



Incorporating Capital Plans and Capitalization Goals into Strategic Planning



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Topics to Cover

- 1. Use of the NACHC/Capital Link Strategic Planning Toolkit*
- 2. Completing a physical space assessment*
- 3. Determining Debt Capacity*
- 4. Considering financial sustainability*
- 5. Identifying sources and types of financing*

NACHC/Capital Link
Strategic Planning
Toolkit

Why Have a Strategic Plan?

- “If you don’t know where you are going, any road will get you there.” – Cheshire Cat
- Eliminate surprise
- Provide a guide for **every day** decisions (critical minutia)
- A tool to help keep pace with external change

Why Have a Strategic Plan?

- Tool to create and maintain “***Adjacent Possibilities***”
 - Old systems designed **to kill change**, minimize both possibilities and adjacency.
- **Keep pace** with the change around you.
- Understand your systems (Xerox)
- Learn to **manage strategically or perish.**



Strategic Planning Toolkit



A “GPS” Plan



Not A Storage Problem



Strategic Planning Toolkit



Download a free copy online:

<http://www.caplink.org/resources/publications>

Strategic Planning Toolkit

The tools....

- Provide **clear explanation** of their purpose.
- Have **instructions** on how to use them.
- Offer guidance on **who** should participate
- Contain questions or statements to **stimulate your thinking**
- Are **interactive** so that you may insert your findings and comments.
- **You know the questions and most of the answers...**you just don't realize it...these tools will enable you to identify both.
- **Designed to speak to you every step of the way and to guide you** easily through the maze of strategic thinking and planning.

Key Strategic Planning Components



Self-Assessment

- What you do?
- Why you do it?
- How you do it?
- What you do well?
- What you could do better?
- Operational capacity?
- Financial capacity?
- Physical capacity?
- Irony of Strategic Planning?

Environmental Scan

- You can't manage what you don't know
- What lies ahead (environmental scan)
- Demographic shift (overwhelming)
- Government healthcare policy
- Government fiscal policy
- National and global economy
- Local economy
- Invite stakeholders to provide input
 - Community
 - Patients, Providers, staff
 - Government: local, state, federal
 - Other social services
- There is no “future” there are possible “futures”

Impact Evaluation

- What possibilities did we find in landscaping
- What are the operating and financial implications of each of those possibilities.
- Listing the possibilities and the impacts on the CHC of each one
- Prioritizing the probabilities
- Analyzing the impact on each possibility
- Capital Needs, human resources, connections

Goal Setting - SMART

- Specific
- Measurable
- Attainable
- Realistic
- Attainable

Action Plan

- “What if” planning
- Contingent Action Plan
- “Back-to-the-Future” planning
- Immediate Action Plan
- Maximizing positive possibilities
- Minimizing negative possibilities
- Timeline estimates for intervention
- Community Activation



Physical Space Assessment



Physical Space Assessment

Every strategic plan must include thoughtful analysis of an organization's physical space. The impetus for this necessity comes from many sources. Does your center have enough space to accommodate current needs and future growth? Is your operating model likely to change, thus requiring a different space design? Will you be adding services that require specially-designed spaces? What is the condition of your current buildings? Do you lease space and wish to own?

How to Use: Answer the questions below to identify your potential physical space needs.

Who Should Use: Leadership team, working in conjunction with the Strategic Planning Committee

1. What is the age and physical condition of your existing buildings? Will any need to be renovated, replaced or expanded in the next five years?
2. Is your existing space sufficient to accommodate future growth? If not, what new or improved space will you need in the next five years?
3. Do your existing facilities help you attract patients, and recruit and retain providers?
4. Is your existing space configured in a manner that provides optimal productivity and enables potential operating model changes?
5. Are your current sites located appropriately to serve your market and provide you with a competitive advantage? Are there new markets you are considering that will require additional sites?
6. If you lease space, is this situation optimal for your needs or do you need to consider replacing the leases or buying/building space?
7. Do you have collaboration or co-location opportunities that will require additional space (e.g., pharmacy, other medical or behavioral health providers, schools, housing, commercial enterprises, etc.)
8. Do you have sufficient working capital and/or debt capacity to improve or expand your existing space?
9. Are you aware of the grants that are available to health centers for capital improvements?
10. Are you aware of low-cost financing tools such as New Markets Tax Credits, USDA financing, and special loan programs for health centers?
11. How do you prioritize the needs identified in this process?



Debt Capacity Analysis



Debt Capacity Sensitivity Analysis

	Interest Rate	#Years	2017	2018	2019	2020
Funds Available for Debt Service			\$951,047	\$850,221	\$1,022,554	\$1,000,037
Rent rebate below			\$951,047	\$850,221	\$1,022,554	\$1,000,037
\$0.00						
Funds Available for Debt Service after applying D.S.C. Requr. of 1.25			\$760,838	\$680,177	\$818,043	\$800,030
Debt Supported by Adjusted Cash Flow	6.00%	20	\$8,726,747	\$7,801,574	\$9,382,891	\$9,176,276
Debt Supported by Adjusted Cash Flow	5.00%	20	\$9,481,718	\$8,476,506	\$10,194,626	\$9,970,137
Debt Supported by Adjusted Cash Flow	4.00%	20	\$10,340,031	\$9,243,825	\$11,117,474	\$10,872,663

Debt Capacity Sensitivity Analysis

	Interest Rate	#Years	2017	2018	2019	2020
Funds Available for Debt Service			\$951,047	\$850,221	\$1,022,554	\$1,000,037
Rent rebate below			\$1,101,047	\$1,000,221	\$1,172,554	\$1,150,037
\$150,000.00						
Funds Available for Debt Service after applying D.S.C. Requr. of 1.25			\$760,838	\$680,177	\$818,043	\$800,030
Debt Supported by Adjusted Cash Flow	6.00%	20	\$8,726,747	\$7,801,574	\$9,382,891	\$9,176,276
Debt Supported by Adjusted Cash Flow	5.00%	20	\$9,481,718	\$8,476,506	\$10,194,626	\$9,970,137
Debt Supported by Adjusted Cash Flow	4.00%	20	\$10,340,031	\$9,243,825	\$11,117,474	\$10,872,663



Financial Sustainability



Financial Feasibility and Sustainability

- 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				Projected Results								
	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	296,927		1,722,597		3,600,619		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	998,041		1,587,788		1,764,885		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	82,116	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
	210,898	2,541,410	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		5,818,864		6,981,233
Net Fixed Assets	2,321,935	4,559,990	6,049,447		5,587,801		5,126,155		26,574,286		25,411,916		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	1,292,918	1,109,667		1,874,214		2,019,874		2,623,185		2,771,844		2,894,586
Accrued Expenses	471,570	560,496	625,761		650,054		754,369		810,751		891,933		959,727
Current Maturities of Long-Term Debt	37,321	131,914	154,458		0		0		0		278,614		266,715
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	1,985,328	2,389,886		3,024,268		3,274,243		3,933,936		4,442,391		4,621,028
Long-Term Debt	900,572	1,924,346	2,052,125		2,052,125		2,052,125		2,052,125		1,773,511		1,506,796
New Long Term Debt (USDA)	0	0	0		0		0		22,000,000		21,721,386		21,454,671
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	1,924,346	2,052,125		2,052,125		2,052,125		24,052,125		23,494,897		22,961,466
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

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	1.8%	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	813,193	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%	116,056	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	246,985	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		
	2011-06-30	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	\$726,638	\$1,349,581	\$1,277,292
Adjustments:						
Depreciation		357,344	427,646	461,646	461,646	1,182,369
(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	-869,246	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 LT 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
Medical Visits	57971	0%	59114	5%	62070	20%	74484	12%	83422	5%	87593
Dental Visits	2471	0%	4274	5%	4488	5%	4712	5%	4948	5%	5195
Mental Health Visits	2430	0%	2825	5%	2430	5%	4860	5%	5103	5%	5358
Radiology*	2059	0%	3589	5%	3768	5%	3957	5%	4155	5%	4362
Home Visits		0%	714	5%	750	5%	787	5%	827	5%	868
Nursing home		0%	1173	5%	1232	5%	1293	5%	1358	5%	1426
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
Medical		0%	\$ 126.60	2%	\$ 129.14	2%	\$ 131.72	2%	\$ 134.35	2%	\$ 137.04
Dental		0%	\$ 71.20	2%	\$ 72.62	2%	\$ 74.07	2%	\$ 75.55	2%	\$ 77.06
Mental Health		0%	\$ 99.93	2%	\$ 101.92	2%	\$ 103.96	2%	\$ 106.04	2%	\$ 108.16
Radiology*		0%	\$ 119.12	2%	\$ 121.50	2%	\$ 123.93	2%	\$ 126.41	2%	\$ 128.94
Home Visits		0%	\$ 94.82	2%	\$ 96.71	2%	\$ 98.65	2%	\$ 100.62	2%	\$ 102.63
Nursing home		0%	\$ 108.90	2%	\$ 111.08	2%	\$ 113.30	2%	\$ 115.57	2%	\$ 117.88

	2013-06-30		6/30/2014		6/30/2015		6/30/2016		6/30/2017		6/30/2018
	Rev	%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	\$ 7,475,460	\$ 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	\$ 146,526	\$ 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

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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Sources and Types of Financing



*Financial structure considerations
mean big financial differences!*



Financing Components

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

*Let's us a \$10,000,000 project
As an Example*



Conventional Bank Loan

- Loan is 80% of project value: \$8,000,000
- Interest rate is 5% 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).....\$561,204

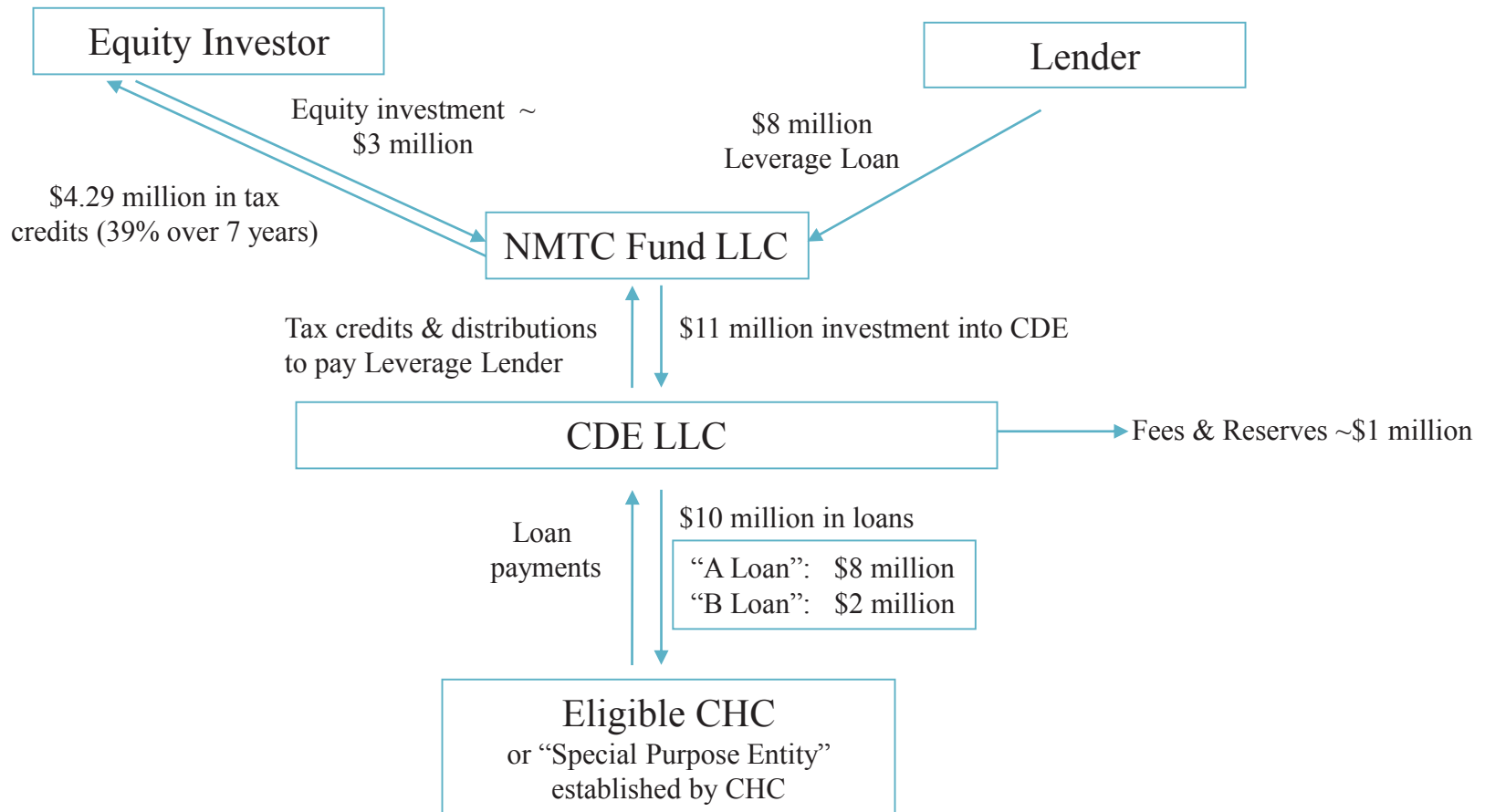
New Markets Tax Credit Program

- “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.....\$400,000

US Department of Agriculture

- Usable with other options
- Population 20,000 or under
- 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.....\$ 371,892

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 – 3.9% (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.....\$ 312,000

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

Window of Opportunity

- Lowest interest rates
- Stagnated building costs
- Government financing programs Tax Exempt Bonds, NMTC and USDA

Interest Rates

Rates Today

- Fed Funds – 0%
- TE Bond - .25%
- Prime – 3.25%
- Inflation - **1%**

Five Years Ago

- Fed Funds – 3.00%
- TE Bond -4.5%
- Prime – 5.0%
- Inflation – 4%

Five Years From Now?

You won't see lower interest rates in your life time.

Building Costs

- Inflation rate – 1%
- Construction bids – at budget
- 5 years ago they were 10% to 15% above budget



“Enough with all the strategic planning. Get out there and kill something.”

Terry Glasscock
tglasscock@caplink.org
