Review of August 7, 2019 Operation, Management and Governance Plan for the New University Endowment Lands Community Center (the Report)

<u>This is a review of the Report. The review presents an analysis of what the contents of the Report really means to UEL residents.</u>

Summary Conclusion *The financial analysis contained in the August 7, 2019 Operation, Management and Governance Plan for the New University Endowment Lands Community Center (the Report), is insufficient to make a responsible investment decision about the proposed community center.*

Planned (from the Report) cumulative deficits for five years of operation are in the range of $3.175M but could reach as high as $6.210M if revenue and expense projections are out by only 20%.

These deficits will need to be financed by tax revenues coming from existing and new UEL residents and will mean that tax revenues diverted to support the community center will not be available to fund items such as bylaw enforcement, policing and general upkeep of the UEL in general (roads/street lights/sewer/water).

Focus-The report is 45 pages long, of which 6 pages, or a little over 10% of the entire report addresses the financial issues of the proposed community center.

Much of the report reads as if the content may have been "cut and pasted" from other reports that the report writer may have provided for other clients. For example almost 20% of the report page count describes position descriptions of potential staff members.

The report content is what a professional consultant might call "program heavy and finance light" or "qualitative heavy, quantitative light". Either way there is not enough financial information and analysis provided to make a responsible funding or investment decision either in the private or public sector.

Supply-There is neither consideration nor analysis of the current supply of community center services and facilities within a short travel distance from the UEL. In point of fact, there are five (5) UBC and community facilities within a 15-minute total travel time (including park time) and a total of eight facilities within 20 minutes total travel time of the UEL.

Demand-No research was done either by survey audit or sample, of existing residents and the reported demand for a new center that may exist. In the Report there is no consideration of, nor data provided on, the number of residents of the primary and secondary market areas that are already members of both private and public facilities and therefore unlikely to switch.

Unique Offerings-there are no offerings of the proposed center that are any different then the current offerings of the eight facilities that are currently available within 20 minutes of the UEL.

Operating projections (financial part)-are presented without any data on potential ranges of outcomes or any perspective of the potential financial situation over time. In addition the projections are different in the body of the report then they are in Appendix D.

Potential ranges of outcomes-operating deficit data from figure 8/page 18 of the Report.
In evaluating the financial risk associated with a facility it is common to assess the financial impact of deviance from plan of both revenues and expenses. Analysis of 3 scenarios is presented below:

Deficit indicated in report	Scenario #1 10% lower revenue with 10% higher costs	Scenario #2 15% lower revenue with 15% higher costs	Scenario #3 20% lower revenue with 20% higher costs
$332,330	$493,000	$571,645	$650,796
Amount (%) over the deficit presented in the report (page 18)	+48.3%	+72.0%	+95.8%

The financial situation over time-No picture of the deficit situation of the proposed center over time was presented in the Report. For purposes of analysis of the "true" situation the author of this memo spread the deficit information from the report over the startup year and the first five years of operation in order to calculate a cumulative deficit figure. (Data from Appendix D of the report) The deficit will need to be financed by net new tax revenues or existing tax-funded services to the UEL will need to be reduced.

	Startup year	Year 1	Year 2	Year 3	Year 4	Year 5
Operating revenue	0	$160,000	$335,000	$335,000	$335,000	$335,000
Operating expenses	$425,000	$850,000	$850,000	$850,000	$850,000	$850,000
Deficit for the year	$425,000	$690,000	$515,000	$515,000	$515,000	$515,000
Cumulative deficit	425,000	$1,115,000	$1,630,000	$2,145,000	$2,660,000	**$3,175,000**

Potential financial situation-the report presented no time series data on the deficit that the center will run or what might happen if the revenue projections are too high and the expense projections too low. We have estimated the five-year cumulative deficit under three scenarios.

Cumulative Deficit from the report	10% lower revenue with 10% higher costs	15% lower revenue with 15% higher costs	20% lower revenue with 20% higher costs
$3.175M	**$4.7M**	**$5.461M**	**$6.21M**
Amount (%) over the deficit presented in the report	+48.3%	+72.0%	+95.8%

Conclusion-the financial analysis contained in the August 7, 2019 Operation, Management and Governance Plan for the New University Endowment Lands Community Center (the Report), is insufficient to make a responsible investment decision about the proposed community center.

Planned (from the Report) deficits for five years of operation are in the range of $3.175M but could reach as high as $6.210M if revenue and expense projections are out by only 20%.

These deficits will need to be financed by tax revenues coming from existing and new UEL residents and will mean that tax revenues diverted to support the community center will not be available to fund items such as bylaw enforcement, policing and general upkeep of the UEL in general (roads/street lights/sewer/water).

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