



## FRANKLIN AQUATIC CENTER

### Design Option #5 Financial Projections Update April 5, 2017

Following is a quick review of the financial operating update for Design Option #5, the aquatic center only option.

#### **DEBT SERVICE & TAX REVENUE**

The projected cost of the Aquatic Center alone is \$12.6M. For practical purposes and to build in a little project buffer we used a debt of \$13.0M. Debt service on \$13.0M is still calculated at 4% over 20 years generating an annual debt service payment of \$945,330.

The tax revenue remained at \$1,170,000 per year, including the City Restaurant Tax and the City Tourism/Hotel tax.

#### **OPERATING EXPENSES**

All operating expenses were updated based on the smaller spaces and reduced staffing needs. For clarity in understanding total staff costs, we created separate subtotals for staff as follows:

- Staff: Salaries and Wages
- Staff: Benefits, Taxes, Travel, Development, Consultants, and other staff expenses

Hopefully, this helps clarify the confusion of actual salaries and wages.

The total Salaries and Wages in Year One is now \$394,570.

The equipment and office expenses also decreased accordingly, including the estimated insurance costs.

#### **REVENUE**

The revenue also decreased significantly, based on the elimination of all dry side fitness and gym space. Here are major revenue decreases:

##### Membership:

- Eliminated the full facility membership. Now only an aquatic center membership went up.
- The overall membership numbers have decreased, but we believe that a large number of the full facility memberships will not just be Aquatic Center memberships
- Cost of the Aquatic Center memberships remained the same

- With the elimination of an overall Aquatic and Recreation Center membership, we also believe that the daily use drop-ins will increase, which is reflected in the projections.
- Slight decrease in market penetration projections to be a little more on the conservative side, but still believe these numbers are very doable
  - Total households in Simpson County with children under the age of 18
    - Decreased projection of family membership penetration from 17% to 14.3% of all Simpson County households with children under age of 18
    - Of all family memberships, the projections now reflect that 59% of these memberships are summer only, up from 41% which reflects a strong summer demand for the aquatic center.
  - Total Households in Simpson County
    - Decreased projection of overall household penetration rate from 12.5% to 11% of households having some type of membership
  - Total residents of Simpson County
    - Decreased overall membership penetration from 12% of total residents to 9.5% of residents
  - NOTE: It is critical to note that this does not reflect that this is the percentage of households and residents that will use the facility. Many more will use the facilities throughout the year on a drop-in basis or as part of programs offered at the Aquatic Center.
- Drop in Use
  - We are projecting an increase in daily drop-in use based on slightly more conservative membership projections
- Summary of Membership and Daily Use Revenue in Year Two

	<u>Original Aquatic &amp; Rec Center (#3)</u>	<u>Aquatic Center Only (#5)</u>
Membership	\$492,500	\$195,700
Daily Use	\$ 33,500	\$ 32,300
TOTAL	\$526,000	\$228,000

Facility Revenue

Other facility revenue decreased based on the following:

- Elimination of Gym and lost revenue
- Decrease in daily drop in revenue from elimination of indoor walking track
- Elimination of facility and function space rental in the community center

Program Revenue

- Eliminated dry side revenue from sport programs, dry land fitness, personal training, and multi-sport and general youth camps
  - Retained some summer youth camp activity center around the pool and outdoor spaces
- Slightly reduced the learn to swim revenue
  - Fewer activities for parents during lessons
  - Reduced the growth rate in Year Two and Year Three of the program by 5 percentage points
  - Slightly more conservative penetration

- Reduced market penetration in Year One to 13% from 14% of all Simpson county children ages 1-10 years old
- Year Two Swim Lesson revenue decreased from \$237,000 to \$193,000
- No significant changes in other aquatic based programs

**YEAR ONE ALLOCATION OF TAX REVENUE**

Based on the lower project cost and Year Zero expenses, we slightly modified the Year Zero allocation of tax revenue. This is just a suggestion that we believe may better serve the community and support other efforts of the Tourism and Convention Commission while still providing the save cash reserve for the long term support of the Aquatic Center.

<u>Year One Allocation</u>	<u>Original Option #3</u>	<u>Option #5 update</u>
Facility Case Reserve	80%	70%
Tourism Commission	10%	20%
Other Recreation Projects	10%	10%

The tax allocations for Year One and beyond continue to be split 50/50 between the Facility Cash Reserve and the Tourism and Convention Commission.

Based on this updated analysis the balances for each fund at the end of Year Five are as follows:

Facility Cash Reserve	\$1,052,000
Tourism and Convention Commission	\$ 296,275

**SUMMARY**

The financial projections on an Aquatic Center (Option #5) show a break even by Year Three and small net revenue from Year Four on.

Following is the Aquatic Center Profit and Loss Summary:

**FRANKLIN AQUATIC CENTER**  
**Financial Profit & Loss Summary**  
**Option #5: Aquatic Center**

Option #5: Aquatic Center

April 5, 2017

<b>EXPENSES</b>	<b>Year Zero</b>	<b>Year One</b>	<b>Year Two</b>	<b>Year Three</b>	<b>Year Four</b>	<b>Year Five</b>
<b>OPERATIONAL EXPENSES</b>	<b>\$ 97,350</b>	<b>\$ 732,256</b>	<b>\$ 759,465</b>	<b>\$ 797,677</b>	<b>\$ 826,387</b>	<b>\$ 863,555</b>
Utilities	\$ -	\$ 140,500	\$ 144,715	\$ 149,056	\$ 153,528	\$ 158,134
Maintenance	\$ -	\$ 45,700	\$ 53,720	\$ 61,880	\$ 64,581	\$ 74,750
Equipment and Supplies	\$ -	\$ 11,500	\$ 11,960	\$ 12,438	\$ 12,936	\$ 13,453
Staff: Salaries and Wages	\$ 53,000	\$ 394,570	\$ 414,553	\$ 435,135	\$ 452,540	\$ 470,642
Staff: Benefits, Travel, Development, Consultants	\$ 39,450	\$ 91,236	\$ 85,475	\$ 89,824	\$ 93,147	\$ 96,603
General Office	\$ 4,900	\$ 38,750	\$ 39,043	\$ 39,344	\$ 39,654	\$ 39,974
Miscellaneous	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
<b>PROGRAM EXPENSES</b>	<b>\$ 5,090</b>	<b>\$ 78,857</b>	<b>\$ 93,502</b>	<b>\$ 115,112</b>	<b>\$ 122,505</b>	<b>\$ 128,573</b>
Community and Educational Programs	\$ -	\$ 4,070	\$ 4,606	\$ 4,934	\$ 5,156	\$ 5,388
Fitness and Therapy	\$ -	\$ 9,282	\$ 10,674	\$ 11,528	\$ 12,105	\$ 12,710
Learn to Swim	\$ 4,000	\$ 43,787	\$ 53,859	\$ 72,467	\$ 77,640	\$ 81,347
Camps and Clinics	\$ -	\$ 1,200	\$ 1,380	\$ 1,490	\$ 1,565	\$ 1,643
Sport & Team Programs	\$ 1,090	\$ 20,517	\$ 22,982	\$ 24,693	\$ 26,040	\$ 27,484
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEBT SERVICE</b>	<b>\$ -</b>	<b>\$ 945,330</b>	<b>\$ 945,330</b>	<b>\$ 945,330</b>	<b>\$ 945,330</b>	<b>\$ 945,330</b>
<b>PROPERTY TAXES (not applicable)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL EXPENSES</b>	<b>\$ 102,440</b>	<b>\$ 1,756,442</b>	<b>\$ 1,798,297</b>	<b>\$ 1,858,119</b>	<b>\$ 1,894,222</b>	<b>\$ 1,937,458</b>

<b>REVENUE</b>	<b>Year Zero</b>	<b>Year One</b>	<b>Year Two</b>	<b>Year Three</b>	<b>Year Four</b>	<b>Year Five</b>
<b>FACILITY REVENUE</b>	<b>\$ -</b>	<b>\$ 296,794</b>	<b>\$ 335,506</b>	<b>\$ 356,474</b>	<b>\$ 372,827</b>	<b>\$ 389,984</b>
Camps and Clinics	\$ -	\$ 9,500	\$ 10,925	\$ 11,799	\$ 12,389	\$ 13,008
Club and Training Rental	\$ -	\$ 23,640	\$ 24,072	\$ 24,526	\$ 25,002	\$ 25,502
Events	\$ -	\$ 36,080	\$ 47,175	\$ 54,195	\$ 56,335	\$ 58,567
Therapy, Rehab, Health	\$ -	\$ 12,000	\$ 12,600	\$ 13,230	\$ 13,892	\$ 14,586
Sales	\$ -	\$ 9,000	\$ 9,750	\$ 10,341	\$ 10,858	\$ 11,401
Memberships and Daily Use	\$ -	\$ 203,574	\$ 227,984	\$ 239,383	\$ 251,352	\$ 263,920
Convention Center Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Facility Sponsorships/Advertising/Contributions	\$ -	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
School District or Park and Rec Usage Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>PROGRAM REVENUE</b>	<b>\$ -</b>	<b>\$ 190,050</b>	<b>\$ 229,093</b>	<b>\$ 287,857</b>	<b>\$ 306,830</b>	<b>\$ 321,922</b>
Community and Educational Programs	\$ -	\$ 10,000	\$ 11,500	\$ 12,420	\$ 13,041	\$ 13,693
Fitness and Therapy	\$ -	\$ 26,000	\$ 29,900	\$ 32,292	\$ 33,907	\$ 35,602
Learn to Swim	\$ -	\$ 117,850	\$ 146,063	\$ 198,185	\$ 212,674	\$ 223,058
Camps and Clinics	\$ -	\$ 3,200	\$ 3,680	\$ 3,974	\$ 4,173	\$ 4,382
Sport, Team and Training Programs	\$ -	\$ 33,000	\$ 37,950	\$ 40,986	\$ 43,035	\$ 45,187
Program Sponsorships/Advertising/Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>SALES TAX REVENUE</b>	<b>\$ 1,755,000</b>	<b>\$ 1,170,000</b>	<b>\$ 1,193,400</b>	<b>\$ 1,217,268</b>	<b>\$ 1,241,613</b>	<b>\$ 1,266,446</b>
City Restaurant Tax	\$ 1,440,000	\$ 960,000	\$ 979,200	\$ 998,784	\$ 1,018,760	\$ 1,039,135
City Tourism/Hotel Tax	\$ 315,000	\$ 210,000	\$ 214,200	\$ 218,484	\$ 222,854	\$ 227,311
City Tourism Convention Hotel Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County Tourism Convention Hotel Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL REVENUE</b>	<b>\$ 1,755,000</b>	<b>\$ 1,656,844</b>	<b>\$ 1,757,999</b>	<b>\$ 1,861,599</b>	<b>\$ 1,921,271</b>	<b>\$ 1,978,351</b>

<b>NET REVENUE (DEFICIT)</b>	<b>\$ 1,652,560</b>	<b>\$ (99,599)</b>	<b>\$ (40,298)</b>	<b>\$ 3,480</b>	<b>\$ 27,049</b>	<b>\$ 40,893</b>
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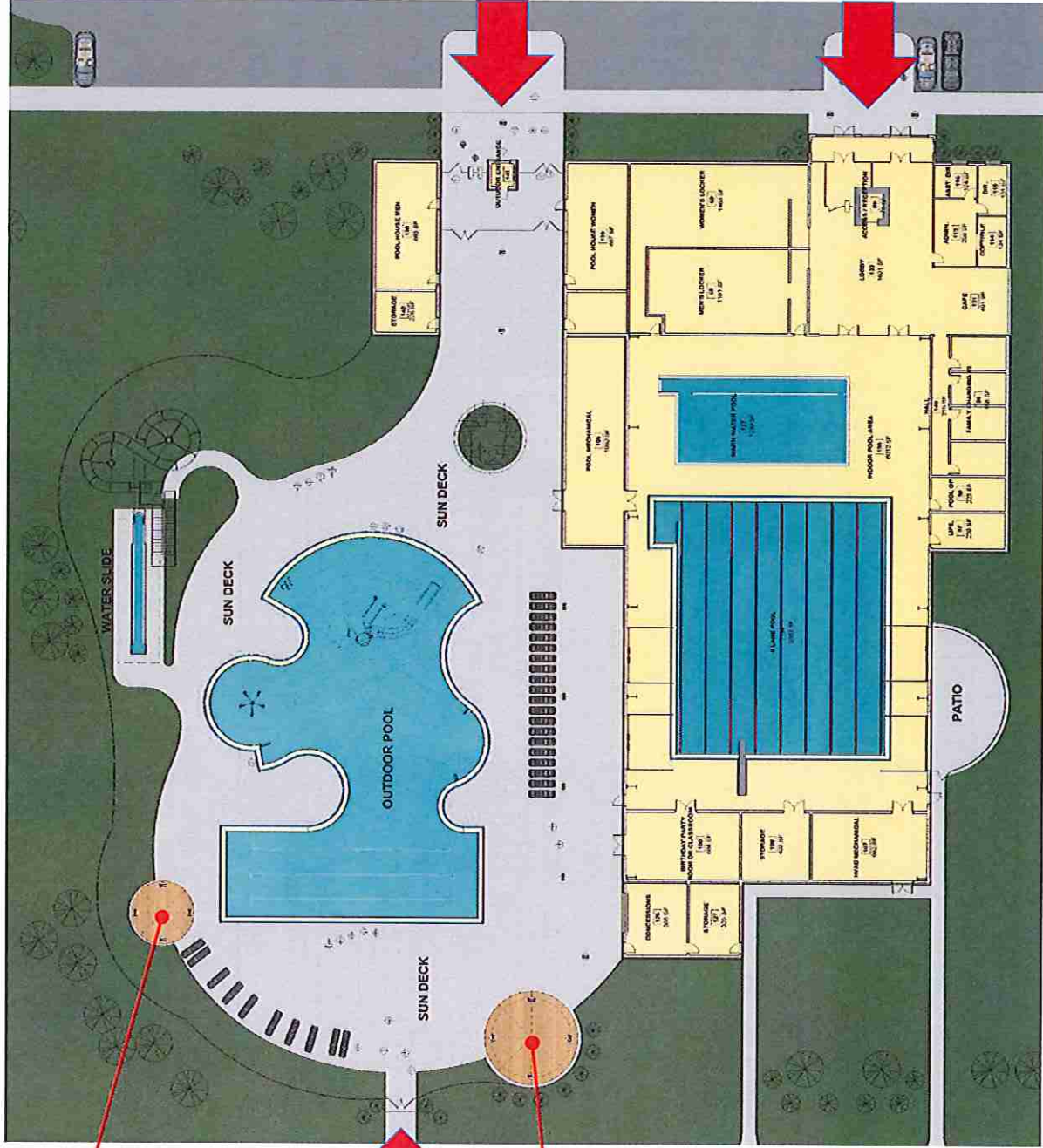
**DISTRIBUTION OF NET PROCEEDS**

70% in YR Zero to Center Cash Reserve Fund then reducing to 50% in Yr 1 on	\$ 1,156,792	\$ (49,799)	\$ (20,149)	\$ 1,740	\$ 13,525	\$ 20,447
<b>Cumulative Cash Reserve Balance</b>	<b>\$ 1,156,792</b>	<b>\$ 1,057,193</b>	<b>\$ 1,016,895</b>	<b>\$ 1,018,635</b>	<b>\$ 1,032,160</b>	<b>\$ 1,052,607</b>
20% to City Tourism and Convention Commission in Year Zero increasing to 50% in Year 1.	\$ 330,512	\$ (49,799)	\$ (20,149)	\$ 1,740	\$ 13,525	\$ 20,447
<b>Cumulative Commission Contribution</b>	<b>\$ 330,512</b>	<b>\$ 280,713</b>	<b>\$ 260,564</b>	<b>\$ 262,304</b>	<b>\$ 275,828</b>	<b>\$ 296,275</b>
10% Portion to other Recreation & Parks Projects in Year Zero	\$ 165,256					

Small Outdoor Pavilion Rental  
20 occupants

Back/Overflow Entry

Large Outdoor Pavilion Rental  
40 occupants



Option 5

Seasonal Outdoor Entry

Main Complex Entry

# Aquatic Center Floor Plan