

Chapter 8

Spanish Flat Financial Projections

This chapter presents the financial evaluation for Spanish Flat Recreation Area. Chapter 4 lists the assumptions used in development of the financials. Site specific assumptions are listed below for each of the services. Table 8-1 summarizes the required and authorized services at Spanish Flat. This financial evaluation only considers the required services.

Table 8-1. Required and Authorized Facilities at Spanish Flat

Item	Required No. of Units	Additional Authorized No. of Units	Total
Camping			
Tent sites	17	39	56
Standard Sites without Utilities	0	10	10
RV Sites with Utilities	0	12	12
Camp Host Site with Utilities	1	0	1
RV Dump Station	1	0	1
Playground and Group Area	0	1	1
Lodging			
Yurts	0	3	3
Rustic Cabins	0	4	4
Tent Cabins	0	3	3
Boating			
Launch Lane Boat Ramp	2	2	4
Courtesy Dock	1	1	2
Launch Lane Boat Ramp (marina use only)	0	2	2
Courtesy Dock (marina use only)	0	1	1
Boat Slips	75	0	75
Fishing Boat Rental	6	0	6
Ski Boat Rental	8	0	8
Kayak/Canoe Rental	4	0	4
Paddle Board Rental	4	0	4
Jet Ski Rental	10	0	10
Deck Cruiser/Pontoon Rental	5	0	5
Kiosk (Boat Ramp Sign)	1	0	1
On-Shore Fuel and/or Sanitary Storage Tank	1	0	1
Fuel Dispensing and/or Sanitary Connection	1	0	1
Fish Cleaning Station	0	1	1
Marina Service and Building	1	0	1
Concessionaire Building	0	1	1
Boat Rental Service	1	0	1

Table 8-1. Required and Authorized Facilities at Spanish Flat

Item	Required No. of Units	Additional Authorized No. of Units	Total
Day Use			
Individual Day Use Site	10	8	18
Boat Exclusion Zone	1	0	1
Kiosk (Trail Connection)	0	1	1
Lake			
Boat Exclusion Zone	1	0	1
Amenities			
Restaurant	0	1	1
Retail Store	0	1	1
Facilities/Infrastructure			
Entry Station	1	0	1
Vault Toilet	3	1	4
Comfort Station, toilets only	0	2	2
Comfort Station, toilets, family room	0	1	1
Access Road Close Gate	1	1	2

The following section presents the financials for the proposed development at Spanish Flat. The entire site would be constructed in Phase 1. The subsequent sections include an analysis each of the recreation services (camping, boating, and day use services) to provide information on whether or not the particular service is financially viable. The entire Spanish Flat site is proposed for development during Phase 1.

The results shown in this chapter assume that a concessionaire operates only the Spanish Flat Recreation Area and does not have any bundled sites. Therefore the cost efficiencies described in Chapters 3 and 4 are not accounted for in these results. Chapter 2 presents overall financials for Spanish Flat as a bundled site with Steele Canyon.

8.1 Financial Summary

Table 8-2 presents a summary of the results per facility type. The total capital investment for the Spanish Flat Recreation Area is estimated to be approximately \$7.7 million. Estimated earthwork, including paving and gravel, costs at Spanish Flat are approximately 30 percent of total capital investment, water and wastewater infrastructure is 6 percent and electric infrastructure is 7 percent.

The estimated PV of capital costs is \$7.5 million, the NPV is approximately \$7.0 million and the IRR is 8 percent.

Table 8-2. Financial Summary Required Services - Spanish Flat

Service	
Capital Costs	
Camping	\$128,000
Boating	\$3,890,000
Day Use	\$48,000
Shared Facilities	\$311,000
Earthwork	\$2,327,000
Water and Sewer	\$475,000
Electric	\$497,000
Total	\$7,676,000
Present Value of Capital Investment	\$7,462,000
Net Present Value	\$7,010,000
IRR (%)	8%

Table 8-3 summarizes total annual revenues and operating expenses, not including capital outlays, for Spanish Flat at the start of each phase. Annual revenues and expenses begin to accrue after construction is complete. The annual revenues are estimated to be about \$1.3 million in Phase 1. Revenues slightly increase in following years because it is assumed there would be increased visitation in future years. Boating generates the most revenue at Spanish Flat. Labor represents the highest expense.

The annual operating costs are about \$540,000 in Phase 1. Annual expenses also increase in the future because some expenses are calculated as a percentage of revenue.

Table 8-3. Projected Operating Revenues and Expenses for Spanish Flat

	Phase 1	Phase 2	Phase 3
Operating Revenues			
Camping Services	\$93,000	\$97,000	\$105,000
Boating Services	\$1,245,000	\$1,249,000	\$1,254,000
Day Use Services	\$6,000	\$7,000	\$8,000
Total Operating Revenues	\$1,344,000	\$1,353,000	\$1,367,000
Operating Expenses			
Labor	\$164,000	\$164,000	\$164,000
Operating Supplies	\$109,000	\$110,000	\$110,000
Utilities/Maintenance	\$69,000	\$69,000	\$70,000
Contract, Vehicle, Security Costs	\$41,000	\$42,000	\$43,000
Equipment Rental Costs	\$3,000	\$3,000	\$3,000
Cost of Sales	\$63,000	\$63,000	\$63,000
General & Administrative Expenses	\$90,000	\$90,000	\$91,000
Total Operating Expenses	\$539,000	\$541,000	\$544,000
Franchise Fee	\$13,100	\$14,100	\$14,100
Net Cash Flow	\$791,900	\$797,900	\$808,900

Table 8-4 presents a summary of the pro forma cash flow. Cash flows are shown every 5 years through the contract term. It is assumed that the Phase 1 services are built over the first two years of the contract term. Revenues and operating expenses begin in year 3 of the contract term. The total capital expenditures over the first two years are \$7.7 million. The ending balance represents the cumulative balance of actual cash flow including capital outlays, revenues, and expenses through the contract term.

Table 8-4. Pro Forma Cashflow – Spanish Flat, 5-Year Increment

		1	5	10	15	20	25	30
Beginning Balance		\$0	-\$6,307,000	-\$2,859,000	\$638,000	\$4,146,000	\$7,653,000	\$11,161,000
Annual Expenditure								
	Operating Costs Phase 1	\$0	\$539,000	\$0	\$0	\$0	\$0	\$0
	Operating Costs Phase 2	\$0	\$0	\$541,000	\$0	\$0	\$0	\$0
	Operating Costs Phase 3	\$0	\$0	\$0	\$544,000	\$544,000	\$544,000	\$544,000
	Franchise Fee	\$0	\$12,000	\$12,000	\$13,000	\$13,000	\$13,000	\$13,000
	Capital Outlay	\$3,838,000	\$0	\$0	\$0	\$0	\$0	\$0
	Transfers from Reserve Fund	\$0	-\$121,000	-\$203,000	-\$205,000	-\$205,000	\$0	-\$41,000
	Rehabilitation Cost	\$0	\$121,000	\$203,000	\$205,000	\$205,000	\$0	\$41,000
	Total Annual Expenditures	\$3,838,000	\$552,000	\$554,000	\$556,000	\$556,000	\$556,000	\$556,000
	Present Value of Annual Expenditures	\$3,766,000	\$502,000	\$459,000	\$419,000	\$382,000	\$348,000	\$316,000
Annual Revenue								
	Revenue - Phase 1	\$0	\$1,343,000	\$0	\$0	\$0	\$0	\$0
	Revenue - Phase 2	\$0	\$0	\$1,353,000	\$0	\$0	\$0	\$0
	Revenue - Phase 3	\$0	\$0	\$0	\$1,367,000	\$1,367,000	\$1,367,000	\$1,367,000
	Transfers to Reserve Fund	\$0	-\$107,000	-\$108,000	-\$109,000	-\$109,000	-\$109,000	-\$109,000
	Total Revenue with Annual Growth	\$0	\$1,236,000	\$1,245,000	\$1,258,000	\$1,258,000	\$1,258,000	\$1,258,000
	Present Value of Annual Revenue	\$0	\$1,125,000	\$1,031,000	\$948,000	\$863,000	\$786,000	\$715,000
Ending Balance		-\$3,838,000	-\$5,623,000	-\$2,168,000	\$1,340,000	\$4,847,000	\$8,355,000	\$11,862,000

8.2 Camping Services Financial Projections

The financial feasibility for camping services is based on the combination of the projected capital costs, operating costs and revenue. Table 8-1 summarizes the required and authorized camping services at Spanish Flat.

For camping services only, the PV of capital investment is \$234,000, the NPV is -\$730,000, and the IRR is also negative. While the capital costs and operating expenses are low for camping, the inclusion of costs for shared facilities increases the overall costs and affects these financial indicators (as discussed below in more detail).

8.2.1 Capital Investment Costs

Table 8-5 presents the capital investment costs for camping services through the contract term. A portion of earthwork, water, sewer, and electric costs have been added to the capital investment for camping based on the proportion of camping costs relative to the total development costs. This may not be reflective of the actual earthwork or infrastructure needed for the specific camping services.

Table 8-5. Projected Capital Investment Costs for Camping Services - Spanish Flat

	Total Cost of Required Facilities
Tent sites	\$122,000
Camp Host Site with Utilities	\$5,000
Initial Cost	\$128,000
Shared facilities	\$10,000
Earthwork	\$73,000
Water and Sewer	\$15,000
Electrical	\$16,000
Total Camping	\$242,000

8.2.2 Operating Revenues and Expenses

Table 8-6 shows annual operating revenue and expenses for Spanish Flat. The assumptions discussed in Section 4.1 are the basis for the calculation of revenues and expenses for camping services. Revenues and operating expenses would begin the year after construction and continue through the service term. Revenues and operating expenses vary over the three defined phases of the service term because of usage or occupancy assumptions.

Labor expenses for camping services are high because the expenses includes costs for a site manager. The manager would be responsible for other services at the recreation area, so these costs would be distributed across all services. The financial model does not allow for this level of detail, so these labor costs were assigned to camping. In general, the labor for only servicing camp sites would be low. Because of the high labor costs, the net cash flow, not including capital outlays, for camping services would be negative.

Table 8-6. Projected Operating Revenues and Expenses for Camping Services - Spanish Flat

	Phase 1	Phase 2	Phase 3
Operating Revenues			
Tent Only Sites	\$93,000	\$97,000	\$105,000
Total Operating Revenues	\$93,000	\$97,000	\$105,000
Operating Expenses			
Labor	\$80,000	\$80,000	\$80,000
Operating Supplies	\$1,000	\$1,000	\$1,000
Utilities/Maintenance	\$9,000	\$9,000	\$9,000
Contract, Vehicle, Security Costs	\$4,000	\$5,000	\$5,000
Equipment Rental Costs	\$3,000	\$3,000	\$3,000
General & Administrative Expenses	\$19,000	\$19,000	\$19,000
Total Operating Expenses	\$116,000	\$117,000	\$117,000
Franchise Fee	\$1,000	\$1,000	\$1,000
Net Cash Flow	-\$24,000	-\$21,000	-\$13,000

8.3 Boating Services Financial Projections

The financial feasibility for boating services is based on the combination of the projected capital costs, operating costs and revenue. Table 8-1 summarizes the required and authorized boating services at Spanish Flat. The required boating services at Spanish Flat include both a boat launch and a marina with private slips and rentals.

For boating services only, the PV of capital investment is \$7.1 million, the NPV is \$7.0 million, and the IRR is 8 percent. See the discussion below for capital costs and expenses assigned to boating services that affects these financial indicators.

8.3.1 Capital Investment Costs

Table 8-7 presents the capital investment costs for boating services through the service term. The total capital investment estimated for boating is \$7.3 million. The marina gangway and slips are the largest capital expense for boating services.

A portion of earthwork, water, sewer, and electric costs have been added to the capital investment for boating based on the proportion of boats costs relative to the total development costs. This may not be reflective of the actual earthwork or infrastructure needed for the specific boating services. Because boating services are the largest capital investment, the majority of earthwork, water, sewer, and electric have been assigned to boating services.

Table 8-7. Projected Capital Investment Costs for Boating Services - Spanish Flat

	Total Cost of Required Facilities
2 Lane Boat Ramp	\$591,000
Courtesy Dock	\$23,000
Marina Access Dock/Gangway and Boat Slips	\$2,363,000
Kiosk (Boat Ramp Sign)	\$2,000
On-Shore Fuel and Sanitary Storage Tank	\$128,000
Fuel Dispensing and Sanitary Connection	\$54,000
Fishing Boat	\$75,000
Ski Boat	\$280,000
Kayak/Canoe	\$7,000
Paddle Board	\$2,000
Jet Ski	\$65,000
Deck Boating/ Pontoon	\$125,000
Spanish Flat Marina	\$175,000
Initial Cost	\$3,890,000
Shared facilities	\$298,000
Earthwork	\$2,227,000
Water and Sewer	\$454,000
Electrical	\$475,000
Total Boating	\$7,344,000

8.3.2 Operating Revenues and Expenses

Table 8-8 shows annual operating revenues and expenses for boating services, not including capital outlays. The boat rental operations generate substantial revenues. Revenues increase for slips and rentals in Phase 2 because of the assumed growth in visitation in future years. The revenues from fuel dispensing and the sanitary connection are assumed to be primarily fuel sales. Revenues for boating also include entrance fees of additional visitors into the recreation area that are not necessarily paying for a particular service. This would mostly include second cars meeting others for camping, lodging, boating, or day use activities. This revenue could be assigned to other services, but the financial model does not allow for that level of detail, so revenues were included for boating.

The total annual operating expenses for the boating facilities is estimated to be approximately \$420,000 in Phase 1. Labor is relatively high for boating because

it includes marina staff, entrance station staff, and staff time for maintaining comfort stations. The cost of sales is fuel purchases and sanitary clean out for vault toilets.

Table 8-8. Projected Operating Revenues and Expenses for Boating Services - Spanish Flat

	Phase 1	Phase 2	Phase 3
Operating Revenues			
2 Lane Boat Launch	\$60,000	\$63,000	\$66,000
Boat Slips	\$131,000	\$131,000	\$131,000
Fuel Dispensing and Sanitary Connection	\$86,000	\$86,000	\$86,000
Fishing Boat	\$35,000	\$35,000	\$35,000
Ski Boat	\$299,000	\$299,000	\$299,000
Kayak/Canoe	\$22,000	\$22,000	\$22,000
Paddle Board	\$22,000	\$22,000	\$22,000
Jet Ski	\$307,000	\$307,000	\$307,000
Deck Boat/ Pontoon	\$236,000	\$236,000	\$236,000
Entrance Fees	\$47,000	\$49,000	\$51,000
Total Operating Revenues	\$1,245,000	\$1,250,000	\$1,255,000
Operating Expenses			
Labor	\$85,000	\$85,000	\$85,000
Operating Supplies	\$108,000	\$109,000	\$109,000
Utilities/Maintenance	\$59,000	\$59,000	\$60,000
Contract, Vehicle, Security Costs	\$37,000	\$37,000	\$37,000
Cost of Sales	\$63,000	\$63,000	\$63,000
General & Administrative Expenses	\$70,000	\$71,000	\$71,000
Total Operating Expenses	\$422,000	\$424,000	\$425,000
Franchise Fee	\$12,000	\$13,000	\$13,000
Net Cash Flow	\$811,000	\$813,000	\$817,000

8.4 Day Use Services Financial Projections

Table 8-1 summarizes required and authorized day use services at Spanish Flat. Only 10 individual day use sites and a boat exclusion area are required.

8.4.1 Capital Investment Costs

Table 8-9 presents the capital investment costs for the day use services. Day use sites are not a significant portion of the total capital costs of the Spanish Flat development. The boat exclusion area is included in day use services, but could also serve camping and lodging services. A portion of earthwork, water, sewer, and electric costs have been added to the capital investment for day use services based on the proportion of day use costs relative to the total development costs. This may not be reflective of the actual earthwork or infrastructure needed for the specific day use services.

For day use services only, the PV of capital investment is \$88,000, the NPV is \$10,000, and the IRR is 3 percent.

Table 8-9. Projected Capital Investment Costs for Day Use Services - Spanish Flat

	Total Cost of Required Facilities
Individual Day Use Sites	\$42,000
Boat Exclusion Area	\$6,000
Initial Cost	\$48,000
Shared Facilities	\$4,000
Earthwork	\$28,000
Water and Sewer	\$6,000
Electrical	\$6,000
Total Day Use Services	\$92,000

8.4.2 Operating Revenues and Expenses

Table 8-10 presents annual operating revenues and expenses for day use services. Labor costs for the day use sites are minimal. The cash flow does not consider capital outlays.

Table 8-10. Projected Operating Revenues and Expenses for Day Use Services - Spanish Flat

	Phase 1	Phase 2	Phase 3
Operating Revenues			
Individual Day Use Sites	\$6,000	\$7,000	\$8,000
Total Operating Revenues	\$6,000	\$7,000	\$8,000
Operating Expenses			
Labor	\$100	\$100	\$100
Operating Supplies	\$100	\$100	\$100
Utilities/Maintenance	\$1,000	\$1,000	\$1,000
Contract, Vehicle, Security Costs	\$300	\$300	\$400
Equipment Rental Costs	\$200	\$200	\$200
General & Administrative Expenses	\$300	\$300	\$300
Total Operating Expenses	\$2,000	\$2,000	\$2,100
Franchise Fee	\$100	\$100	\$100
Net Cash Flow	\$3,900	\$4,900	\$5,800

8.5 Sensitivity Analyses

8.5.1 Discount Rate

The first sensitivity analysis is calculating the NPV with a 4 percent discount rate. The NPV is initially calculated using a 1.9 percent discount rate, as identified by the Office of Management and Budget for government invested projects. A sensitivity analysis was conducted using a higher discount rate in the event that a private concessionaire is looking for a higher rate of return. Note that the IRR on a project is the rate of return at which the NPV equals zero, or the project's cash flows are equal to the project's costs. Therefore, the IRR remains the same at both discount rates tested in this sensitivity analysis. The IRR for Spanish Flat is estimated to be 8 percent.

At a 1.9 percent discount rate, the NPV at Spanish Flat is \$7.0 million over the 30 year contract. At a 4 percent discount rate, the NPV at Spanish Flat is \$3.5 million.

8.5.2 Debt Financing

This sensitivity analysis is considering debt financing in the event that the concessionaire does not invest in the entire project up front. The debt financing sensitivity analysis assumes the concessionaire finances 25 percent up front and borrows the rest at a 5.5 percent interest rate for a 20 year term. This is further explained in Chapter 4.

Under a full cash financing scenario, the NPV at Spanish Flat is \$7.0 million over the 30 year contract and the IRR is 8 percent. Under the debt financing scenario, the NPV at Spanish Flat is \$4.7 million and the IRR is 8 percent.

8.5.3 RAFI and Personal Property Funds

This sensitivity analysis estimates how changes in RAFI and personal property fund deposits affect the IRR and ability to pay for replacement of facilities. The results for the financial evaluation shown in previous sections assumes a 3 percent RAFI and 5 percent personal property fund. This sensitivity analysis varies the percentages of the personal property fund from 3 to 7 percent of total revenue and the RAFI fund at 3, 5, and 7 percent of revenue. The sequence of withdrawals and deposits from the fund are not changed. Figure 8-1 shows the changes in IRR with the relative to changes in the percentages for the RAFI and personal property funds. The IRR varies between 6 percent when the RAFI and personal property funds are at 7 percent and 8 percent when the RAFI and personal property funds are at 3 percent.

When the RAFI is set at 5 percent, the total contribution to the fund over the contract term is \$1.9 million, which covers about 25 percent of the total investment. If the RAFI is set at 7 percent, the fund accumulates \$2.7 million and covers about 35 percent of the total investment.

The FFE only includes specific estimates for rental boats as personal property. The evaluation does not go into more cost detail on other personal property. If the personal property fund is set at 3 percent, it accumulates \$1.1 million over the contract term and covers about 69 percent of the replacement costs of rental boats, if boats are replaced three times during the contract term. At 5 percent, the personal property fund accumulates \$1.5 million and covers 92 percent of the replacement costs of rental boats.



Figure 8-1. Spanish Flat: Changes in IRR with Changes in RAfi and Personal Property Fund