



Capital Growth Planning:

Not just Critical but Mandatory!



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Webinar

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If you will need a new or expanded
facility in the next 15 years....

Start planning now!



WHY?

**WE ARE IN A WINDOW OF OPPORTUNITY THAT
WILL NOT COME AGAIN!**



Window of Opportunity

- Lowest Interest rates in history
- Level building costs
- Government Financing Programs
 - Tax Exempt Bonds
 - NMTC
 - USDA

INTEREST RATES



Interest Rates

Rates Today

- Fed Funds – .75%
- AAA TE Bond
 - 10 yea 2.25%
- Prime – 3.75%

“Normal”

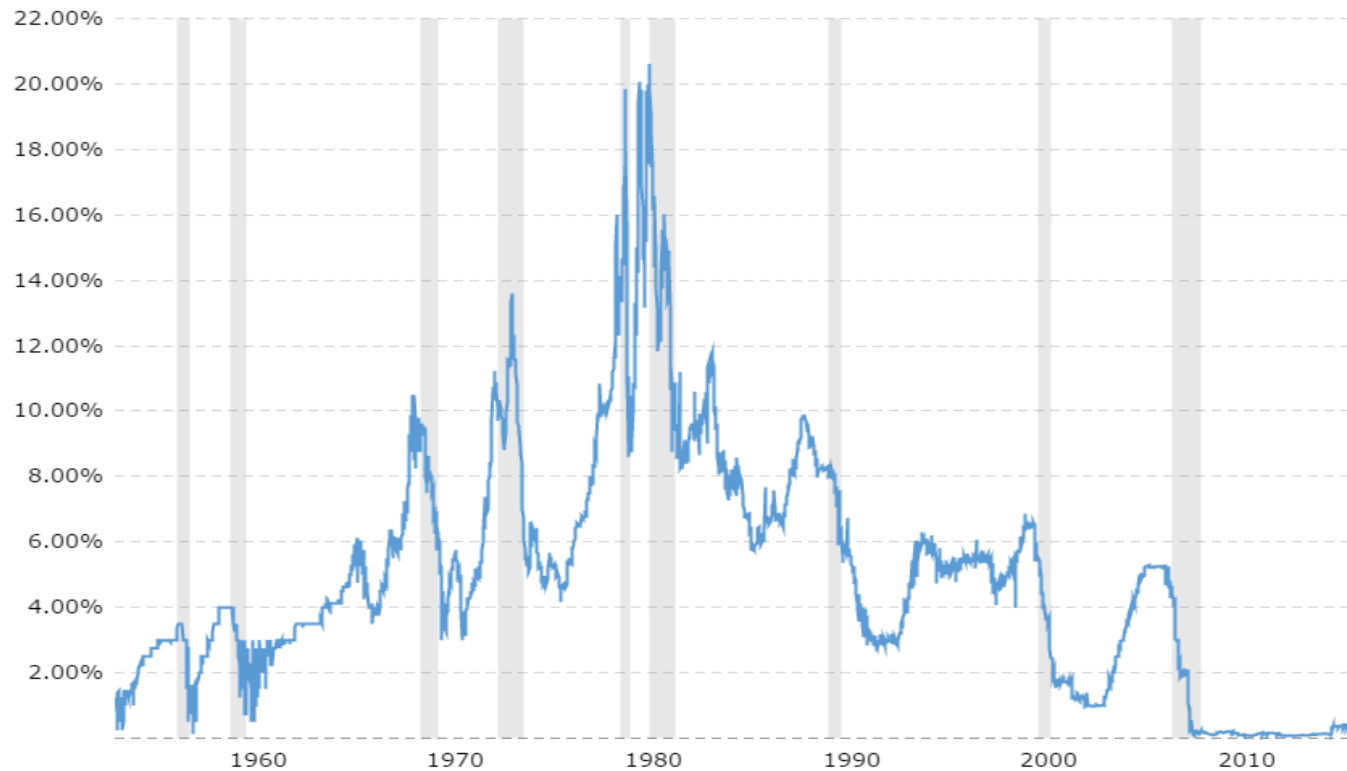
- Fed Funds – 4.00%
- TE Bond
 - 10 year 5.5%
- Prime – 6.0%

Inflation

January 2017	2.50%
January 2016	1.37%
January 2015	-.09%

Interest Rates

Federal Funds Rate
July 1954 – February 2017



BUILDING COSTS



Building Costs

- Inflation rate – has been below 2%
- Construction bids – at budget
- Prior to 2008 building bids were 10% to 15% above budget

Helpful Government Programs

The use of NMTC – authorization expires December 31 2019. Two more chances!

Tax exempt Bonds – Always talk of limiting these...new tax law may play with this.

USDA financing – Year to year

So, How Long Will Things Stay This Way?

How long is a piece of string?



STRATEGIC INFLUENCES ON POLICY



Healthcare Costs

1900 – 3% GDP (Gross Domestic Product).

1964 – 6% GDP.

1994 – 15% GDP.

2016 – 17.5%

2020 – 25% GDP.

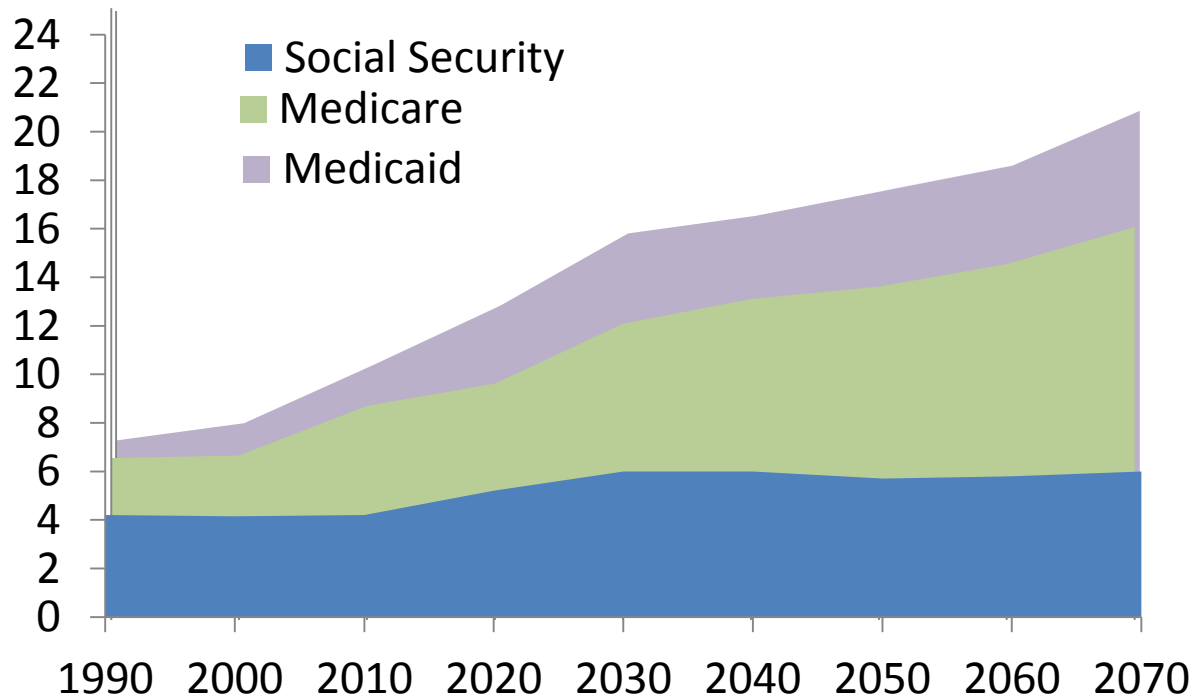
Per person expenditure for healthcare:

- 1965 - \$205
- 2000 - \$4637
- 2010 - \$8233
- 2016 - \$10,345

Source: Office of Economic and Cooperative Development

Social Security, Medicare & Medicaid

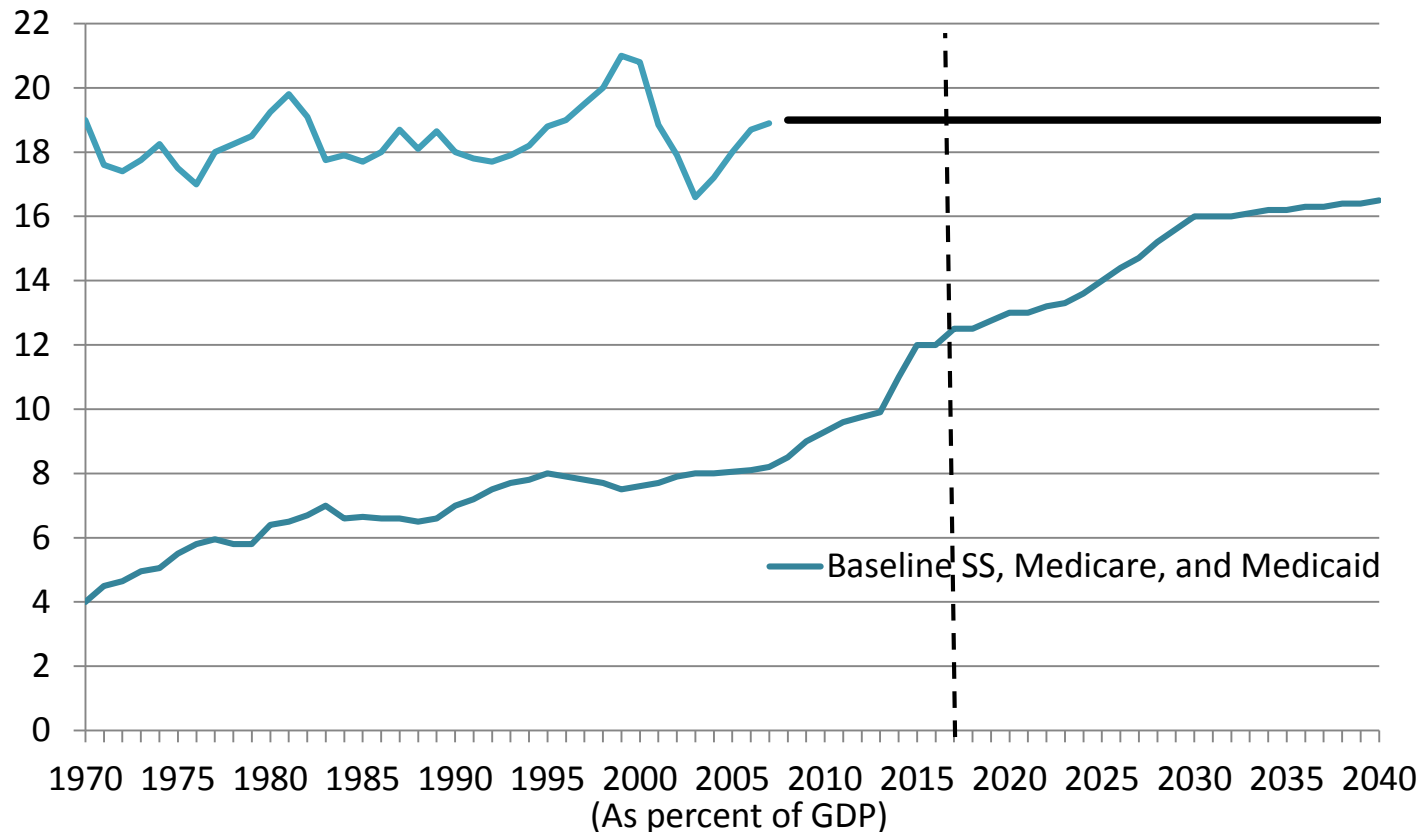
Outlays as a Percentage of GDP 1990-2075



Source: C. Eugene Steuerle and Adam Carasso, (*Budget Crisis at the Door*), The Urban Institute, 2003. Based on data from the Congressional Budget Office, "A 125Year Picture of the Federal Government's Share of the Economy, 1950-2075," July 3, 2002, table 2.

Influences

Federal Receipts vs. Entitlement Spending



Source: C. Eugene Steurle and Adam Carasso, (*Budget Crisis at the Door*), The Urban Institute, 2003 Based on data from *Budget of the U.S. Government, FY 2004* and CBO's "Analysis of the President's Budget, FY 2004."

Entitlement programs cannot be sustained at current levels!

SS, Medicaid, and Medicare
will be altered!

Starting now!



Act I:
Affordable Care Act

Act II:
American Health Care Act



*If you want to finance a capital
project for 2019
You must start now!*



Where do we start?

- Business Plan
- Financial Forecasting
- Funding Considerations
- Financing Options

Business Plan and Financial Forecast
are
Critical!



Components of a Business Plan

- CHC description and background
- Market analysis and Growth potential
- Organizational experience and structure
- Project Details
- Financial history and forecast

Business Plan: Financial Section

- **Financial Feasibility**
 - Historical Performance (three years audited)
 - 5-7 year Forecast
 - Project budget
 - Sources and Uses
 - Financing Structure

Modeling the Impact of Your Capital Investment Project



- **How will the project enhance your ability to be financially successful over the long-term?**
 - Increased Volumes
 - Higher cost reimbursement
 - Higher profile/fundraising
 - Improved recruitment/retention/productivity

Balance Sheet

**STATEMENT OF FINANCIAL POSITION
HISTORICAL AND PROJECTED**

Month in which fiscal year ends:

FISCAL YEAR	Audited Results				15.00%			25.00%			10.00%		
	2011-06-30	2012-06-30	2013-06-30	%Δ	6/30/2014	%Δ	6/30/2015	%Δ	6/30/2016	%Δ	6/30/2017	800.00%	6/30/2018
ASSETS													
Cash & Investments	240,794	251,548	286,927		1,722,597		3,600,819		5,729,949		8,194,297		10,404,746
Restricted Cash and Investments	0	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Accounts Receivable	785,048	1,055,330	969,041		1,587,788		1,784,885		2,117,411		2,335,478		2,484,575
Grants Receivable	84,797	866,103	291,629		262,183		267,427		272,775		278,231		283,795
Inventory	111,487	93,892	181,847	0.0%	8,542	0.0%	9,381	0.0%	11,031	0.0%	12,061	0.0%	12,771
Other Current Assets	188,446	82,118	144,439	0.0%	144,439	0.0%	144,439	0.0%	144,439	0.0%	144,439	0.0%	144,439
Total Current Assets	1,410,572	2,348,991	1,902,883		3,725,549		5,786,751		8,275,605		10,964,506		13,330,327
Land, Building & Improvements	2,588,427	2,572,169	6,361,436		6,361,436		6,361,436		27,939,936		27,939,936		27,939,936
	210,896	2,541,410	0		0		0		0		0		0
Furniture, Equipment & Leasehold	1,308,453	1,589,598	2,258,844		2,258,844		2,258,844		3,290,844		3,290,844		3,290,844
Gross Fixed Assets	4,107,778	6,703,177	8,620,280		8,620,280		8,620,280		31,230,780		31,230,780		31,230,780
Accumulated Depreciation	1,785,843	2,143,187	2,570,833		3,032,479		3,494,125		4,656,494		5,818,964		6,981,233
Net Fixed Assets	2,321,935	4,559,990	6,049,447		5,587,801		5,126,155		26,574,286		25,411,816		24,249,547
Other LT Assets	174,551	219,042	214,034	0.0%	214,034	0.0%	214,034	0.0%	214,034	0.0%	214,034	0.0%	214,034
Total Other Assets	174,551	219,042	214,034		214,034		214,034		214,034		214,034		214,034
TOTAL ASSETS	\$3,907,058	\$7,128,023	\$8,166,364		\$9,527,384		\$11,126,940		\$35,063,924		\$36,590,456		\$37,793,908
LIABILITIES AND NET ASSETS													
Accounts Payable	907,188	1,292,916	1,109,667		1,874,214		2,019,874		2,623,185		2,771,844		2,894,586
Accrued Expenses	471,576	560,496	625,761		650,054		754,369		810,751		891,933		850,727
Current Maturities of Long-Term Debt	37,321	131,914	154,458		0		0		0		278,614		268,715
Current Maturities of Capital Leases	0	0	0		0		0		0		0		0
Other Current Liabilities	550,000	0	500,000	0.0%	500,000	0.0%	500,000	0.0%	500,000	0.0%	500,000	0.0%	500,000
Total Current Liabilities	1,966,079	1,985,326	2,389,886		3,024,268		3,274,243		3,933,936		4,442,391		4,621,028
Long-Term Debt	900,572	1,924,348	2,052,125		2,052,125		2,052,125		2,052,125		1,773,511		1,506,766
New Long Term Debt (USDA)	0	0	0		0		0		22,000,000		21,721,386		21,454,871
Other Long-Term Liabilities	0	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Total Long-Term Liabilities	900,572	1,924,348	2,052,125		2,052,125		2,052,125		24,052,125		23,494,897		22,961,486
Total Liabilities	2,866,651	3,909,674	4,442,011		5,076,393		5,326,368		27,986,061		27,937,288		27,582,495
Total Net Assets	1,040,407	3,218,349	3,724,353		4,450,991		5,800,572		7,077,863		8,653,168		10,211,413
TOTAL LIAB. AND NET ASSETS	\$3,907,058	\$7,128,023	\$8,166,364		\$9,527,384		\$11,126,940		\$35,063,924		\$36,590,456		\$37,793,908

Income

**STATEMENT OF ACTIVITIES
HISTORICAL AND PROJECTED**

Month in which fiscal year ends:

0

0

25.00%

0

FISCAL YEAR	Audited Results					Projected Results							
	2011-06-30	2012-06-30	2013-06-30	%	%Δ	6/30/2014	%	%Δ	6/30/2015	%	%Δ	6/30/2016	%
Net Patient Service Revenue	5,840,358	8,836,651	10,134,893	81.1%		13,295,111	86.0%		14,778,008	87.0%		17,729,828	88.8%
Total Operating Grants & Contracts	1,824,818	1,950,270	1,757,503	14.1%	2.0%	1,792,653	11.6%	2.0%	1,828,506	10.8%	2.0%	1,865,076	9.3%
Contributions / Fundraising Income	153,096	256,945	224,631	1.8%	2.0%	229,124	1.5%	0.0%	229,124	1.3%	0.0%	229,124	1.1%
Donated Goods & Services	277,266	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Net Assets Released from Restrictions	0	125,525	236,484	1.9%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Other Operating Revenue	69,193	374,345	145,563	1.2%	0.0%	145,563	0.9%	0.0%	145,563	0.9%	0.0%	145,563	0.7%
TOTAL OPERATING REVENUE	8,164,731	11,543,736	12,499,074	100.0%		15,462,451	100.0%		16,981,201	100.0%		19,969,591	100.0%
Salaries & Related Expense	5,410,039	6,715,217	7,534,826	60.3%		7,772,172	50.3%		9,019,381	53.1%		9,693,499	48.5%
Fringes & Payroll Taxes	1,223,464	1,479,018	1,677,094	13.4%		1,731,367	11.2%		2,009,201	11.8%		2,159,371	10.8%
Professional / Contracted / Consultant Fees	662,649	486,538	613,193	4.9%	3.0%	631,589	4.1%	0.0%	631,589	3.7%	0.0%	631,589	3.2%
Admin and Supplies	881,855	1,606,261	2,485,647	19.9%		3,074,963	19.9%		3,376,992	19.9%		3,971,282	19.9%
Insurance	29,668	25,821	32,672	0.3%		40,418	0.3%		44,388	0.3%		52,200	0.3%
Bad Debt Expense	311,334	289,670	0	0.0%		402,024	2.6%		441,511	2.6%		519,209	2.6%
Rent	0	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Facility Operation & Maintenance	376,995	451,129	481,502	3.9%	5.0%	505,577	3.3%	5.0%	530,856	3.1%	5.0%	557,399	2.8%
Depreciation	229,881	373,089	461,646	3.7%	0.0%	461,646	3.0%	0.0%	461,646	2.7%	0.0%	461,646	2.3%
Depreciation on New Site	0	0	0	0.0%		0	0.0%		0	0.0%		700,723	3.5%
Interest Expense	46,657	102,526	116,056	0.9%	0.0%	116,056	0.8%	0.0%	118,056	0.7%	0.0%	116,056	0.6%
Interest Expense New Site	0	0	0	0.0%		0	0.0%		0	0.0%		829,324	4.2%
Other Operating Expense	0	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
TOTAL OPERATING EXPENSES	9,172,542	11,529,269	13,402,636	107.2%		14,735,813	95.3%		16,631,620	97.9%		19,692,299	98.6%
CHANGE IN NET ASSETS - OPERATING	-1,007,811	14,467	-903,562	-7.2%		726,638	4.7%		349,581	2.1%		277,292	1.4%
Grants / Contributions for Capital	991,880	2,182,379	1,090,950	8.7%			0.0%		1,000,000	5.9%		1,000,000	5.0%
Changes in Temporarily Rest. Net Assets	-272,729	-47,063	248,985	2.0%			0.0%			0.0%			0.0%
Contributions & Donations (Non-operating)	0	0	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Investment & Interest Income	1,932	326	514	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
Other Non-operating Income	0	27,833	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%
TOTAL NON-OPERATING INCOME	721,083	2,163,475	1,340,449	10.7%		0	0.0%		1,000,000	5.9%		1,000,000	5.0%
CHANGE IN NET ASSETS	-\$286,728	\$2,177,942	\$436,887	3.5%		\$726,638	4.7%		\$1,349,581	7.9%		\$1,277,292	6.4%
Cash available to service Debt						1,304,340			1,927,283			3,385,041	

Cash Flow

CASH FLOW STATEMENT HISTORICAL AND PROJECTED

Month in which fiscal year ends:

0

FISCAL YEAR	Audited Results				Projected Results		
	011-06-30	2012-06-30	2013-06-30	6/30/2014	6/30/2015	6/30/2016	
CASH FLOW FROM OPERATIONS							
Change in Net Assets		\$2,177,942	\$436,887	\$726,838	\$1,349,581	\$1,277,292	
Adjustments:							
Depreciation		357,344	427,846	461,646	461,646	1,162,369	
(Increase) Decrease in Restricted Cash/Inv		0	0	0	0	0	
(Increase) Decrease in A/R		-270,282	57,289	-589,747	-177,097	-352,525	
(Increase) Decrease in Grants Receivable		-781,306	574,474	29,446	-5,244	-5,349	
(Increase) Decrease in Inventory		17,595	-87,955	173,305	-839	-1,651	
(Increase) Decrease in Othr Current Assets		106,328	-62,321	0	0	0	
(Increase) Decrease in Othr LT Assets		-44,491	5,008	0	0	0	
Increase (Decrease) in Accounts Payable		385,730	-183,251	764,547	145,661	603,310	
Increase (Decrease) in Accrued Exp		88,926	65,265	24,293	104,315	56,382	
Increase (Decrease) in Othr Current Liab.		-550,000	500,000	0	0	0	
Cash Flow from Operations		\$1,487,786	\$1,733,042	\$1,590,128	\$1,878,022	\$2,739,829	
Cash Flow from Investment							
Acquisition of Land, Building & Improv		16,258	-3,789,267	0	0	-21,578,500	
Construction in Progress		-2,330,512	2,541,410	0	0	0	
Acquisition of Furniture & Equipment		-281,145	-889,248	0	0	-1,032,000	
Cash Flow from Investment		-\$2,595,399	-\$1,917,103	\$0	\$0	-\$22,610,500	
Cash Flow from Financing Activities							
Proceeds (Paydown) of Long-term Debt		1,118,367	150,323	-154,458	0	0	
Proceeds (Paydown) of Capital Leases		0	0	0	0	22,000,000	
Proceeds (Paydown) of Othr L.T. Liab.		0	0	0	0	0	
Cash Flow from Financing Activities		\$1,118,367	\$150,323	-\$154,458	\$0	\$22,000,000	
Net Cash Flow		\$10,754	-\$33,738	\$1,435,670	\$1,878,022	\$2,129,329	
Beginning Cash		\$240,794	\$251,548	\$286,927	\$1,722,597	\$3,600,619	
Ending Cash		\$251,548	\$217,810	\$1,722,597	\$3,600,619	\$5,729,949	

Patient Revenue

PATIENT REVENUE HISTORICAL AND PROJECTED

VISITS

	2013-06-30		6/30/2014		6/30/2015		6/30/2016		6/30/2017		6/30/2018	
	Visits	%Δ	Visits	%Δ	Visits	%Δ	Visits	%Δ	Visits	%Δ	Visits	%Δ
Medical Visits	57971	0%	59114	5%	62070	20%	74484	12%	83422	5%	87593	5%
Dental Visits	2471	0%	4274	5%	4488	5%	4712	5%	4948	5%	5195	5%
Mental Health Visits	2430	0%	2625	5%	2430	5%	4860	5%	5103	5%	5358	5%
Radiology*	2059	0%	3589	5%	3768	5%	3957	5%	4155	5%	4362	5%
Home Visits		0%	714	5%	750	5%	787	5%	827	5%	868	5%
Nursing home		0%	1173	5%	1232	5%	1293	5%	1358	5%	1426	5%
Total Visits			71689		74737		90093		99812		104802	

Reimbursement Rates

	2013-06-30		6/30/2014		6/30/2015		6/30/2016		6/30/2017		6/30/2018	
	Ave Rate	%Δ	Ave Rate	%Δ	Ave Rate	%	Ave Rate	%Δ	Ave Rate	%Δ	Ave Rate	%Δ
Medical		0%	\$ 126.60	2%	\$ 129.14	2%	\$ 131.72	2%	\$ 134.35	2%	\$ 137.04	2%
Dental		0%	\$ 71.20	2%	\$ 72.62	2%	\$ 74.07	2%	\$ 75.55	2%	\$ 77.06	2%
Mental Health		0%	\$ 99.93	2%	\$ 101.92	2%	\$ 103.96	2%	\$ 106.04	2%	\$ 108.16	2%
Radiology*		0%	\$ 119.12	2%	\$ 121.50	2%	\$ 123.93	2%	\$ 126.41	2%	\$ 128.94	2%
Home Visits		0%	\$ 94.82	2%	\$ 96.71	2%	\$ 98.65	2%	\$ 100.62	2%	\$ 102.63	2%
Nursing home		0%	\$ 108.90	2%	\$ 111.08	2%	\$ 113.30	2%	\$ 115.57	2%	\$ 117.88	2%

	2013-06-30		6/30/2014		6/30/2015		6/30/2016		6/30/2017		6/30/2018	
	Rev	%Δ		%Δ		%Δ		%Δ		%Δ		%Δ
Pharmacy Revenue	\$ 2,185,970.00		\$ 4,601,563	5%	\$ 5,521,876	20%	\$ 6,350,157	15%	\$ 6,667,665	5%	\$ 7,001,048	

Patient Revenue

	2013-06-30	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue
Medical	\$ 7,475,480	\$ 7,484,016	\$ 8,015,381	\$ 9,810,827	\$ 11,207,888	\$ 12,003,648	\$ 12,855,907	\$ 13,768,677
Dental	\$ 197,241	\$ 304,288	\$ 325,892	\$ 349,031	\$ 373,812	\$ 400,353	\$ 428,778	\$ 459,221
Mental Health		\$ 282,292	\$ 247,678	\$ 505,262	\$ 541,136	\$ 579,556	\$ 620,705	\$ 664,775
Pharmacy	\$ 2,185,970	\$ 4,601,563	\$ 5,521,876	\$ 6,350,157	\$ 6,667,665	\$ 7,001,048	\$ 7,351,100	\$ 7,351,100
Radiology*		\$ 427,511	\$ 457,864	\$ 490,373	\$ 525,189	\$ 562,478	\$ 602,413	\$ 645,185
Home Visits	\$ 123,881	\$ 67,698	\$ 72,505	\$ 77,652	\$ 83,166	\$ 89,070	\$ 95,394	\$ 102,167
Nursing home	\$ -	\$ 127,743	\$ 136,813	\$ 148,526	\$ 156,930	\$ 168,072	\$ 180,005	\$ 192,785
Total Patient Revenue	\$ 9,982,552	\$ 13,295,111	\$ 14,778,008	\$ 17,729,828	\$ 19,555,785	\$ 20,804,225	\$ 22,134,303	\$ 23,183,911

Employment

EMPLOYMENT HISTORICAL AND PROJECTED

	ACTUAL			PROJECTED							
	2013-06-30			6/30/2014				6/30/2015			
	FTEs	Ave. Salary	Total Salary	FTEs	%Δ Ave Sal	Ave. Salary	Total Salary	FTEs	%Δ Ave Sal	Ave. Salary	Total Salary
Service Provider:											
Physician	8.42	NA	NA	8.00	0.0%	\$ 134,708.00	\$ 1,077,664	8.00	2.0%	\$ 137,402.16	\$ 1,099,217
Midlevel (PA, NP)	11.39	NA	NA	9.00	0.0%	\$ 80,256.00	\$ 722,304	9.00	2.0%	\$ 81,861.12	\$ 736,750
Nurses (RN)	15.56	NA	NA	13.00	0.0%	\$ 61,596.00	\$ 800,748	18.00	2.0%	\$ 82,827.92	\$ 1,130,903
Medical Assistants	0.00	NA	NA	13.00	0.0%	\$ 32,287.00	\$ 419,731	16.67	2.0%	\$ 32,932.74	\$ 548,989
X-ray Personnel	3.87	NA	NA	4.28	0.0%	\$ 51,515.00	\$ 220,484	3.05	2.0%	\$ 52,545.30	\$ 160,263
Medical provider support	12.14	NA	NA	18.58	0.0%	\$ 32,512.00	\$ 604,073	26.56	2.0%	\$ 33,162.24	\$ 880,789
Dental Provider (Dentists)	0.99	NA	NA	1.50	0.0%	\$ 112,450.00	\$ 168,675	2.10	2.0%	\$ 114,699.00	\$ 240,668
Hygienist (Dental Hygienists)	0.76	NA	NA	0.90	0.0%	\$ 64,435.00	\$ 57,992	0.86	2.0%	\$ 65,723.70	\$ 56,522
Dental Support	1.32	NA	NA	3.40	0.0%	\$ 38,331.00	\$ 130,325	4.40	2.0%	\$ 39,097.62	\$ 172,030
Mental Health Provider	0.44	NA	NA	0.60	0.0%	\$ 99,000.00	\$ 59,400	0.95	2.0%	\$ 100,980.00	\$ 95,931
Social Workers	2.00	NA	NA	2.00	0.0%	\$ 63,515.00	\$ 127,030	3.00	2.0%	\$ 64,785.30	\$ 194,356
Other Professional Services	0.34	NA	NA	1.48	0.0%	\$ 69,029.00	\$ 102,163	1.50	2.0%	\$ 70,409.58	\$ 105,614
Pharmacy (Pharmacy Personnel)	8.61	NA	NA	10.20	0.0%	\$ 63,434.00	\$ 647,027	10.60	2.0%	\$ 64,702.68	\$ 685,648
Eligibility Assistance Workers	2.97	NA	NA	3.40	0.0%	\$ 34,981.00	\$ 118,935	3.42	2.0%	\$ 35,680.62	\$ 122,028
Clinical and Administration	1.00	NA	NA	1.00	0.0%	\$ 32,798.81	\$ 32,799	1.00	2.0%	\$ 33,454.58	\$ 33,455
WIC (women, infants and children)	4.11	NA	NA	4.10	0.0%	\$ 37,666.00	\$ 154,431	4.10	2.0%	\$ 38,419.32	\$ 157,519
Management and Support Staff	12.26	NA	NA	11.48	0.0%	\$ 104,321.00	\$ 1,197,605	10.21	2.0%	\$ 106,407.42	\$ 1,086,420
Fiscal and Billing Staff	10.22	NA	NA	11.48	0.0%	\$ 58,139.00	\$ 667,436	17.29	2.0%	\$ 59,301.78	\$ 1,025,328
IT Staff	3.21	NA	NA	5.60	0.0%	\$ 60,777.00	\$ 340,351	5.42	2.0%	\$ 61,992.54	\$ 336,000
Facility Staff	1.47	NA	NA	2.00	0.0%	\$ 61,500.00	\$ 123,000	2.40	2.0%	\$ 62,730.00	\$ 150,552
Patient Support Staff	23.74	NA	NA		0.0%	\$ -	\$ -	0.00	2.0%	\$ -	\$ -
Other	0.00	NA	NA	0.00	0.0%	\$ -	\$ -	0.00	2.0%	\$ -	\$ -
TOTAL	122.84	NA	NA	125.00			\$ 7,772,172	148.53			\$ 9,019,381

	2013-06-30	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Total Visits / Total FTEs	0	574	503	578	602	604	606	612
Med Visits / Provider	3255	3477	3651	4256	4391	4380	4380	4599
Dental Visits / Dental Provider	7268	7268	7268	7268	7268	7268	7268	7268
Mntl Hlth Visits/ Mental Health Prov	2430	2430	2430	2430	2430	2430	2430	2430

Sources & Uses of Project Funds

ABC Community Health Center			
<u>SOURCES AND USES OF PROJECT FUNDS</u>			
<i>Sources of Funds:</i>			
	Grants/Contributions for Capital	1,750,000	50.0%
	Cash from Reserves	500,000	14.3%
	Debt Financing	1,250,000	35.7%
	Total Sources of Funds	\$3,500,000	100.0%
<i>Uses of Funds:</i>			
	Real Estate Related Costs	640,000	18.3%
	Total Hard Costs	2,200,000	62.9%
	Total Soft Costs	330,000	9.4%
	Total Equipment Costs	330,000	9.4%
	Total Uses of Funds	\$3,500,000	100.0%
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FUNDING



Financing Components

- Federal Grants
- Grants/Gifts
- NMTC
- State Funds
- Tax-Exempt Bonds
- Foundations
- CCHN Ventures Loan
- Bank Loan
- HRSA LGP
- USDA

Combining the Best Financing Sources

Structure considerations mean big financial differences!



For example:
a \$10,000,000 project



Conventional Bank Loan

- **Loan is 80% of project value: \$8,000,000**
- **Interest rate is 6% with 25 year amortization**
- **Where will the remaining \$2,000,000 come from?**
 - Sale of existing building?
 - Hospital contribution?
 - State?
 - Capital Campaign?
 - Government grant

Conventional Bank Loan

Sources of Funds:

Bank Loan.....	\$8,000,000
Other.....	<u>\$2,000,000</u>
Total.....	\$10,000,000

Annual Debt Service (P&I).....\$618,500

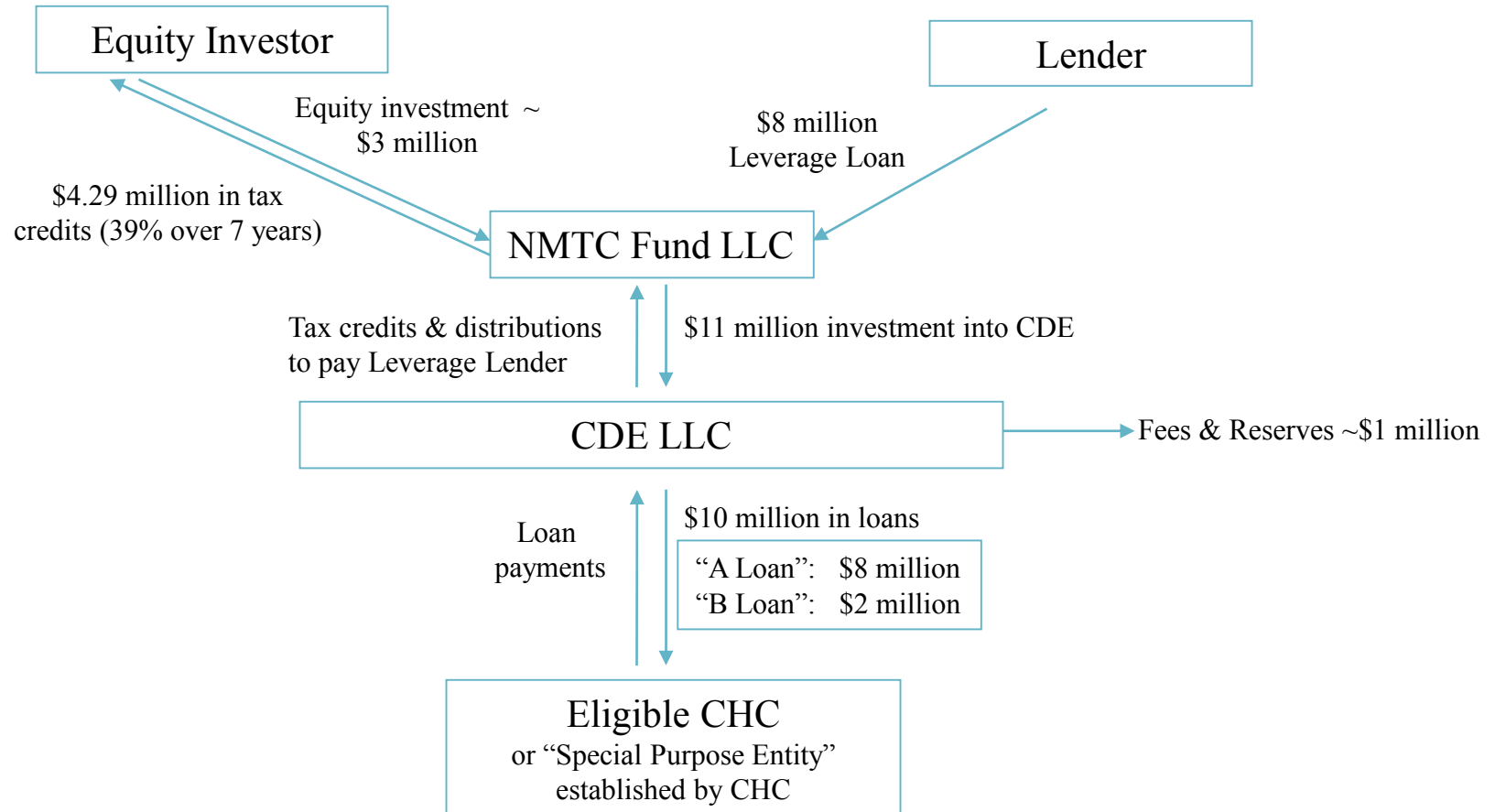
New Markets Tax Credit Program

- “Investment” that isn’t repaid
- 20% of total project cost
- Finding a Community Development Entity (CDE)
- Application and awards



NMTC Hypothetical FQHC Project

Assumes \$10 Million in Project Costs



Weighted Average Cost of Capital ~ 5.2% in current market; ~\$520,000 interest-only for 7 yrs; refi \$8 million after 7 years

Bank Loan and NMTC

- NMTC investment approximately 20% of project cost
- Bank loan for the balance - \$8,000,000
interest only for 7 years – same rate
- **\$2,000,000 in “free” money!**

Bank Loan: NMTC, Interest Only

Sources of Funds:

Bank Loan.....	\$8,000,000
NMTC.....	<u>\$2,000,000</u>
Total.....	\$10,000,000

Annual Debt Service.....\$480,000

US Department of Agriculture

- Usable with other options
- Population 20,000 or under
- Loan guarantee 90%
- Direct Loan 3.5% for 40 years

USDA Direct Loan Structure

- Loan will be 80% of project Cost - \$8,000,000.
- Roughly 3.5% interest rate with 40 year amortization.
- Where will the remaining \$2,000,000 come from?

USDA Direct Loan

Sources of Funds:

USDA Loan.....	\$ 8,000,000
Other.....	\$ <u>2,000,000</u>
Total.....	\$10,000,000

Annual Debt Service.....\$ 371,982

Tax-Exempt Bonds

- With other options
- NMTC
- State issuing authority
- Private purchase by bank

Tax-Exempt Bonds and NMTC

- NMTC investment approximately 20% of project cost
 - \$2,000,000
- TE Bonds for the balance - \$8,000,000 ***interest only*** for 7 years
- Interest rate – 3.5% (fixed 10 years)
- **No need for additional financing**

TE Bond: NMTC

Sources of Funds:

TE Bonds.....	\$ 8,000,000
NMTC.....	\$ <u>2,000,000</u>
Total.....	\$10,000,000

Annual Debt Service.....\$280,000

Foundation PRI

- Program Related Investment
- With NMTC
- ***HRSA LG***
- Private Purchase (Non-profit Foundations)

Foundation and NMTC

- NMTC investment approximately 20% of project cost: \$2,000,000
- **80% federal guarantee**
- **No need for additional financing**
- *Loan for the balance - \$8,000,000
interest only for 7 years*
- *Interest rate of 3.0%*

Foundation: HRSA LG and NMTC

Sources of Funds:

Tax Bonds.....	\$ 8,000,000
NMTC.....	\$ <u>2,000,000</u>
Total.....	\$10,000,000

Annual Debt Service.....\$ 240,000

What to do and when to do it: A Capital Project for 2018?

- Using NMTC – Begin now (too late?)
 - Financial forecast
 - Business plan
 - Contacting CDEs
- Using USDA – Begin now
 - Contact state USDA
 - Financial forecast
 - Guide 5 Financial Feasibility Report mandatory (third party)
- Using Tax Exempt Bonds
 - Municipal Advisor
 - Financial Forecast
 - Business plan
 - Contacting banks

Waiting too long to get started can cost you
Millions Of dollars.

Missing a chance for using NMTC and Tax Exempt
bonds can cost you \$1.8 million on a \$5 million project



***Save Millions by Using New Markets
Tax Credits and/or
Tax Exempt Bonds to Finance Your
Capital Project***

**Capital Link Webinar
Wednesday March 22 – 2:00 Eastern**

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