

CAPITAL RESERVE PLAN

***Kitchi-Gammi Club
Duluth, Minnesota***

**Reserve Consultants, Inc.
December, 2016**

YOUR 26 YEARS EXPERIENCED EXPERTS



General

The enclosed "Estimate Sheets" and "Schedule of Cash Flow" represent the recap of accumulations of monies to replace the *capital* components of the Kitchi-Gammi Club as they wear out over a period of the next thirty-five years.

As you are well aware, it is important to accumulate monies over a period of time to provide for capital replacement within the Club. This process of determining *how much* to collect is a complex one. It requires an understanding of present/future value of money concepts, knowledge of inflation percentages in facilities of this type, a great grasp of estimating both quantities and unit costs of the various capital components, and the experience to estimate life expectancies. The process reflected on the schedule is:

- Identification of capital components of the complex
- Estimating the remaining service life of each
- Determining the quantities of each
- Estimating the current replacement cost of each
- Inflating the current cost to the projected wear-out date of each
- By using engineering economy concepts, determining the amount of accumulations per year that it will take to collect the monies needed in the future

While it will not be delved into to any great depth in this report, it is critical that all in your Club recognize the importance of collecting monies on a professionally planned basis over a period of time for future replacements. Failure to do so can and most likely will create facility deterioration, reduction in values due to deterioration and the possibilities of future large assessments to members.



Two very critical concepts need to be stressed in order to grasp the essence of Capital Reserve Planning.

- It is critical that a plan *of some sort* (the more professional the better) be established as early in the life of an organization or club as possible. The longer any organization or club waits, the larger the fee increase will be to catch up. It is impossible to catch up from the lack of collection of \$30 to \$40 per member, per month twenty or thirty years by a *small* increase in fees at the end of that time. The increase at that time *will* be substantial.
- Any Capital Reserve Plan that must project many years (up to 35) into the future and predict not only failure dates of components but also inflation rates, will be what Dr. Russo calls "grossly accurate." This does not mean that there are errors, but rather that professional "guesses" about what the future holds may be off by some percentage.

It is always up to the organization or club membership to determine how far any component will be allowed to deteriorate. This report attempts to project when *reasonable* replacement should be made. That is, not allowing any component to deteriorate to the degree that it will affect the overall condition in the complex, or will be an eyesore, or will affect reasonable functionality.

Any plan must have some assumptions. The assumptions utilized for this plan are as follows:

1. An average inflation rate of 4% (compounded). This is approximately the national average over a long period of decades. The biggest "risk" in any study such as this is a major, relatively short term, increase in inflation over the 4% mark. This would, of course, leave you short.
2. An average *net* interest rate (on accumulated monies) of 3%. This is after taxes (on the interest) and assumes a gross average over a period of decades. While this is higher than current rates, the average of 3% is the best approach over a long period (30 to 35 years) of time.
3. A projected replacement reserve balance of approximately \$56,000 as of 1/1/17.



4. A maximum of thirty-five years (through 2051), as requested. Thirty-five years is more than enough time to accumulate monies for most capital items. Any items beyond thirty-five should be added to the plan in the future as it is updated (recommended every three to four years).
5. No components with a value of less than \$3,000 will be included in the plan. Such items should be replaced on an as needed basis in the operating budget.
6. No components that are of small individual value with aggregate value under \$3,000 are included in the plan if replacement is on a spread basis over many years.
7. This unique and historic complex was built in 1914 and is on the National Historic Register. This makes this a complex building from which to assess and inspect normal plan components. Some conclusions will be made in lieu of comprehensive maintenance records from the last century of operation combined with a lack of reliable eye-witness testimony regarding the exact timing of past component repairs and replacements. It will be the viewpoint of Reserve Consultants to use their extensive experience in all aspects of buildings and grounds, construction and engineering to "fill-in" the gaps based on their inspections and assessments.
8. Dr. Russo completes each plan by employing a group of experienced Contractors, Building Inspectors, and Engineers (Including himself, a graduate PhD in Engineering). This group pours over the data collected by the Field Representatives including building plans, photos, interview notes from owner employees, measurements, vendor interview notes and an audit of various component related items. All information is analyzed to produce one of the most thorough and comprehensive Capital Plans in the industry today.
9. All calculations are assumed as of 1/1/17. The plan should be started 1/1/17 and ending 12/31/17.

The enclosed plans deal with the overall component groups but do not deal specifically with each room within the Club individually. Some grouping needed to be done to establish parameters for each component(s) within the building. The intent is to provide enough money for each component group to replace when needed. The organization or club must still decide exactly which component or components should be focused on and to what level of detail prioritization.



This will include the Club specifying and making final detail decisions on which areas within the building will be dealt with first and exactly what year to do the work --based on current conditions and priorities. In other words, the plan is a guideline to assist the Club Board and not a document to be rigidly followed in a mandatory manner with a required sequential order.

Because changes take place over a period of years, it will be appropriate that the plan be reviewed with possible revision every three to four years.

This plan is an estimate of future costs and service lives of capital items. Consequently, it is a "best opinion" based on a general review of the property and disclosure by the organization or Club of issues or problems that they are aware of. It is not intended to be a detailed and complete review of the property; and includes no testing or dismantling of any item.

This is a 100% fully funded reserve plan.



Plan Details

The heart of this Capital Reserve Plan is the two following schedules:

1. *Estimate Sheets*

Reflect the quantities and estimated costs both current and projected. They are based on measurements and considerations of condition on-site by David Mielke and Dr. Russo with further careful consideration by other associates within Reserve Consultants.

2. *Schedule of Cash Flows (The Reserve Plan)*

This schedule actually represents the *plan*. While it would be easy to totally computerize this portion of the work, it is not done that way. Each reserve plan is custom calculated and prepared. They are literally prepared by hand (with equipment assistance) from calculations by Dr. Russo so he can adjust and "feel" the collections, interest, and expenditures included in the schedule.

There is great need for experience and understanding of not only facilities and money concepts but how organizations function -- if a capital plan is to be successfully prepared. This plan uses all of the experience and understanding of Dr. Russo, as well as other Reserve Consultants associates, acquired over several decades. It is also important that the plan be very easily **usable and understandable** by the board and members. This plan is both.



ESTIMATE SHEET
KITCHI GAMMI

Item	Remaining Life in Years	Current Replacement Cost	Replacement Year	Replacement Cost at Failure	Notes	Average Life
EXTERIOR						
1. Awnings	20	\$24,600	2036	\$53,900	Replacement	15-25
2. Asphalt	1	\$3,600	2017	\$3,700	Area A Slurry	18-22
	4	\$86,800	2020	\$101,500	Area A: Replace	
	25	\$86,800	2041	\$231,400	Area A: Replace	
	4	\$2,800	2020	\$3,300	Area B: Surface	
	8	\$2,800	2024	\$3,800	Area B: Surface	
	12	\$2,800	2028	\$4,500	Area B: Surface	
	16	\$2,800	2032	\$5,200	Area B: Surface	
	20	\$66,700	2036	\$146,100	Area B: Replace	
	30	\$3,600	2046	\$11,700	A: Surface Refurbish	
	35	\$3,600	2051	\$14,200	B: Surface Refurbish	
	35	\$2,800	2051	\$11,000	C: Surface Refurbish	
3. Concrete Curb	10	\$3,000	2026	\$4,400	Replace 24-25%	40-60+
	20	\$3,000	2036	\$6,600	Replace 24-25%	
	30	\$3,000	2046	\$9,700	Replace 24-25%	
4. Roofs	2	\$12,500	2018	\$13,500	Phase 1-Flat roof	varies
	3	\$12,500	2019	\$14,100	Phase 2-Flat roof	
	5	\$50,000	2021	\$60,800	Replace 1/8 copper flat	
	6	\$50,000	2022	\$63,300	Replace 1/8 copper flat	
	7	\$50,000	2023	\$65,800	Replace 1/8 copper flat	
	8	\$50,000	2024	\$68,400	Replace 1/8 copper flat	
	9	\$50,000	2025	\$71,200	Replace 1/8 copper flat	
	10	\$50,000	2026	\$74,000	Replace 1/8 copper flat	
	11	\$50,000	2027	\$77,000	Replace 1/8 copper flat	
	12	\$50,000	2028	\$80,100	Replace 1/8 copper flat	
	20	\$100,000	2036	\$219,100	Repair slate roofs	
5. Tuckpoint Ext.	35	\$320,000	2051	\$1,262,700	Tuck/repair ext walls	
6. Window Repair	1	\$44,200	2017	\$46,000	Phase 3	25-30
	25	\$43,300	2041	\$115,400	Phase 1 of 3	
	26	\$43,300	2042	\$120,000	Phase 2 of 3	
	27	\$43,300	2043	\$124,800	Phase 3 of 3	
7. Retain. Walls	2	\$2,500	2018	\$2,700	Replace small wall	
	15	\$20,000	2031	\$36,000	Replace larger wall	

ESTIMATE SHEET
KITCHI GAMMI

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INTERIOR						
1. Amenities	5	\$4,900	2021	\$6,000	Replace TVs	
	15	\$4,900	2031	\$8,800	Replace TVs	
	25	\$4,900	2041	\$13,100	Replace TVs	
	35	\$4,900	2051	\$19,300	Replace TVs	
2. Carpet	3	\$7,600	2019	\$8,500	Replace Area A	
	23	\$7,600	2039	\$18,700	Replace Area A	
	2	\$6,600	2018	\$7,100	Replace Area B	
	22	\$6,600	2038	\$15,600	Replace Area B	
	10	\$3,600	2026	\$5,300	Replace Area C	
	30	\$3,600	2046	\$11,700	Replace Area C	
	12	\$12,800	2028	\$20,500	Replace Area D	
	5	\$4,000	2021	\$4,900	Replace Area E	
	25	\$4,000	2041	\$10,700	Replace Area E	
3. Carpet-Rugs	10	\$10,000	2026	\$14,800	Replace	
4. Curtains etc	3	\$8,400	2019	\$9,400	Replace 1/6	
	7	\$8,400	2023	\$11,100	Replace 1/6	
	11	\$8,400	2027	\$12,900	Replace 1/6	
	15	\$8,400	2031	\$15,100	Replace 1/6	
	19	\$8,400	2035	\$17,700	Replace 1/6	
	23	\$8,400	2039	\$20,700	Replace 1/6	
5. Kitchen Equip	1	\$20,000	2017	\$20,800	Replace % of equip.	
	3	\$20,000	2019	\$22,500	Replace % of equip.	
	5	\$15,000	2021	\$18,200	Replace % of equip.	
	7	\$15,000	2023	\$19,700	Replace % of equip.	
	9	\$15,000	2025	\$21,300	Replace % of equip.	
	11	\$15,000	2027	\$23,100	Replace % of equip.	
	14	\$15,000	2030	\$26,000	Replace % of equip.	
	17	\$15,000	2033	\$29,200	Replace % of equip.	
	20	\$15,000	2036	\$32,900	Replace % of equip.	
	23	\$15,000	2039	\$37,000	Replace % of equip.	
	26	\$15,000	2042	\$41,600	Replace % of equip.	
	29	\$15,000	2045	\$46,800	Replace % of equip.	
	32	\$15,000	2048	\$52,600	Replace % of equip.	
	35	\$15,000	2051	\$59,200	Replace % of equip.	
6. Lighting-Comm	10	\$8,000	2026	\$11,800	Replace globe	
7. Lighting-Spons.	15	\$6,800	2031	\$12,200	Replace 14 chandel.	
8. HVAC-Evapco	18	\$55,000	2034	\$111,400	Replace	
9. HVAC-Makeup	11	\$10,000	2027	\$15,400	Replace	

ESTIMATE SHEET
KITCHI GAMMI

10. HVAC-Heat	1	\$36,000	2017	\$37,400	8 heat pumps	
	2	\$36,000	2018	\$38,900	8 heat pumps	
	3	\$36,000	2019	\$40,500	8 heat pumps	
	4	\$36,000	2020	\$42,100	8 heat pumps	
	5	\$36,000	2021	\$43,800	8 heat pumps	
	6	\$36,000	2022	\$45,600	8 heat pumps	
	7	\$36,000	2023	\$47,400	8 heat pumps	
	8	\$36,000	2024	\$49,300	8 heat pumps	
	9	\$36,000	2025	\$51,200	8 heat pumps	
	10	\$36,000	2026	\$53,300	8 heat pumps	
	23	\$36,000	2039	\$88,700	8 heat pumps	
	24	\$36,000	2040	\$92,300	8 heat pumps	
	25	\$36,000	2041	\$96,000	8 heat pumps	
	26	\$36,000	2042	\$99,800	8 heat pumps	
	27	\$36,000	2043	\$103,800	8 heat pumps	
	28	\$36,000	2044	\$108,000	8 heat pumps	
	29	\$36,000	2045	\$112,300	8 heat pumps	
	30	\$36,000	2046	\$116,800	8 heat pumps	
	31	\$36,000	2047	\$121,400	8 heat pumps	
	32	\$36,000	2048	\$126,300	8 heat pumps	
	33	\$36,000	2049	\$131,300	8 heat pumps	
11. Elevator Main	25	\$12,000	2041	\$32,000	Controls/A/C update	
12. Elevator Dumb	5	\$3,000	2021	\$3,600	Repair as necessary	
	15	\$3,000	2031	\$5,400	Repair as necessary	
	25	\$3,000	2041	\$8,000	Repair as necessary	
	35	\$3,000	2051	\$11,800	Repair as necessary	
13. Contingency	4	\$7,000	2020	\$8,200	As needed	
	9	\$7,000	2025	\$10,000	As needed	
	14	\$7,000	2030	\$12,100	As needed	
	19	\$7,000	2035	\$14,700	As needed	
	24	\$7,000	2040	\$17,900	As needed	
	29	\$7,000	2045	\$21,800	As needed	
Total				\$5,771,200		

EXTERIOR COMPONENTS-

1. Awnings

Kitchi Gammi has canvas awnings in four areas of the exterior of the building. The most prominent is the 9th Street Entry awning near the Pub. There is also an awning at the back entry in the alley and another small one at the employee entry. The last two are roll-up awnings in the front of the building on either side of the front entrance serving the patio area. Pricing on these awnings is from Proctor Canvas Company, the vendor who last repaired the awnings in 2014. The next replacement of these would be in approximately 20 years at a quoted cost today of \$26,500 (per a provided Proctor Canvas quote).

- Year 17 - \$24,600 – Replacement cost

2. Asphalt

There are four basic asphalt parking lots at Kitchi Gammi. A list of those is below including area measurements. Crack filling and surface refurbishment helps to prevent water from seeping into the sub surface of asphalt pavement where it can wreak havoc on streets, driveways and parking lots. This should be done every 3-5 years. Adherence to that schedule preserves the integrity of the asphalt surface helping keep it aesthetically pleasing while prolonging the overall life between installation and replacement. Minnesota weather conditions are not generally conducive to the longest useful life, which by national standards can be double what Minnesota gets. Useful life in this study reflects only those Minnesota conditions the asphalt currently endures.

Full replacement of the parking lot(s) include take-up and disposal (or grinding re-use) of old asphalt, leveling of the subsurface with a class 5 aggregate and compaction to create a strong base for the new asphalt product. Full replacement is typically needed when the asphalt is flaking, scaling, settling or has dipping or pock-marks from erosion of the asphalt exposing the aggregates. Again, even after full replacement, a schedule of crack seal and refurbishment should be adhered to every 3-5 years to maintain and prolong overall life of asphalt. This will ensure that the new asphalt condition will stay in step with useful life of 18-22 years.

Lot 1 (and largest) is the 9th Street lot just north of the clubs 9th street entrance. It measures 134' wide and 180' long or a total of 24,100 square feet. 10,100 lineal feet of cracks were found along with surface deteriorations.



Lot 2 is shared with St. Luke's Hospital across the alley to the south of the building. This lot has a drive and 16 parking spaces and measures 63' by 74' or 4,700 square feet. Roughly 875 lineal feet of cracks were found.

Lot 3 is the handicap parking directly outside the back (or west) entrance and includes four spots across the alley. Also included is the tract of asphalt that hugs the wall of the building from the rear entrance lot north to 9th street. A total of 3,200 square feet and roughly 700 lineal feet of cracks currently exist here.

Lot 4 is the "overflow" lot that is a half block away to the south and across 8th street; that Kitchi Gammi owns for both overflow events and employee parking. This lot is 83 feet wide by 128 feet long for a square footage of 10,600. Approximately 900 lineal feet of cracks exist there.

We have combined Asphalt into two areas: Area A = Lot 1; Area B = Lots 2, 3, 4.

Asphalt Area A: Lot 1 - Based on interviews, the lot has not been surfaced or replaced in 30 years or more. The cracks are thick and many spider web-like groupings of smaller cracks are flaking and lifting away from the surface. This lot will be able to hold off replacement with a good slurry coat but only for one four year cycle. Replacement should immediately follow in four years at \$3.00/square yard.

Asphalt Area B: Lot 2-4 can be combined because the overall size combined is still less than the first lot and the overall condition is much better. The surface could be retained with a new schedule of surface refurbishing every 3-5 years with replacement being put off 20 years. The combined size of these lots equal 18,500 square feet with roughly 2,500 lineal feet of cracks.

The estimate replacement price is approximately \$3.60/square foot for full replacement. Slurry coat pricing is 15 cents per square foot

- Year 1 - \$3,600 - Asphalt Area A: Slurry
- Year 4 - \$86,800 - Asphalt Area A: Replacement
- Year 25 - \$86,800 - Asphalt Area A: Replacement
- Year 4 - \$2,800 - Asphalt Area B: Surface refurbishment
- Year 8 - \$2,800 - Asphalt Area B: Surface refurbishment



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Asphalt continued

- Year 12 - \$2,800 - Asphalt Area B: Surface refurbishment
- Year 16 - \$2,800 - Asphalt Area B: Surface refurbishment
- Year 20 - \$66,700 - Asphalt Area B: Replacement
- Year 30 - \$3,600 - Asphalt A: Surface Refurbishment
- Year 35 - \$3,600 - Asphalt A: Surface Refurbishment
- Year 35 - \$2,800 - Asphalt B: Surface Refurbishment

3. Concrete Curbs

While concrete is a very long lived item, often lasting 40-60+ years (curbs sometimes a little less), it does deteriorate over time due to winter conditions, salt and soil issues.

There is only one area of concrete curbing that is actually the responsibility of Kitchi-Gammi and not the City of Duluth and that is located in the 8th Street overflow parking lot. It is a traditional (B612) curb with an 18 inch apron.

The cost of replacement is \$34 per lineal foot with a total lineal length of 370 lineal feet; with a total replacement cost of \$12,500.00. The existing condition of the curb is good especially considering the age (25 years). Typical useful life is 40-60 years; we estimated that 72%-75% of the curbing (\$9,000) will require replacement over the 35 years.

- Year 10 - \$3,000 - Replace 24%-25%
- Year 20 - \$3,000 - Replace 24%-25%
- Year 30 - \$3,000 - Replace 24%-25%

4. Roofs

The roofs were recently inspected in August of 2016 by Jamar with a report of the current status. Upon reviewing this report and inspecting ourselves, we concur with a majority of the report, as written, and that is reflected below. There are 128,000 square feet (1,280 squares) of slate roof tiles and many sections of copper flat roof sections (totaling 2,400 square feet). Jamar also stated that in 2009, they replaced the first four sections of slate tiles on the entire perimeter and repaired and replaced flashings and installed ice and water shield to this area as well. The plan includes maintenance of slate roof at year 20, but no replacement until after 35 (estimated cost of \$1.5 million).

- Year 2 - \$12,500 - Begin phase one of two Copper flat roof repairs
- Year 3 - \$12,500 - Phase two of Jamar recommended flat roof repairs
- Year 5 - \$50,000 - Replace 1/8 copper flat roofs
- Year 6 - \$50,000 - Replace 1/8copper flat roofs



4. **Roofs (continued)**

- Year 7 - \$50,000 – Replace 1/8 copper flat roofs
- Year 8 - \$50,000 - Replace 1/8 copper flat roofs
- Year 9 - \$50,000 – Replace 1/8 copper flat roofs
- Year 10 - \$50,000 – Replace 1/8 copper flat roofs
- Year 11 - \$50,000 – Replace 1/8 copper flat roofs
- Year 12 - \$50,000 – Replace 1/8 copper flat roofs
- Year 20 - \$100,000 -Repair slate roofs
- These replacements must accompany an annual maintenance schedule as recommended by Jamar.

5. **Tuck-pointing of exterior (brick)**

Tuck pointing is the repair and replacement of loose, missing, or cracked brick and mortar. Through interviews, documents, and LHB Inc. information, it has been determined that full tuck pointing repair took place over a two year span of time between 2012 and 2013 on the entire exterior of the building at a total cost of \$315,000. The next tuckpoint year is estimated at year 35.

- Year 35 - \$320,000 – Tuck and repair exterior walls

6. **Window Repairs/Re-glazing**

There are 553 zinc framed exterior windows in the building. Of those, 225 have been restored as part of phase one in 2015. Another 115 windows were restored in 2016 as phase 2. Phase three will include the last 188 windows with 25 more that were previously deemed not in need of restoration. Those final 188 windows begin phase 3 in the summer of 2017. A similar schedule of restoration would typically take place in 23 to 25 years given stated useful life by the restoring company, Stone House Stained Glass.

- Year 1 - \$44,200 - Phase three of current schedule
- Year 25 - \$43,300 – Phase one of three
- Year 26 - \$43,300 – Phase two of three
- Year 27- \$43,300 – Phase three of three



7. **Retaining Walls**

There are two retaining walls in the properties, one (16x4) in need of fairly immediate replacement at \$2,500. The larger wall (46' x 8') is in the plan at \$20,000 in year 15.

- Year 2 - \$2,500 – Replace small wall
- Year 15 - \$20,000 – Replace larger wall

INTERIOR COMPONENTS –

1. Amenities- Guest rooms.

There are four guest rooms at the Club. Each room has (2) flat screen 36” televisions, (1) microwave, (1) refrigerator and (1) coffee machine (Kuerig). There are also TV’s in the following common rooms: Basement Game room (2), Basement Men’s bathroom (1), First Floor Pub (2), First Floor Roaming TV for meetings (1), Second Floor Marine Room (1).

TV replacement cost \$350 each (14)- \$4,900 with useful life of 10 years.
Kuerig Coffee Machines \$150 each (4) - \$600 with useful life of 6 years.
Microwaves at \$100 each (4) - \$400 with useful life of 8 years.

Coffee makers and microwaves are not in the plan (<\$3,000). They will be replaced as needed from annual expense budgets.

- Year 5 - \$4,900 – Replace all TVs
- Year 15 - \$4,900 – Replace all TVs
- Year 25 - \$4,900 – Replace all TVs
- Year 35 - \$4,900 – Replace all TVs

2. Carpet

There are over 17,775 square yards of carpet or rug in the Kitchi Gammi club. It covers areas of all four floors of the Club. It is in the common areas such as halls, stairs and sitting rooms. It is also in the many named and sponsored rooms with the largest being the Cocktail lounge and Great Hall.

The most recent carpet was done in 2014 and 2015 in the second and third floor halls, as well as the Great Hall and Lobby Lounge area. This consisted of approximately 390 square yards of new carpet. This carpet has an estimated 18-25 year useful life.

The priority for carpet replacement is as follows:

Area A: Red Carpet on North side of building first and second floor (190 square yards) this carpet sees the most traffic with members and guess coming in and out of the 9th Street entry. This carpet has worn well but given its location and traffic, it should be first on list for replacement in 2-4 years at \$40/square yard.



Area B: Guest Rooms on 3rd Floor. The carpet in these rooms is quite worn and no longer reflects a sense of elegance that these rooms deserve. These four rooms total 1205 square yards and should be replaced in 2-4 years as well at \$32/square yard

Area C: Stairwell and Common area carpet in middle of building including stairwells, landings, sitting rooms, bathrooms, etc. These comprise about 900 square yards of carpet in small areas. Useful life remaining is about ten years at \$32/square yard.

Area D: Basement Carpet including Signature room and Charter room and the hall between the two. The elevator hall and emergency exits combined with the two bathrooms mid hall plus the game room and stairs up to back exit. We found approximately 365 square yards in carpet in the basement. This carpet is reported to be 10-12 years old but has worn well. For that reason, this area could be put off for replacement until year 12 at \$35/square yard.

Area E: Non-essential areas such as the GM office and the break room including the office hall and offices total approximately 135 square yards. These are extremely worn but this area is off limits to members and rarely seen by the public. This area could be covered with a more economical carpet (at \$30/square yard) when the board deems it necessary.

- Year 3 - \$7,600 – Replace Area A
- Year 23 - \$7,600 – Replace Area A
- Year 2 - \$6,600 – Replace Area B
- Year 22 - \$6,600 – Replace Area B
- Year 10 - \$3,600 – Replace Area C
- Year 30 - \$3,600 – Replace Area C
- Year 12 - \$12,800 – Replace Area D
- Year 5 – \$4,000 – Replace Area E
- Year 25 - \$4,000 – Replace Area E

3. Carpet- Custom Rugs

There are three large rugs in the first floor hallway and one more in each of the Marine and Hartley rooms. These are custom bound and edged and the lobby rugs have the Kitchi Gammi logo bound in their middle. These have custom backing and are a high quality tightly woven set of rugs. They have been taken care of and get regular cleaning. We measured a total of about 155 square yards of rug and price these custom pieces at approximately \$63+ per square yard to replace and custom bind these logo rugs. Rugs last longer than carpet given the binding and backing help protect against wear that a typical carpet might see. They have a useful life of 30 years with about 8-10 remaining with these particular rugs.

- Year 10 - \$10,000 - Replace

4. Curtains/Drapes/Window Treatments

There are curtains and drapes or blinds in nearly every room of the Club. Most match the décor of their individual room and none seem to be the same from room to room except the guest rooms. An interior designer in Minneapolis was contacted about this project. They have done similar drapes and curtains for many historic homes on Summit Avenue in St. Paul. Pricing is based on their recommendations of an average of about \$12 a square foot given the work that goes into making such a piece in materials that reflect the historical significance of a building like Kitchi Gammi. Total square feet for curtains and drapes is approximately 4,800. This cost includes the wood blinds that are in the Signature and Charter rooms. Total combined cost of replacement is roughly \$50,000. Useful life in an historical setting could be 40 years if well maintained and cleaned. The plan spreads the replacement out over the first 27 years, starting in year 3, this is a reasonable estimate of needs.

- Year 3 - \$8,400 – Replace 1/6 of these components
- Year 7 - \$8,400 – Replace 1/6 of these components
- Year 11 - \$8,400 – Replace 1/6 of these components
- Year 15 - \$8,400 – Replace 1/6 of these components
- Year 19 - \$8,400 – Replace 1/6 of these components
- Year 23 – \$8,400 – Replace 1/6 of these components



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5. Kitchen Equipment

The list of equipment provided to us is below; with most of it described as 20-30 years old. There is one new oven (\$27,000). The average life of the equipment is 20-22 years. The plan includes roughly 12.5% of the value of the equipment (roughly \$120,000) in the plan every two years until year 12, then the same every three years until the end of plan. This represents roughly (very conservative) 2.0 times "rollover" of equipment. The first and third years have somewhat longer allocations. Floor, resurfacing, may also need to be done on an expense basis (\$2,500-\$3,000).

➤ Double convection oven	\$22,000
➤ Grill top	\$ 4,000
➤ Flat top	\$ 4,500
➤ French top	\$10,000
➤ Garland broiler	\$ 2,400
➤ Four basket fryer	\$ 2,500
➤ Kettle steamer	\$ 1,000
➤ Double steam box	\$ 1,900
➤ New line coolers/low boy	\$ 3,000
➤ Line fridge	\$ 4,800
➤ Steam well	\$ 2,300
➤ Hot box (plate warmer)	\$ 1,500
➤ Heat lamps/knee highs	\$ 1,200
➤ ½ fridge for service area	\$ 2,000
➤ Tall sham (holding box)	\$ 3,000
➤ Ice machine	\$ 1,800
➤ Bakery oven	\$24,000
➤ Gas patio grill (double)	\$ 1,750
➤ Subtotal	\$93,650
➤ New oven (already purchased)	<u>\$27,000</u>
➤ TOTAL	\$120,650

- Year 1 - \$20,000 – Replace a percentage of equipment
- Year 3 - \$20,000 – Replace a percentage of equipment
- Year 5 - \$15,000 - Replace a percentage of equipment
- Year 7 - \$15,000 – Replace a percentage of equipment
- Year 9 - \$15,000 - Replace a percentage of equipment
- Year 11 - \$15,000 - Replace a percentage of equipment
- Year 14 - \$15,000 - Replace a percentage of equipment



5. **Kitchen Equipment (continued)**

- Year 17 - \$15,000 - Replace a percentage of equipment
- Year 20 - \$15,000 - Replace a percentage of equipment
- Year 23 - \$15,000 - Replace a percentage of equipment
- Year 26 - \$15,000 - Replace a percentage of equipment
- Year 29 - \$15,000 - Replace a percentage of equipment
- Year 32 - \$15,000 - Replace a percentage of equipment
- Year 35 - \$15,000 - Replace a percentage of equipment

6. **Lighting- Common Area Fixtures**

There are common area globe fixtures throughout the building, throughout the halls and service rooms. There are roughly 100 globe fixtures of this type. These typically have a useful life of 25-30 years. They often go out of style before they stop working. These fixtures cost anywhere from \$75-\$85. The remaining average life used is 10 years.

- Year 10 - \$8,000 – Replace globe fixtures

7. **Lighting- Sponsor Room Fixtures/Chandeliers**

There are 16 Chandeliers in the named rooms and special rooms throughout the building. Two of these have been updated in the last year or so. Most of these are dated but fit the décor and style of each individual room. These chandeliers have a useful life of 25-30 years. Replacement cost is estimated at an average of \$425 each at year 15 (\$6,800). This might be an update in the next 12-15 years for the Club.

- Year 15 - \$6,800 – Replace 16 chandeliers

8. **HVAC- Evapco Chiller**

The Evapco Chiller was replaced in 2009. With an average life of 20-25 years, it is in the plan again in year 18 at \$55,000.

- Year 18 - \$55,000 - Replace

9. **HVAC- Make-up Air system units (2)**

There is one unit for bakery and one for kitchen but they pull air through the first and second floor hallway common areas as well. These two units are located in the attic (4th floor). These air handlers have a useful life of 25 years and information from maintenance puts these units at about 14 years old. That gives a remaining useful life of 11 years.

- Year 11 - \$10,000 – Replace



10. **HVAC- Heat Pumps (88)** throughout the building

These units are similar to heating and cooling window units usually seen in hotels. These heat and cool rooms individually throughout the Club. They are all 30 years or more old and have a 20-25 year life expectancy. Ten new units out of the 88 have been installed the last two years at an individual cost of \$4,500. These will need to be phased over the next ten years with eight new units installed per year at an annual cost of \$36,000. With 78 left to be replaced, year ten will only see six replaced. A similar schedule will begin in year 23.

- Year 1 - \$36,000 - 8 heat pumps
- Year 2 - \$36,000 - 8 heat pumps
- Year 3 - \$36,000 - 8 heat pumps
- Year 4 - \$36,000 - 8 heat pumps
- Year 5 - \$36,000 - 8 heat pumps
- Year 6 - \$36,000 - 8 heat pumps
- Year 7 - \$36,000 - 8 heat pumps
- Year 8 - \$36,000 - 8 heat pumps
- Year 9 - \$36,000 - 8 heat pumps
- Year 10 - \$27,000 - 6 heat pumps
- Year 23 - \$36,000 - 8 heat pumps
- Year 24 - \$36,000 - 8 heat pumps
- Year 25 - \$36,000 - 8 heat pumps
- Year 26 - \$36,000 - 8 heat pumps
- Year 27 - \$36,000 - 8 heat pumps
- Year 28 - \$36,000 - 8 heat pumps
- Year 29 - \$36,000 - 8 heat pumps
- Year 30 - \$36,000 - 8 heat pumps
- Year 31 - \$36,000 - 8 heat pumps
- Year 32 - \$36,000 - 8 heat pumps
- Year 33 - \$36,000 - 8 heat pumps



Reserve
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10. Elevators- Main

This is a friction elevator (not hydraulic). It has been (by our research) serviced by Thyssen Krupp out of Duluth for at least the last ten years. It was tagged by inspectors five years ago a (2011) and updated to code with all new controls and AC Motor. The Useful life for this elevator is 25-30 years with 20-25 left in remaining life. It is currently on a maintenance program annually which is covered in the operating budget.

- Year 25 - \$12,000 – Replace controls and A/C units; update

11. Elevators- Dumbwaiter basement to 2nd floor

The dumbwaiter system is currently operable but is awaiting parts from Italy to be working at optimum capacity. It currently moves food from the second floor kitchen to the basement, 1st and 3rd floor. It will basically never be replaced; but rather repaired as needed.

- Year 5 - \$3,000 – Repair as necessary
- Year 15 - \$3,000 – Repair as necessary
- Year 25 - \$3,000 – Repair as necessary
- Year 35 - \$3,000 – Repair as necessary

*Service elevator is inoperable and not included in this plan. \$150,000 estimated to install new.

12. Contingency Fund

This is for unforeseen items such as sewer and water mains, trees, and other items of an unforeseen nature.

- Year 4 - \$7,000 – As needed
- Year 9 - \$7,000 – As needed
- Year 14 - \$7,000 – As needed
- Year 19 - \$7,000 – As needed
- Year 24 - \$7,000 – As needed
- Year 29 - \$7,000 – As needed

Potential Capital Improvement Projects

1. Flat Roof replaced over Squash Courts
2. LED Light bulb changeover
3. Fireplace vents needed main lobby and Pub
4. Service Elevator



The following exterior items have not been included in the plan because they are (1) *expense*, not capital items; (2) have a remaining life in excess of 35 years; (3) are not of \$3,000 value for any one time frame; (4) will be replaced on an as needed basis intermittently as part of the operating budget.

- Landscaping (1)
- Paint interior/exterior (1)
- Unit doors (2,3,4)
- Retaining walls; modular block (2,3,4)
- Street lights (City, Xcel)
- Trees (1)

Schedule of Cash Flows (The Reserve Plan)

Note that the number in parentheses below the "balance" line on the upper portion of the schedule represents the amount (average) dollars per unit per month assuming 425 members that must be collected and dedicated to capital replacement to make this plan successful.

Note that over \$5.7 million will be expended over the 35 year plan. This capital plan is a reasonable means of gathering such a substantial amount of funds.

