

Setting up “FEE FOR SERVICES”



Presented by:
Ken Robinette, South Central Community
Action Partnership
Susan White, ACKCO, Inc.

- Why Fee for Service
- Agency History & Experience
- Board Approval – Staff Buy In
- Competition & Market
- Business Plan
- Legal & Financial Steps
- Promoting & Advertising
- Bids, Profits & Benefits



Why set up a fee for service for your agency?

- Uncertainty of Federal Funds
- Elimination of Program Income Requirements
- Additional Resources for WZ Program
- Agency Self Sufficiency
- New Partnerships – Existing Partners Expanded
- Provide Energy Conservation to Middle and
Upper Income Homeowners/Business



Four Phases of Business Planning

- Developing a Marketing Plan
- Performing a Preliminary Feasibility Study
- Preparing a Business Plan
- Securing Financing



Before You Begin

- Take Time to Reflect
A solid foundation is as critical as good management,
careful planning and adequate financing.
 - **New businesses can mean long hours and sacrifice**
 - **“Success” can be defined many different ways**
 - **Be sure organizational values are in line with business**



Before You Begin


- Prepare an Assessment
 - Organization’s skills, interests, and business ideas
 - Organization’s assets for the business
 - Cash
 - Equipment
 - Human
 - Other



Before You Begin

- Evaluate each of the following areas
 - Business Planning
 - Financial Needs
 - Location
 - Market
 - Customer Payment

■ Organization's Accounting Capabilities



Developing a Marketing Plan



Introduction

• *Developing a Marketing Plan* will help:

- Enhance the product or service description,
- Target the most profitable market segments,
- Identify reliable sources of market information,
- Formulate effective pricing strategies,
- Calculate your break-even sales volume,
- Generate sales through effective promotions,
- Evaluate critical factors in site selection and
- Develop a comprehensive marketing plan.



Developing a Marketing Plan

WHO

Will sell **WHAT**

To **WHOM**

WHERE

At what **COST**

For what **PRICE?**



What Market Factors Determine "Business Feasibility"?

- The ability of a business to sell products or services - at competitive prices - and realize sufficient revenues to:
 1. Cover its operating costs,
 2. Repay its debts,
 3. Sustain its growth, and
- Support the organization.



What Market Factors Determine "Business Feasibility"?

To answer important questions like these:

- Who needs your products/services?
- How much will they pay?
- How will you compete for their business?
- What share of the "market" can you capture in



\$ALES REVENUES?

What is Your Market?

1. **PEOPLE** with unsatisfied needs/wants
2. **MONEY** to spend (purchasing power)
3. **WILLINGNESS** to spend (motivation – rising costs of fuels, concern over climate change, desire to go green)

ENERGY
OutWest

**MARKET DEMAND FOR
YOUR PRODUCT OR SERVICE**

What Determines Your Ultimate Sales Potential?

WHO

Will sell **WHAT**

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What Determines Your Ultimate Sales Potential?

• The “5 P’s of Marketing”:

1. People
2. Product
3. Price
4. Place
5. Promotion



How Should You Define Your Product?

• **PRODUCT** - What are you selling?

- What does it look like - how does it work?
- Why do I need it? Does it meet...
 - ...a physical need? ...a safety need?
 - ...a social need? ...an esteem need?
 - ...a cognitive need? ...an aesthetic need?
- Does it make me happy?



Why Should You “Target” Specific Market “Segments”?

“Targeting” specific “market segments” means *determining whose needs your product is designed to meet* – specifically.

- To meet specific consumers’ needs precisely
- To channel resources into areas or populations with the highest profit potential
- To develop an effective product description, pricing strategy, and promotional message
- To select effective advertising media



What Are the Bases for “Market Segmentation”?

• Geographic and Demographic bases for Market Segmentation:

- Population distribution – urban, suburban, rural, regional, national, international
- Age, gender, stage in family cycle
- Education, income, occupation
- Ethnicity, religious affiliation, special needs



Where Can You Get Information About Specific Markets

- Market **RESEARCH**:
 - *Primary Research* – Survey target markets.
 - *Secondary Research* –
 - Business Associations/Chambers of Commerce
 - Competitors and comparable enterprises
 - Consultants and public accountants
 - Insurance agents, lenders, and realtors
 - Suppliers and vendors



How Is Market Research Used to Estimate Potential Sales?

- **Example**
 - Personal Interviews with similar business owners
 - Small community based survey
 - Consultation with business developers in the area
 - Local telephone directory



What Should You Consider in Pricing a Product or Service?

- **PRICING** considerations:
 - Your cost (to produce, operate, and sell)
 - Your competitors' prices
 - Your customers' perceptions of/reactions to all the prices offered.
 - Remember that customers relate price to value – *Is your product/service a "good bargain" or "top of the line"?*



How Is Break-Even Analysis Used in Price-Setting?

- What volume of sales will allow you to cover all cash costs *exactly* and thus "break even"?
- How do your realistically projected sales compare to the break-even sales?
- How risky is the business—is there a "margin of safety" between realistically projected sales and break-even sales?



How Is Break-Even Analysis Used in Price-Setting?

- Algebraic formula for calculating annual Break-Even Sales:
 - BES = VC + FC, where
 - BES = Break-Even Sales,
 - VC = Variable Costs (as % of Sales)
 - FC = Fixed Costs (in dollar amounts)



How Is Break-Even Analysis Used in Price-Setting?

VC	% Sales	FC	\$ Amount
COGS	70.00%	Bank Svcs.	\$ 180
Advertising	1.00%	Insurance	5,000
Bad Debts	.10%	Legal/Prof.	650
Maint./Rep.	.50%	Payroll Exp.	53,827
Supplies	.50%	Tele/Utilities	14,400
		Travel	1,200
Total VC	72.10%	Total FC:	\$ 75,257



How Is Break-Even Analysis Used in Price-Setting?

- Calculate Break-Even Sales:
BES = VC + FC, where
BES = 72.1% of Sales + \$75,257,
BES = .721S + \$75,257,
.279S = \$75,257, and
BES = \$269,738



How Are Prices Set In a Service Business?

- Step 1. Determine the number of "billable days" in a year.
- Step 2. Estimate the operating costs to be covered by the hourly rate for services.
- Step 3. Add the desired agency's draws to be covered by the hourly rate for services.
- Step 4. Calculate your Hourly Rate



How Do Promotional Activities Enhance Sales?

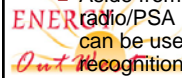
- Reaches new customers.
- Maintains your market share
- Remains with customers throughout the buying process
- Promotes a positive image and boost employee morale.
- Realizes long-term benefits.



What Advertising Media Should You Use?

Primary Considerations in Promotion:

- Conservation is often hard to "sell" using traditional methods
- What promotional message(s) will motivate which targeted customer(s)?
- What media are most likely to reach each targeted customer group?
- Aside from "advertising" through print and radio/PSA media, what other "promotional activities" can be used? (e.g., logos/slogans, freebies, prizes, recognition, scholarships)



E-Commerce

- Two ways to find businesses:
 - Direct web address
 - Web-based search
- E-Commerce resources available in back of the Indian Social Entrepreneur's Guides



How Does the Place of Business Impact Sales?

Primary Considerations in Location:

- Accessibility (e.g., roads, centrality or essential proximity, available parking)
- Car and Foot Traffic
- Visibility & Attractiveness
- Lighting & Safety
- Competition (direct and indirect)
- Zoning or Other Ordinances



"If you locate in haste, you can repent at leisure!"

Guide to Performing a Feasibility Study



Suzanne M. Burcell, MBA, MA

Introduction

Performing a Preliminary Feasibility Study will help:

- Formulate the business concept in a manner that lends itself to gathering, organizing and analyzing essential information;
- Review the market factors that interact to determine the "market demand" – people, product, price, place and promotion;
- Develop "market projections," or sales forecasts, for the planned business;



Introduction

- Identify the technical and managerial resources needed to start and operate your planned enterprise;
- Estimate the "capitalization requirements" of your planned business – the funds required to purchase essential assets and cover initial operating expenses;
- Prepare "forecasted financial statements" that predict the financial condition and performance of your planned business;
- Assess the relative degree of risk inherent in your business venture; and
- Determine the organizational and personnel requirements of your planned business enterprise.



Performing a Feasibility Study

- The ability of a business to sell products or services - at competitive prices - and realize sufficient revenues to:
 1. Cover its operating costs,
 2. Repay its debts,
 3. Sustain its growth, and
 4. Support its owner(s).



What is a "Preliminary Feasibility Study"?

- Economic (or financial) feasibility
- Managerial feasibility
- Technical feasibility



Should You Do Your Own Preliminary Feasibility Study?

Absolutely! You're the one who wants to know:

- Will the business ideas work?
- What resources are needed?
- Are the financial projections realistic?
- How risky is this business?

You're the one who needs to know:

- How to gather and organize information.
- How to develop a business plan.
- How to manage based on the plan.



How Should You Formulate Your Business Idea Or “Concept”?

WHO

Will sell **WHAT**
To **WHOM**
WHERE
At what **COST**
For what **PRICE?**



What Market Factors Determine Business Feasibility?

- The “5 P’s of Marketing”:
 - People
 - Product
 - Price
 - Place
 - Promotion



What Market Factors Determine Business Feasibility?

- **PEOPLE** - You may choose a “target market” according to such considerations as:
 - age • education • attitude/tastes
 - sex • occupation • culture/ethnicity
 - marital status • religion • disposable income
 - life cycle stage • geography • special needs



What Market Factors Determine Business Feasibility?

- **PRODUCTS & SERVICES:** The human needs that motivate consumers to buy are categorized as:
 - Physiological: food, drink, sex, shelter;
 - Safety: security, order, protection;
 - Social: love, belongingness;
 - Esteem: prestige, respect, status;
 - Self-actualization: fulfillment, happiness; and
 - Cognitive: knowledge, understanding, beauty.



What Market Factors Determine Business Feasibility?

- **Primary Considerations in Pricing:**
 - **COST** of providing products/services – analysis of startup and operating costs
 - **COMPETITORS’** prices – current initiation & membership fees and projected increases
 - **CUSTOMERS’ REACTIONS** to prices – formal and informal customer surveys



What Market Factors Determine Business Feasibility?

- **Primary Considerations in Place (Location):**
 - Accessibility (e.g., roads, centrality or essential proximity, available parking)
 - Car and Foot Traffic
 - Visibility & Attractiveness
 - Lighting & Safety
 - Competition (direct and indirect)
 - Zoning or Other Ordinances



What Market Factors Determine Business Feasibility?

- **Primary Considerations in Promotion:**
- What promotional message(s) will motivate which targeted customer(s)?
- What media are most likely to reach each targeted customer group?
- Aside from “advertising” through print and radio/PSA media, what other “promotional activities” can be used? (e.g., logos/slogans, freebies, prizes, recognition, scholarships)



What Are “Market Projections”?

- Your “5 P’s” Marketing Strategy, in the context of a marketing plan that includes economic trends,
- Will help you develop “market projections” or sales forecasts,
- Which become the basis for complete “financial projections.”



What Key Production Factors Determine Feasibility?

Ask two questions:

1. What resources will be needed to get started? These are known as “Start Up Requirements.”
2. What resources will be needed to continue operating? These are known as “Operational Needs.”



What Financial Considerations Affect Business Feasibility?

The financial feasibility of a business is defined as its “ability to sell products or services at competitive prices and realize sufficient revenues to cover its operating costs, repay its debts, sustain its growth and support the organization.”

Once the first-year *market demand* (or sales) and initial *capitalization requirements* of the business have been projected, the direct (variable) and indirect (fixed) operating costs can be projected as well.



What Financial Considerations Affect Business Feasibility?

Capitalization requirements include:

- Pre-business planning and development
- Equipment, facilities, tools, vehicles, and other start-up “assets”
- Employees, inventories, and supplies for business operation
- Cash (“working capital”) to cover inventories, payrolls, and operating costs until profits accumulate



What Are “Financial Statements”?

- Capitalization Requirements (SU/WC)
- Projected Sales (month by month and annual)
- Direct (Variable) Costs
- Indirect (Administrative & Fixed) Costs
- Loan Interest and Principal
- Taxes (income, payroll, property, TERO)
- Increases in Inventory



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How Are Forecasted Financial Statements Prepared?

Balance Sheet

■ ASSETS	■ LIABILITIES
Current Assets	Current Liabilities
Cash	Accts. Payable
Accts. Receivable	Contracts Payable
Inventory	Accrued Expenses
Prepaid Expenses	Curr. Portion LTD
Fixed Assets	Long-term Debt
Land	(less current portion)
Buildings/F & F	TOTAL LIABILITIES
Equipment/Vehicles	■ NET WORTH
(Less Depreciation)	■ TOTAL LIABILITIES
TOTAL ASSETS	AND NET WORTH



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Statement of Operations

- NET SALES
- (COST OF GOODS SOLD)
- GROSS OPERATING PROFIT
- OPERATING EXPENSES:
 - Advertising & Promotion
 - Insurance
 - Interest
 - Legal & Professional
 - Maintenance & Repairs
 - Office & Other Supplies
 - Payroll w/Taxes & Insurances
 - Telephone & Utilities
 - Travel
- SUBTOTAL OPERATING EXPENSES
- NET PROFIT (before taxes)



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Statement of Cash Flow

- BEGINNING CASH BALANCE
- CASH RECEIPTS:
 - Cash Sales
 - Collection of Accounts Receivable
 - Capital (Equity) Investments
 - Loan Proceeds
- TOTAL CASH AVAILABLE
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- What volume of sales will allow you to cover all cash costs *exactly* and thus "break even"?
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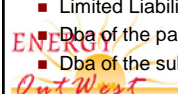


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How Should You Organize Your Business?

- Sole Proprietorship
- Partnership
- Joint Venture
- Corporation, Subchapter S Corporation, Tribally-chartered Corporation
- Limited Liability Corporation
- Limited Liability Partnership
- Dba of the parent not-for-profit
- Dba of the subsidiary for-profit



Registering a Business Name

Employer Identification Number (EIN) is known as a federal tax identification number. Three methods of applying for an EIN, including:

1. Calling the Internal Revenue Service at 800-829-4933;
2. Mailing a completed SS-4 form to:
Internal Revenue Service
EIN Operations
Philadelphia, PA 19255; or
3. Applying online at: www.irs.gov/businesses/small/



What Are the Key Personnel Requirements?

The *key personnel requirements* can be identified by visualizing the management, marketing and production activities of the business and deciding what kind of employees will be needed for each.

- Technical Skills
- Management Skills
- Job Descriptions
- Organization Chart



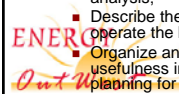
Guide to Preparing a Business Plan



Introduction

Preparing a Business Plan will help the organization:

- Make a clear and concise written statement of the business concept and goals;
- Summarize the key market factors based upon which the business sales have been projected realistically;
- Identify the production-related resources available to the business;
- Itemize the capitalization requirements of the business;
- Demonstrate the economic feasibility of your business using well-reasoned financial forecasts;
- Assess the risk inherent in the business using break-even analysis;
- Describe the managerial strengths of key personnel who will operate the business; and
- Organize and package essential information for maximum usefulness in monitoring the success of the business and planning for future growth.



What Is a "Business Plan" and Why Do You Need One?

A well-prepared business plan will guide you to success and profitability by answering such critical questions as:

- Who...
- Will sell what....
- To whom...
- Where...
- At what cost...
- For what price?



Are You Ready to Go Into Business?

Demonstrate the "7 C's of Success"

- **Character** (of the organization)
- **Commitment to Quality**
- **Concern for Customers**
- **Capability** (of the managers/staff)
- **Conditions** (economic, regulatory)
- **Cash**
- **Credit** (history of organization)



What Are the Essential Components of a Business Plan?

- Cover Sheet
- Statement of Purpose (of the plan)
- Table of Contents
- Executive Summary
- Description of Business
- Market Analysis
- Organization and Management
- Financial Analysis
 - Supporting Documents



What Are the Essential Components of a Business Plan?

- **Business Concept** (type, status, form)
- **Product/Service Description** (brief)
- **Key Production Factors**
- **Location and Physical Facilities**
- **Status of Current Operations** (pre-business, new, or expanding/history)
- **Local/Regional Benefits** (jobs created, contracts/purchases, & tax payments)



What Are the Essential Components of a Business Plan?

- **Market Description** (targeted markets)
- **General Market Trends** (national, regional, local—are sales up, down or stable, and why?)
- **Competition** (with whom and how?)
- **Market Projections** (realistic sales forecasts over 3 to 5 years)



What Are the Essential Components of a Business Plan?

- **Legal Form of Organization** (sole proprietorship, partnership, small corporation, joint venture, cooperative)
- **Management Plan** (organizational chart, management qualifications, roles and responsibilities)
- **Employee Development Plan** (recruitment, training and supervision)



What Are the Essential Components of a Business Plan?

- **Capital Requirements**
- **Structure of Financing** (Equity/Debt)
- **Financial Forecasts** (3 Statements)
 - Year 1 – Month by Month
 - Years 2 & 3 – Annualized
- **Explanatory Notes**
- **Break-Even and Ratio Analyses**
- **Historic Financial Statements** (for existing businesses)



What Are the Essential Components of a Business Plan?

- **Supporting Documents**
 - Appraisals of land, real property, equipment
 - Product descriptions, photographs, specifications
 - Tentative buy/sell or lease agreements
 - Cost quotes from contractors, equipment dealers, insurance agents, suppliers



What Are the Essential Components of a Business Plan? (con't)

- Contracts in hand, letters of intent to hire
- Key personnel resumes, job descriptions
- Organizational documents (partnership/JV agreements, articles of incorporation, bylaws)
- Financial statements and income tax returns



How Should You Approach Business Plan Development?

Owner Information:

- **Financial Statements:**
(Balance Sheet, Monthly Income & Expense Statement)
- **Federal Income Tax Returns**
- **Resumes** (All Key Personnel)



How Should You Approach Business Plan Development?

Market Information:

- **Product/Service Description**
(brochures, photos and technical specifications)
- **Industry Information**
- **Map of Targeted Market Area**
(showing location of Business & Major Competitors)
- **Major Customers, Contracts, Letters of Intent to do business**
- **Strategy/Bases for Competing ("Edge")**
- **Franchise or Marketing Agreements**



How Should You Approach Business Plan Development?

Business Information:

- **Organizational Documents** (Partnership/Corp.)
- **Current Financial Statements**
- **Schedules of Accounts Receivable & Payable**
- **Contracts, Loans & Mortgages Payable**
- **Historic Financial Statements** (3 years)
- **Federal Income Tax Returns** (3 years)
- **Deeds, Titles & Appraisals of Assets**
(Land, Buildings, Equipment, Vehicles)
- **Lists, Quotes & Appraisals of Assets to be purchased**
- **Quotes on Insurance or Other Major Costs**



What Are the Key Factors in Forecasting Business Sales?

- The realistically attainable sales volume of your business will depend upon the interrelated opportunities afforded by:
 - (a) the market demand for your products or services,
 - (b) your productive capacity, and
 - (c) your access to financial resources.



How Are Business Capitalization Requirements Determined?

The "**capitalization requirements**" of a business may be defined as the funds required to (a) purchase assets used in production and (b) cover operating expenses until the business becomes profitable and self-sustaining. Capitalization requirements include:

- Pre-business planning and development
- Equipment, facilities, tools, vehicles, and other start-up "assets"
- Employees, inventories, and supplies for business operation
- Cash ("working capital") to cover inventories, payrolls, and operating costs until profits accumulate



How Are Forecasted Financial Statements Prepared?

Balance Sheet

- | | |
|---|--|
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|---|--|



How Are Forecasted Financial Statements Prepared?

Statement of Operations

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- Partnership
- Joint Venture
- Corporation, Subchapter S Corporation, Tribally-chartered Corporation
- Limited Liability Corporation
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- Management Skills
- Job Descriptions
- Organization Chart



How Should Your Business Plan Be Packaged?

What appears first gets done last:

- **Cover Page**
(business name and contact information)
- **Statement of Purpose**
(of the plan)
- **Table of Contents**
(quick access)
- **Executive Summary**
(key points)



Agency History and Experience

- South Central Community Action Partnership's (SCCAP) WZ Program started 1978
- Provided Energy Conservation to 5,500 + Homes
- Trained/Certified Staff avg. 20+ Yrs Service
- Built Homes with Grants & Low-Interest Loans
- In early 199's WZ'd Homes for Utility Company creating Program Income



Board Approval and Staff Buy In

- Board Support and Approval
- Meet the Mission of Organization
- Staff Buy In
- WZ Staff/ Administration Staff
- Other Agency Staff



Legal and Financial Steps

- Received Board Resolution to create For-Profit dba – Home Energy Management (HEM)
- Created the HEM Board of Directors
- Received Board Resolution for Zero Interest Loan to HEM from Agencies non-federal cash account
- HEM had signed Promissory Note for Loan & Operating Agreement
- HEM applied with State for Articles of organization as LLC



Legal and Financial Steps (cont.)

- HEM applied for Employer Identification Number
- HEM applied for an Idaho Income Tax Withholding Account Number
- HEM purchased General Liability Insurance
- HEM set up Workers Compensation Insurance
- HEM applied for building Contracting Licenses with Bureau of Occupational Licenses



Legal and Financial Steps (cont.)

- Agency set up Commercial Lease Agreement for office space, utilities, furnishings and office equipment
- Set up HEM Accounting Procedures
- Open Post Office Box
- Purchased accounting software



Legal and Financial Steps (cont.)

- Developed Management Plan
- Developed employee manual
- Created job descriptions with hourly rates
- Hired Manager, Fiscal officer, Crews
- Purchased HEM diagnostic equipment



Legal and Financial Steps (cont.)

- Generated cost basis for equipment leasing with DOE and Agency owned equipment
- Purchased cell phone service with two phones
- Set up new accounts with material suppliers

Ready to start making \$\$\$



Promoting and Advertising

- Create brochures and business cards
- Phone book yellow pages (Ads)
- Chamber of Commerce (member)
- Media coverage (TV, Newspaper, Radio)
- Trade Shows – Home & Garden – County Fairs



Promoting and Advertising (cont.)

- Luncheons with civic and business clubs
- Meet one-on-one with Builders and Realtors
- Meet with banks and credit unions
- Meet with other State and Federal Agencies i.e. . . USDA/Rural Development, State Energy Office, Dept. of H & W
- Word of Mouth



Bids, Profits and Benefits

- Bid projects timely
- Bid projects to cover all cost and allow profit %
- Win some – Lose some
- Profits create additional income for Agency
- Provides resources not allowed by other programs
- Sustains employees and increases moral
- Increases community awareness
- **Ultimate goal to have agency become self sufficient**



HOME ENERGY MANAGEMENT EXECUTIVE SUMMARY

The Home Energy Management will begin doing business on October 1, 2005 when it undertakes the provision of diagnostic testing and sealing and full weatherization services on October 1, 2005. The service area will include Twin Falls, Jerome, Lincoln, Blaine, Minidoka, Cassia, Gooding, and Camas counties.



Home Energy Management DESCRIPTION OF BUSINESS

A. Business Concept

The Home Energy Management is a new business that is scheduled to begin operations on October 1, 2005. The company will be owned, managed and operated by the South Central Community Action Partnerships. The company will provide services to builders and homeowners, which will reduce building energy use and improve air quality.



Home Energy Management DESCRIPTION OF BUSINESS

B. Service Description

The Home Energy Management will specialize in identifying energy loss and air quality problems and remediation services to reduce energy usage and improve air quality within residential buildings. The average energy savings by the service is twenty five percent of the energy usage reducing energy bills by twenty five percent.



Home Energy Management DESCRIPTION OF BUSINESS

C. Key Business Factors

The following factors are considered essential to the success of the business.

1. Labor

The technicians of the Home Energy Management have over 30 years experience in auditing residential buildings to determine the sources of air leakage resulting in energy loss. The technicians have performed energy audits on over 400 residential buildings. Each technician is certified in the use of diagnostic equipment and has received 200 hours of training.



Home Energy Management DESCRIPTION OF BUSINESS

2. Equipment

The Home Energy Management use state of the art precision diagnostic equipment. The equipment includes:

- **Minneapolis Blower Door.** The blower door is a whole house testing system, which indirectly measures duct leakage by pressurizing the entire house to a standard testing pressure. By comparing the whole house test before and after all registers are temporarily sealed, the blower door provides an estimate of duct leakage to the outside. The blower door pinpoints air leakage in the house. The blower door identifies building envelope improvements that will reduce energy use and increase comfort.



- **Minneapolis Duct Blaster.** The duct blaster is used pressure test the duct system for air leaks. A precise leakage measurement is made using an airflow and pressure gauge connected to the duct blaster system. Estimates of efficiency losses from duct leakage can be made from the leakage measurements.

Home Energy Management DESCRIPTION OF BUSINESS

3. Technical Assistance

The Home Energy Management will receive technical assistance at no cost from the South Central Community Action Partnership. The South Central Community Action Partnership has been providing energy diagnostic services and weatherization services to low income households in an 8 county area for over twenty-five (25) years. In addition, the Home Energy Management will receive training and technical assistance in small business management methods from the Senior Corp of Retired Executives (SCORE) and the College of Southern Idaho Community College. These technical assistance providers are located in Twin Falls, ID and are generally available on a day's notice.



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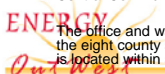
**Home Energy Management
DESCRIPTION OF BUSINESS**

D. LOCATION AND PHYSICAL FACILITIES

The Home Energy Management office will be located within the South Central Community Action Partnerships, a non-profit organization providing services to low-income households within an eight county area. The office will be in Twin Falls, ID which is 120 miles from Boise, ID the capital of Idaho. The location is central to the eight county service area. The location of the office provides easy access to suppliers of materials for the services.

The warehouse for materials will be adjacent to the office thus eliminating time for pick up and return of materials and equipment. The Home Energy Management will be leasing office and warehouse space from the South Central Community Action Partnerships.

The office and warehouse are located in the largest population base within the eight county service area. Eighty-four (84) percent of the potential market is located within sixty (60) miles of the office and warehouse.




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**Home Energy Management
DESCRIPTION OF BUSINESS**

E. AGENCY AND OTHER LOCAL BENEFITS

The benefits to the South Central Community Action Partnerships is that the Home Energy Management will further the goals of the agency. This will be accomplished through generating resources to further the mission of the agency which is to provide a wide range of support services in an effort to help individuals and families build bridges toward self-sufficiency.

The services provided by the Home Energy Management will also further the goal of the agency by reducing energy costs, reducing energy usage, and improving the air quality for homeowners in the service area. South Central Community Action Partnerships currently provides the service to low-income households through funding from the Department of Energy. Expanding the service to non low-income households will support the current activities of South Central Community Action Partnerships.




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**Home Energy Management
DESCRIPTION OF BUSINESS**

F. RELATIONSHIP TO AGENCY ECONOMIC DEVELOPMENT STRATEGY

The South Central Community Action Partnerships five year strategic plan has established economic development has a priority for the agency. The purpose is to generate unrestricted resources to further the goals of the agency. South Central Community Action Partnerships is currently doing this through securing the funds and building the agency office. The office was completed in October 2003 and serves as a permanent facility within the community. The building of the office has allowed the agency to free up revenues previously used for rent to expand services to the target population. The office also provides an asset to the agency and was the first step towards self-sufficiency for the agency.



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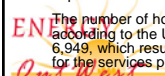
**Home Energy Management
MARKET ANALYSIS**

A. MARKET DESCRIPTION

In the overall market region of Twin Falls, Jerome, Lincoln, Blaine, Minidoka, Cassia, Gooding, and Camas counties; home ownership is .2% percent higher than Idaho's general population of 72.4 percent. The high percentage of home ownership provides a population that will make home improvements. Studies show that individuals which own their own homes spend an average of \$17,435 per year on home improvements.

The median value of owner-occupied housing units is \$124,878 and the median household income is \$35,927, which is a ratio of housing value to household income of 29% percent. That is 6% below the national average of 35%. The assumption can be made that the households in the service area have 6% percent additional disposable income, which could be used for home improvements.

The number of housing units in the eight county area in 2000 is 69,492 according to the U.S. Census. The number of multi family housing units is 6,949, which results in 52,904 housing units that would comprise the market for the services provided by the Home Energy Management.




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**Home Energy Management
MARKET ANALYSIS**

B. GENERAL MARKET TRENDS

The average cost of energy to heat and cool housing units is 750 dollars per year. This represents a thirty five percent increase in the past five years. The consumer price index documents household income as increasing eleven percent over the same period of time. This has resulted in homeowners looking for ways to reduce home energy costs.

Correspondingly new homeowners are evaluating the energy efficiency of a house prior to purchase. Based on the number of building permits issued in 2002 the number of new housing units being built is 997 which represents an annual growth in housing stock of 1.5 percent per year. Energy efficiency has become an established marketing tool for new homebuilders.




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**Home Energy Management
MARKET ANALYSIS**

C. COMPETITION

There currently is no company providing diagnostic testing of housing units to reduce energy costs within the eight county service area. Because Home Energy Management will target the specific area they will eliminate long-distance transportation costs and the profit margin required by businesses in Boise, ID. Additionally, because the company is a subsidiary of South Central Community Action Partnerships there are established relationships with each of the communities and the homebuilders in each of the counties.



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Home Energy Management MARKET ANALYSIS


D. MARKET PROJECTIONS

Based upon the working capital available to the Home Energy Management the following production goals have been established for the first year.

- Diagnostic testing and duct sealing – 10 housing units in months 1 – 3
- Diagnostic testing and duct sealing – 24 housing units in months 4 – 12
- Weatherization services – 1 housing unit in months 4 – 6
- Weatherization services – 2 housing units in months 7 – 12

The projected production increases in the first five years are as follows:

- Year 1: Diagnostic testing and duct sealing – 246 housing units
Weatherization services – 15 housing units
- Year 2: Diagnostic testing and duct sealing – 290 housing units
Weatherization services – 26 housing units
- Year 3: Diagnostic testing and duct sealing – 319 housing units
Weatherization services – 29 housing units
- Year 4: Diagnostic testing and duct sealing – 351 housing units
Weatherization services – 32 housing units
- Year 5: Diagnostic testing and duct sealing – 386 housing units
Weatherization services – 35 housing units




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Home Energy Management MARKET ANALYSIS

D. MARKET PROJECTIONS (cont.)

Based on the number of existing housing units and the number of new housing starts, to meet production goals of Home Energy Management, the company would only have to penetrate .5 percent of the existing market in year one. The planned growth of the business is twenty percent for the first five years resulting in a market penetration of one percent in year five.




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Home Energy Management ORGANIZATION AND MANAGEMENT

A. LEGAL FORM OF ORGANIZATION

The Home Energy Management will be organized as a Limited Liability Company. The company will be 100 percent owned by the South Central Community Action Partnership. The South Central Community Action Partnerships is a non-profit organization that has been providing services to low -income community members for over thirty-five years. The South Central Community Action Partnerships has over twenty-five years experience in providing weatherization services and 4 years experience in diagnostic testing and sealing.




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Home Energy Management ORGANIZATION AND MANAGEMENT

B. MANAGEMENT AND TRAINING PLAN

The management will be provided by the South Central Community Action Partnership Executive Director with support from the Financial Officer. An Energy Analyst with management experience will be hired to operate the business. Trained staff from the South Central Community Action Partnership will be utilized to perform the services. Training will be made available to employee's to continue and enhance their knowledge in diagnostic testing by attending training courses offered by the utility companies, State Energy office and other companies that provide energy conservation trainings.



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Home Energy Management FINANCIAL ANALYSIS

A. CAPITAL REQUIREMENTS

The total cost of the proposed energy conservation services company is \$9,940. The \$9,940 in new capital requirements will include the following:

Major Equipment Items	\$3,000
Materials	\$1,500
Supplies	\$ 200
Working Capital	<u>\$5,300</u>
TOTAL:	\$10,000
Supplemental Equity Investment	\$ 3,000

A detailed breakdown of capital requirements is provided on the next page.




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Home Energy Management FINANCIAL ANALYSIS

B. STRUCTURE OF FINANCING

One hundred percent of the financing for the company will be provided by South Central Community Action Partnerships. The \$10,000 capital will be an interest free loan with one balloon payment at the end of year two.



Home Energy Management
FINANCIAL ANALYSIS

A. FINANCIAL ANALYSIS

The month-by-month, first-year Forecasted Statements of Operations and Cash Flows demonstrate that the amount of cash budgeted for materials and working capital will be sufficient to cover the costs of establishing the business.

The annualized Forecasted Statements of Operations demonstrate that profits of \$24,458, \$40,394, \$45,668, \$55,570 and \$66,255 can be realized in the first five years, respectively, for a five-year total of \$232,345. The profits do not include the cost for equipment and federal and state corporate income taxes.



Home Energy Management
FINANCIAL ANALYSIS

A. FINANCIAL ANALYSIS

The annualized Forecasted Statements of Cash Flows demonstrate that the cash balance of the business will increase in five years' time from the \$27,866 to \$161,621—an overall increase of 580%—even after repayment of the \$10,000 loan from South Central Community Action Partnership, the purchase of a company vehicle, and replacement of the diagnostic equipment.

The Forecasted Balance Sheets show the impact of five years' operations on the financial condition of the business. The value of assets will increase from \$10,000 on the startup date to \$172,621 five years later. In the same period of time, the balance of debt will decrease from \$10,000 on the startup date to \$0.



2008 FORECASTED BALANCE SHEETS

	Oct 1	Oct 1	Oct 1	Oct 1	Oct 1	Oct 1
	2005	2006	2007	2008	2009	2010
ASSETS						
Current Assets						
Cash	\$7,000	\$27,866	\$51,096	\$68,435	\$109,912	\$161,621
Total Current Assets	\$7,000	\$27,866	\$51,096	\$68,435	\$109,912	\$161,621
Fixed Assets						
Equipment	\$1,000	\$2,000	\$1,000	\$3,000	\$2,000	\$1,000
Vehicle	\$0	\$0	\$25,000	\$23,000	\$15,000	\$10,000
Total Fixed Assets	\$1,000	\$2,000	\$26,000	\$23,000	\$17,000	\$11,000
Other Assets						
Prepaid Lease	\$4,000	\$4,000	\$3,000	\$2,076	\$1,053	\$0
Total Other Assets	\$4,000	\$4,000	\$3,000	\$2,076	\$1,053	\$0
TOTAL ASSETS	\$12,000	\$33,866	\$80,166	\$93,511	\$127,965	\$172,621
LIABILITIES AND OWNER'S EQUITY						
Current Liabilities						
Current Portion of Long-term Debt	\$0	\$10,000	\$0	\$0	\$0	\$0
Total Current Liabilities	\$0	\$10,000	\$0	\$0	\$0	\$0
Long-term Liabilities						
	\$10,000	\$0	\$0	\$0	\$0	\$0
TOTAL LIABILITIES	\$10,000	\$10,000	\$0	\$0	\$0	\$0
OWNER'S EQUITY	\$2	\$23,866	\$80,166	\$93,511	\$127,965	\$172,621
TOTAL LIABILITIES AND OWNER'S EQUITY	\$12,000	\$33,866	\$80,166	\$93,511	\$127,965	\$172,621



2008 FORECASTED STATEMENTS OF OPERATIONS

Year	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Month	10-0	11-0	12-0	1-0	2-0	3-0	4-0	5-0	6-0	7-0	8-0	9-0	10-0	
Diagnostic Instruments	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Revenue/Installation	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	
SALES	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
COST OF SALES:														
Lease	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$15,600
Vehicle Usage	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$275	\$3,300
Materials	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Total Cost of Sales	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$3,275	\$39,800
GROSS PROFIT	\$725	\$725	\$725	\$725	\$725	\$725	\$725	\$725	\$725	\$725	\$725	\$725	\$725	\$2,800
OPERATING EXPENSES:														
Administration	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
General	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$900
Installation of Personal Leases	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Depreciation	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marketing	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Office Supplies and Telephone	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Total Operating Expenses	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$8,100
ACCUMULATED NET PROFIT	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,000



PERFORMANCE PLANS

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue/Installation	\$0	\$0	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Cost of Sales	\$0	\$0	\$0	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300
Gross Profit	\$0	\$0	\$0	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700
Operating Expenses	\$0	\$0	\$0	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675	\$675
Net Profit	\$0	\$0	\$0	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25



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