

RECLAMATION

Managing Water in the West

Goose Bay Marina Concession Financial Feasibility Evaluation (Final)

Canyon Ferry Reservoir, Broadwater County, Montana



U.S. Department of the Interior
Bureau of Reclamation
Technical Service Center
Denver, Colorado

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Mission Statements

The mission of the Department of the Interior is to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Indian Tribes and our commitments to island communities.

The mission of the Bureau of Reclamation is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

Goose Bay Marina Concession Financial Feasibility Evaluation

Canyon Ferry Reservoir, Broadwater County, Montana

Prepared by

**United States Department of the Interior
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1 INTRODUCTION

In 2009, a draft Goose Bay Recreation Master Plan (RMP) was prepared for the Goose Bay Planning Area (Planning Area) and submitted for public review. The RMP included a commercial services plan, which identified potential future recreation opportunities, facilities, and services that could be provided by Reclamation and/or a concessionaire to assist in meeting recreation demand at Canyon Ferry Reservoir. The financial viability of developing certain opportunities, facilities, and services was also assessed. Through a thorough analysis process and with consideration of public comments, Alternative C (as defined in the 2009 RMP) was selected as the best option for modernization of the site.

In 2013, subsequent to the submission of the 2009 RMP, a design plan titled *Goose Bay Concession Area Modernization Study* was developed. Based on the selected Alternative from the 2009 RMP, this study developed a feasibility design for the modernized replacement facilities at Goose Bay Marina (GBM). In 2014, upon finalizing and selecting the design for modernizing GBM, a *Final Goose Bay Marina Modernization and Long Term Concession Contract Environmental Assessment (EA)* was completed resulting in a *Finding of No Significant Impact*. In September 2014, Reclamation awarded a contract for the modernization of the GBM concession area.

The purpose of this study is to evaluate the financial feasibility of the proposed recreation-related commercial facilities and services within the GBM concession area. The information from the financial feasibility evaluation (FFE) is meant to be used by Reclamation to guide development of a prospectus for a new long-term concession opportunity at GBM.

1.1 Goose Bay Marina Concession Area

The GBM concession area is located about 20 miles east of Helena, Montana on Reclamation lands at Canyon Ferry Reservoir. The GBM is located on the eastern shore about midway between the north and south end of the Reservoir. The GBM bay is a deep-water bay and is the largest on the Reservoir serving as a marina.

The proposed concession area will include the following recreation-related commercial facilities and services:

- Marina Store with Fuel Station
- Marina (minimum of 60 slips)
- RV Park (94 total campsites)
 - 47-full service
 - 27-electric only
 - 19-no service
- 2-Large Group Pavilions
- 3-Group Camping Shelters
- 8-Day Use Shelters
- 2-RV Dump Stations
- 2-Shower Facilities with coin operated showers

2 Financial Feasibility Evaluation

This section presents the financial evaluation for prospective commercial services at the GBM concession area. The FFE analysis developed in this study focuses on those commercial services that would be provided under concessions contracts. This section first provides a brief general overview of financial feasibility studies. Second, the framework of the FFE is discussed including the key factors and assumptions used to estimate financial feasibility. Third, the summary results of the FFE are reported and discussed as it relates specifically to the proposed commercial services to be provided at GBM.

The FFE presented in this study is based on planning-level estimates of capital and development costs and operating revenues and expenses. Accordingly, the results are not intended to provide assurances regarding the financial profit or loss of prospective commercial services at GBM. Instead, the results of the FFE should be considered in the context of the analytical assumptions implicit to the analysis and used as an indicator of the financial performance of prospective commercial services. Note that this study has been developed in accordance with Reclamation policy as a preliminary assessment of concession opportunities at GBM, and it is recommended prospective applicants conduct an external financial feasibility and business analysis.

2.1 Overview of Financial Feasibility Studies

The primary purpose of the FFE is to determine whether proposed commercial services are financially viable. Ancillary purposes include estimating fees to be returned to the federal government, providing justification for the proposed length of term of concessions contracts and estimating capital investment responsibilities for the concessionaire and Reclamation.

An FFE, in the broadest sense, refers to the assessment of the potential success or failure of a business measured against specific financial thresholds. If, in the planning for a new business, a potential entrepreneur or investor concludes that the business will meet or exceed those thresholds, the business may be considered to be financially feasible.

2.2 Financial Feasibility Evaluation Framework

The framework used to conduct the FFE is founded on basic financial and accounting concepts and reflects Reclamation Policy as outlined in LND 04-01. This section provides an overview of financial concepts that have been applied to prospective commercial services at GBM concession area. For each of the proposed commercial services, the following financial information is provided in Section 2.5.

Income and Expense Statement

An income and expense statement, or simply an income statement, is a “snapshot” of a business’ financial status during a specified period, such as a month, quarter, or year. The income statement measures the profitability of a business by comparing operating and non-operating revenues and expenses and determining the net income of the business.

For this study, operating revenues represent gross revenues and are organized by operating department (i.e., revenue source). For example, a store may realize revenues from gas sales, grocery sales, and fishing supply sales; estimated revenues are tracked separately for each. Operating expenses include payments to labor, cost of goods sold, utilities, and repairs and maintenance. Non-operating expenses include general and administrative expenses, such as rent, interest, depreciation, reserve accounts,¹ and payments to the federal government as franchise and occupancy fees.

Cash-Flow Analysis

A cash-flow analysis takes into account the timing of revenues and expenses. It allows an analyst to evaluate financial performance at different periods of time. For example, initial capital investment costs typically generate negative cash flow in the early years of business ventures. A cash-flow analysis does not allow for the depreciation of assets over time as it looks at when resources are actually expended. For example, if a dock is constructed in year 0 of a contract term then all the resources to construct the dock are accounted for in year 0; this is true if the capital is privately sourced or financed. The cash-flow analysis also considers periodic capital replacement costs and reimbursement for fixed assets at the end of a contract. It should be noted that cash is not involved in depreciation because depreciation reduces net income on the income statement, but it does not reduce the cash account on the balance sheet (i.e., depreciation is a non-cash expense).

Capital Investment Requirements

The capital investment requirements of any business venture can greatly affect financial feasibility. Capital costs associated with the proposed commercial services at GBM include the costs of facility development (e.g., structures and utilities); outfitting facilities, landscaping, etc.; and any ongoing capital replacement. Capital investments by Reclamation were established from the bid abstracts submitted by potential contractors for the GBM modernization contract. Estimates of capital investments required by prospective concessionaires were prepared by Reclamation’s TSC. The base assumptions for the capital investment estimates are discussed separately for each service to be provided at GBM in Section 2.5.

¹ Reserve accounts can come in the form of a Reserve Account for Facility Improvement (RAFI), which is needed to make funds systematical available for the ongoing improvement, construction, and renovation of concession facilities, specifically, significant nonrecurring capital improvement projects.

2.3 Measures of Financial Feasibility

Profitability is the primary goal of all business ventures, without profitability the business will not be sustainable over the “long run.” Determining the financial feasibility of a business typically involves some measure of profitability.

Common financial metrics for determining probability include net profit (income/expense statement); earnings before interest, taxes, depreciation, and amortization (EBITDA); net present value of annual cash flow; and internal rate of return (IRR).

Net profit refers to the difference between revenues from all sources and any associated costs. It includes both operating and non-operating measures, the former arising from the actual sale of the specific goods and services produced by the enterprise. Non-operating costs reflect the administrative and related expenses required for running a business, but not specific to the goods and services being sold. If net profits are determined to be positive a business is expected to be profitable, however, this metric does not take into account the timing of revenues and expenses and alone is not sufficient for determining the long-run viability of a business.

EBITDA is a quantitative description of the “operating profitability” of a business. It is measured by subtracting operating and non-operating costs, excluding interest, taxes, depreciation, and amortization from total operating revenues all costs. These costs are excluded because they may vary significantly even among businesses of similar size within the same industry. Because EBITDA excludes these expenses, it is considered a better measure of the actual operating finances of a business than net profit. Differences arise because of variation in many areas, including:

- **Assets** – current (e.g., cash and inventory), versus fixed (e.g. buildings and machinery)
- **Liabilities** – debt (i.e., owed to lenders), versus equity capital provided by business owners
- **Interest expenses** – which may differ because of when loans were obtained, amount debt financed, term length, and guarantees and collateral required by lenders
- **Depreciation** –will differ depending on the useful life of capital assets, salvage value of capital assets, and when they were purchased.
- **Taxes** –will vary depending on different rate structures (e.g., federal, state, county, income level)
- **Amortization** – which typically refers to the payment of a loan over a specified number of periods and differs based on term length and the cost of capital (interest)

The following two approaches vary from the first two in that they account for the timing of revenues and costs and take into consideration the “time value of money” (TVM). The underlying premise of the TVM is that the value of an asset is equal to the present value of all at expected benefits to be received from the asset in the future. These approaches explicitly recognize that money has a time value, which implies a dollar today is worth more than one dollar to be received one year from now. The receiving of an asset in the future may be valued less than an asset obtained in the present for at least two reasons: (1) uncertainty of future conditions, (2) the rate of return that could be earned on the next best alternative investment (opportunity cost of capital).

The net present value (NPV) of an enterprise’s cash flow is defined as the present value of the cash inflows minus the present value of the cash outflows, with both flows being discounted at a determined threshold rate (discount rate). If the NPV of annual cash flows are greater than zero, then the return on investment in the enterprise is greater than the threshold rate and the enterprise is considered financially viable at that rate.

The internal rate of return (IRR) approach, as contrasted to the NPV, does not solve the present value formula for excess present value ($NPV > 0$), but rather is that discount rate which makes the present value of the cash inflows equal to the present value of the cash outflows. In future value terms, the computed IRR discount rate is equivalent to the annualized effective compounded return rate that can be earned on invested capital. In other words, over the investment period, an investor can assume to receive a return on invested capital equal to the discount rate computed in the IRR approach.

2.4 Key Factors Affecting Financial Feasibility

There are a number of key factors that affect the financial feasibility of all of the proposed recreation-oriented services. Each factor is discussed in detail below and by service in Section 2.5.

Visitation Levels

One of the primary factors affecting the financial viability of recreation-based commercial opportunities is visitation. An initial estimate of annual visitation for the proposed GBM concession area was developed based on historic traffic count data for Goose Bay Road from 2009 to 2013. The sum of average monthly traffic count data over the period was approximately 21,200; assuming an average of 2.3 persons per vehicle² results in an initial visitation estimate of about 48,800 visitors annually. The “baseline condition” visitation estimates for the new GBM concession area were set to 48,000.

² Based on discussions with Canyon Ferry Reservoir site managers.

In addition to the estimation of the baseline conditions, visitation estimates were forecasted into the future over the proposed contract term. The baseline visitation estimate is projected to grow at the same rate as the counties providing the majority of the historical visitation to GBM. Based on discussion with site managers, the majority of visitation was estimated to come from two counties south of the recreation area in Broadwater and Gallatin Counties. Estimates of annual population projections by County were obtained from the Montana Department of Commerce. The annual growth rate for the Counties ranged from .5 to 1.7 percent depending on the year. The baseline condition for visitation growth was estimated at one percent annually. Note that this study does not explore the possible effects of water level fluctuations at Canyon Ferry Reservoir on demand for concession services at GBM.

Length of Season

The expected length of the recreation season can have a significant impact on the FFE at GBM. The length of the recreation season is primarily driven by weather conditions (e.g., air and water temperatures, snow and ice conditions). The minimum season length required for this analysis has been set to May 15–September 15, equating to 123 days of operation.

Rates

The rates charged by prospective commercial operators have a direct influence on operating revenues. Rates for all commercial services operated under a concessions contract must be approved by Reclamation on an annual basis. Differences in rates across seasons can also factor into concessions planning, with higher rates charged during peak demand periods and lower rates in off-peak periods.

Term of Concessions Contract

Reclamation policy (LND 04-01) states that the term of all contracts should be limited to the shortest period practical and be based on the investment required of the concessionaire. The term of the contract requiring minimal or no new capital investment should generally not exceed five years, and when substantial investment is required, the term should be set to ensure that concessionaires receive a “reasonable rate of return” on their investment. The prospective commercial services under consideration at GBM require a moderate capital investment for facility development. As a result, the “base case” conditions for the term of the concessions contract has been set at a term of 20 years.

Reasonable Rate of Return on Capital Investment

By definition, capital is a scarce resource with many potential uses with equally many potential returns and risks. The owners of capital can be reasonably assumed to seek a minimum level of financial return on the capital they invest in a business venture. Frequently, that minimum is approximated as the sum of a relatively risk-free return (e.g., U.S. Government debt instruments) and an allowance for risk. The incremental desired return for risk varies widely among capital investors, depending on such factors as their knowledge of and experience in particular businesses. For example, if a government security of a particular

maturity yields a risk-free 2 percent annual return and a capital investor requires an additional annual return of 8 percent annual to compensate for their risk, the threshold return for that investor would be 10 percent annually. If investors determine that the capital investment is likely to provide a return of at least the determined threshold level, the investment opportunity would be accepted as a potential investment and vice-versa. The reasonable rate of return was set at 10 percent for this analysis.

Fees Paid to the Federal Government

Fees paid to the federal government for the right to operate commercial services at Reclamation facilities may include capital recovery and investment fees, franchise fees, and various forms of occupancy fees (e.g., lease fee). Capital recovery fees are often in the form of reserve accounts, which are used for the ongoing improvement, construction, and renovation of concession facilities; specifically, significant non-recurring capital improvement projects. Capital recovery fees are in addition to the regular maintenance costs calculated for each service. Franchise fees are typically payments made to the government based on a percentage of gross revenues. Occupancy fees are often a form of flat-rate fees paid by the concessionaire for the use of the federal facilities/estate. For the purpose of this analysis, the franchise fee on all potential concession services has been set to three percent of gross revenues with an additional three percent of gross revenues to be set aside in a reserve fund for ongoing capital recovery. Fees paid to the federal government are typically negotiated during the competitive solicitation process, on a case-by-case basis, depending on the specific circumstances of each commercial opportunity.

2.5 Financial Feasibility Evaluation of Proposed Commercial Services at Goose Bay Marina

This section presents the assumptions and results of the financial feasibility evaluation for prospective commercial services at Goose Bay Marina. The focus of the FFE is on those services that would be operated under concessions contracts, rather than a special use permit. Only the required minimum services are included in this analysis; other authorized uses, which can be provided at the discretion of the concessionaire, are excluded from this analysis.

Based on the results of the commercial service planning process, there are four sets of commercial services being constructed at GBM and considered in this FFE: (1) marina services, (2) RV camping services, (3) concession store services, and (4) day-use services. A set of analytical assumptions common to all services is presented first and represents the “base case” for the financial evaluation. Following the common assumptions, each concession service is analyzed independently and then aggregated to present the financial feasibility of the whole operation. The financial performance of each service is evaluated, and key financial metrics based on an estimate of capital investment costs, annual operating income and expenses, and a cash-flow analysis are reported. In the

final section of the FFE, a sensitivity analysis is conducted by varying key assumptions such as the franchise fee and estimated visitation levels.

2.5.1 Common Analytical Assumptions

For the purposes of the FFE, several key analytical assumptions were made that are applicable to all concessions opportunities under review. The varying of these assumptions can affect the financial feasibility of the concession opportunities, which is illustrated by the sensitivity analysis in Section 2.5.6. The key assumptions and their initial parameters are as follows:

- Visitation – As discussed in Section 2.4, visitation is projected to increase by approximately 1.0 percent annually based on population growth estimates in the primary market area.
- Length of Season – The minimum required operating season is from May 15 through September 15.
- Term of Concessions Contract – Concessions contracts are assumed to be 20 years in length.
- Discount Rate – The discount rate is set at the reasonable rate of return threshold of 10 percent. Thus, if the NPV is found to be positive for a particular service or the operation as a whole, then the concessionaire is projected to receive at least a 10 percent return on capital investment annually.
- Fees Paid to the Federal Government – The Franchise fee on all potential concession services is set to 3 percent of gross revenues. An additional 3 percent is set aside in a reserve fund for ongoing capital recovery.
- Interest (Cost of Capital) – Due to the large degree of speculation required to estimate interest expenses (e.g., amount of capital financed and loan terms), they are not typically included in capital budgeting (income expense statement). Further, the basic economic decisions of whether a particular project should be undertaken or not should not be influenced because of the current funding source available. Interest payments should never be included in a cash flow analysis as all financing costs and their associated tax implications are accounted for in the discounting mechanism.
- Taxes – Taxes like interest expenses are highly variable and speculative, however, unlike interest expenses, all potential concessionaires will face the costs of taxes. Thus, in an effort to include the cost of taxes a rough approximation of 20 percent of EBITDA minus depreciation and has been made and included in the analysis.

- Operating Expenses (excluding labor costs) – Operating expenses are calculated as a percentage of the “gross margin”³ for each service. These percentage estimates are held constant for each service and were developed by surveying financial reports from similar concession operations. Although the total dollar value of operating expenses will vary between services, based on revenues, the proportion of operating revenues remains the same. This is a reasonable assumption, even though the distribution of operating costs among the services may vary, the total operating costs of the concession facilities as a whole remains constant.
- Labor Costs – Labor costs were based on estimated hours per day allocated to various tasks (e.g., landscaping & maintenance) and 2013 median wage rates estimates for Montana from the Bureau of Labor Statistics.⁴
- Depreciation – A straight line depreciation method is utilized, i.e., costs are charged evenly over the useful life of an asset.
- Dollar Values – All costs and revenues have been index to 2013 dollars utilizing the Consumer Price Index (CPI)⁵.

2.5.2 Marina Services

Description & Design

The proposed marina to be developed by the concessionaire, provides docks for mooring with a minimum of 60 slips. Other infrastructures related to the marina, such as parking lots and a boat ramp, have been previously constructed by Reclamation and are not included in the capital investment analysis. Fuel service will also be provided, but it will be located on shore and managed by the store.

The financial feasibility evaluation for the proposed marina services is based on the development of a new marina with a minimum capacity of 60 boat slips. The following sample marina construction design was developed for capital cost estimation. This is only meant to be as sample, and no design or location requirements have been mandated for the marina.

The proposed sample marina consists of the following:

- All docks are of the floating type.
- A primary dock is constructed off the Reclamation installed elevated gangway. Approximately 400-ft. long & 5-ft. wide (totaling 2000 ft²).

³ An enterprise’s remaining revenue after the cost-of-goods-sold (COGS) have been subtracted from gross revenues. [Gross Margin = Net Sales – COGS]

⁴ Bureau of Labor Statistics, U.S. Department of Labor, *Occupation Employment Statistics* [March, 2015] [http://www.bls.gov/oes/current/oes_mt.htm]

⁵ Bureau of Labor Statistics, U.S. Department of Labor, *Consumer Price Index – All Urban Consumers* [March, 2015] [<http://www.bls.gov/cpi/#data>]

- An 80-ft. long & 4-ft. wide elevated gangway with hinges and rollers to provide access to the primary docks from the Reclamation installed elevated gangway. This gangway is necessary to ensure compliance with ADA requirements when Reservoir levels fluctuate.
- All boat slips are uncovered and accommodate various size boats with an average length of 24 ft. and an average width of 10 ft.
- Each slip is accessed by a 3-ft. wide individual finger pier (Approx. 4500 ft²).
- Docks are assumed to have a useful life of 20 years.

Capital Investment Costs

Construction costs for the primary marina docks and the elevated gangway are based on price per square foot. The average full costs per square foot for the primary docks are estimated to be \$30. The total estimated surface area of the primary marina docks is roughly 6500 ft² equating to an investment cost of \$195,000. The average full costs for the elevated gangway are estimated to be \$35 per square foot. The total estimated surface area of the elevated gangway is roughly 320 ft² equating to an investment cost of \$11,200. An additional 10 percent the total investment costs was included as a contingency. The total costs for the marina sums to nearly \$215,000. These costs estimates were based on a sample of comparable marina developments at other sites. Table 2.5.2-1 shows the estimated capital investment costs for the marina.

Table 2.5.2-1. Capital Investment Costs for Marina Services (2013\$)

| | |
|---|----------------------|
| Total Area of Elevated Gangway to be Constructed (ft ²) | 320 ft ² |
| Assumed Cost Per Square Foot | \$35 |
| Subtotal of Investment Costs for Elevated Gangway | \$11,200 |
| Total Area of Primary Dock to be Constructed (ft ²) | 6500 ft ² |
| Assumed Cost Per Square Foot | \$30 |
| Subtotal of Investment Costs for Primary Dock | \$195,000 |
| Subtotal of Capital Investment Costs | \$206,200 |
| 10% Construction Contingency | \$20,620 |
| Total Dock Investment Costs | \$226,820 |

Revenues

The marina services derive revenue by offering slips for rental. Revenues for slip rentals are calculated by multiplying an estimated slip rental rate by an occupancy rate. Slip rental and occupancy rates were estimated by surveying similar marina services in the area and historic rates from the previous GBM operation. Table 2.5.2-2 summarizes the occupancy and rental rates.

Table 2.5.2-2. Revenue Assumptions for Marina Services (2013\$)

| Boat Slip Rental | Rental Rate | Customer Distribution ⁶ | Average Seasonal Occupancy Rate ⁷ |
|--|--------------|------------------------------------|--|
| Monthly | \$300 | 20% | 18% |
| Season | \$700 | 80% | 72% |
| Weighted Season Average⁸ | \$800 | N/A | 90% |

Operating Expenses

Operating expenses for marina services include the labor and the other operating costs identified below in Table 2.5.2-3. As stated in the common assumptions, operating expenses for marina services were developed based primarily on surveying annual financial statements and operating trends for existing marina operations on Canyon Ferry Reservoir and similar operations in other areas. Labor costs were developed by approximating the hours per day spent on various tasks and an assumed wage rate. Over the contract period, annual labor costs (hours and wage) are assumed to be constant in real dollar terms. The estimated operating costs as a percentage of gross margin can be found in Table 2.5.2-3 and annual labor cost estimates in Table 2.5.2-4.

Table 2.5.2-3. Estimated Operating Costs for Marina Services

| Cost | Percentage of Gross Margin |
|----------------------------------|----------------------------|
| Operating & Maintenance Supplies | 10.0% |
| General and Administrative | 2.0% |
| Licenses/Fees | 3.0% |
| Insurance | 5.0% |
| Utilities | 7.0% |
| Miscellaneous | 3.0% |
| Total | 30.0% |

Table 2.5.2-4. Estimated Labor Costs for Marina Services

| Task | Hour/Unit/Day | Units | Total Hours/Day | Days in Operation | Use Rate | Total Annual Hours | Median Wage \$/hour | Annual Labor Cost |
|-------------------------------------|---------------|--------------------------------|-----------------|-------------------|----------|--------------------|---------------------|-------------------|
| Maintenance | 1.00 | 1 | 1.00 | 123 | 1 | 123 | \$11.09 | \$1,364 |
| Single Vault Toilets | 0.10 | 2 | 0.20 | 123 | 1 | 24.6 | \$11.09 | \$273 |
| Assumed Wage Rates | | | | | | | Subtotal | \$1,637 |
| Occupation | | Median \$/Hour (2013\$) | | | | | 15% Contingency | \$ 246 |
| Landscaping & Groundskeeping Worker | | \$11.09 | | | | | 10% Management | \$ 164 |
| | | | | | | | Total | \$2,047 |

⁶ The percentage of marina customers utilizing the various services (used for determining the weighted average.)

⁷ The percentage of the total available boat slips that are rented at any given time over the season.

⁸ Weighted Season Average Rental Rate = (700 * 0.80) + (\$300 * 0.20) * (4 months) = \$800.

Income and Expense Statement

The income and expense statement for marina services is displayed in Table 2.5.2-5 on the following page. Gross annual operating revenues are fixed at \$43,200 over the contract term as the occupancy rate and slip rental fees are held constant in real dollar terms. Boat slip rental is the only source of revenue evaluated in this analysis.

Accounting for operating income and expenses, estimates of EBITDA for marina services are roughly \$28,200 per year. Taking into account taxes, depreciation and federal fees, net annual profits are estimated at approximately \$11,400 per year.

Table 2.5.2-5. Income and Expense Statement for Marina Services

| Years | Average Annual Values | | | | Term Totals |
|---|-----------------------|-----------------|-----------------|-----------------|------------------|
| | 1-5 | 6-10 | 11-15 | 16-20 | |
| Total Visitation | 48,970 | 51,468 | 54,093 | 56,825 | |
| Revenues By Operating Department | | | | | |
| Slip Rental Fees | \$43,200 | \$43,200 | \$43,200 | \$43,200 | |
| Total Gross Revenues | \$43,200 | \$43,200 | \$43,200 | \$43,200 | \$864,000 |
| Cost of Goods Sold (COGS) | | | | | |
| N/A | \$0 | \$0 | \$0 | \$0 | |
| Gross Margin (Revenues – COGS) | \$43,200 | \$43,200 | \$43,200 | \$43,200 | \$864,000 |
| Expenses | | | | | |
| Operating & Maintenance Supplies | \$4,320 | \$4,320 | \$4,320 | \$4,320 | |
| General and Administrative | \$864 | \$864 | \$864 | \$864 | |
| Licenses/Fees | \$1,296 | \$1,296 | \$1,296 | \$1,296 | |
| Insurance | \$2,160 | \$2,160 | \$2,160 | \$2,160 | |
| Utilities | \$3,024 | \$3,024 | \$3,024 | \$3,024 | |
| Miscellaneous | \$1,296 | \$1,296 | \$1,296 | \$1,296 | |
| Labor | \$2,046 | \$2,046 | \$2,046 | \$2,046 | |
| Aggregated Expenses | \$15,006 | \$15,006 | \$15,006 | \$15,006 | \$300,100 |
| EBITDA | | | | | |
| | \$28,194 | \$28,194 | \$28,194 | \$28,194 | \$563,900 |
| Additional Expenses | | | | | |
| Depreciation | \$11,341 | \$11,341 | \$11,341 | \$11,341 | |
| Taxes (20% of EBITDA - Depreciation) | \$3,371 | \$3,371 | \$3,371 | \$3,371 | |
| Annual Lease | \$0 | \$0 | \$0 | \$0 | |
| Reserve Account | \$1,296 | \$1,296 | \$1,296 | \$1,296 | |
| Franchise Fee | \$1,296 | \$1,296 | \$1,296 | \$1,296 | |
| Total Additional Expenses | \$17,304 | \$17,304 | \$17,304 | \$17,304 | \$346,100 |
| Net Profit | | | | | |
| | \$10,890 | \$10,890 | \$10,890 | \$10,890 | \$217,800 |

Cash-Flow Analysis

Individual year estimates of annual cash flows over the contract term are displayed in Table 2.5.2-6 on the next page. The initial total concessionaire capital investments are reflected in year 0. It is assumed that the capital investments made in marina services (i.e., the docks and elevated gangway) have a useful life equal to the proposed 20 year contract term with regular maintenance. At the end of the contract term, estimated cash holdings are approximately \$217,806.

Table 2.5.2-6. Cash-Flow Analysis for Marina Services

| | Year | | | | | |
|--|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| | 0 | 1 | 5 | 10 | 15 | 20 |
| Cash Inflow | | | | | | |
| Beginning Cash | \$0 | (\$226,820) | (\$137,895) | (\$26,738) | \$84,418 | \$195,575 |
| Total Sales | \$0 | \$43,200 | \$43,200 | \$43,200 | \$43,200 | \$43,200 |
| Miscellaneous Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Available Cash | \$0 | (\$183,620) | (\$94,695) | \$16,462 | \$127,618 | \$238,775 |
| Cash Outflow | | | | | | |
| Cost of Goods Sold | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Labor Costs | \$0 | \$2,046 | \$2,046 | \$2,046 | \$2,046 | \$2,046 |
| Operating Expenses | \$0 | \$12,960 | \$12,960 | \$12,960 | \$12,960 | \$12,960 |
| Franchise Fee & Lease Payments | \$0 | \$1,296 | \$1,296 | \$1,296 | \$1,296 | \$1,296 |
| Reserve Account | \$0 | \$1,296 | \$1,296 | \$1,296 | \$1,296 | \$1,296 |
| Taxes | \$0 | \$3,371 | \$3,371 | \$3,371 | \$3,371 | \$3,371 |
| Capital Investments | \$226,820 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Cash Out | \$226,820 | \$20,969 | \$20,969 | \$20,969 | \$20,969 | \$20,969 |
| Annual Cash-Flow | (\$226,820) | \$22,231 | \$22,231 | \$22,231 | \$22,231 | \$22,231 |
| Cumulative Cash-Flow | (\$226,820) | (\$204,589) | (\$115,663) | (\$4,507) | \$106,650 | \$217,806 |
| Present Value of Annual Cash-Flow (10%) | (\$226,820) | \$20,210 | \$13,804 | \$8,571 | \$5,322 | \$3,305 |
| Cumulative Present Value of Cash-Flow | (\$226,820) | (\$206,61) | (\$142,546) | (\$90,218) | (\$57,727) | (\$37,552) |

Financial Summary⁹

Table 2.5.2-7, on the following page, displays the summary results of the FFE for the proposed marina, as measured by key financial metrics of profitability. Over the proposed 20-year contract term, EBITDA and net profit are projected to sum to \$564,000 and \$218,000, respectively. These results indicate, based on the estimated capital investments and assumptions made in this study, that an investment in marina services would likely be a profitable venture. However, in net present value terms, at a 10 percent discount rate, the cumulative cash flow over the contract term is roughly (\$38,000). A negative NPV metric signals that, although profitable, the projected return on an investment in marina services does not meet the established 10 percent reasonable rate of return threshold. This is further confirmed by the estimated IRR of 7.5 percent. Based on these metrics, the investment in marina services would likely be a profitable venture, however, the returns are less than the 10 percent reasonable rate of return established in this study by nearly 3 percentage points.

⁹ The summary of financial information for all perspective concessions at GBM are based on planning-level estimates and are not intended to ensure the profit or loss of any concession opportunity considered in this study.

Table 2.5.2-7. Results of the FFE for Marina Services (2013\$)

| Financial Metric | Annual Average | Cumulative |
|--|----------------|------------|
| EBITDA | \$28,200 | \$564,000 |
| Net Profit | \$10,900 | \$218,000 |
| Present Value of Cash-Flow (10% Discount Rate) | N/A | (\$37,600) |
| IRR | N/A | 7.5% |

2.5.3 Day-use Services

Descriptions & Design

Reclamation plans to construct five group use shelters in and around the RV Park. The prospective concessionaire will be required to provide approximately 150 total picnic tables for all of the proposed recreation facilities including 30 tables for the group shelters. In an effort to recovery the concessionaire’s investment in the picnic tables for the day-use areas and associated operating costs (e.g., maintenance and landscaping), at minimum, a reservation fee for the shelters will be permitted. Other infrastructures related to the shelters and day-use areas, such as parking lots and toilets, have been previously constructed by Reclamation and are not included in the capital investment analysis.

The financial feasibility evaluation for the proposed day-use services is based on the investment in approximately 30 picnic tables to be used in the group shelters and operating costs associated with the day use areas.

Capital Investment Costs

Capital investment costs are based on a per unit costs for picnic tables. Picnic tables are assumed to be ADA compliant and 8 foot in length with thermoplastic coating. All picnic tables are assumed to have a 20-year useful life. Unit prices for the assumed picnic tables are estimated to be \$650 per table, after any “bulk price” discounts. The total estimated cost of the required 30 picnic tables is nearly \$21,500 in 2013 dollars. Table 2.5.3-1 shows the estimated capital investment costs for the marina.

Table 2.5.3-1. Capital Investment Costs for Day-use Services (2013\$)

| | |
|---|-----------------|
| Picnic Table Quantity Required for Group Shelters | 30 |
| Estimated Cost Per Unit | \$650 |
| Subtotal of Capital Investment Costs | \$19,500 |
| 10% Installation Costs | \$1,950 |
| Total Dock Investment Costs | \$21,450 |

Revenues

In an effort to recovery the concessionaire’s investment in the picnic tables for the day-use areas and associated operating costs (e.g., maintenance and landscaping), at minimum, a reservation fee for the shelters will be permitted. Revenues from

reservation are calculated by multiplying an estimated daily reservation rate by an assumed occupancy rate (i.e., the percentage of days that a shelter is reserved). Reservation and occupancy rates were estimated by surveying similar marina services in the area and historic rates from the previous GBM operation. Table 2.5.3-2 summarizes the occupancy and reservation rates.

Table 2.5.3-2. Revenue Assumptions for Day-use Services (2013\$)

| Group Shelter Reservations | Rental Rate | Number of Shelters | Average Seasonal Occupancy Rate ¹⁰ |
|----------------------------|-------------|--------------------|---|
| Season Average | \$35 | 5 | 35% |

Operating Expenses

Operating expenses for day-use services include the labor and the other operating costs identified in Table 2.5.3-3. As stated in the common assumptions, operating expenses for day-use services were developed based primarily on surveying annual financial statements and operating trends for existing day-use operations on Canyon Ferry Reservoir and similar operations in other areas. Labor costs were developed by approximating the hours per day spent on various tasks and an assumed wage rate. Over the contract period, annual labor costs (hours and wage) are assumed to be constant in real dollar terms. The estimated operating costs as a percentage of gross margin can be found in Table 2.5-3-3 and annual labor cost estimates in Table 2.5.3-4.

Table 2.5.3-3. Estimated Operating Costs for Day-use Services

| Cost | Percentage of Gross Margin |
|----------------------------------|----------------------------|
| Operating & Maintenance Supplies | 10.0% |
| General and Administrative | 2.0% |
| Licenses/Fees | 3.0% |
| Insurance | 5.0% |
| Utilities | 7.0% |
| Miscellaneous | 3.0% |
| Total | 30.0% |

Table 2.5.3-4. Estimated Labor Costs for Day-use Services

| Task | Hour/Unit/Day | Units | Total Hours/Day | Days in Operation | Use Rate | Total Annual Hours | Median Wage \$/hour | Annual Labor Cost |
|-------------------------------------|---------------|--------------------------------|-----------------|-------------------|----------|--------------------|---------------------|-------------------|
| Maintenance | 0.50 | 5 | 2.50 | 123 | 0.35 | 107.6 | \$11.09 | \$1,194 |
| Single Vault Toilets | 0.10 | 1 | 0.1 | 123 | 1 | 12.3 | \$11.09 | \$136 |
| Assumed Wage Rates | | | | | | | Subtotal | \$1,330 |
| Occupation | | Median \$/Hour (2013\$) | | | | | 15% Contingency | \$200 |
| Landscaping & Groundskeeping Worker | | \$11.09 | | | | | 10% Management | \$133 |
| | | | | | | | Total | \$1,663 |

¹⁰ The percentage of days that a shelter is rented out on average over the recreation season.

Income and Expense Statement

The income and expense statement for day-use services is displayed in Table 2.5.3-5. Gross average annual operating revenues are fixed at near \$7,500 over the contract term as the occupancy rate and rental fees are held constant in real dollar terms. Accounting for operating income and expenses, estimates of EBITDA for marina services are roughly \$3,600 per year. Taking into account taxes, depreciation and federal fees, net annual profits are estimated at approximately \$1,580 per year.

Table 2.5.3-5. Income and Expense Statement for Day-use Services

| Years | Average Annual Values | | | | Term Totals |
|---|-----------------------|----------------|----------------|----------------|------------------|
| | 1-5 | 6-10 | 11-15 | 16-20 | |
| Total Visitation | 48,970 | 51,468 | 54,093 | 56,825 | |
| Revenues By Operating Department | | | | | |
| Reservation Rental Fees | \$7,534 | \$7,534 | \$7,534 | \$7,534 | |
| Total Gross Revenues | \$7,534 | \$7,534 | \$7,534 | \$7,534 | \$150,700 |
| Cost of Goods Sold (COGS) | | | | | |
| N/A | \$0 | \$0 | \$0 | \$0 | |
| Gross Margin (Revenues – COGS) | \$7,534 | \$7,534 | \$7,534 | \$7,534 | \$150,700 |
| Expenses | | | | | |
| Operating & Maintenance Supplies | \$753 | \$753 | \$753 | \$753 | |
| General and Administrative | \$151 | \$151 | \$151 | \$151 | |
| Licenses/Fees | \$226 | \$226 | \$226 | \$226 | |
| Insurance | \$377 | \$377 | \$377 | \$377 | |
| Utilities | \$527 | \$527 | \$527 | \$527 | |
| Miscellaneous | \$226 | \$226 | \$226 | \$226 | |
| Labor | \$1,662 | \$1,662 | \$1,662 | \$1,662 | |
| Aggregated Expenses | \$3,922 | \$3,922 | \$3,922 | \$3,922 | \$78,400 |
| EBITDA | | | | | |
| | \$3,612 | \$3,612 | \$3,612 | \$3,612 | \$72,200 |
| Additional Expenses | | | | | |
| Depreciation | \$1,073 | \$1,073 | \$1,073 | \$1,073 | |
| Taxes (20% of EBITDA - Depreciation) | \$508 | \$508 | \$508 | \$508 | |
| Annual Lease | \$0 | \$0 | \$0 | \$0 | |
| Reserve Account | \$226 | \$226 | \$226 | \$226 | |
| Franchise Fee | \$226 | \$226 | \$226 | \$226 | |
| Total Additional Expenses | \$2,033 | \$2,033 | \$2,033 | \$2,033 | \$40,700 |
| Net Profit | | | | | |
| | \$1,579 | \$1,579 | \$1,579 | \$1,579 | \$31,600 |

Cash-Flow Analysis

Individual year estimates of annual cash flows over the contract term are displayed in Table 2.5.3-6. The initial total concessionaire capital investments are reflected in year 0. It is assumed that the capital investments made in day-use services (i.e., the picnic tables) have an useful life equal to the proposed 20 year contract term if regular maintenance is completed. At the end of the contract term, estimated cash holdings are approximately \$31,600.

Table 2.5.3-6. Cash-Flow Analysis for Day-use Services

| | Year | | | | | |
|--|-------------------|-------------------|-------------------|------------------|------------------|-----------------|
| | 0 | 1 | 5 | 10 | 15 | 20 |
| Cash Inflow | | | | | | |
| Beginning Cash | \$0 | (\$21,450) | (\$10,845) | \$2,410 | \$15,666 | \$28,922 |
| Total Sales | \$0 | \$7,534 | \$7,534 | \$7,534 | \$7,534 | \$7,534 |
| Miscellaneous Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Available Cash | \$0 | (\$13,916) | (\$3,312) | \$9,944 | \$23,200 | \$36,455 |
| Cash Outflow | | | | | | |
| Cost of Goods Sold | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Labor Costs | \$0 | \$1,662 | \$1,662 | \$1,662 | \$1,662 | \$1,662 |
| Operating Expenses | \$0 | \$2,260 | \$2,260 | \$2,260 | \$2,260 | \$2,260 |
| Franchise Fee & Lease Payments | \$0 | \$226 | \$226 | \$226 | \$226 | \$226 |
| Reserve Account | \$0 | \$226 | \$226 | \$226 | \$226 | \$226 |
| Taxes | \$0 | \$508 | \$508 | \$508 | \$508 | \$508 |
| Capital Investments | \$21,450 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Cash Out | \$21,450 | \$4,882 | \$4,882 | \$4,882 | \$4,882 | \$4,882 |
| Annual Cash-Flow | (\$21,450) | \$2,652 | \$2,652 | \$2,652 | \$2,652 | \$2,652 |
| Cumulative Cash-Flow | (\$21,450) | (\$18,799) | (\$8,194) | \$5,061 | \$18,317 | \$31,573 |
| Present Value of Annual Cash-Flow (10%) | (\$21,450) | \$2,410 | \$1,646 | \$1,022 | \$635 | \$394 |
| Cumulative Present Value of Cash-Flow | (\$2,1450) | (\$19,040) | (\$11,400) | (\$5,160) | (\$1,285) | \$1,121 |

Financial Summary

Table 2.5.3-6 displays the summary results of the FFE for the proposed marina, as measured by key financial metrics of profitability. Over the proposed 20-year contract term, EBITDA and net profit are projected to sum to approximately \$72,000 and \$32,000, respectively. These results indicate, based on the estimated capital investments and assumptions made in this study, that the investment in day-use services would likely be a profitable venture. Further, in net present value terms, at a 10 percent discount rate, the cumulative cash flow over the contract term is roughly \$1,100. A positive NPV metric signals that the projected return on an investment in day-use services exceeds the established 10 percent reasonable rate of return threshold. This is further confirmed by the estimated IRR of 10.8 percent. Based on these metrics, the investment in marina services would likely be a profitable venture and financially viable over the long term.

Table 2.5.3-6. Results of the FFE for Day-use Services (2013\$)

| Financial Metric | Annual Average | Cumulative |
|--|----------------|------------|
| EBITDA | \$3,600 | \$72,000 |
| Net Profit | \$1,600 | \$32,000 |
| Present Value of Cash-Flow (10% Discount Rate) | N/A | \$1,100 |
| IRR | N/A | 10.8% |

2.5.4 Marina Store Services

Description & Design

A proposed 1,024 square foot marina store is to be constructed by Reclamation. Reclamation will also take responsibility for constructing other support infrastructures such as parking lots and utilities. Prospective concessionaires will be required to invest in outfitting the store (e.g., display cases and refrigerators) and store supplies. A fuel service station is also required to be provided by the concessionaire. It is assumed that the station will be located in proximity to the store and managed through store operations. Capital investments made by Reclamation are not included in this analysis.

Capital Investment Costs

Table 2.5.4-1 shows the estimated capital investment costs for the marina. Investment costs for the marina store are based on an outfitting cost price per square foot and unit costs for items such as freezers. The average outfitting cost per square foot is assumed to be \$12.16 per ft².¹¹ Unit costs were based on average market costs for items installed in similar type stores. The total estimated investment cost to outfit the marina store sums to approximately \$25,000, including a 15 percent contingency for uncertainties.

The total investment costs for the fuel service station sum to roughly \$24,500. The system is assumed to consist of a 1,000 gallon aboveground double-wall “Convault style” steel reinforced concrete tank system, a fuel management system, and necessary piping. Installation costs are assumed to be 20 percent of the total costs for components.

Table 2.5.4-1. Capital Investment Costs for the Marina Store (2013\$)

| Expense | Total Units | Cost Per Unit | Investment Cost |
|------------------|--------------------|----------------------|------------------------|
| Store Outfitting | 1024 | \$12.16 | \$12,452 |
| Refrigerators | 2 | \$3,135 | \$6,270 |
| Freezer | 1 | \$5,959 | \$5,959 |
| Fuel System | 1 | \$24,500 | \$24,500 |
| Total | -- | -- | \$49,200 |

Revenues

The marina store derives revenue from selling purchased goods (e.g., fishing supplies) and fuel at a markup. The quantity of goods purchased, or cost-of-goods-sold (COGS) in dollar terms, is estimated on a value-of-goods-purchased-per-visitor (VGPPV). The VGPPV was approximated by reviewing financial reports from similar-type marina operations. The annual amount of fuel sold is set at an average of 10,000 gallons based on historic sales at GBM and similar

¹¹ Chain Store Age, *2013 Store construction and outfitting survey*,
[http://www.chainstoreage.com/sites/chainstoreage.com/files/ConstructionSurvey_2013.pdf]

marinas in the area. Markup percentages are based on the U.S. Department of the Interior's (DOI) *Technical Bulletin: 2015 Convenience Store Markup Percentages* that ensures comparability with private sector markup percentages.

Marina store revenues from selling goods are calculated by multiplying the estimated VGPPV by the forecasted visitation in each year and then again multiplied by the established markup percentages. Fuel sale revenues are calculated by multiplying the assumed wholesale fuel price per gallon by the number of gallons purchased annually and then again by the established markup percentage. For clarification, Table 2.5.4-2 summarizes these procedures for the initial year of the analysis.

Table 2.5.4-2. Year One Revenues for the Marina Store (2013\$)

| Expense | Annual Visitation | Average VGPPV | Cost of Goods Sold | Markup Percentages | Gross Revenues |
|-----------------------------|---------------------|-----------------------------|--------------------|--------------------|----------------|
| Wine & Beer | 48000 | \$0.16 | \$7,680 | 35% | \$10,368 |
| Fishing/Marina Supply Sales | 48000 | \$0.13 | \$6,240 | 60% | \$9,984 |
| General Grocery Sales | 48000 | \$0.83 | \$39,840 | 60% | \$63,744 |
| | Wholesale Price/Gal | Number of Gallons Purchased | Total Cost | Markup Percentages | Gross Revenues |
| Fuel Supply | \$3.00 | 10,000 | \$30,000.00 | 20% | \$36,000 |

Operating Expenses

As stated in the common assumptions, operating expenses for services were developed based primarily on surveying annual financial statements and operating trends for existing day-use operations on Canyon Ferry Reservoir and similar operations in other areas. Labor costs were developed by approximating the hours per day spent on various tasks and an assumed wage rate. Over the contract period, annual labor costs (hours and wage) are assumed to be constant in real dollar terms. As discussed above, in addition to the operating expenses, the COGS must also be accounted and subtracted from gross revenues to calculate net revenues. The estimated operating costs as a percentage of gross margin can be found in Table 2.5.4-3 and annual labor cost estimates in Table 2.5.4-4.

Table 2.5.4-3. Estimated Operating Costs for the Marina Store

| Cost | Percentage of Gross Margin |
|----------------------------------|----------------------------|
| Operating & Maintenance Supplies | 10.0% |
| General and Administrative | 2.0% |
| Licenses/Fees | 3.0% |
| Insurance | 5.0% |
| Utilities | 7.0% |
| Miscellaneous | 3.0% |
| Total | 30.0% |

Table 2.5.4-4. Estimated Labor Costs for the Marina Store

| Task | Hour/Unit/Day | Units | Total Hours/Day | Days in Operation | Use Rate | Total Annual Hours | Median Wage \$/hour | Annual Labor Cost |
|-------------------------------------|---------------|--------------------------------|-----------------|-------------------|----------|--------------------|---------------------|-------------------|
| Landscaping & Grounds Maintenance | 0.50 | 1 | 0.50 | 123 | 1 | 61.5 | \$11.09 | \$682 |
| Store Attendant | 12.00 | 1 | 12.00 | 123 | 1 | 1476 | \$11.04 | \$16,295 |
| Assumed Wage Rates | | | | | | | Subtotal | \$16,977 |
| Occupation | | Median \$/Hour (2013\$) | | | | | 10% Contingency | \$1,698 |
| Landscaping & Groundskeeping Worker | | \$11.09 | | | | | 15% Management | \$2,547 |
| Counter and Rental Clerk | | \$11.04 | | | | | Total | \$21,222 |

Income and Expense Statement

The income and expense statement for the marina store is displayed in Table 2.5.4-5. The average annual gross margin increases with growing visitation and is approximately \$39,000 over the contract term. Accounting for operating income and expenses, estimates of EBITDA for the marina store are roughly \$6,400 per year on average. Taking into account taxes, depreciation and federal fees, net annual profits are estimated at approximately \$800 per year.

Table 2.5.4-5. Income and Expense Statement for Marina Store Services

| Years | Average Annual Values | | | | Totals |
|---------------------------------------|-----------------------|------------------|------------------|------------------|--------------------|
| | 1-5 | 6-10 | 11-15 | 16-20 | |
| Total Visitation | 48,970 | 51,468 | 54,093 | 56,825 | |
| Gross Revenues | | | | | |
| Wine & Beer Sales | \$10,577 | \$11,117 | \$11,684 | \$12,280 | |
| Fishing/Marina Supply Sales | \$10,186 | \$10,705 | \$11,251 | \$11,825 | |
| General Grocery Sales | \$65,032 | \$68,349 | \$71,835 | \$75,500 | |
| Fuel Sales | \$36,000 | \$36,000 | \$36,000 | \$36,000 | |
| Total Gross Revenues | \$121,795 | \$126,171 | \$130,770 | \$135,605 | \$2,572,000 |
| Cost of Goods Sold (COGS) | | | | | |
| Wine & Beer Sales | \$7,835 | \$8,235 | \$8,655 | \$9,096 | |
| Fishing/Marina Supply Sales | \$6,366 | \$6,691 | \$7,032 | \$7,391 | |
| General Grocery Sales | \$40,645 | \$42,718 | \$44,897 | \$47,187 | |
| Fuel Sales | \$30,000 | \$30,000 | \$30,000 | \$30,000 | |
| Total Cost of COGS | \$84,846 | \$87,644 | \$90,584 | \$93,674 | |
| Gross Margin (Revenues – COGS) | \$36,949 | \$38,527 | \$40,186 | \$41,931 | \$788,000 |
| Expenses | | | | | |
| Operating & Maintenance Supplies | \$3,695 | \$3,853 | \$4,019 | \$4,193 | |
| General and Administrative | \$739 | \$771 | \$804 | \$839 | |
| Licenses/Fees | \$1,108 | \$1,156 | \$1,206 | \$1,258 | |
| Insurance | \$1,847 | \$1,926 | \$2,009 | \$2,097 | |
| Utilities | \$2,586 | \$2,697 | \$2,813 | \$2,935 | |
| Miscellaneous | \$1,108 | \$1,156 | \$1,206 | \$1,258 | |
| Labor | \$21,221 | \$21,221 | \$21,221 | \$21,221 | |
| Aggregated Expenses | \$32,304 | \$32,780 | \$33,278 | \$33,801 | 660,800 |
| EBITDA | \$4,643 | \$5,748 | \$6,909 | \$8,130 | \$127,200 |
| Additional Expenses | | | | | |
| Depreciation | \$2,459 | \$2,459 | \$2,459 | \$2,459 | |
| Taxes (20% of EBITDA - Depreciation) | \$1,116 | \$1,337 | \$1,569 | \$1,813 | |
| Annual Lease | \$0 | \$0 | \$0 | \$0 | |
| Reserve Account | \$1,108 | \$1,156 | \$1,206 | \$1,258 | |
| Franchise Fee | \$1,108 | \$1,156 | \$1,206 | \$1,258 | |
| Total Additional Expenses | \$5,113 | \$5,428 | \$5,760 | \$6,109 | \$112,000 |
| Net Profit | -\$470 | \$319 | \$1,149 | \$2,021 | \$15,100 |

Cash-Flow Analysis

Individual year estimates of annual cash flows over the contract term are displayed in Table 2.5.4-6. The initial total concessionaire capital investments are reflected in year 0. It is assumed that the capital investments made for the marina store have a useful life equal to the proposed 20 year contract term if regular maintenance is completed. At the end of the contract term, estimated cash holdings are approximately \$15,100.

Table 2.5.4-6. Cash-Flow Analysis for Marina Store Services

| | Year | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 0 | 1 | 5 | 10 | 15 | 20 |
| Cash Inflow | | | | | | |
| Beginning Cash | \$0 | (\$49,181) | (\$30,670) | (\$4,003) | \$26,770 | \$61,859 |
| Total Sales | \$0 | \$120,096 | \$123,511 | \$127,975 | \$132,666 | \$137,597 |
| Miscellaneous Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Available Cash | \$0 | \$70,915 | \$92,840 | \$123,971 | \$159,437 | \$199,456 |
| Cash Outflow | | | | | | |
| Cost of Goods Sold | \$0 | \$83,760 | \$85,943 | \$88,797 | \$91,796 | \$94,948 |
| Labor Costs | \$0 | \$21,221 | \$21,221 | \$21,221 | \$21,221 | \$21,221 |
| Operating Expenses | \$0 | \$10,901 | \$11,270 | \$11,753 | \$12,261 | \$12,795 |
| Franchise Fee & Lease Payments | \$0 | \$1,090 | \$1,127 | \$1,175 | \$1,226 | \$1,279 |
| Reserve Account | \$0 | \$1,090 | \$1,127 | \$1,175 | \$1,226 | \$1,279 |
| Taxes | \$0 | \$351 | \$523 | \$749 | \$986 | \$1,235 |
| Capital Investments | \$49,181 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Cash Out | \$49,181 | \$118,413 | \$121,211 | \$124,870 | \$128,716 | \$132,757 |
| Annual Cash-Flow | (\$49,181) | \$1,683 | \$2,299 | \$3,104 | \$3,950 | \$4,839 |
| Cumulative Cash-Flow | (\$49,181) | (\$47,498) | (\$39,234) | (\$25,342) | (\$7,301) | \$15,098 |
| Present Value of Annual Cash-Flow (10%) | (\$49,181) | \$1,530 | \$1,428 | \$1,197 | \$946 | \$719 |
| Cumulative Present Value of Cash-Flow | (\$49,181) | (\$47,651) | (\$41,751) | (\$35,283) | (\$30,057) | (\$26,022) |

Financial Summary¹²

Table 2.5.4-7 displays the summary results of the FFE for the proposed marina store, as measured by key financial metrics of profitability. Over the proposed 20-year contract term, EBITDA and net profit are projected to sum to \$127,200 and \$15,100 respectively. These results indicate, based on the estimated capital investments and assumptions made in this study, that an investment in a marina store would likely be a profitable venture. However, in net present value terms, at a 10 percent discount rate, the cumulative cash flow over the contract term is roughly (\$26,000). A negative NPV metric signals that, although profitable, the

¹² The summary of financial information for all perspective concessions at GBM are based on planning-level estimates and are not intended to ensure the profit or loss of any concession opportunity considered in this study.

projected return on an investment in a marina store does not meet the established 10 percent reasonable rate of return threshold. This is further confirmed by the estimated IRR of 2.3 percent. Based on these metrics, the investment in marina services would likely be a profitable and viable venture; however, the returns are less than the 10 percent reasonable rate of return established in this study by nearly 8 percentage points.

Table 2.5.4-7. Results of the FFE for Marina Store Services (2013\$)

| Financial Metric | Annual Average | Cumulative |
|--|----------------|------------|
| EBITDA | \$6,400 | \$127,200 |
| Net Profit | \$755 | \$15,100 |
| Present Value of Cash-Flow (10% Discount Rate) | N/A | (\$26,000) |
| IRR | N/A | 2.3% |

2.5.5 RV Camping Services

Description & Design

The proposed RV Park is to consist of 93 total campsites with one full service site being designated as a host site. Of the 92 total sites available for reservation, 46 will be full service, 27 will be electric only, and 19 will have no service. Full service campsites will have water, sewer and electricity available. To accommodate guests, the RV Park will also offer two RV dump stations and two fee based shower facilities with flush toilets and four coin operated showers in each building. Reclamation will be providing the initial capital investment for constructing the RV Park and related infrastructure.

Prospective concessionaires will be required to provide approximately 150 total picnic tables for all of the proposed recreation facilities including 120 tables for the RV Park and associated picnic areas. In an effort to recover a concessionaire's investment in the picnic tables for these areas and any operating costs associated with managing the RV Park (e.g., maintenance and landscaping), at minimum, a reservation fee for the RV campsites will be permitted. Further, in order to recover cost related to the operation and maintenance of the RV dumpsites and shower facilities, prospective concessionaires are assumed to be permitted to collect a fee for using the RV dumpsites and coin operated showers.

Capital Investment Costs

Capital investment costs are based on a per unit costs for picnic tables. Picnic tables are assumed to be ADA compliant and 8 foot in length with thermoplastic coating. All picnic tables are assumed to have a 20-year useful life. Unit prices for the assumed picnic tables are estimated to be \$650 per table, after any "bulk price" discounts. The total estimated cost for the 120 required picnic tables is \$86,000 in 2013 dollars. Table 2.5.5-1 shows the estimated capital investment costs for the marina.

Table 2.5.5-1. Capital Investment Costs for RV Camping Services (2013\$)

| | |
|---|-----------------|
| Picnic Table Quantity Required for Group Shelters | 120 |
| Estimated Cost Per Unit | \$650 |
| Subtotal of Capital Investment Costs | \$78,000 |
| 10% Installation Costs | \$7,800 |
| Total Investment Costs | \$85,800 |

Revenues

The RV camping services derive revenue through reservation fees, RV dump station fees, and coin-operated shower fees. Revenues from campsite reservations are calculated by multiplying estimated reservation rates by an assumed occupancy rate. Reservation rate estimates were developed by surveying similar RV parks in the area and historic rates from the previous GBM operation. Table 2.5.5-2 summarizes the various assumptions made for estimating RV Camping services.

Table 2.5.5-2. Revenue Assumptions for RV Camping Services (2013\$)

| Rates | RV Campsite Type | | | | Average Seasonal Occupancy Rate ¹⁵ |
|---|---|------------------------------|-----------------------------|------------------------------------|---|
| | Full Service ¹³ (46 Spaces) | Electric Only (27 Spaces) | No Utilities (19 Spaces) | User ¹⁴ Distribution | |
| Daily | \$30.00 | \$25.00 | \$20.00 | 40% | 15% |
| Weekly (10% Discount) | \$190.00 | \$160.00 | \$130.00 | 30% | 11% |
| Monthly (20% Discount) | \$740.00 | \$610.00 | \$490.00 | 30% | 11% |
| Weighted Daily Average Rate per Visitor ¹⁶ | \$27.00 | \$23.00 | \$18.00 | -- | 35% |

The revenues from both the dump stations and the showers were estimated based on the VGPPV approach. In this approach the estimated VGPPV is multiplied by the forecasted visitation in each year to calculate revenues. The VGPPV and was approximated by reviewing financial reports from similar-type operations.

For clarification, Table 2.5.5-3 summarizes these procedures for the initial year of the analysis.

Table 2.5.5-3. Year One Revenues for RV Camping Services (2013\$)

| Accommodation | Annual Visitation | Average VGPPV | Gross Revenues |
|------------------|-------------------|---------------|----------------|
| Coin-Op Showers | 48000 | \$0.03 | \$1,440 |
| RV Dump Stations | 48000 | \$0.02 | \$960 |

¹³ Weighted Daily Average Rental Rate per Full Service Visitor = $(\$30 * 0.4) + \frac{(\$190 * 0.27)}{7 \text{ days}} * \frac{(\$740 * 0.27)}{30.67 \text{ days}} \approx \27 .

¹⁴ The percentage of RV park customers utilizing the various services (used for determining the weighted average).

¹⁵ The percentage of the total available boat slips that are rented at any given time over the season.

¹⁶ It is assumed that, on average, RV park occupancy rates during the weekdays will be at roughly 15 percent and on the weekends they will climb to near 90 percent.

Operating Expenses

Operating expenses for the RV Park include labor costs associated with managing and maintain the RV Park, and the other operating costs as identified in Table 2.5.5-4. Operating expenses for RV camping services were developed based primarily on surveying annual financial statements and operating trends for existing marina operations on Canyon Ferry Reservoir and similar operations in other areas, as detailed in Section 2.5.1. Labor costs were developed by approximating the hours per day spent on various tasks and an assumed wage rate. Over the contract period, annual labor costs (hours and wage) are assumed to be constant in real dollar terms. The estimated operating costs as a percentage of gross margin can be found in Table 2.5.5-4 and annual labor cost estimates in Table 2.5.5-5.

Table 2.5.5-4. Estimated Operating Costs for RV Camping Services

| Cost | Percentage of Gross Margin |
|----------------------------------|-----------------------------------|
| Operating & Maintenance Supplies | 10.0% |
| General and Administrative | 2.0% |
| Licenses/Fees | 3.0% |
| Insurance | 5.0% |
| Utilities | 7.0% |
| Miscellaneous | 3.0% |
| Total | 30.0% |

Table 2.5.5-5. Estimated Labor Costs for RV Camping Services

| Task | Hour/Unit/Day | Units | Total Hours /Day | Days in Operation | Use Rate | Total Annual Hours | Median Wage \$/hour | Annual Labor Cost |
|-------------------------------------|----------------------|--------------------------------|-------------------------|--------------------------|-----------------|---------------------------|----------------------------|--------------------------|
| Standard Campsite | 0.10 | 92 | 9.20 | 123 | 0.35 | 396.1 | \$11.09 | \$4,393 |
| Shower Facilities w/ Toilets | 0.50 | 2 | 1.00 | 123 | 1 | 123 | \$11.09 | \$1,364 |
| Landscaping & Grounds Maintenance | 1.00 | 1 | 1.00 | 123 | 1 | 123 | \$11.09 | \$1,364 |
| Double Vault Toilets | 0.15 | 7 | 1.05 | 123 | 1 | 129.2 | \$11.09 | \$1,433 |
| RV Dump Stations | 0.25 | 2 | 0.50 | 123 | 1 | 61.5 | \$11.09 | \$682 |
| Assumed Wage Rates | | | | | | | Subtotal | \$9,236 |
| Occupation | | Median \$/Hour (2013\$) | | | | | 15% Contingency | \$1,385 |
| Landscaping & Groundskeeping Worker | | \$11.09 | | | | | 10% Management | \$ 924 |
| | | | | | | | Total | \$11,545 |

Income and Expense Statement

The income and expense statement for camping services is displayed in Table 2.5.5-6. Gross annual operating revenues increase slightly with visitation due to the use of the RV dump stations and coin-operated showers and average around \$107,300 over the contract term.

Accounting for operating income and expenses, estimates of EBITDA for marina services average roughly \$63,600 per year. Taking into account taxes, depreciation and federal fees, net annual profits are estimated at approximately \$41,000 per year.

Table 2.5.5-6. Income and Expense Statement for RV Camping Services

| Years | Average Annual Values | | | | Term Totals |
|---|-----------------------|------------------|------------------|------------------|--------------------|
| | 1-5 | 6-10 | 11-15 | 16-20 | |
| Total Visitation | 48,970 | 51,468 | 54,093 | 56,825 | |
| Revenues By Operating Department | | | | | |
| RV Campsite - Full Service (46 Spaces) | \$56,523 | \$56,523 | \$56,523 | \$56,523 | |
| RV Campsite - Electric Only (27 Spaces) | \$28,262 | \$28,262 | \$28,262 | \$28,262 | |
| RV Campsite - No Utilities (19 Spaces) | \$19,888 | \$19,888 | \$19,888 | \$19,888 | |
| RV Dump Stations | \$979 | \$1,029 | \$1,082 | \$1,137 | |
| Coin Operated Showers | \$1,469 | \$1,544 | \$1,623 | \$1,706 | |
| Total Gross Revenues | \$107,121 | \$107,246 | \$107,378 | \$107,516 | \$2,146,000 |
| Cost of Goods Sold (COGS) | | | | | |
| N/A | \$0 | \$0 | \$0 | \$0 | |
| Gross Margin (Revenues – COGS) | \$107,121 | \$107,246 | \$107,378 | \$107,516 | \$2,146,000 |
| Expenses | | | | | |
| Operating & Maintenance Supplies | \$10,712 | \$10,725 | \$10,738 | \$10,752 | |
| General and Administrative | \$2,142 | \$2,145 | \$2,148 | \$2,150 | |
| Licenses/Fees | \$3,214 | \$3,217 | \$3,221 | \$3,225 | |
| Insurance | \$5,356 | \$5,362 | \$5,369 | \$5,376 | |
| Utilities | \$7,498 | \$7,507 | \$7,516 | \$7,526 | |
| Miscellaneous | \$3,214 | \$3,217 | \$3,221 | \$3,225 | |
| Labor | \$11,545 | \$11,545 | \$11,545 | \$11,545 | |
| Aggregated Expenses | \$43,681 | \$43,718 | \$43,758 | \$43,799 | \$875,000 |
| EBITDA | | | | | |
| | \$63,440 | \$63,527 | \$63,619 | \$63,716 | \$1,272,000 |
| Additional Expenses | | | | | |
| Depreciation | \$4,290 | \$4,290 | \$4,290 | \$4,290 | |
| Taxes (20% of EBITDA - Depreciation) | \$11,830 | \$11,847 | \$11,866 | \$11,885 | |
| Annual Lease | \$0 | \$0 | \$0 | \$0 | |
| Reserve Account | \$3,214 | \$3,217 | \$3,221 | \$3,225 | |
| Franchise Fee | \$3,214 | \$3,217 | \$3,221 | \$3,225 | |
| Total Additional Expenses | \$22,548 | \$22,571 | \$22,598 | \$22,625 | \$452,000 |
| Net Profit | | | | | |
| | \$40,892 | \$40,956 | \$41,021 | \$41,091 | \$820,000 |

Cash-Flow Analysis

Individual year estimates of annual cash flows over the contract term are displayed in Table 2.5.5-7 on the following page. The initial total concessionaire capital investments are reflected in year 0. It is assumed that the concessionaire's capital investments in the RV park (i.e., the picnic tables) have an useful life equal to the proposed 20 year contract term, with regular maintenance. At the end of the contract term, cash holdings are forecasted to be approximately \$820,000.

Table 2.5.5-7. Cash-Flow Analysis for RV Camping Services

| | Year | | | | | |
|--|-------------------|-------------------|------------------|------------------|------------------|------------------|
| | 0 | 1 | 5 | 10 | 15 | 20 |
| Cash Inflow | | | | | | |
| Beginning Cash | \$0 | (\$85,800) | \$94,907 | \$321,069 | \$547,556 | \$774,385 |
| Total Sales | \$0 | \$107,073 | \$107,170 | \$107,298 | \$107,432 | \$107,572 |
| Miscellaneous Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Available Cash | \$0 | \$21,273 | \$202,077 | \$428,367 | \$654,988 | \$881,957 |
| Cash Outflow | | | | | | |
| Cost of Goods Sold | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Labor Costs | \$0 | \$11,545 | \$11,545 | \$11,545 | \$11,545 | \$11,545 |
| Operating Expenses | \$0 | \$32,122 | \$32,151 | \$32,189 | \$32,230 | \$32,272 |
| Franchise Fee & Lease Payments | \$0 | \$3,212 | \$3,215 | \$3,219 | \$3,223 | \$3,227 |
| Reserve Account | \$0 | \$3,212 | \$3,215 | \$3,219 | \$3,223 | \$3,227 |
| Taxes | \$0 | \$11,823 | \$11,837 | \$11,855 | \$11,873 | \$11,893 |
| Capital Investments | \$85,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Cash Out | \$85,000 | \$61,914 | \$61,963 | \$62,027 | \$62,094 | \$62,164 |
| Annual Cash-Flow | (\$85,000) | \$45,159 | \$45,207 | \$45,271 | \$45,338 | \$45,408 |
| Cumulative Cash-Flow | (\$85,000) | (\$40,641) | \$140,113 | \$366,340 | \$592,894 | \$819,794 |
| Present Value of Annual Cash-Flow (10%) | (\$85,000) | \$41,053 | \$28,070 | \$17,454 | \$10,854 | \$6,750 |
| Cumulative Present Value of Cash-Flow | (\$85,000) | (\$44,747) | \$85,469 | \$191,961 | \$258,180 | \$299,359 |

Financial Summary¹⁷

Table 2.5.5-8 displays the summary results of the FFE for the proposed RV park, as measured by key financial metrics of profitability. Over the proposed 20-year contract term, EBITDA and net profit are projected to sum to approximately \$1,272,000 and \$820,000, respectively. These results indicate, based on the estimated capital investments and assumptions made in this study, that a concessionaire's investment in the RV camping services would likely be a profitable venture. Further, in net present value terms, at a 10 percent discount rate, the cumulative cash flow over the contract term is roughly \$300,000. A positive NPV metric signals that the projected return on an investment in marina services exceeds the established 10 percent reasonable rate of return threshold. This is further confirmed by the estimated IRR of 52.7 percent. Based on these metrics, the investment in marina services would likely be a profitable venture and financially viable over the long term.

¹⁷ The summary of financial information for all perspective concessions at GBM are based on planning-level estimates and are not intended to ensure the profit or loss of any concession opportunity considered in this study.

Table 2.5.5-8. Results of the FFE for RV Camping Services (2013\$)

| Financial Metric | Annual Average | Cumulative |
|--|----------------|-------------|
| EBITDA | \$63,600 | \$1,272,000 |
| Net Profit | \$41,000 | \$820,000 |
| Present Value of Cash-Flow (10% Discount Rate) | N/A | \$299,000 |
| IRR | N/A | 52.7% |

2.5.6 All Services Combined

Capital Investment Costs

This segment of the FFE analyzes a combined services operation (CS operation), as it is likely that a single entity will be capable of securing and providing the resources necessary to meet the capital investment requirements. In aggregate, it is estimated that prospective concessionaires will be required to provide around \$383,300 in capital investments. Total capital investments by services are shown in Table 2.5.6-1

Table 2.5.6-1. Capital Investment Costs for All Services (2013\$)

| | |
|------------------------------------|------------------|
| Marina Services | \$226,800 |
| Day-use Services | \$21,500 |
| Marina Store Services | \$49,200 |
| RV Camping Services | \$85,800 |
| Aggregated Investment Costs | \$383,300 |

Income and Expense Statement

The income and expense statement for the CS operation is displayed in Table 2.5.6-2 on the next page. In the Table, average annual revenues and expenses are broken down by service for comparison. Accounting for operating income and expenses for each service, estimates of EBITDA for the operation average roughly \$101,700 per year. Taking into account taxes, depreciation and federal fees, net annual profits are estimated to be approximately \$54,200 on average.

Table 2.5.6-2. Income and Expense Statement for All Services

| Years | Average Annual Values | | | | Term Totals |
|---------------------------------------|-----------------------|------------------|------------------|------------------|--------------------|
| | 1-5 | 6-10 | 11-15 | 16-20 | |
| Total Visitation | 48,970 | 51,468 | 54,093 | 56,825 | |
| Revenues By Service | | | | | |
| Marina | \$43,200 | \$43,200 | \$43,200 | \$43,200 | |
| Day-use | \$7,534 | \$7,534 | \$7,534 | \$7,534 | |
| Marina Store | \$121,795 | \$126,171 | \$130,771 | \$135,605 | |
| RV Camping | \$107,121 | \$107,246 | \$107,378 | \$107,515 | |
| Total Gross Revenues | \$279,650 | \$284,151 | \$288,883 | \$293,854 | \$5,733,000 |
| Cost of Goods Sold (COGS) | | | | | |
| Marina | \$43,200 | \$43,200 | \$43,200 | \$43,200 | |
| Day-use | \$7,534 | \$7,534 | \$7,534 | \$7,534 | |
| Marina Store | \$36,949 | \$38,528 | \$40,187 | \$41,931 | |
| RV Camping | \$107,121 | \$107,246 | \$107,378 | \$107,515 | |
| Gross Margin (Revenues – COGS) | \$194,804 | \$196,508 | \$198,299 | \$200,180 | \$3,950,000 |
| Expenses by Service | | | | | |
| Marina | \$15,006 | \$15,006 | \$15,006 | \$15,006 | |
| Day-use | \$3,923 | \$3,923 | \$3,923 | \$3,923 | |
| Marina Store | \$32,306 | \$32,780 | \$33,277 | \$33,801 | |
| RV Camping | \$43,681 | \$43,719 | \$43,758 | \$43,800 | |
| Aggregated Expenses | \$94,916 | \$95,428 | \$95,964 | \$96,530 | \$1,914,000 |
| EBITDA | | | | | |
| | \$99,888 | \$101,080 | \$102,334 | \$103,651 | \$2,035,000 |
| Additional Expenses | | | | | |
| Marina | \$17,304 | \$17,304 | \$17,304 | \$17,304 | |
| Day-use | \$2,033 | \$2,033 | \$2,033 | \$2,033 | |
| Marina Store | \$5,113 | \$5,428 | \$5,760 | \$6,109 | |
| RV Camping | \$22,547 | \$22,572 | \$22,598 | \$22,626 | |
| Total Additional Expenses | \$46,997 | \$47,337 | \$47,695 | \$48,072 | \$941,000 |
| Net Profit | | | | | |
| | \$52,892 | \$53,744 | \$54,639 | \$55,580 | \$1,084,271 |

Cash-Flow Analysis

Individual year estimates of annual cash flows for each service over the contract term are displayed in Table 2.5.6-3 on the preceding page. The estimated total capital investments required for all the CS operation are reflected in year 0. With regular maintenance, it is assumed that all capital investments in a useful life equal to at minimum the proposed 20 year contract term. At the end of the contract term, cash holdings are forecasted to be approximately \$1,084,000.

Table 2.5.6-3. Cash-Flow Analysis for All Services

| | Year | | | | | |
|--|--------------------|--------------------|--------------------|------------------|------------------|--------------------|
| | 0 | 1 | 5 | 10 | 15 | 20 |
| Cash Inflow | | | | | | |
| Beginning Cash | \$0 | (\$383,251) | (\$95,367) | \$268,296 | \$636,389 | \$1,009,141 |
| Total Sales | \$0 | \$277,903 | \$281,414 | \$286,006 | \$290,832 | \$295,903 |
| Miscellaneous Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Available Cash | \$0 | (\$105,348) | \$186,047 | \$554,302 | \$927,221 | \$1,305,044 |
| Cash Outflow | | | | | | |
| Cost of Goods Sold | \$0 | \$83,760 | \$85,943 | \$88,797 | \$91,796 | \$94,948 |
| Labor Costs | \$0 | \$36,475 | \$36,475 | \$36,475 | \$36,475 | \$36,475 |
| Operating Expenses | \$0 | \$58,243 | \$58,641 | \$59,163 | \$59,711 | \$60,286 |
| Franchise Fee & Lease Payments | \$0 | \$5,824 | \$5,864 | \$5,916 | \$5,971 | \$6,029 |
| Reserve Account | \$0 | \$5,824 | \$5,864 | \$5,916 | \$5,971 | \$6,029 |
| Taxes | \$0 | \$16,053 | \$16,239 | \$16,483 | \$16,738 | \$17,007 |
| Capital Investments | \$383,251 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Cash Out | \$383,251 | \$206,179 | \$209,026 | \$212,750 | \$216,662 | \$220,774 |
| Annual Cash-Flow | (\$383,251) | \$71,724 | \$72,388 | \$73,257 | \$74,171 | \$75,130 |
| Cumulative Cash-Flow | (\$383,251) | (\$311,527) | (\$22,979) | \$341,552 | \$710,560 | \$1,084,271 |
| Present Value of Annual Cash-Flow (10%) | (\$383,251) | \$65,204 | \$44,947 | \$28,244 | \$17,756 | \$11,168 |
| Cumulative Present Value of Cash-Flow | (\$383,251) | (\$318,047) | (\$110,227) | \$61,300 | \$169,111 | \$236,905 |

Financial Summary¹⁸

Table 2.5.6-4 displays the summary results of the FFE for the total CS operation, as measured by key financial metrics of profitability. Over the proposed 20-year contract term, EBITDA and net profit are projected to sum to approximately \$2,035,000 and \$1,084,000, respectively. These results indicate, based on the estimated capital investments and assumptions made in this study, that an investment in the operation as a whole would likely be a profitable venture. Further, in net present value terms, at a 10 percent discount rate, the cumulative cash flow over the contract term is roughly \$237,000. A positive NPV metric signals that the projected return on capital investment exceeds the established 10 percent reasonable rate of return threshold. This is further confirmed by the estimated IRR of 18.3 percent. Based on these metrics, the investment in marina services would likely be a profitable venture and financially viable over the long run.

¹⁸ The summary of financial information for all perspective concessions at GBM are based on planning-level estimates and are not intended to ensure the profit or loss of any concession opportunity considered in this study.

Table 2.5.6-4. Results of the FFE for All Services (2013\$)

| Financial Metric | Annual Average | Cumulative |
|--|-----------------------|-------------------|
| EBITDA | \$101,700 | \$2,035,000 |
| Net Profit | \$54,200 | \$1,084,000 |
| Present Value of Cash-Flow (10% Discount Rate) | N/A | \$237,000 |
| IRR | N/A | 18.3% |

2.5.7 Financial Feasibility Evaluation Sensitivity Analysis

The key assumptions and estimated capital costs developed in this study directly influence the financial metrics used in determining the financial feasibility of the proposed concession services. Table 2.5.7-1, on the next page, displays the resulting impacts to the CS operation FFE of changing some of the most significant assumptions and variables—only one key variable is changed at a time, all other variables are held constant. Tables 2.5.7-2 through 2.5.7-4 show how changing two key variables simultaneously would impact the IRR of the combined services operation. Table 2.5.7-5 shows how the financial metrics change when the total required capital cost estimates are altered.

Impacts of Varying Significant Variables and Assumptions

The following table illustrates how changing some of the most significant assumptions and variables would impact financial metrics of the CS operation.

Table 2.5.7-1. Sensitivity Analysis of CS Operation(2013\$)^{1,2}

| Key Assumption | EBITDA (Annual Average) | Net Profit (Annual Average) | Cumulative Present Value of Cash-flow | IRR |
|--|-------------------------------|-----------------------------------|---|--------------|
| Contract Term | | | | |
| 5 | \$99,888 | \$52,892 | (\$110,227) | -2.0% |
| 10 | \$100,484 | \$53,318 | \$61,300 | 13.6% |
| 15 | \$101,101 | \$53,758 | \$169,111 | 17.1% |
| 20 | \$101,738 | \$54,214 | \$236,905 | 18.3% |
| Total Sum of Franchise & Reserve Account Fees | | | | |
| 3% | \$101,738 | \$60,137 | \$287,062 | 19.9% |
| 6% | \$101,738 | \$54,214 | \$236,905 | 18.3% |
| 10% | \$101,738 | \$46,316 | \$170,029 | 16.0% |
| 15% | \$101,738 | \$36,443 | \$86,433 | 13.2% |
| 20% | \$101,738 | \$26,571 | \$2,838 | 10.1% |
| Occupancy Fee (Annual Lease) | | | | |
| \$0 | \$101,738 | \$54,214 | \$236,905 | 18.3% |
| \$1,000 | \$101,738 | \$52,114 | \$218,060 | 17.6% |
| \$2,500 | \$101,738 | \$48,964 | \$189,792 | 16.6% |
| \$5,000 | \$101,738 | \$43,714 | \$142,678 | 15.0% |
| \$10,000 | \$101,738 | \$33,214 | \$48,452 | 11.7% |
| RV Camping - Occupancy Rates | | | | |
| 32% | \$91,837 | \$47,141 | \$176,692 | 16.3% |
| 35% | \$97,778 | \$51,385 | \$212,820 | 17.5% |
| 37% | \$101,738 | \$54,214 | \$236,905 | 18.3% |
| 40% | \$107,679 | \$58,457 | \$273,032 | 19.5% |
| 45% | \$117,581 | \$65,529 | \$333,244 | 21.4% |
| Boat Slip Rentals | | | | |
| 80% | \$98,378 | \$51,814 | \$216,472 | 17.6% |
| 85% | \$100,058 | \$53,014 | \$226,689 | 17.9% |
| 90% | \$101,738 | \$54,214 | \$236,905 | 18.3% |
| 95% | \$103,418 | \$55,414 | \$247,121 | 18.6% |
| Starting Visitation Levels | | | | |
| 40,000 | \$97,534 | \$51,210 | \$212,091 | 17.5% |
| 48,000 | \$101,738 | \$54,214 | \$236,905 | 18.3% |
| 55,000 | \$105,417 | \$56,841 | \$258,616 | 19.0% |
| 60,000 | \$108,045 | \$58,718 | \$274,124 | 19.5% |

¹Bold emphasis added to indicate baseline conditions.

²This sensitivity analysis shows how varying a single parameter impacts financial metrics while holding all other parameters constant at baseline levels.

Impacts of Simultaneously Varying Variables and Assumptions

The following tables illustrate how varying two the most significant variables simultaneously would impact the IRR of the CS operation.

Table 2.5.7-2. IRR Sensitivity Analysis—Contract Term Vs. Federal Fees¹

| IRR Matrix | | | | | | |
|---------------|-----------|---|--------------|-------|--------|--------|
| | | Total Sum of Franchise & Reserve Account Fees | | | | |
| | | 3% | 6% | 10% | 15% | 20% |
| Contract Term | 5 | 0.5% | -2.0% | -5.6% | -10.4% | -15.6% |
| | 10 | 15.6% | 13.6% | 10.8% | 7.1% | 3.1% |
| | 15 | 18.9% | 17.1% | 14.7% | 11.6% | 8.2% |
| | 20 | 19.9% | 18.3% | 16.0% | 13.2% | 10.1% |

¹Bold emphasis added to indicate baseline conditions.

Table 2.5.7-3. IRR Sensitivity Analysis–Contract Term Vs. Occupancy Fees¹

| IRR Matrix | | | | | | |
|---------------|-----------|----------------|---------|---------|---------|----------|
| | | Occupancy Fees | | | | |
| | | \$0 | \$1,000 | \$2,500 | \$5,000 | \$10,000 |
| Contract Term | 5 | -2.0% | -3.1% | -4.7% | -7.5% | -13.2% |
| | 10 | 13.6% | 12.8% | 11.5% | 9.4% | 5.1% |
| | 15 | 17.1% | 16.4% | 15.4% | 13.6% | 9.9% |
| | 20 | 18.3% | 17.6% | 16.6% | 15.0% | 11.7% |

¹Bold emphasis added to indicate baseline conditions.

Table 2.5.7-4. IRR Sensitivity Analysis–Occupancy Fees Vs. Federal Fees¹

| IRR Matrix | | | | | | |
|----------------|------------|---|--------------|-------|-------|-------|
| | | Total Sum of Franchise & Reserve Account Fees | | | | |
| | | 3% | 6% | 10% | 15% | 20% |
| Occupancy Fees | \$0 | 19.9% | 18.3% | 16.0% | 13.2% | 10.1% |
| | \$1,000 | 19.3% | 17.6% | 15.4% | 12.5% | 9.4% |
| | \$2,500 | 18.3% | 16.6% | 14.4% | 11.4% | 8.3% |
| | \$5,000 | 16.7% | 15.0% | 12.7% | 9.7% | 6.4% |
| | \$10,000 | 13.4% | 11.7% | 9.3% | 6.1% | 2.4% |

¹Bold emphasis added to indicate baseline conditions.

Variation in Capital Cost Estimates

Table 2.5.7-5 presents the potential impacts to the IRR financial metric based on variations in capital cost estimates and contract term lengths for the CS operation.

Table 2.5.7-5. IRR Sensitivity Analysis–Contract Term Vs. Total Investment¹

| IRR Matrix | | | | | | |
|---------------|-----------|------------------------|-----------|------------------|-----------|-----------|
| | | Total Investment Costs | | | | |
| | | \$300,000 | \$350,000 | \$383,000 | \$400,000 | \$450,000 |
| Contract Term | 5 | 6.4% | 1.0% | -2.0% | -3.4% | -7.0% |
| | 10 | 20.3% | 15.9% | 13.6% | 12.5% | 9.7% |
| | 15 | 23.0% | 19.2% | 17.1% | 16.2% | 13.8% |
| | 20 | 23.8% | 20.2% | 18.3% | 17.4% | 15.2% |

¹Bold emphasis added to indicate baseline conditions.