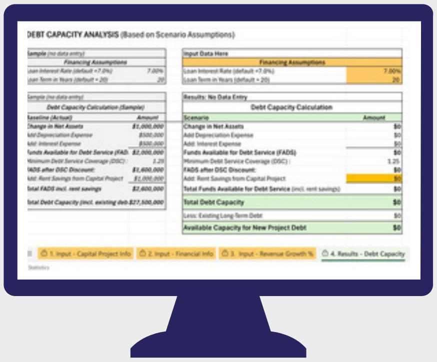
Guide to the Capital Financing Planning Tool

June 2026 | Capital Link

Introduction

This tool is designed to help health centers assess their financial capacity to use long-term debt in support of their capital expansion projects. Using a Sources & Uses of Project Funds template, and high-level operating revenue and expense data, organizations can align early project cost estimates with prospective funding strategies, in particular project financing, to cover project funding gaps.

Estimating debt capacity is a function of calculating operating cash flow. Given the significant uncertainties in health center revenue streams, the tool is also set up to accommodate revenue growth scenarios, positive or negative, that will impact the health center's ability to afford the debt that is needed to fund the capital project. By clarifying what is financially feasible, this preliminary planning tool enables health centers to size and scope projects more efficiently before committing to their project budgets and entering the financing process.



CLICK HERE
to download the tool

Instructions for Using the Tool

Sheet 1-Input Capital Project Information:

→ Enter your estimated capital project costs by major category, based on the best information available at this early stage of planning. Major categories may include property acquisition costs, construction-related costs, soft costs, and equipment/furniture costs. Soft costs may include architect and engineering fees, appraisals, building permits, environmental reports, loan fees, and other predevelopment or planning expenses.

→ Enter any preliminary funding sources that may be available to offset the project costs listed above. These may include equity in the project property, predevelopment expenses already paid, cash reserves, third-party grants, fundraising, or other committed or anticipated sources.

- The difference between total project costs and available funding sources will be considered the project's **financing gap**. This amount will be automatically calculated.

Sheet 2-Input Revenue and Expense Information:

→ Enter amounts for major sources of operating revenue and total expenses. This information may come from the health center's annual operating budget or most recent audited or unaudited financial statements.

→ Separately enter depreciation and interest expense amounts, even though these amounts are also included in the total expense line.

→ Enter any existing long-term debt currently listed on the health center's balance sheet.

Sheet 3-Input Revenue Growth Scenarios:

→ Enter growth percentage assumptions for each revenue line item. For example, patient revenue may be projected to decrease by 10% next year due to Medicaid enrollment or reimbursement changes, while pharmacy revenue may be projected to increase by 5%.

- The tool allows different growth assumptions to be applied to individual revenue line items, as well as to total expenses.
- If a 0% growth rate is applied to all input lines, the resulting scenario operating statement will mirror the financial information entered on Sheet 2.

Sheet 4-Results of Debt Capacity Calculation:

- This sheet calculates the health center's estimated debt capacity based on the inputs from the previous sheets. The interest rate and loan term may be modified as needed from the default assumptions of a 7% annual interest rate and a 20-year loan amortization period.

→ You may also enter any rent savings expected to result from the capital expansion project, such as when existing clinic operations move from leased space into owned space.

Sheet 5-Sources and Uses of Project Funds with Debt Capacity Estimate:

- This sheet pulls the Sources and Uses of Funds information from Sheet 1 and combines it with the debt capacity results from Sheet 4.
- The results show whether the health center appears to have sufficient debt capacity to cover the project's financing gap.
- The health center may wish to adjust the growth assumptions on Sheet 3 for scenario planning purposes and to better assess whether the capital project budget is financially feasible.