Sold	1,200	1,500	1,500	1,500	1,500
Swimming Pool Fees	7,000	7,000	7,000	7,000	7,000
Board of Directors Reimbursement	1,200	1,200	1,200	1,200	1,200
Water and Sewer Reimbursement	3,000	3,000	3,000	3,000	3,000
Utility Reimbursement	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total Operating Revenues	48,000	51,400	53,100	54,800	56,600
Zone 8 Operating Fund	160,800	163,600	166,100	166,200	166,300
Zone 8 Reserves	0	0	0	0	0
Operating Expenses					
Full Time Staff Salaries	65,700	67,700	67,700	67,700	67,700
Part Time Staff Salaries	27,700	28,500	28,500	28,500	28,500
Benefits	10,000	10,300	10,300	10,300	10,300
Professional Services	4,200	4,200	4,200	4,200	4,200
Repairs and Maintenance	10,000	10,000	10,000	10,000	10,000
Facilities Expense	12,000	12,000	12,000	12,000	12,000
Utilities	32,500	33,800	35,500	37,300	39,200
Swimming Pool Chemicals	6,000	6,000	6,000	6,000	6,000
Training, communication, advertising	17,700	19,500	22,000	22,000	22,000
Intergovernmental Charges (Tax)	12,000	12,000	12,000	12,000	12,000
Other and misc.	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Total Operating Expenses	208,800	215,000	219,200	221,000	222,900
Surplus or Deficit	\$0	\$0	\$0	\$0	\$0

**Table 3A
Constrained 5-Year Zone 8 Cash Flow with Full Staffing
Town of Discovery Bay Community Services District**

	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19
Estimated Starting Fund Balance	\$421,600	\$436,600	\$441,000	\$435,300	\$421,700
Revenues					
Community Center Revenue	48,000	51,400	53,100	54,800	56,600
Zone 8 Revenue	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Total Revenues	508,000	511,400	513,100	514,800	516,600
Expenses					
Community Center O&M Budget	247,400	254,000	258,200	260,000	261,900
Zone 8 O&M Budget	<u>245,600</u>	<u>253,000</u>	<u>260,600</u>	<u>268,400</u>	<u>276,500</u>
Total Expenses	493,000	507,000	518,800	528,400	538,400
Estimated Ending Fund Balance	\$436,600	\$441,000	\$435,300	\$421,700	\$399,900

**Table 3B
Constrained 5-Year Community Center Cash Flow with Full Staffing
Town of Discovery Bay Community Services District**

	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2018/19
Operating Revenues					
Programming (classes)	\$31,400	\$33,000	\$34,700	\$36,400	\$38,200
Facilities Rentals	1,500	2,500	2,500	2,500	2,500
Grounds Rentals	1,500	2,000	2,000	2,000	2,000
Goods Sold	1,200	1,500	1,500	1,500	1,500
Swimming Pool Fees	7,000	7,000	7,000	7,000	7,000
Board of Directors Reimbursement	1,200	1,200	1,200	1,200	1,200
Water and Sewer Reimbursement	3,000	3,000	3,000	3,000	3,000
Utility Reimbursement	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total Operating Revenues	48,000	51,400	53,100	54,800	56,600
Zone 8 Operating Fund	199,400	202,600	199,400	191,600	183,500
Zone 8 Reserves	0	0	5,700	13,600	21,800
Operating Expenses					
Full Time Staff Salaries	99,300	102,300	102,300	102,300	102,300
Part Time Staff Salaries	27,700	27,700	27,700	27,700	27,700
Benefits	15,000	15,500	15,500	15,500	15,500
Professional Services	4,200	4,200	4,200	4,200	4,200
Repairs and Maintenance	10,000	10,000	10,000	10,000	10,000
Facilities Expense	12,000	12,000	12,000	12,000	12,000
Utilities	32,500	33,800	35,500	37,300	39,200
Swimming Pool Chemicals	6,000	6,000	6,000	6,000	6,000
Training, communication, advertising	17,700	19,500	22,000	22,000	22,000
Intergovernmental Charges (Tax)	12,000	12,000	12,000	12,000	12,000
Other and misc.	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Total Operating Expenses	247,400	254,000	258,200	260,000	261,900
Surplus or Deficit	\$0	\$0	\$0	\$0	\$0