
Capital Planning

Mastering
the Art
of the Five
Year Capital
Budget

By: Thiel and Thiel, Inc.

Why?

Proactive planning vs. reactive compromises saves time and money

When?

At least annually

How?

Follow the steps outlined here to create a 5 year budget

What do I need?

Digital Camera

Tape Measure

CMAA Conference Templates

Analyze Spaces

Starting in the parking lot, view the club as if you were a prospective member or guest. Imagine yourself walking up for the first time. What would you think of the entrance of your club?

Photograph the view of the front entrance.

Using the form to the right, answer the questions regarding style, color and your observations of the area. For exteriors, you can disregard the measurements.

Proceed through each room of your clubhouse in this way.

Stand at the entrance of the room. Photograph the room from the vantage point of a member entering the room. Pay special attention to potential safety hazards, cleanliness, maintenance issues, and wear and tear. Record the dimensions of the room for use when creating your budget.

There is a space for notes regarding immediate fixes and the staff member responsible for fixing that item. For example, if chandelier bulbs are out, note how many are out and who will purchase and replace those bulbs.

At this point, don't worry about particular pieces or groups of furniture. This part of the process is for the room itself. Are the ceiling tiles showing wear or water damage? Is the paint on the walls in good condition or is it chipped and dirty?

Since you will be updating this annually, making adjustments in the remaining life span will not be difficult.

Analyze Items

Go back to the front door of your club. Rather than looking at the room, this time analyze each item in the room.

Use this form to record all the information you can

from each piece of furniture. Life span usually correlates with the condition. Obviously, the worse the condition the sooner needs

Item No.	23
Item	BANQUET CHAIRS
Quantity	2500
Size	W D H
Life Span	5 4 3 2 1
Condition	Excellent Good Average N Imp. Unacceptable

is,
it

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replacement. Since you will be updating this annually, making adjustments in the remaining life span will not be difficult.

Use the form shown on this page to move through the back of house spaces recording information on Kitchen and HVAC Equipment.

This is a good opportunity for you to review the maintenance practices in areas you may not frequent -- the roof, for example. Maintenance problems here can be costly, affect the energy efficiency and drastically shorten the useable lifespan of the equipment. These adverse affects on your bottom line can be avoided by oversight and proper planning.

We suggest hiring a 3rd party to review your equipment. Using the company that you hire to do your repairs is not a practice we would encourage. If you are not in a position to hire someone, please use an objective advisor to review your equipment settings, maintenance practices, and condition.

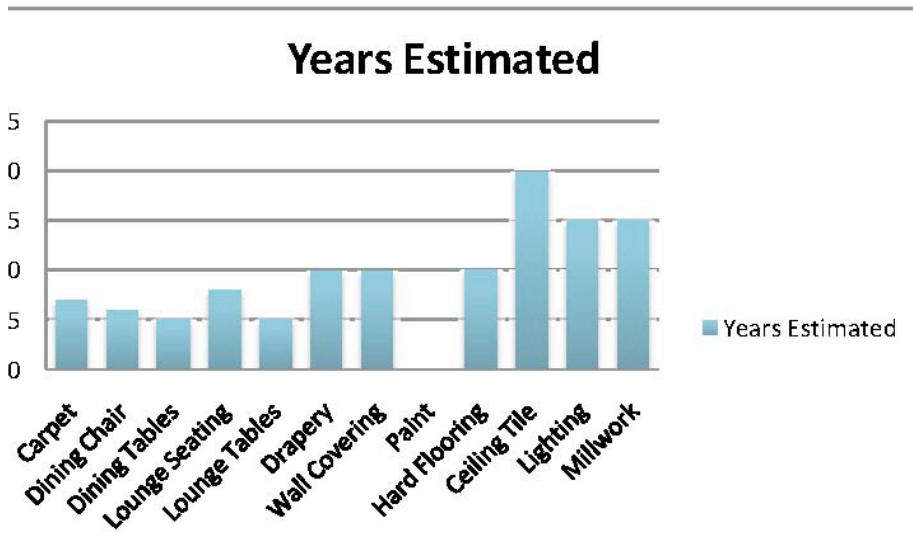
Just having a record of the manufacturer, model number and other pertinent information might save you a trip to the roof in inclement weather – an unfortunate time for your HVAC to go out.

The dimension field is important for establishing a replacement cost. An 88" long buffet is considerably more costly than a 72" buffet.

Life Expectancy

Listed below are several club component life cycle ranges. The life cycles given are based on industry standards, historical club usages, and designer experience. These are by no means a guarantee and are subject to significant differences based upon your specific club's usage and maintenance practices.

Evaluating interiors can be somewhat subjective especially decisions relating to the need to upgrade due to age vs. replacement due to wear. Example: Just because it's ugly doesn't mean it isn't serviceable.



Budgeting

You can begin the budgeting aspect of your capital planning project by entering all of the items from your clubhouse analysis into your spreadsheet. Use the chart following this section to assign replacement costs

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based upon the quality level of your club. This price will appear in today's dollars. We will adjust for inflation and phase this budget later.

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Budgeting (cont.)

DO NOT SKIP THE NEXT SECTION OF INSTRUCTIONS.

Every FF&E item is associated with certain costs which cannot be firmly established until the project is complete. The only way to prevent budget overruns is to anticipate these costs in your budgets. This can be accomplished by the use of coefficients. The following coefficients can be used:

Sales Tax: Every area is different. Use your state and local tax rates as a guide.

Freight: This is a commodity that changes daily and can range from 2 to 22% of the cost of goods. Our guideline is 10% to 15% depending upon certain variables.

Design Fees: Again, these range significantly. For smaller projects, fees will be higher. Fees can always be negotiated based on project scope. Use 15% as an estimate.

Purchasing Fees: These too, run the gamut and can be negotiated based on project size. Use 10% as an estimate.

A note about Design Fees

In the interior design industry, this is known as price transparency. If your designer doesn't use this practice...start looking for a new designer!

Design Fees are usually based upon product cost. Thus, if you don't know the price of the product, you don't know if you are being charged fairly. In the interior design industry this is known as "Price Transparency." If your designer is not showing you the actual product cost vs. what you are being charged for the item, start looking for another designer.

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To use a Designer or Not to use a Designer?

Many people think that buying product from a designer increases the cost of that product. In many cases, that is exactly opposite of the truth. Due to the volume of purchases and the fact that we are purchasing direct from the manufacturer as opposed to retail) our cost is frequently less than 1/2 of what you would be charged for the same item.

If we used the example from the conference, this is how the numbers would look:

Planning your Budgets

Once you have established your extended costs for each item on your budget, it is time to turn these numbers into a 5 year plan.

An important thing to account for in long range planning is inflation. Below are the formulas for years 1-5 of your 5 year plan (Where extended Cost is ((Quantity*Unit Cost) + Sales Tax + Freight + Design Fee + Purchasing Fee)).

Planning Your Budget (cont.)

Use the information from your Item Analysis Forms to complete this information on your spreadsheet. Total the "Year" columns to find out how much you require for capital projects each year. Move numbers around to give yourself time to save for a big project or spread expenses out over time.

Chair Cost	\$700.00
Sales Tax (.0825)	\$57.75
Freight (Delivery)	\$50.00
Design Fees	\$0.00
Purchasing Fees	<u>\$0.00</u>
Final Chair Cost	\$807.75

Phased Budgeting Formulas

Year 1: Extended Cost
Year 2: Extended Cost * 1.03
Year 3: Extended Cost * 1.03* 1.03
Year 4: Extended Cost * 1.03* 1.03* 1.03
Year 5: Extended Cost * 1.03* 1.03* 1.03* 1.03

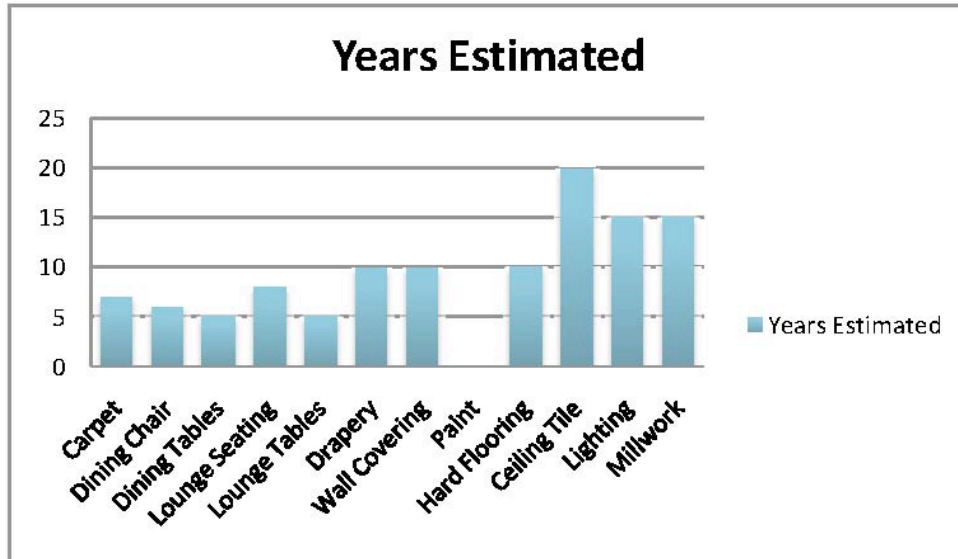
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Pricing Estimates

Listed below are price ranges for typical club components. This list is by no means exhaustive and are estimates based upon historical purchasing and design projects. Regional considerations, and labor costs may cause prices to vary widely.

Item	Silver	Gold	Platinum
Dining Chair	60 – 150	150 – 300	300 -
Dining Table	125 – 200	200 – 350	300 -
Lounge Chair	750 – 1000	1000 – 1500	1500 -
Sofa	1250 – 1750	1200 – 2000	1250 -
Banquet Chair	75 – 100	89 – 120	150 -
Wallcovering	9 per yd	9 per yd	9 per yd
<i>Carpet</i>			
Print	25 – 39 per yd.	Not Appropriate	Not Appropriate
Broadloom	25 – 45 per yd.		Not Appropriate
Custom Tufted	Not Appropriate	25 - 65 per yd.	
Installation	10 per yd.	10-13 per yd.	13 per yd
<i>Prices shown in dollars. Union and regional considerations will increase estimates considerably.</i>			

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The following spreadsheet is an example of what your spreadsheet might look like for your capital planning budget. Please note the formulas and qualifying comments listed with the corresponding letter below.

Item Name	Quantity	of	Unit Cost	Extended Cost	Freight	Sales Tax	Design Fee	Purchasing Fee	Item Total
Dining Chair	2	ea	350.00	700.00	70.00	64.00	100.00	83.00	1017.00
	A		B	C	D	E	F	G	H

A – Quantity : Desired quantity goes here.

B – Unit Cost: Cost Per Item

C – Extended Cost

Formula: Quantity x Unit Cost

D –Freight Coefficient (use approx. 10%)

Formula: Extended Cost x .10

E – Sales Tax: Calculate at your local rate

Formula: (Extended Cost + Freight) x .0825

F – Design Fee: Use 12% as an example*

Formula: (Extended Cost + Freight + Sales Tax) x .12

G – Purchasing Fee: Use 10% as an example*

Formula: (Extended Cost + Freight + Sales Tax) x .10

H – Item Total

Formula: Extended Cost + Freight + Sales Tax + Design Fee + Purchasing Fee

*These items can be used when negotiating fees with designers. Suggest calculating fees only on Extended Cost of items rather than Extended Cost plus Freight plus Sales Tax.

Phased Budgeting Formulas

Year 1: Item Total

*Year 2: Item Total * 1.03*

*Year 3: Item Total * 1.03* 1.03*

*Year 4: Item Total * 1.03* 1.03* 1.03*

*Year 5: Item Total * 1.03* 1.03* 1.03* 1.03*