
Life Chances Center Potential Income and Expenses Report

January 2013

Introduction

The purpose of this report is to determine the estimated expenses and income for the BMHA-PCN Life Chances Center (LCC). The LCC will be the anchor of the PCN. Therefore, it is necessary to determine how to sustain its operations over time. Given the size, and the expense of operating an Olympic size swimming pool, to sustain the LCC it will be necessary to develop an aggressive income-generating strategy that is based on an entrepreneurial model. The secret to the success of the model is to build a team with responsibility to drive this strategy into the center's staffing plan. The report will be divided into four parts. The first part outlines the methodology that was used in developing the income and expenses report. The second part outlines the estimated operational costs in running the LCC. The third part of the report deals with income generation. The fourth part consists of income gap and additional income generation ideas. Finally, there are two appendices that provide greater detail on expenses and income calculations that follow the report.

Part One: Methodology

Data for this report was gathered from a variety of different sources. Information was obtained from several peer community centers in the Western New York region, the Belle Center, Gloria J. Parks Community Center, Old First Ward Community Center, and the Doris Jones Family Resource Building, along with the Kroch Center in Philadelphia. In addition to examining operational reports from these centers, interviews were also held with their executive directors. Additionally, interviews were held with the executive director of the Police Athletic League of Buffalo.

To gain insight into income generation and the cost of operating fitness centers and swimming pools, interviews were held with the director of the Buffalo Swim Racers, Inc., chief engineer at City Honors, and facilities staff of the Buffalo Athletic Club. In addition, information was gathered from the websites of USA Swimming and several local fitness clubs in the Buffalo-Niagara Region--Buffalo Athletic Club, Bally Fitness, Planet Fitness, Fitness 360, Catalyst Fitness, and the ECC Flickinger Center. To gain information on salaries and fees, various professional websites were consulted including ideafit.com, athleticbusiness.com, salary.com, simplyhired.com, payscale.com, and cbre.com. Finally, office supply costs were determined by looking at websites such as officedepot.com, officemax.com, dell.com, and reviewing pricing found on google.com.

The staffing patterns were based on a report on LCC by the UB Center for Urban Studies, as well as an assessment of the staffing needs of the peer community centers. In particular, the Belle Center, which is the facility closest in size and programming to the proposed LCC, was the most carefully examined unit. In fact, the Belle Center served as a reference point for this report. Salary amounts for specific positions

were based on national average for salary levels of similar positions. All salaries include a 3% increase in Phases 2 and 3. These assumptions were based on all three phases being completed in a three year period. The point is that we are projecting salary increments of 3% annually. The rate is based on the recommended annual increases for research employees at the University at Buffalo. For the purposes of this report, we have used the average fringe benefit rate established by the Research Foundation of the State University of New York at Buffalo (RF-SUNY) for 2012-2017. This source was used since it took into account gradual increases over a five-year period, similar to the Implementation Grant. For this period, the average rate is 44% of an employee's salary.

The supplies category is broken down into two (2) separate budget lines – office supplies and maintenance supplies. Office supplies are items such as paper, toner, envelopes, etc. Maintenance supplies are those things related to the physical upkeep of the building and grounds and would include cleaning supplies, restroom supplies, and other items necessary to keep the LCC clean on a daily basis. The estimated amount is adjusted for each phase because of increases in the square footage of the center by phase.¹ The insurance costs are based on a percentage of the size of the LCC compared to the size of the Belle Center (56,000 square feet) in each phase, taking into account that the pool will not be built until phase 3.

In developing the cost estimates, we also included “start-up” costs, which are one-time expenditures that are needed to launch the LCC. These costs are mostly equipment purchases made in Phases 1-3 are related to those items connected to Phase 1-3 LCC programs in order to make them operational (ex: computers for the computer lab, furniture for offices, equipment for the pool, etc.). During the first five years, the building repair and maintenance costs will be minimal. It is anticipated that these costs will represent a subsidy by either the City or BMHA, depending on who owns the facility.²

Calculations for estimated revenue projections are based on rentable space in the LCC for on-going programs, rentable event space in the LCC, memberships to the fitness center, and other estimated streams of revenue such as vending machines. Finally, the estimated revenue also includes amounts that can be captured through strategies such as creating *commercial space* into the LCC, holding an annual community-wide event to raise funds for the LCC, and doing something as simple as running a monthly

¹ During Phases 1 and 2, there will not be a pool, so it is anticipated that the total costs of insurance and utilities will be less than the Belle Center figure. Phase 1 utility costs are based on a percentage of utilities for the size of the LCC (31,241 square feet) compared to the size of the Belle Center (56,000 square feet). The LCC will be about 45% smaller at this time, so the total annual insurance/utility cost is adjusted at that level, with an estimated 10% decrease in costs because the LCC will not have a pool at this time. Therefore utility costs are reduced by 55% in this Phase. Phase 2 insurance/utility costs are based on a percentage of utilities for the size of the LCC (52,399 square feet) compared to the size of the Belle Center (56,000 square feet). The LCC will still be about 9.3% smaller at this time, so the total annual utility cost is adjusted at that level, with an estimated 10% decrease in costs because the LCC will not have a pool at this time. Therefore utility costs are reduced by 19.3% in this Phase. Phase 3 insurance/utility costs were held constant with Phase 2 despite the pool being built because these costs are included in the operational costs of the pool in Phase 3. USA Swimming included the anticipated costs of insurance and utilities in the annual \$14.00 per square foot operational costs figure for the pool.

² Similar to utility costs, building repairs and maintenance costs will depend on the entity that owns the LCC. Maintenance and repair costs of City owned facilities are covered by the City of Buffalo. If the LCC is owned by the BMHA, then a capital reserve and replacement reserve for the building should be included as part of the expenses budget.

lottery. For the purpose of this report, in instances where these ranges were calculated, the median revenue projection was selected to include in the overall revenue table. In this report, we did not calculate “best case” and “worse case” scenarios. Instead, where ranges in estimated income existed, we took the median value.

Part Two: Estimated LCC Expenses

The estimated expenses for the LCC were developed based on the activities generated in each phase in the construction of the facility. The major budget categories were personnel, Utilities and Insurance, supplies and materials, and pool operations. Because of the unique operational character of the pool, from an operations perspective, we treated it as a separate category. As expected, the budget increased from phase to phase due to increases in square footage and program activities.

The estimated LCC expenses budget calculated in Phase 1 is \$430,095.00. In Phase 2, the budget increases by 18% to \$507,736.40. In phase 3, the budget increases by 95%, as it grew from \$507,736.40 to \$1,021,986.79, a difference of \$608,568.79. This significant budgetary leap is caused mainly by the addition of the Olympic size swimming pool (Table 1). For references, when phase 2 is completed, the LCC will be approximately the same size as the Belle Center.

Table 1: Estimated LCC Expenses Budget – Major Categories

Major Budget Category	Phase 1	Phase 2	Phase 3
Personnel	\$ 308,880.00	\$ 375,286.40	\$ 386,544.99
Operational Expenses (Utilities/Insurance)	\$ 67,500.00	\$ 121,050.00	\$ 121,050.00
Swimming Pool (Operational Costs)	\$0.00	\$0.00	\$ 420,000.00
Supplies/Materials	\$ 7,200.00	\$ 11,400.00	\$ 15,600.00
Startup Costs by Phase	\$ 46,515.00	\$0.00	\$ 47,591.80
TOTAL	\$ 430,095.00	\$ 507,736.40	\$ 1,021,986.79

In phases 1 and 2, the largest expenses are in personnel. In Phase 1 these expenses represent about 81% of the total budget and 74% in Phase 2. In phase 3, personnel cost drops to about 43% of total costs, because of the expenses associated with running the pool. Between phase 1 and 3, there is about a 25% increase in personnel costs. This is driven most by the addition of staff members to handle the increased volume of traffic or to accommodate new activities. Thus, personnel expenses are stable across time.

There is one last issue on personnel. The LCC will need to have a very aggressive income-generation plan to offset some of its operating costs. To make this happen, as part of the staffing plan, two staff members will have prime responsibility for income generating activities, including organizing and promoting events and marketing rental space.

The second largest budgeted expense is insurance and utilities which account for 18%, 24%, and 12% of total expenses in Phase 1-3 respectively. The insurance and utility costs in Phase 2 are anticipated to increase due to the expansion of the size of the LCC from 31,241 square feet to 52,399 square feet. In Phase 3, the total costs of insurance and utilities are held constant even though the amount decreases as a percentage of the total budget compared with Phase 2. The reason for this is although increased

costs for insurance and utilities is expected once the pool is built, the pool operational costs built in as a major category already includes the cost of insurance and utilities in the \$420,000.00 figure.

The pool costs are inexact. We are unable to get exact information on projected costs from any of our sources. USA Swimming has calculated a formula of the operational costs of a pool based on square footage, which includes all costs with the exception of salaries/benefits, taxes, depreciation, and any debt payments. For the LCC, the cost per square foot is \$14.00 x 30,000 square feet, or \$420,000.00. Thus, we employed their formula in calculating the pool expenses. Nonetheless, the various sources agree that operating a pool is expensive.

Startup costs are those expenses to outfit administrative and program spaces in order to function. These are one-time expenses for the most part, until equipment such as computers would need to be replaced. In Phase 1, these costs would include expenses connected to the LCC Administration, LCC Facilities, the PCN Case Management Unit, Computer Lab, and Recreational and Fitness Center, estimated at \$46,515.00. There are no startup costs in Phase 2, and the startup costs included in Phase 3 are those connected to the swimming pool (safety/rescue equipment and swimming equipment), which total \$47,591.80. Startup costs are itemized in Table 3.

Finally, supplies for programs are estimated @ \$350, \$450, \$550 per month in each phase, and supplies for maintenance are estimated @ \$250, \$500, \$750 per month in each phase. The estimated totals in each phase gradually increase from \$7,200.00 to \$11,400.00 and \$15,600.00 by Phase 3, taking into account the increase in size of the LCC in each phase. ***For a more in-depth look at the estimated expenses see Appendix A: Expense Category Information.***

Table 2 below provides an overview of the itemized estimated expenses by Phase and is followed by further information on how the estimates in each major category were calculated.

Table 2: Estimated LCC Expenses Budget - Itemized

BUDGET CATEGORY	Phase 1	Phase 2	Phase 3
Personnel			
LCC Administration			
Executive Director	\$60,000.00	\$61,800.00	\$63,654.00
Development/Finance Coordinator	\$50,000.00	\$51,500.00	\$53,045.00
Marketing/Communications Coordinator	\$50,000.00	\$51,500.00	\$53,045.00
Executive Administrative Assistant		\$31,000.00	\$31,930.00
Receptionist	\$25,000.00	\$25,750.00	\$26,522.50
Sub-Total Salaries	\$185,000.00	\$221,550.00	\$228,196.50
Sub-Total Fringe at 44%	\$81,400.00	\$97,482.00	\$100,406.46
TOTAL SAL/FR - LCC Administration	\$266,400.00	\$319,032.00	\$328,602.96
LCC Facilities			
Maintenance Worker (Full Time)	\$29,500.00	\$30,385.00	\$31,296.55
Maintenance Worker (Part Time)		\$12,500.00	\$12,875.00
Sub-Total Salaries	\$29,500.00	\$42,885.00	\$44,171.55
Sub-Total Fringe at 44%	\$12,980.00	\$13,369.40	\$13,770.48
TOTAL SAL/FR - LCC Facilities	\$42,480.00	\$56,254.40	\$57,942.03

Swimming Pool			
Lifeguard (\$10/hr x 30 hours per week)			\$15,600.00
Lifeguard (\$10/hr x 30 hours per week)			\$15,600.00
Sub-Total Salaries			\$31,200.00
No-Fringe (Part Time Positions)			
TOTAL - SWIMMING POOL			\$31,200.00
Operational Expenses			
*Utilities	\$45,000.00	\$80,700.00	\$80,700.00
*Insurance	\$22,500.00	\$40,350.00	\$40,350.00
TOTAL – OPERATIONAL EXPENSES	\$67,500.00	\$121,050.00	\$121,050.00
Swimming Pool			
**Pool Operational Expenses (\$14.00/sq. ft)			\$420,000.00
TOTAL – SWIMMING POOL			\$420,000.00
Supplies and Materials			
Supplies - programs (Estimated @ \$350, \$450, \$550 per month in each phase)	\$4,200.00	\$5,400.00	\$6,600.00
Supplies - maintenance (Estimated @ \$250, \$500, \$750 per month in each Phase)	\$3,000.00	\$6,000.00	\$9,000.00
TOTAL – SUPPLIES AND MATERIALS	\$7,200.00	\$11,400.00	\$15,600.00
Startup Costs by Phase			
***Start Up Costs in each Phase	\$46,515.00		\$47,591.80
TOTAL – STARTUP COSTS BY PHASE	\$46,515.00		\$47,591.80
TOTAL LCC BUDGET – ALL CATEGORIES			
PERSONNEL	\$308,880.00	\$375,286.40	\$417,744.99
OPERATING EXPENSES (Utilities/Insurance)	\$67,500.00	\$121,050.00	\$121,050.00
SWIMMING POOL (Operational Costs)			\$420,000.00
SUPPLIES AND MATERIALS	\$7,200.00	\$11,400.00	\$15,600.00
STARTUP COSTS BY PHASE	\$46,515.00		\$47,591.80
TOTAL LCC BUDGET	\$430,095.00	\$507,736.40	\$1,021,986.79

*Insurance and utility costs are held constant in Phase 3 since the Pool Operational Expenses Category takes into account these expenses as part of the overall operating expenses.

**The pool operating expenses in this table for Phase 3 include the insurance and utility costs of operating the pool. USA Swimming indicated that operating expenses for a pool in the Northeast are about \$14.00 per square foot annually. The Facilities Director for USA Swimming stated that until the programming of the pool is known, it is difficult to know exactly what the utility costs for the pool alone would be.

***Startup costs for the pool were determined by the director of Buffalo City Swim Racers. The costs include items needed for safety/rescue equipment and equipment needed to host swimming meets and to offer lessons. The amount per item was determined from Kiefer Swim Shop Catalog. The final number of each item to purchase would be based on the number of people who would be taking lessons at the LCC – so these numbers could be adjusted up or down. There are several items that will be needed in addition to these costs, but pricing was not available at the time of this report.

Part Three: Estimated LCC Income/Revenue

The estimated income of the LCC is based on potential annual earnings generated from renting space for programs and events, special events, vending machines, and memberships (Table 3). Based on this analysis, the estimated annual income is \$413,418.00. Gym and fitness center memberships make up the largest revenue category and accounts for \$120,000.00, or about 29% of the estimated revenue at the LCC. Following closely behind for generating revenue would be through the renting of various spaces in the LCC. This amount is estimated at \$117,550.00, or about 28% of the total amount of revenue that would be generated on a yearly basis. These rentals would include spaces used for programs on a daily basis, as well as spaces for various events.

Table 3: Total Estimated LCC Income/Revenue – All Phases

LCC – Estimated Income/Revenue Categories	Amount
Rentals	\$117,550.00
Gym and Pool Rentals/Events	\$107,520.00
Gym Memberships	\$120,000.00
*Special Events	\$38,000.00
Commercial Space	No figure as this point
Vending Machines	\$10,548.00
Fundraising Activities - PCN Monthly Lottery	\$19,800.00
Total Estimated Income/Revenue	\$413,418.00

*The amount included in this table for an annual event is the median revenue amount between the Old First Ward Community Center – Shamrock Run (\$50,000.00) and the Belle Center Golf Tournament (\$26,000.00)

Gym and Pool rental/events are separated from memberships, since income from these activities would be connected more to running leagues, hosting tournaments, contracting with a swim club(s), school(s), or other entities to practice at the LCC, as well as hosting swim meets. The amount of estimated income from these activities is \$107,520.00, or 26% of the total estimated revenue.

Revenue from hosting an annual special event is included in the income generation model at \$38,000.00, or 9% of total revenue, the median figure based on other successful community center events that are held locally. Other income generating activities which make up a small percentage of the total estimated revenue include income from vending machines located inside the LCC (3% of total estimated revenue, or \$10,548.00 annually) and fundraising activities (5% of total estimated revenue or \$19,800.00 annually).

One important factor to consider when implementing the income generation strategy will be the way the LCC's construction is financed. If the LCC is to be funded by Low Income Housing Tax Credit (LITHC) funding, the facility must primarily serve individuals whose income is 60%, or below, the Buffalo Area Median Income limits.

Part Four: The Income Gap

There is an income gap between expenses and estimated income in phase three. Here, we have a difference of about \$608,568.79 between expenses and income. Even if the income generating

strategies are more aggressive, they still will not be great enough to close the gap between expenses and earnings. Therefore, it will be necessary to obtain a subsidy to close this gap. Here, it should be noted that this assessment was made without knowing any other income sources that might close the expense-income gap. For example, if the City picks up a portion or all of the cost of utilities it will help close the gap. Also, some salaries might be covered by PAL. Regardless; BMHA will need to identify sources that might be willing to provide deeper subsidies.

There are also additional income generating activities that can be undertaken. For example, space could be rented out to Starbucks or Tim Horton and the number and magnitude of special events could be increased. Also, we could work with local businesses to increase the membership. We have outlined some additional possibilities for income generation in the following section. These ideas notwithstanding, if we construct the pool, we are going need subsidies to operate it and the LCC. Of course, there is a positive upside to the pool, but its potential cannot be realized without the resources to operate it. ***In Appendix B, there is a more detailed explanation of the income generation strategies that were used in this report.***

Additional Income Generation ideas

In addition to the approaches to generate revenue for the LCC, there are several additional strategies that can be incorporated by the LCC to raise additional income to pay down expenses at the LCC.

One LCC strategy could be by having more than one income generating event per year. The current income/revenue estimate (Table 3) includes revenue from an annual event to support the LCC. An additional event would add to this revenue stream. The relationship between the LCC and Buffalo PAL could serve this purpose. PAL has experience running highly successful events such as the First Night – New Year’s Ball Drop in Downtown Buffalo and the annual Gus Macker basketball tournament. PAL has indicated that it could assist in the development of events.

The key would be to determine what type of event this would be. The thought would be to do something that can attract the largest number of participants. What would work for the LCC? It could possibly be a bicycle race that would take participants through the neighborhood and along the waterfront or large scale regional swimming meet. It could also be something that doesn’t involve athletics, such as a Taste of Buffalo, or festival type of event. In either case, multiple events should be part of the income generating strategy for the LCC.

The LCC should include an annual fundraising drive as part of the income generation model to enlist corporate support for the facility. Given the proximity between Perry Homes and Extension and the Seneca Buffalo Casino, perhaps a corporate relationship between the LCC and the Seneca Nation or Seneca Gaming should be pursued.

Finally, in terms of generating fitness center and gym memberships, the LCC should target all of the business that operates in the PCN for possible corporate memberships for employees who work in the LCC. ECC, for instance, offers access to their facilities at discounted membership rates for downtown workers. Group rates for downtown businesses and organizations should be considered as a potential strategy to attract downtown workers to the LCC. A strategy for the LCC could be to target Larkinville employees and employers in the PCN for discounted memberships, since it is such a short distance from the proposed site of the LCC.

APPENDIX A

Estimated Expense Category Information

Salaries

The estimated expenses of the LCC personnel by Phase are based on the salaries for LCC staff that are necessary for the operations of the LCC. These positions are related to administration, facilities, and lifeguards for the swimming pool. The development and marketing staff are the two positions that are expected to drive the income generation activities of the LCC. They are expected to plan and carryout events, develop income generation ideas, market the rental space and be responsible for generating the resources to fund operations of the center. These are the two most critical positions. It is possible that during the Phase 1 and perhaps Phase 2, only one of these two positions will be needed. Staff size in each Phase is somewhat constant, but factors in the addition of an executive administrative assistant and part-time maintenance worker in Phase 2, and the addition of two (2) part-time lifeguards in Phase 3. A 3% salary increase for each position is built into the Phase 2 and Phase 3 budget. The fringe rate was held constant at 44% throughout the budget for each Phase, but could be slightly more or less, based on the fringe rate currently used by the hiring agency.

Utilities and Insurance

Utility and insurance costs are estimated using the base figures in each category that were provided by the Belle Center. Currently, insurance costs are about \$50,000.00 and utility costs \$100,000.00 annually at the Belle Center. Both of these figures include the expenses for the pool. However, during Phases 1 and 2, there will not be a pool at the LCC, so it is anticipated that the total costs of insurance and utilities will be less when compared to the Belle Center figure. In order to account for this, Phase 1 and Phase 2 insurance and utility costs were based on the square footage of the LCC when compared to the Belle Center, plus an additional decrease to factor in the absence of a pool. In Phase 1, the LCC (31,241 square feet) is about 45% smaller when compared to the size of the Belle Center (56,000 square feet). In Phase 2, the size of the LCC (52,399 square feet) will still be about 9.3% smaller at this time. To take into account the Belle Center pool, an additional a 10% decrease (which may be conservative) was factored in so that the estimated figures for insurance and utilities in Phase 1 is 55% lower and 19.3% lower in Phase 2 than the Belle Center expenses. In Phase 3, insurance and utility costs were held constant with the figure in Phase 2 since the operational costs for the pool in Phase 3 include the anticipated costs for insurance and utilities, according to USA Swimming.

Startup Costs

Startup costs are those expenses to outfit administrative and program spaces in order to function. These would initially be one-time costs in each Phase until equipment and/or furniture would need to be replaced. Program areas with existing computers, furniture, and equipment would be expected to bring those items over with them (ex: P&I Center) at the time they begin operations in the LCC. Contractors that deliver programs in the LCC would be expected to outfit their individual space. For the gymnasium and fitness center, office equipment and furniture for Lanigan staff that would be located in the LCC is included, but recreational equipment such as basketballs, footballs, etc. are not, since it is thought that recreational equipment currently being used at Lanigan would be brought over.

Pool startup costs are based on two (2) different needs – safety/rescue equipment and swimming equipment for lessons and swimming meets. However, it must be noted that there is an additional amount of pool items that would be needed in addition to these costs, but have not been included because pricing at the time of the report was not available. Space such as the Senior Center was not included in the estimate, since it is not known what exactly the furnishing needs in that space would be.

Table 1: Project LCC Startup Costs by Phase

Budget Category	Phase 1	Phase 2	Phase 3
LCC Administration			
5 computers (Est. at \$800.00 per computer)	\$4,000.00		
1 Network Printer/Copier/Scan/Fax (Estimated at \$500 each)	\$500.00		
5 office phone (Est. at \$125 each)	\$625.00		
5 desks (Est. @ \$250.00 each)	\$1,250.00		
5 office chairs (Est. @ \$150.00 per chair (high end average))	\$750.00		
10 desk chairs for meetings (Est. @ \$60.00 per chair (high end average))	\$600.00		
Sub-Total Administrative	\$7,725.00		
LCC Facilities			
1 computer (Est. at \$800.00 per computer)	\$800.00		
1 All-in-one Printer/Copier/Scan/Fax (Estimated at \$150 each)	\$150.00		
1 office phone (Est. at \$125 each)	\$125.00		
1 desk (Est. @ \$250.00 each)	\$250.00		
1 office chair (Est. @ \$150.00 per chair (high end average))	\$150.00		
2 desk chairs for meetings (Est. @ \$60.00 per chair (high end average))	\$120.00		
Sub-Total LCC Facilities	\$1,595.00		
PCN Case Management Unit			
9 computers (Est. at \$800.00 per computer)	\$7,200.00		
1 Network Printer/Copier/Scan/Fax (Estimated at \$500 each)	\$500.00		
9 office phones (Est. at \$125 each)	\$1,125.00		
9 desks (Est. @ \$250.00 each)	\$2,250.00		
9 office chairs (Est. @ \$150.00 per chair (high end average))	\$1,350.00		
16 chairs for meetings (Est. @ \$60.00 per chair (high end average))	\$960.00		
2 meeting tables (Est. @ \$500.00 each)	\$1,000.00		
Sub-Total Case Management Unit	\$14,385.00		
Computer Lab			
20 computers (Est. at \$800.00 per computer)	\$16,000.00		
1 Network Printer/Copier/Scan/Fax (Est. @ \$500 each)	\$500.00		

10 workstations (Est. @ \$235.00 per 2-person workstation)	\$2,350.00		
20 chairs for workstations (Est. @ \$60.00 per chair)	\$1,200.00		
Sub-Total Computer Lab	\$20,050.00		
Recreation and Fitness Center			
2 computers (Est. at \$800.00 per computer)	\$1,600.00		
1 Network Printer/Copier/Scan/Fax (Est. @ \$500 each)	\$500.00		
2 Desks (Est. @ \$150.00)	\$300.00		
6 chairs for desks/meetings (Est. @ \$60.00 per chair)	\$360.00		
Sub-Total Recreation and Fitness Center	\$2,760.00		
Swimming Pool			
Safety/Rescue Equipment			\$12,187.50
Swimming Equipment			\$35,403.90
Sub-Total Swimming Pool			\$47,591.80
TOTAL LCC STARTUP BUDGET – BY PHASE	\$46,515.00	\$0.00	\$47,591.80

Supplies/Materials

The supplies/materials budget category is related to those program and maintenance supplies needed to support operations in each Phase of the LCC. Program supplies would include items such as paper, toner, and general office supplies. Maintenance supplies would include products needed to clean the LCC and make small repairs as needed. Since the LCC is a new facility, it would be anticipated that building repairs would not be a large expense at the outset. These costs are increased gradually in each Phase, taking into account the increased size of the facility by Phase 3.

Pool Costs

The increase in the estimated expenses in Phase 3 is directly related to the addition of the pool facility at the LCC. Because of this increase in costs, pool operating expenses were included as a major budget category in Part Two (Table 1). After consulting with USA Swimming and the formula their Facilities Department uses, it is estimated that operating the pool will cost \$14.00 per square foot. Based on a 30,000 square foot facility as currently planned, the estimated annual operating costs would be about \$420,000.00 per year. This figure includes the insurance and utility costs and all other expenses other than salaries/benefits, taxes, depreciation, and any debt payments, according to the USA Swimming Facilities Development Director. USA Swimming indicated that until the pool has a set design and programming model, expenses could not be broken down by line item. The operating costs and startup costs for the pool total \$467,591.80 in Phase 3, or about 47% of the total budget at that time.

Appendix B

Estimated Income/Revenue Category Information

The following tables itemize the information in Table 4 and breaks down each income/revenue budget line by category. Each table provides the formula, or the method by which each of the income estimates were developed.

Rentable Space Projections – Program Space

Table 1 looks at the revenue from rentable space - the Food Pantry (currently operated by Catholic Charities), child care space for the Early Learning Center, and the Neighborhood-Based After School Program, both of which would be rented out to external providers. The rental amount per square foot for these spaces was determined through interviews with local community center directors. These directors indicated that rental income for program space is not a major source of revenue for their respective organizations, except in the case of child care space and operating space for external providers.³ One consideration to factor into this equation is the amount Catholic Charities would be asked to pay for space. When interviewed in the summer of 2011, Catholic Charities representatives did not disclose the amount, but stated that they currently only pay a “nominal” fee for the current space where the Fulton Street Food Pantry is located. The annual cost of each space was determined by multiplying the total square footage of the space by \$10.00 per square foot.

Table 1: Rentable Space for Programs

Space	Square Feet	Annual @ \$10/sq. ft
Fulton Street Food Pantry	1,900	\$19,000.00
Early Learning Center	2,815	\$28,150.00
After-School Program Space	3,400	\$34,000.00
Total		\$81,150.00

Rentable Space Projections – Other Space

The LCC will have a variety of spaces that can be rented for community events and activities, training programs, and social functions. The spaces identified in this revenue estimate include the Multi-Purpose Room, Great Room, Computer Lab, and the Senior Room. The revenue that could be gained from these spaces was calculated using a flat fee estimate of \$50 per hour, which is a figure that is reasonable, based on what other community centers charge for similar space in their facilities. Tables 2 and 3 estimate the revenue that can be generated from each space. The Multi-Purpose Room, Computer Lab, and the Senior Room estimates are based on hosting one 2-hour event per week, while the Great Room estimates are based on one 4-hour event per week in length, since this room could be used for large parties, weddings, and other events with the capacity to hold a large number of people.⁴

³ Local Community Center Director’s suggested that \$10.00 per square foot is a realistic rental figure for community center space within the region. CBRE Marketview’s annual report for the 2011-2012 Buffalo Real Estate Market estimates that annual rent per square foot of space in the City of Buffalo outside of the Central Business District is between \$14 and \$19. However, after discussions with local community center directors, the more conservative estimate of \$10.00 per square foot was used in calculating estimated rental income.

⁴ The revenue estimate for the Multi-Purpose Room, Computer Lab, and the Senior Room were based on 2-hour rentals occurring once a week in each room. The estimate for the Great Room was based on a 4-hour rental occurring once a week as well.

Table 2: Rental projections for event space in the LCC (2-Hour Rental)

Space	Sq. Ft	Rental Fee	1 event per week
Multi-Purpose Room	2000	\$100.00	\$5,200.00
Computer Lab (Trainings)	1338	\$100.00	\$5,200.00
Senior Center	2300	\$100.00	\$5,200.00
Total			\$15,600.00

Table 3: Rental projection for event space in the LCC (4-Hour Rental)

Space	Sq. Ft	Rental Fee	1 event per week
Great Room + Kitchen	6000	\$400.00	\$20,800.00
Total			\$20,800.00

Gym and Pool Rental

The directors of community centers interviewed often rented their gymnasium spaces for sports leagues, tournaments, and other functions as a means of generating operating income. The LCC could take a similar approach for its Gymnasium and its Olympic-sized Swimming Pool facilities. Table 4 provide estimated annual income figures based on rents similar to those used by other community centers across the region for 2-hour and 4-hour rentals. For the gym, \$60 per hour for an event is a typical rate among community centers. For the Olympic-sized pool, a rate of \$100.00 for a half pool and \$200.00 for a whole pool per hour of usage is comparable to ECC's Olympic pool. Pool rental for community events should be much less as only the zero-depth portion of the pool should be rented. As such, the pool rental amount equates to \$30/hour plus \$10/hour for the cost of a lifeguard. The calculation for each rental also includes the frequency of events in determining the total costs.

Table 4: Potential Annual Revenue from Gym and Pool Rental (2 Hour Events)

Space	Rental Fee Per Event	Duration Per Event	Frequency of Event	Amount
Gym (Tournaments)	\$240.00	4 Hours	Six (6) - 2-day tournaments per year	\$2,880.00
Gym (Leagues)	\$120.00	2 Hours	2 leagues per week	\$12,480.00
Pool (Community Events)	\$80.00	2 Hours	1 event per week	\$4,160.00
*Pool (Practices – Schools or swim clubs)	\$400.00	2 Hours	Four (4) – 2-hour practices per week	\$83,200.00
**Pool (Swim Meets)	\$400.00	2 hours	1 meet per month	\$4,800.00
Total				\$107,520.00

*The practices amount for the pool is based on renting the whole pool to a school's swim team, or a swim club, for two (2) hours per day, four (4) days a week. The rental fee is based on the amount ECC charges for an entire pool rental.

**The swim meet amount for the pool is based on renting the whole pool for a meet once a month. The rental fee is based on the amount ECC charges for an entire pool rental. Information on-line shows that most meets last 2-3 hours, so a 2 hour figure was used in this calculation.

Gym, Fitness Center and Pool Memberships

Revenue estimates from memberships to the Recreation and Fitness Center are based on the median annual membership price for fitness centers and clubs across the region and the average membership rate for the YMCA William Street facility.⁵ The number of memberships that can be accommodated at the LCC is based on the amount of space allocated for the fitness center in the LCC, specifically the number of memberships vs. the total square footage of the fitness facility and gymnasium. According to AthleticBusiness.com, the appropriate space allocation per member or user in a facility, based on IHRSA (International Health, Racquet and Sports club Association) derived data, is approximately 12-square-foot-per-member for fitness-only facilities, and 27-square-foot-per-member for multi-purpose facilities.⁶ Seeing that the LCC will be a multi-purpose facility, the LCC would be able to accommodate 542 members without including the pool and 1,653 members when the pool and its square footage are factored in. Five (5) membership scenarios were then examined based on 1,000, 750, 500, 250, and 125 members. These scenarios were looked at based on facility size and keeping in mind local comparable membership rates – the YMCA on William Street, for instance, reported 284 total individual and family memberships at their facility. The annual membership revenue calculation used in the report was based on a slightly lower number of members of a multi-purpose facility (542). Although this is the high end projection based on square footage, this estimate also takes into account use of the pool facility by members. Therefore, the membership level used to estimate revenue was 500 members.⁷

Table 5: Potential Annual Membership Revenue – LCC Fitness Center

Membership Level	Rate	Annual Revenue
500 Individuals	\$240.00	\$120,000.00

⁵ The annual membership amount of \$240.00 (or about \$20 per month) annually is based on the median of actual yearly membership fees for local fitness centers and the average membership amount at the YMCA on William Street. For the purpose of this report, PCN residents whose income is below the poverty level do not pay a membership fee for the fitness center. However, if it is determined that BMHA resident's should pay a nominal amount to use the fitness center; the income potential for those charges can be calculated.

⁶ Considering the size and phasing of the LCC, a couple different membership size scenarios can be constructed: Phase 1 and Phase 2 – 14,632 square feet of space dedicated to recreation/fitness, including the gym. In this calculation, using the 1:27 square feet ratio for a multi-purpose facility, a high estimate of potentially 542 members may be accommodated at the LCC. However, this does take into account that the gymnasium space would be available to members in addition to the fitness-only facility. If the fitness room (1,100 square feet) is only factored into the formula above, using the 1:12 square feet ratio for a fitness-only facility, 92 members may be accommodated solely at the fitness facility. Phase 1, Phase 2 and Phase 3 – 44,632 square feet of space dedicated to recreation/fitness, gymnasium, and the pool. In this calculation, using the 1:27 square feet ratio for a multi-purpose facility (which include the total space allocated to the pool – 30,000 square feet); a high estimate of potentially 1,653 members may be accommodated at the LCC. However, this number is likely unrealistic, since the pool will account for almost 63% of the fitness space in the LCC at this point. Given the membership level that could be accommodated in in Phase 1 and Phase 2 above (prior to the pool being built); it is thought that the total number of memberships is not in the 1,600 range.

⁷ A consideration in any membership scenario is the location of competing sites within the PCN where fitness centers or community centers with fitness facilities are located. This includes the Erie Community College (ECC) Flickinger Center and Old First Ward Community Center, located just outside of the PCN, as well as the William-Emslie Street YMCA and the JFK Community Center, both located within the PCN. Each of these entities can be viewed as competition for potential memberships at the LCC.

Special Events

The amount of revenue that can be generated for hosting an annual event was established on a median amount of what the Belle Center and Old First Ward Community Center see as income from their annual events.⁸ The amount included in the estimated income table from this type of activity is \$38,000.00.

Commercial Space

Although this currently isn't in the LCC design plans, a possible option to generate rental income, and potentially capture a percentage of profits would be to include a commercial use within the LCC. Examples of this type of approach would be the Subway restaurant located within True Bethel Baptist Church or the Tim Horton's coffee shop located within Kapoor Hall on UB's South Campus. This type of development could serve multiple purposes by providing a stream of revenue for the LCC, a source of jobs (albeit a modest number) for Perry residents, and a new commercial space option within the neighborhood.

Vending

Vending revenue was estimated by using the revenue generated for similar machines at the Old First Ward Community Center, but by taking into account additional foot traffic and the number of machines at the LCC when the size of the LCC is compared with the size of the Old First Ward Community Center. out all of the winners is considered revenue.

Table 6: Potential Annual Revenue from Vending Machines

Vending	Potential Revenue
Beverage Machine (1 st Floor)	\$3,954.00
Beverage Machine (1 st Floor)	\$3,954.00
Snack Machine (2 nd Floor)	\$1,320.00
Snack Machine (2 nd Floor)	\$1,320.00
Total	\$10,548.00

*The Old First Ward Community center reported that it generated \$3,295.00 from a beverage machine and \$1,100.00 from a snack machine during the prior fiscal year. Given the size of the LCC when compared with the Old First Ward Community Center, it would be expected that minimally, there would be one machine of each type on both floors of the LCC, for a total of four (4) machines. In addition, a 20% increase in revenue from the Old First Ward Community Center figures is built in, based on the

⁸ The Belle Center hosts an annual golf tournament that generated \$26,000 for the center last year. The Old First Ward Community Center A major source of operating revenue for their center is the Annual Shamrock Run. This is an 8K (5 miles) race held on the first Saturday in March each year, and is followed by a tent party outside of the center where food, beer, and soft drinks are sold to runners and people who watch the race and attend the party. Last year, the Old First Ward Community cleared \$50,000 after covering all race expenses.

Fundraising Activities

The LCC could incorporate several estimated revenue from a monthly lottery is based on an average number of tickets sold per month and assuming that there would be a winning ticket each day during the month. Figure 9 below is potential income that could be generated from something as simple as a monthly lottery. The LCC could incorporate BMHA residents into the selling process and offer an incentive to the top 1 or 2 ticket sellers each month. Tickets could be sold each month for \$5.00 each and the number on the ticket is your lotto number for the month. The maximum of tickets is 999, which is an unrealistic goal, so in this report, a total of 500 tickets sold monthly was used.

Table 7: Potential Annual Income from a PCN Lottery

Tickets Sold	Cost of Ticket	Monthly Revenue	Winning Payouts	Monthly Income	Annual Income
500	\$5.00	\$2,500.00	\$850.00	\$1,650.00	\$19,800.00

*Winning Payouts based on a 30-day month (26 weekday winners and 4 Sunday winners) and on a winner each day.