

## Operations of CTC

This section is Milestone #3 of the Development Action Plan. The timeframe for completing this section is two weeks.

At the end of this section you will complete the analysis of:

- ▶ Facility & Maintenance
- ▶ Equipment & Hardware
- ▶ Furniture & Fixtures
- ▶ Labor & Salary Requirements
- ▶ Expenses & Capital Requirements

### *Before you begin . . .*

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The operational aspects of the CTC are feeders to the expense portion of your budgeting and planning. Everything in the realm of operations is typically a cost. By analyzing these costs you will be better able to project the total expenses that exist for your CTC and thereby you can better project what the fees for your services must be in order to recover those costs.

Additionally you will be able to determine how much “upfront cash” you will need until your CTC starts generating income. This is critical to the overall success and sustainability of the programs you offer.

Without the necessary cash to pay the expenses, your CTC will find it difficult to maintain itself. By understanding your expenses you can project needed expense money, manage the resources you have in a more efficient way, control your cash flow and determine if you will need to seek outside funding sources.

In completing this section you will need to consider:

- ▶ How much of the facility and maintenance costs currently associated with the overall organization should be associated with the CTC?
- ▶ Do you have the necessary equipment and hardware to run your programs or will procurements be needed?
- ▶ Do you have the necessary furniture and fixtures to adequately provide for the CTC or will procurements be needed?
- ▶ How many employees are needed to support the program activities you anticipate?
- ▶ What are the salaries you will need to be prepared to pay?
- ▶ What are the other expenses that will be paid directly by CTC activity?

⇒ *Let's Begin*

## Facility & Maintenance

When considering facility and maintenance for your CTC, you will want to look at two perspectives; first, the obvious costs (also referred to here as operational expenses), and second whether you currently have or do not have the appropriate facility for your CTC.

In order to adequately determine your expenses, you will need to determine what portion of the facility and maintenance of your overall organization should be portioned to the CTC. This might equate to expenses such as:

- ▶ Rent
- ▶ Utilities
- ▶ Telephone
- ▶ Internet
- ▶ Insurance
- ▶ Office Supplies
- ▶ Postage
- ▶ Bank Expenses
- ▶ Marketing & Advertising
- ▶ Equipment Leases

You will want to include any miscellaneous expenses that are specific to the operation of your CTC as well.

## Analyze the Issues

<b>✓</b>	To assist you in determining your operational expenses, answer the following questions:
1.	Make a list of the operational expenses for which the CTC is responsible. Include the amount of monthly expense for each item.

2.	Do you have a facility for your CTC? If yes, have you made necessary arrangements for all of the items on your operational expense list? For example, do you already have Internet access, utilities, insurance, etc.?
3.	If you do not have access to these things, what expenses will you incur to set up those services?
4.	How many participants can your CTC accommodate at one time?
5.	Is the space adequate for the number of programs you plan to offer at one time?
6.	Do you have room to grow at your current facility? If yes, how much growth can occur before you are at capacity?
7.	If you reach your capacity, what is your plan to accommodate that growth?

## Move to Action

Once you have answered these questions and analyzed your facility expenses and accommodations, turn to your Business Plan Template and write the **Facilities & Maintenance** portion of your plan. Include all the details of the expense list and costs; how you plan to accommodate growth and provide adequate capacity, the number of participants you can serve today, etc.

Much of this information will be transferred to the Cost Recovery Financial Tracking Tool later in the curriculum so try to be as precise as possible with your projections and numbers.

## Equipment & Hardware

Just as you have reviewed your operational expenses and facility needs, you also must determine if you have adequate equipment and hardware to provide for your programs. If your CTC has already made arrangements for hardware and equipment, then this portion may just be an opportunity to review whether what you have is adequate.

If you do not already have your equipment in place, take some time to determine what you will need to provide services when you open your CTC.

## Analyze the Issues

✓	To assist you in determining your equipment and hardware needs, answer the following questions:
1.	How many workstations will you provide in your facility?
2.	Is the hardware and equipment in place today?
3.	If yes, is there an equipment lease or loan attached to the hardware?
4.	If yes, what are the total investment dollars for that equipment?
5.	If you need to acquire hardware, will you lease or purchase that equipment?
6.	What are the total investment dollars you will need to spend to acquire the equipment?
7.	If you need to acquire equipment and hardware, what are the items that you need? (Create a list of items and specific costs.)

## Move to Action

Once you have answered these questions and analyzed your equipment and hardware needs, turn to your Business Plan Template and write the **Equipment & Hardware** portion of your plan. If you have a lease or purchase associated with acquiring the equipment include all the details of the costs for this equipment.

This information will be transferred to the Cost Recovery Financial Tracking Tool later in the curriculum so try to be as precise as possible with your projections and numbers.

## Furniture & Fixtures

As with equipment and hardware, you need to analyze your furniture and fixture needs to insure your training center is sufficiently equipped for participants. If your CTC has already made arrangements for furniture and fixtures, then this portion of the plan may just be an opportunity to review and document what you have.

If you do not already have your furniture and fixtures in place, take some time to determine what you will need to provide services when you open your CTC.

## Analyze the Issues

<b>√</b>	To assist you in determining your furniture and fixture needs, answer the following questions:
1.	Do you have adequate furniture and fixtures to accommodate participants and hardware?
2.	Is that furniture in place today?
3.	If yes, is there a lease or loan attached to the furniture?
4.	If yes, what are the total investment dollars for that furniture?

5.	If you need to acquire furniture or fixtures, will you lease or purchase them?
6.	What are the total investment dollars you will need to spend to acquire these items?
7.	If you need to acquire furniture and fixtures, what are those items that you need? (Create a list of items and specific costs.)

### Move to Action

Once you have answered these questions and analyzed your furniture and fixture needs, turn to your Business Plan Template and write the ***Furniture & Fixtures*** portion of your plan. Include all the details of the costs for these items if you have a lease or purchase associated with acquiring the equipment.

This information will be transferred to the Cost Recovery Financial Tracking Tool later in the curriculum so try to be as precise as possible with your projections and numbers.

### Labor & Salary Requirements

Salaries are most often any organization's largest on-going expense. They must be considered carefully when you are looking at the expenses that will be generated by your CTC. Knowing how many people you will need to support the number of participants you will have is difficult too, because until you see a pattern of activity you are in the position to estimate. The challenge becomes estimating the number of participants and the number of employees it will take to adequately support those participants.

Eventually, the number of participants you anticipate also plays a part in setting your fee structure, but that will be addressed in the financial section of this guide.

## Analyze the Issues

✓	To assist you in determining your labor and salary requirements, answer the following questions:
1.	Based on the number of participants you believe you can attract to your CTC the first year, how many people will you need to employ at your CTC to successfully serve those participants?
2.	What is the rate of pay or salary range you will offer CTC employees?
3.	Do you need a manager or supervisor to oversee all CTC activity?
4.	If yes, what is the rate of pay or salary range you will offer a manager or supervisor?
5.	Are there employee taxes that must be paid on wages? If yes, what is the percentage rate of taxes for each employee salary?
6.	Are there other benefits that employees will receive that will translate to costs for the CTC? If yes, what are those benefits and their associated costs?

## Move to Action

Once you have answered these questions and analyzed your labor and salary requirements, turn to your Business Plan Template and write the **Labor & Salary** portion of your plan. Include all the details of the costs for all employees, taxes and other benefits that will require money from the CTC.

This information will be transferred to the Cost Recovery Financial Tracking Tool later in the curriculum so try to be as precise as possible with your projections and numbers.

## Expenses & Capital Requirements

For-profit entities often refer to capital requirements as the amount of cash that is required to finance and sustain a business for a particular length of time. This becomes important when you are trying to determine how long it will take you to spend the capital resources you currently have available.

For example, if your monthly budget expense is \$5,000, and your CTC is starting out with \$12,000 of capital, you may have barely enough cash to finance your CTC for two months. This is assuming there are no emergency expenses that occur.

Many organizations believe that it is important to have 3, 6 or even 12 months worth of capital in place. This is called “working” capital. It becomes the money you use to pay your expenses until the services you are offering begin to generate income.

Before you begin providing services through your CTC, you must determine if you have working capital and if you do, how long you believe it will take your CTC to use your available working capital.

Let’s explore an example. Let’s say your CTC has \$12,000 and a funder provided a grant of \$15,000. This means that your CTC has working capital of \$27,000. If we go back to the original example where monthly expenses for your CTC are \$5,000, you would have roughly 5 months to allow your CTC to begin to generate income.

First, you need to determine the annual budget required to sustain your CTC. Then determine how many months you realistically think it will take your CTC to begin to generate income.

## Analyze the Issues

<b>✓</b>	To assist you in determining your capital requirements, answer the following questions:
1.	What is the total annual budget amount for your CTC? (Total the number of expenses it takes to run your CTC for one month and multiply that number by 12.)

2.	How much, if any, working capital does your CTC currently have? (SEE BULLSEYE BELOW).
3.	How many months do you believe it will take for your CTC to begin to generate income?
4.	Will the working capital you currently have sustain the CTC until it begins to generate income?
5.	If no, how will you acquire additional working capital to meet the capital requirement? (Grants, funders, bank, etc.)



If your CTC has no working capital, you will need to determine what avenues you can use to acquire enough capital up front to meet your expenses until the CTC begins to generate income.

**DO NOT START YOUR CTC WITHOUT SOME FORM OF WORKING CAPITAL.**

## Move to Action

Once you have answered these questions and analyzed your capital requirements, turn to your Business Plan Template and write the **Expenses & Capital Requirements** portion of your plan. Include all details of the annual budget needed and the number of months of working capital it will take to cover your CTC costs until the center begins to generate its own income.

**DO NOT BE OVER CONFIDENT IN THE AMOUNT OF TIME IT MAY TAKE YOUR CTC TO GENERATE INCOME. ALLOW ROOM IN YOUR PLAN FOR UNPLANNED EXPENSES AND EVENTS THAT MAY DELAY THE PROCESS.**

**This information will be transferred to the Cost Recovery Financial Tracking Tool later in the curriculum so try to be as precise as possible with your projections and numbers.**