



## Business Plan

(Draft)

September, 2016

*[www.newdealcafe.com](http://www.newdealcafe.com)*

# Contents

<b>1.0</b>	<b>Executive Summary</b> .....	2
<b>2.0</b>	<b>The Context</b> .....	3
<b>2.1</b>	<b>Mission Statement</b> .....	3
<b>2.2</b>	<b>Objectives</b> .....	3
<b>2.3</b>	<b>Our Greenbelt Community</b> .....	3
<b>3.0</b>	<b>The New Deal Café</b> .....	4
<b>3.1</b>	<b>Current Services</b> .....	5
<b>3.2</b>	<b>Why We Are Changing</b> .....	6
<b>4.0</b>	<b>The ‘New’ New Deal Café</b> .....	7
<b>4.1</b>	<b>Our Services</b> .....	7
<b>4.2</b>	<b>Our Market and Competition</b> .....	8
<b>4.3</b>	<b>Marketing the ‘New’ New Deal Cafe</b> .....	9
<b>4.4</b>	<b>Our Business Philosophy</b> .....	10
<b>5.0</b>	<b>Financing</b> .....	10
<b>5.1</b>	<b>New Deal Café’s Current Finances</b> .....	10
<b>5.2</b>	<b>Projected Income, Expenses and Earnings</b> .....	10
5.2.1	Assumptions.....	10
5.2.2	Baseline Profit and Loss (P&L) Projection .....	11
5.2.3	Year 1 Start-up Projection .....	12
5.2.4	Year 2 Projection .....	12
5.2.5	Year 3 and Beyond.....	12
<b>6.0</b>	<b>Projected Capital Requirements</b> .....	13
<b>7.0</b>	<b>Appendices</b> .....	18

## **1.0 Executive Summary**

The New Deal Café, a 20 year-old member-owned consumer cooperative located in Greenbelt, Maryland, is a community gathering place for members, Greenbelt residents and patrons to enjoy healthy foods, art, music and conversation. The Café, affectionately known as ‘Greenbelt’s Living Room,’ is raising funds to enable a major transition from a for-profit contract food service to a self-managed food operation within our cooperative structure. This transition will enable us to better meet our members and customers desire for healthier foods, more variety, and decent morning coffee. These are things that our current food-service contractor has been unable or unwilling to do. We will open the self-managed food operation in early December, 2016.

The following outlines the New Deal Café’s mission and community, provides a short history of the Café and its current operations, and explains why the change to a self-managed food service operation is needed. We describe the planned changes in the Café’s operations and present an analysis of financial feasibility. The financial projections show that the proposed operations can generate enough income to pay our bills, service our debt obligations, and pay a living wage to our employees. The projected net operating profit provides enough income to fund a bonus system for all employees so they share in the Café’s success, and provide surplus funds to reinvest in the Café and rebuild its reserves, benefiting members, customers and the community.

The transition will require \$200,000 in capital investment to purchase kitchen equipment, outfit an espresso bar, undertake the necessary renovations, and provide working capital. The Café currently has \$50,000 in reserves to invest in the transition and is seeking various sources of funding to raise the remaining \$150,000. We hope that after reading this plan you will join us on the journey to create a ‘New’ New Deal Café. And if you can’t, come see us in early December.

## 2.0 The Context

### 2.1 Mission Statement

The New Deal Café is a *community gathering place* for members, Greenbelt residents and patrons to enjoy healthy foods, art, music and conversation. It is committed to cooperative principles and ecologically sound business practices.

The Café supports the *visual, spoken, and performing arts* by providing a venue for creative expression and by supporting arts events outside the Café.

### 2.2 Objectives

The New Deal Café, a 20 year-old consumer cooperative, is raising funds to enable it undertake a major transition. The specific objectives are to:

- Transition from the current business model where the New Deal Café is responsible for the music venue and bar with an outside for-profit contractor providing food service, to a business model where the Café cooperative is responsible for all aspects of the operation including the music venue, bar, and food service in early December, 2016.
- Increase the food service's focus on healthy Americana and international meals, including vegetarian, gluten-free, and vegan options with lighter fare in the morning and evenings to meet our customers' needs across the day. We will offer four distinct food services:
  - Morning service offering brewed and espresso coffees, teas, and bagels and pastries between 7am and 11am Monday through Saturday with later brunch hours and an expanded menu on Sunday.
  - Lunch service between 11:30am and 5pm.
  - Dinner service between the hours of 5pm and 9:30pm.
  - A bar menu after dinner service closes.
- Renovate the front dining room and main entrance of the café to accommodate an espresso bar and match recent renovations to the larger back dining room and outdoor patio.

### 2.3 Our Greenbelt Community

Greenbelt, Maryland is the result of a 'New Deal' experiment to provide low-income housing for federal government workers during the 1930s. The nation's first fully planned community was modelled after English garden cities of the 19<sup>th</sup> century with Art Deco-styled townhomes and apartments clustered around walkways through greenspaces that led to schools, parks and the city center.

Opening in 1937, Greenbelt was a social experiment with much of the community's economic and social activity organized as cooperatives, including the food store, drug store, gas station, movie theater, barber shop, beauty parlor, and variety store located in the city center (known as the Roosevelt Center), and a cooperative baby-sitting coop, cooperative nursery school and a cooperative kindergarten. A short history of the city noted that "when Greenbelters confronted

any kind of new problem, their typical first approach was to form a new cooperative.”<sup>1</sup> When the Federal government sold its interest in the community during 1952, Greenbelters banded together and formed a cooperative (Greenbelt Veterans Housing Corporation, now Greenbelt Homes, Inc.) to acquire the 1,600 townhouses that form the core of Historic Greenbelt. Other cooperatives include the Greenbelt Federal Credit Union (1937), *Greenbelt News Review* (published weekly since 1938), the Greenbelt Coop Supermarket and Pharmacy (1984), the New Deal Café (1995), the Greenbelt Farmers’ Market (2008). In 2012, the Greenbelt Cooperative Incubator was formed to support the creation of new cooperatives in our community. Its work continues to encourage new cooperatives in Greenbelt and beyond. In 1997, Historic Greenbelt was recognized as a National Historic Landmark.

Since 1937, Greenbelt has grown into a culturally and economically diverse community of over 24,000 residents. It is the home to NASA’s Goddard Space Flight Center and adjacent to the U.S. Department of Agriculture’s Beltsville Agricultural Research Center. It neighbors College Park, home of the University of Maryland. In addition there are hundreds of small to medium size businesses in the Greater Greenbelt area. Housing in Greenbelt is still affordable with median housing prices significantly lower than surrounding communities.

However, a recent economic development report commissioned by the City highlighted challenges Greenbelt faces.<sup>2</sup> One is declining economic activity resulting from the recession and decreasing government spending. The report noted that between 2005 and 2011 the number of jobs in Greenbelt declined by almost 3,000 while jobs increased in the state of Maryland, Prince George’s County (in which Greenbelt is located), and surrounding communities. Declining employment is reflected in the high office vacancy rate. At the end of 2013, the office vacancy rate in the Washington metropolitan area was 10%, in Prince George’s County – 18.2% and in Greenbelt – 26.8%. The percent of Greenbelt families below the poverty level in 2012 (7.4%) was also higher than Prince George’s County (5.8%) and state of Maryland (6.5%). As a result, growing existing businesses and attracting new ones is a community priority. Expanding the Café’s operations and employment contribute and help revitalize the Roosevelt Center.

### **3.0 The New Deal Café**

The New Deal Café was conceived in 1994 as a coffeehouse where people would gather to meet friends, have great food and hear live music. The Café opened on December 30, 1995 in the Greenbelt Community Center. In its first location the Café was open only on Friday and Saturday nights, although the vision was always to have a full service coffeehouse.

A space became available in the Roosevelt Center in October, 1999; the New Deal Café moved to that site and celebrated its Grand Opening on April 15, 2000. The Café acquired its Class B liquor license for beer and wine on October 23, 2002. In November, 2003, the Café hired its first full time professional manager, which led to the creation of a five-year plan to enhance

---

<sup>1</sup> <http://www.greenbeltmd.gov/documentcenter/view/558>

<sup>2</sup> Sage Policy Group, *An Economic Development Strategy for Greenbelt, MD*, submitted to the City of Greenbelt, December 2014.

operations. The Café doubled its size by leasing adjacent retail space in October, 2005. The new space provided more capacity and the option to cater special events, and the location has abundant free parking. The sunny, quiet nature of the room was an instant hit with patrons. In 2008 the Café hired a for-profit food service contractor to manage the kitchen with the Café managing the bar, music and arts-related events.

### **3.1 Current Services**

**Food** - The food service contractor serves a Lebanese/Middle Eastern menu for lunch (Monday to Saturday) and dinner (Tuesday through Sunday), and a Sunday brunch that includes a combination of Lebanese/International/American items. Menu items are ordered at the counter and delivered to tables or taken as carry out. The dining areas include a front room with 30 seats, a large back room with 66 seats, and three-season patio with 26 seats. The contractor also runs a catering business from the Café's kitchen.

**Beer & Wine** - The backroom of the Café serves as the bar and music venue. A variety of craft beers in bottles and on tap and a good selection of white and red wines are offered. The beer and wine choices are rotated regularly to allow for seasonal additions such as summer wheat beers and hard cider in the fall and winter, and to provide variety for repeat customers.

**Music** - As a music venue, the New Deal Café provides entertainment six nights a week. Voted "The Best Local Music Venue in the D.C. Area" in WTOP's top ten music venue poll in 2012, the Café attracts local, regional, and national bands. Bands play for tips and there are no cover charges. The Café also cosponsors outdoor music festivals (The Green Man Festival, The Blues Festival, The Rhythm and Drum Festival and the Crazy Quilt Festival) from May through October in the Roosevelt Center. These one and two day events attract a large numbers of visitors with corresponding increases in customers for Center businesses during the events.

**Arts** - The New Deal Café exhibits art works by local artists rotating on a bi-monthly basis. Each display and artist features an opening reception on a Sunday afternoon where the Greenbelt community and friends can gather to see the new works. The Café also sponsors other arts-related events each month, including a film series exploring social, environmental and animal rights concerns, an open poetry reading night, a comedy night, pub quiz night, and a Sunday afternoon open mic for kids. The music and art in the Café is supported by the Friends of New Deal Café Arts (FONDCA), a non-profit 501(c)(3) organization that supports the arts and provides advertising and outreach for the Café's arts programs and music events.

**Special Events** - The Café provides a venue for special public or private events. In the past we have had private parties, reunions, birthdays, receptions, meetings, lectures, book signings, town halls, fund-raisers for local and state-wide politicians, and similar events during specially designated off-hour periods. With a capacity to seat up to 66 people in the backroom, the Café offers one of the few reasonably priced, small to mid-size rooms available for special occasions in the area.

### 3.2 Why We Are Changing

While the Café has thrived as an evening gathering place and music venue, it has fallen short with respect to the food it serves. The Café conducted a web-based survey that received 434 responses during November/December 2015. People were most satisfied with the Café as a music venue and community center where people meet friends and listen to music in the evening. They were least satisfied with food quality and variety. The following survey quotes capture the dissatisfaction of many with the food and beverages offered by the current food service contractor:

Members and customers say they want more variety, healthier foods and decent coffee.

The Café also falls short with respect to being a community gathering place during the day because it doesn't open until 11am weekdays, it lacks a viable coffee and tea service, and the dissatisfaction with the food results in a small lunch business. A quick look at Google's 'Popular Times' (a feature much like Google Traffic) shows that the Café has very little customer traffic during weekdays with most people visiting after 6pm (Appendix 1). It also shows that most of the Café's business occurs on Friday, Saturday and Sunday, which is not uncommon in the restaurant industry.

Being able to drive decisions about food quality, variety, and value for the benefit of our members and customers is the primary reason we are transitioning from a contract food management model to a self-management model. It will make the Café more responsive and accountable to our members, customers and the community. The following sections present our vision for the Café's operations under the new model, projections of financial performance, and capital requirements.

## **4.0 The 'New' New Deal Café**

### **4.1 Our Services**

Under the self-management model, the Café plans to extend its hours into the morning with the addition of an espresso bar and light fare, and modify the menu to respond to our customers' desire for an Americana-themed menu with more variety and healthy options.

***Expanded Hours*** – The Café currently opens at 11am Monday through Saturday and 10:30am on Sunday. We plan to open at 7am weekdays and Saturday to provide coffee service and light breakfast fare, and at 9am Sunday for brunch.

***Modified Menu*** – The new menu will respond to our customers' desire for more variety and flexibility. It will include healthy regional menu items, a variety of rotating menu items, specials, vegetarian, vegan, gluten-free options, and seasonal locally sourced items that will appeal to our health conscious customers. We will offer meals at a range of prices to accommodate all Greenbelters' budgets. We also plan to add a bar menu of appetizers and snacks for our music patrons. Currently, food is not available for purchase in the evening after the kitchen closes.

***Espresso Bar*** – We plan to open at 7am offering high quality brewed and espresso drinks, teas, and pastries and bagels that will be attractive to commuters and the early morning crowd. Later morning will attract customers looking for a comfortable, quiet location with free WiFi to read, study, have conversations, meet with friends, or just relax. Our comfortable, quiet atmosphere should appeal to the large number of retirees, self-employed who work from home, and stay-at-home parents in Greenbelt, and to patrons of other services in the Roosevelt Center. We intend to extend the espresso bar hours to 4pm in the second year of operation.

## 4.2 Our Market and Competition

The New Deal Café is located at 113 Centerway in the Roosevelt Center, which also is home to the Old Greenbelt Theatre (nonprofit single-screen arts movie theatre), the Greenbelt Arts Center (community theater), Greenbelt Co-op Supermarket and Pharmacy, Greenbelt Federal Credit Union, a community Makers Space (educational workspace), a corner mini-market, and several small personal and professional service businesses. The Greenbelt Community Center, the Greenbelt Library, Greenbelt Aquatic and Fitness Center, and the Greenbelt Municipal Building are located on the outside perimeter of the Roosevelt Center's parking lots. All these services and businesses are located within walking distance of approximately 2,500 households.

There are four food businesses in the Roosevelt Center in addition to the New Deal Café. Two have indoor seating, Beijing (full-service Chinese restaurant) and Generous Joe's (pizza/sub shop). DMV Pizza is delivery/carry out only; Chef Lou's Desserts is a small bakery that specializes in catering. The New Deal Café and Beijing Chinese restaurant are the only restaurants in the Roosevelt Center with beer and wine/liquor licenses. The nearest competition outside of the Old Greenbelt business district is about one mile away in Greenway Center, and then about two miles away in Beltway Plaza, both on Route 193. Each location has a number of national/local restaurant chains like Subway, Wendy's, McDonalds, Chipotle, Joe's Crab Shack, Mission BBQ, KFC, Popeye's, Boston Market, and Silver Diner, and a few small family-owned ethnic restaurants (Chinese, Thai, Latin-American). Greenbelters' generally feel that the community is underserved with respect to restaurants, particularly moderately priced, high quality restaurants.

With respect to coffee service, the Sunoco gas station in the Roosevelt Center is currently the preferred provider of early morning coffee for commuters. Its seating is a single outdoor picnic table. The Greenbelt Co-op Supermarket also offers brewed coffee after 9am. Outside the Roosevelt Center, there are two Starbucks located in the Greenway Plaza (one mile away), one in a storefront and other in a Safeway. The storefront Starbucks does not have a drive-through window. There also is a Starbucks-like cafe located in the lobby of Greenbelt's Marriott Hotel (one and a half miles away). There are no independent coffee shops located in Greenbelt.

We believe that the Café's focus on moderately priced, high quality foods that include vegetarian, vegan and gluten-free options with rotating specials and seasonal items will make the restaurant very competitive. There is only one other restaurant in the area with that focus – The Silver Diner, which is very popular with Greenbelters and two miles from the Roosevelt Center.

We also believe that the coffee service will be successful. The Café will be the only provider of espresso-based coffees in the Roosevelt Center and it will be supplied by a local coffee roaster to ensure offering better quality brewed coffee than others. The café's plan to offer hand-crafted artisan New York-style bagels also will set it apart from other coffee providers in the area. The closest bagel bakery (read 'decent' bagel) is in College Park and the closest independent coffee shop/coffee roaster is in Hyattsville, which are 10 to 15 minute drives from Greenbelt. Both are patronized by Greenbelters. We will offer them a new option closer to home.

### 4.3 Marketing the 'New' New Deal Cafe

Greenbelt residents have been and will continue to be a primary market for the New Deal Café. The initial marketing challenge will be getting word out about the Café's new chef and menu, expanded hours, and new espresso bar. The Café's successful marketing strategy for the music venue and bar can be extended to the food operation. That marketing strategy consists of the following components:

**Web Site** - The Café operates and edits on a daily basis a café website at [www.newdealcafe.com](http://www.newdealcafe.com). The website contains information about the Café, a music calendar, current events, food and beverage menu, location, and hours of operation. The website receives approximately 4,000 hits per month, about half of which are unique visitors. The calendar of events is the most visited page followed by the menu.

**Social Media** - The Café's Facebook page has over 1,800 followers and is used to let members and customers know about upcoming events through a weekly post of music and events, on-the-spot posts when an exciting band is playing or a special event is in progress, and posts by bands and performers that connect their fan bases to Café's Facebook page. Additional posts about the menu, specials, new items and discounts can be used to promote the restaurant. The Café also posts to the Greenbelters' Facebook page with 2,500 followers.

**Print Media** - The Café advertises in the *Greenbelt News Review* which distributes 9,300 copies per week through home delivery and about 25 Greenbelt retailers. A weekly schedule of events appears in the community events column, and a display ad is run monthly to promote the café and special events. Additional advertising in the *News Review* can be used to promote the restaurant and provide discount coupons to increase customer visits, if needed. The Café also advertises regularly in the Program Books for productions at the Greenbelt Arts Center and the Music and Drama Club of the Goddard Space Flight Center.

**Event Sponsorship** - The Café and FONDCA work together to plan day-long and weekend-long music festivals in the spring, summer, and fall. FONDCA usually leads the way on soliciting donations from local businesses as cosponsors for the Greenbelt Blues Festival, The Crazy Quilt Music Festival, and the Greenbelt Rhythm and Drum Festival. These events raise the Café's visibility and fill it to capacity during the days they run.

The Café engages in marketing exchanges with other nonprofits such as the Old Greenbelt Theatre and The Greenbelt Arts Center. It is an active member of the Greenbelt Merchants Association and the Greenbelt Cooperative Alliance. The Café participates in many activities sponsored by these two community organizations. It also cosponsors the Greenbelt Farmers' Market, which takes place in the parking lot behind the Café and brings several hundred people to the Roosevelt Center each Sunday between May and November.

New marketing initiatives, such as a customer loyalty program, customer email lists, and expanded print and social media advertising, will be considered once the restaurant has opened and specific marketing needs determined.

## **4.4 Our Business Philosophy**

A key to the success of the self-management model is the Café's employees. Engaged, motivated employees result in satisfied customers and members. Engaging employees requires that they have a voice in making decisions about their work and the Café, and that they have a stake in the outcomes. The Café is committed to paying a living wage to all its employees, from the dishwasher to the Café's managers. To ensure that everyone has a stake in the outcomes, all employees will be included in a bonus pool that is funded with a significant share of the business's net operating profit. Surplus income from the business will be used to improve facilities, expand the business and rebuild reserves, which benefits members, customers and the community.

Consistent with the values of our members and community, and in alignment with our beliefs as a cooperative, the New Deal Café strives to become a green business that uses energy from renewable sources. We already have invested in high efficiency HVAC and lighting, and we make the same commitment as the kitchen equipment is upgraded. Purchasing will support local and sustainable businesses whenever possible and economical. The New Deal's prosperity depends on it serving the people and organizations in our community and receiving their support in return.

## **5.0 Financing**

### **5.1 New Deal Café's Current Finances**

A summary Profit and Loss (P&L) statement for the New Deal Café's bar operations is shown in Table 1. The summary P&L shows that bar sales have steadily grown since 2014. Operating income for the bar was \$137,336 in 2014, \$156,060 in 2015, and \$82,988 from January to June, 2016, which projects to an annual income of \$165,976. Operating income increased 13.6% from 2014 to 2015 and is projected to increase 6.4% from 2015 to 2016. A decision to extend bar operations by one hour on Thursday, Friday and Saturday nights in early 2015 contributed to increasing sales. In addition, bar sales have increased each month compared to the previous year (with the exception of two months) over the past 18 months even though prices did not increase during that period. The increases over the past 12 months, in particular, are indicative of growing customer traffic. As income increased, the Board invested in improvements to the Café's operation. Labor costs increased with decisions to hire additional bartenders, a music coordinator (2015) and a sound engineer (2016). Substantial investment has been made to upgrade the Café's HVAC system (2013), acquire new tables and chairs for the backroom and new sound equipment (2014), as well as new patio furniture (2016). The Café's balance sheet is attached as Appendix 1.

### **5.2 Projected Income, Expenses and Earnings**

#### **5.2.1 Assumptions**

The following assumptions were used in developing the baseline P&L projection:

**Pricing** - Based on the Café's intent to offer high quality food at a moderate price, we chose average ticket per customer prices of \$11 for lunch and \$15 for dinner based on comparisons of average per person ticket prices (calculated as the average entrée price plus \$2 for a non-alcoholic beverage/side) with other local restaurants. Two popular restaurants in the area offering moderately priced, high quality food, the Silver Dinner (Greenbelt) and Franklin's Brewery (Hyattsville), have menus similar to what the Café plans to offer. Examination of their menus indicates an average ticket per customer in the range of \$14 to \$16 for both lunch and dinner. We also analyzed the menus for the two other sit-down restaurants located in the Roosevelt Center. Beijing, a Chinese restaurant, had estimated average ticket prices of \$9.50 for lunch and \$15.00 for dinner. Generous Joe's serves a menu of pizzas, subs, sandwiches and salads that yielded an estimated average ticket per person of \$11.00.

**Days of operation** - Anticipating being closed for seven holidays a year, the projections are based on the restaurant being open 51 weeks a year. Lunch and morning service will be offered seven days a week; dinner and the bar open six days a week (closed Monday evenings); and the bar menu offered five days a week (Tuesday to Saturday).

**Turnover** - The average number of customers per day for lunch and dinner is estimated at 1.5 turnovers per day of the Café's 113 seats. That is a conservative estimate given that 2.5 turnovers is the rule-of thumb used to estimate restaurant sales in the industry.

**Bar and Morning Service Income** - Annual bar income was projected from the first six months of 2016. Morning coffee service income is based on sales estimates contained in Appendix 3.

**Expenses** - Estimated expenses are based on actual expenses the Café pays or shares with the current food contractor. Cost of goods sold for the food service is based on industry standards for food service operations. Labor expenses were estimated with the aid of the chef we are recruiting, and are based on the number of hourly workers needed to provide the level of service anticipated. It includes bartenders, baristas, kitchen workers, a server, a hostess/cashier, and a dishwasher/janitor. Salaried employees include a restaurant manager/chef, bar manager, music coordinator and sound engineer. Labor taxes are estimated at 13% of total wages (FICA, Medicare, FUTA and SUTA).

**Debt Service** - Debt service is estimated based on \$150,000 loans over three years at 4.5% interest. Interest is based on the prime rate (3.5%, *Wall Street Journal*, 8/1/2016) plus 1%.

### **5.2.2 Baseline Profit and Loss (P&L) Projection**

A baseline projection for the Café's income and expenses based on these assumptions is shown Table 2. It shows that at the projected levels of business the Café would be able to service its debt, fund an employee bonus pool, and have sufficient retained earnings to reinvest in the Café. Within this annual projection, we expect there will be considerable variation in sales month-to-month and day-to-day within each week based on the pattern of sales experienced by the bar over the past two years. The slowest months will be January and February (traditionally slow months in the restaurant business) and June and July (summer vacation months). Peak sales months

(May, September and October) coincide with music festivals in the Roosevelt Center plaza that the Café cosponsors. We also anticipate that sales will vary by day of the week with about 58% of the Café's income being generated on Friday, Saturday and Sunday.

*Appendix 3 presents a detailed explanation of the food service income calculations using daily sales projections based on the average number of customers per day and average prices for each service. It also shows expected monthly variations in sales.*

### **5.2.3 Year 1 Start-up Projection**

The baseline P&L shows the annual income and expenses for the Café operating at the levels defined by the assumptions. However, because it takes time to build sales, we calculated the Year 1 P&L (Table 3) based on a six month ramp-up period where the morning, lunch, and dinner services start at 40% of the annual projection in the first month of operation and increase 10 percentage points each month to 100% in month 7. Labor costs and cost of goods sold are lower in the first two quarters because of the lower level of business.

The table calculates income and expenses on a quarterly basis with the final column presenting the Projected Year 1 P&L results. This column shows that if the projected start-up sales targets are met, the café would meet its debt service obligation and break-even the first year.

### **5.2.4 Year 2 Projection**

We expect a 27% growth rate in annual sales from Year 1 to Year 2 as sales stabilize at the initially projected levels and the Café adds services (Table 4). As the Café's operations become more stable and efficient, we will extend espresso bar hours into the afternoon and begin developing a catering and special events business. The catering and special events business will start slowly as the Café builds a reputation in this area. Additional income in Year 2 from catering and special events is estimated at \$500 per month.

Expenses will increase during Year 2. Our lease agreement specifies a 5% rent increase. There also are likely to be increases in other occupancy costs, such as utilities and taxes. Labor costs will increase with additional hours required to keep the espresso bar open into the afternoon and for catering/special events services. Base wages will likely not increase in Year 2 but the growth in operating profits will provide a substantial bonus pool for employees. Surplus income after taxes will be reinvested in the Café with renovations of the front and back rooms.

### **5.2.5 Year 3 and Beyond**

Year 3 presents a challenge for the Café in that further growth will require increasing the number of customers over the baseline projections or developing new services. The Year 3 projection anticipates an overall growth rate of 5.5% in total income at current prices (Table 4). This growth comes from an anticipated 20% increase in lunch business as the Café promotes itself to people working in nearby business parks and major employers. Catering/special events income is expected to increase to \$1,500 a month as its reputation becomes established in the community. We also think that we can increase the overall number of customer visits by paying close attention to the sales data, targeted promotion, and continually experimenting with the menu to keep it fresh. The Café will continue the annual customer satisfaction survey it initiated in 2015

and make changes accordingly. Expenses will continue to increase in Year 3 with an additional 5% increase in rent and increases in other expenses.

The end of Year 3 will mark the retirement of the Café's debt, which will increase the flow of funds available to invest in new services and facility improvements. The keys to success beyond Year Three are motivated employees, satisfied members and customers, and a willingness to experiment. The increase in cash flow resulting from paying off debt will increase the number of opportunities that the Café can explore in Year 4 and forward.

## 6.0 Projected Capital Requirements

The Café has made significant capital investments over the past few years by upgrading the facility's infrastructure (air conditioning and HVAC upgrades), and new tables, chairs and sound equipment in the back room, and new patio furniture. Further upgrades will be required to implement this business plan, including replacement of the contractor's kitchen equipment, purchasing equipment for an espresso bar, and renovating the Café's front room to accommodate the espresso bar.

***Kitchen*** - Currently, the food service contractor owns much of the kitchen equipment, which the Café will have to replace. The Café has first-right-of-refusal to purchase the contractor's kitchen equipment and supplies if they are for sale, or the Café may decide to purchase gently used or new kitchen equipment. For planning purposes, our research has shown that it will require approximately \$50,000 to outfit the kitchen with new equipment.

***Espresso Bar*** - Adding a morning coffee service requires outfitting an espresso bar and replacing the Café's front counters to accommodate that equipment. New front and back counters with electrical and plumbing are estimated to cost \$20,000. Equipment required to outfit the espresso bar (commercial grade espresso machine, grinders, brewer, etc.) will cost approximately \$15,000 according to estimates from two suppliers.

***Front Room Improvements*** - Making minimal improvements to the front room to make it more appealing (replacing tables and chairs, other furnishings, redecorating) will cost about \$15,000.

***Working Capital*** - We estimate our working capital requirement at three months expenses, which we plan on funding with capital raised (\$100,000) and a revolving line of credit (\$50,000). This is less than often recommended (i.e., six months) but takes into account that the Café currently has a successful bar and music business that generates substantial customer traffic and income.

Overall, \$150,000 capital investment in addition to the Café's reserves is necessary to ensure that the 'New' New Deal Café can become a successful self-managed, cooperative enterprise that contributes to the Greenbelt community in future years. We hope you will join us in this effort. And if you can't, come see us in early December, 2016.

**Table 1 New Deal Café P&L: 2014-2016**

	2014	2015	2016	2016
	Actual	Actual	Actual	Annual
			(Jan-Jun)	(Projected)
<b>Income</b>				
Bar Income	\$ 137,336	\$ 156,060	\$ 82,988	\$ 165,976
KMK Contract fees	\$ 3,500	\$ 5,000	\$ 3,000	\$ 6,000
Memberships	\$ 3,840	\$ 2,550	\$ 1,990	\$ 1,990
Interest Earned & Other Income	\$ 4,621	\$ 2,294	\$ 4,310	\$ 4,310
Total Income	\$ 149,297	\$ 165,904	\$ 92,288	\$ 178,276
<b>Cost of Goods Sold</b>	\$ 44,311	\$ 53,920	\$ 28,066	\$ 56,132
<b>Gross Profit</b>	\$ 104,986	\$ 111,984	\$ 64,222	\$ 122,144
<b>Expenses</b>				
Payroll & Payroll Taxes	\$ 41,758	\$ 41,762	\$ 23,776	\$ 47,552
Taxes (excluding payroll)	\$ 3,517	\$ 7,214	\$ 40	\$ 4,450
Insurance	\$ 6,752	\$ 3,600	\$ -	\$ 3,600
Utilities	\$ 7,036	\$ 6,162	\$ 2,662	\$ 8,150
Licenses & Permits	\$ 3,785	\$ 3,192	\$ 1,569	\$ 5,000
Music & Entertainment	\$ 1,060	\$ 1,475	\$ 495	\$ 1,100
Advertising & Promotion	\$ 2,594	\$ 3,091	\$ 1,411	\$ 2,000
Professional Fees	\$ 7,319	\$ 4,956	\$ 3,560	\$ 5,200
Volunteer Appreciation & Meals	\$ 7,928	\$ 3,488	\$ 1,467	\$ 4,700
Repairs & Maintenance	\$ 10,256	\$ 7,662	\$ 677	\$ 12,000
Other Expenses	\$ 5,860	\$ 14,487	\$ 5,240	\$ 10,450
Total Expenses	\$ 97,865	\$ 97,088	\$ 40,897	\$ 104,202
<b>Retained Earnings</b>	\$ 7,121	\$ 14,896	\$ 23,325	\$ 17,942

Note: The New Deal Café uses cash basis accounting. The income and expenses in Table 1 have been adjusted from Café's accountant-prepared profit and loss statements to provide a more accurate reflection of operating income and expenses during the time periods. The following adjustments were made: (1) Sales taxes collected and (2) reportable tips were deducted from bar income and removed from expenses in each time period. (3) Bar income was over-reported in 2014 due to an accounting error, and then expensed in 2015. To adjust, the amount was subtracted from bar income in 2014 and removed from 2015 expenses. (4) The Café overpaid real estate taxes in 2015 and the overpayment was refunded in 2016. To adjust, the overpayment was removed from 2015 expenses and the refund removed from 2016 expenses.

**Table 2: Baseline Profit and Loss Projection**

<b>Assumptions</b>		Averages	Days Open
# Dinners (Tues - Sun)		105	306
# Lunches (Mon - Sun)		65	357
# Bar Menu (Tues - Sat)		12	255
\$ Dinner per customer	\$	15	
\$ Lunch per customer	\$	11	
\$ Bar Menu	\$	6	
\$ Morning sales (per day)	\$	381	357
\$ Beer & Wine sales (per day)	\$	542	306

  

<b>Income</b>		
Dinner Service	\$	481,950
Lunch Service	\$	255,255
Morning Service	\$	136,017
Beer & Wine	\$	165,976
Bar Menu	\$	18,360
<b>Total Income</b>	\$	<b>1,057,558</b>
<b>Cost of Goods Sold</b>	\$	<b>312,361</b>
<b>Gross Profit</b>	\$	<b>745,197</b>
<b>Expenses</b>		
Payroll	\$	358,661
Payroll Taxes	\$	46,626
Rent	\$	40,800
Utilities	\$	32,160
Credit Card Fees	\$	11,422
Insurance Expenses	\$	4,800
Licenses & Permits	\$	1,800
Maintenance & Repairs	\$	6,000
Music and Entertainment	\$	5,400
Professional Fees	\$	13,400
Promotion	\$	5,000
Restaurant Supplies	\$	18,000
Other Expenses	\$	14,764
<b>Total Expenses</b>	\$	<b>558,832</b>
<b>Operating Profit</b>	\$	<b>186,365</b>
Interest on loans (\$150,000 at 4.5%)	\$	6,750
Loan repayment	\$	50,000
<b>Operating Profit after Debt Service</b>	\$	<b>129,615</b>
Employee Bonus Pool (Example: 40%)	\$	51,846
<b>Operating Profit after Employee Bonuses</b>	\$	<b>77,769</b>
<b>Income Taxes</b>	\$	<b>43,941</b>
<b>Retained Earnings</b>	\$	<b>33,828</b>

**Table 3: Year 1 Profit & Loss Projection**

Assumptions	Baseline		Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Averages	Days	Averages	Days	Averages	Days	Averages	Days	Averages	Days
# Dinners (Tues - Sun)	105	306	53	77	84	77	105	77	105	77
# Lunches (Mon - Sun)	65	357	33	89	52	89	65	89	65	89
# Bar Menu (Tues - Sat)	12	255	12	64	12	64	12	64	12	64
\$ Dinner per customer	\$ 15		\$ 15		\$ 15		\$ 15		\$ 15	
\$ Lunch per customer	\$ 11		\$ 11		\$ 11		\$ 11		\$ 11	
\$ Bar Menu per cust	\$ 6		\$ 6		\$ 6		\$ 6		\$ 6	
\$ Morning sales (per day)	\$ 381	357	\$ 191	89	\$ 305	89	\$ 381	89	\$ 381	89
\$ Beer & Wine sales (per day)	\$ 542	306	\$ 542	77	\$ 542	77	\$ 542	77	\$ 542	77

  

Income	Baseline	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year 1 Projection
Dinner Service	\$ 481,950	\$ 60,244	\$ 96,390	\$ 120,488	\$ 120,488	\$ 397,609
Lunch Service	\$ 255,255	\$ 31,907	\$ 51,051	\$ 63,814	\$ 63,814	\$ 210,585
Morning Service	\$ 136,017	\$ 17,002	\$ 27,203	\$ 34,004	\$ 34,004	\$ 112,214
Beer & Wine	\$ 165,976	\$ 41,494	\$ 41,494	\$ 41,494	\$ 41,494	\$ 165,976
Bar Menu	\$ 18,360	\$ 4,590	\$ 4,590	\$ 4,590	\$ 4,590	\$ 18,360
<b>Total Income</b>	<b>\$1,057,558</b>	<b>\$ 155,237</b>	<b>\$ 220,728</b>	<b>\$ 264,389</b>	<b>\$ 264,389</b>	<b>\$ 904,744</b>
<b>Cost of Goods Sold</b>	<b>\$ 312,361</b>	<b>\$ 46,705</b>	<b>\$ 65,536</b>	<b>\$ 78,090</b>	<b>\$ 78,090</b>	<b>\$ 268,421</b>
<b>Gross Profit</b>	<b>\$ 745,197</b>	<b>\$ 108,532</b>	<b>\$ 155,192</b>	<b>\$ 186,299</b>	<b>\$ 186,299</b>	<b>\$ 636,323</b>
<b>Expenses</b>						
Payroll	\$ 358,661	\$ 78,624	\$ 86,580	\$ 89,614	\$ 89,614	\$ 344,432
Payroll Taxes	\$ 46,626	\$ 10,221	\$ 11,255	\$ 11,650	\$ 11,650	\$ 44,776
Rent	\$ 40,800	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 40,800
Utilities	\$ 32,160	\$ 8,040	\$ 8,040	\$ 8,040	\$ 8,040	\$ 32,160
Credit Card Fees	\$ 11,422	\$ 1,677	\$ 2,384	\$ 2,855	\$ 2,855	\$ 9,771
Insurance Expenses	\$ 4,800	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 4,800
Licenses & Permits	\$ 1,800	\$ 450	\$ 450	\$ 450	\$ 450	\$ 1,800
Maintenance & Repairs	\$ 6,000	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 6,000
Music and Entertainment	\$ 5,400	\$ 1,350	\$ 1,350	\$ 1,350	\$ 1,350	\$ 5,400
Professional Fees	\$ 13,400	\$ 7,850	\$ 1,850	\$ 1,850	\$ 1,850	\$ 13,400
Promotion	\$ 5,000	\$ 1,650	\$ 1,650	\$ 850	\$ 850	\$ 5,000
Restaurant Supplies	\$ 18,000	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 18,000
Other Expenses	\$ 14,764	\$ 3,691	\$ 3,691	\$ 3,691	\$ 3,691	\$ 14,764
<b>Total Expenses</b>	<b>\$ 558,832</b>	<b>\$ 130,952</b>	<b>\$ 134,650</b>	<b>\$ 137,750</b>	<b>\$ 137,750</b>	<b>\$ 541,103</b>
<b>Operating Profit (OP)</b>	<b>\$ 186,365</b>	<b>\$ (22,420)</b>	<b>\$ 20,542</b>	<b>\$ 48,549</b>	<b>\$ 48,549</b>	<b>\$ 95,220</b>
Interest on Loans (\$150,000 @ 4.5%)	\$ 6,750					\$ 6,750
Loan Repayment	\$ 50,000					\$ 50,000
<b>Operating Profit after Debt Service</b>	<b>\$ 129,615</b>					<b>\$ 38,470</b>
Employee Bonus Pool (Ex: 40%)	\$ 51,846					\$ 15,388
<b>Net Operating Profit after Employee Bonuses</b>	<b>\$ 77,769</b>					<b>\$ 23,082</b>
<b>Income Taxes</b>	<b>\$ 43,941</b>					<b>\$ 19,483</b>
<b>Retained Earnings</b>	<b>\$ 33,828</b>					<b>\$ 3,599</b>

**Table 4: Year 2 and Year 3 Profit & Loss Projections**

Assumptions	Year 2		Year 3	
	Average	Open	Averages	Open
# Dinners (Tues - Sun)	105	306	105	306
# Lunches (Mon - Sun)	65	357	78	357
# Bar Menu (Tues - Sat)	12	255	12	255
\$ Dinner per customer	\$ 15		\$ 15	
\$ Lunch per customer	\$ 11		\$ 11	
\$ Bar Menu	\$ 6		\$ 6	
Morning/Esspresso Bar sales per day	\$ 657	357	\$ 657	357
Beer & Wine sales per day	\$ 542	306	\$ 542	306
<b>Income</b>				
Dinner Service	\$ 481,950		\$ 481,950	
Lunch Service	\$ 255,255		\$ 306,306	
Morning/Esspresso Bar	\$ 234,549		\$ 234,549	
Beer & Wine	\$ 165,976		\$ 165,976	
Bar Menu	\$ 18,360		\$ 18,360	
Catering/Special Events	\$ 6,000		\$ 18,000	
<b>Total Income</b>	<b>\$1,162,090</b>		<b>\$1,225,141</b>	
<b>Cost of Goods Sold</b>				
	<b>\$ 340,529</b>		<b>\$ 354,044</b>	
<b>Gross Profit</b>				
	<b>\$ 821,561</b>		<b>\$ 871,096</b>	
<b>Expenses</b>				
Payroll	\$ 358,661		\$ 376,594	
Payroll Taxes	\$ 46,626		\$ 48,957	
Rent	\$ 42,840		\$ 44,982	
Utilities	\$ 33,768		\$ 35,456	
Credit Card Fees	\$ 12,551		\$ 13,232	
Insurance Expenses	\$ 7,000		\$ 8,000	
Licenses & Permits	\$ 1,800		\$ 2,300	
Maintenance & Repairs	\$ 12,000		\$ 12,000	
Music and Entertainment	\$ 6,000		\$ 7,000	
Professional Fees	\$ 6,000		\$ 7,000	
Promotion	\$ 7,000		\$ 8,000	
Restaurant Supplies	\$ 18,000		\$ 20,000	
Other Expenses	\$ 17,000		\$ 17,000	
<b>Total Expenses</b>	<b>\$ 569,245</b>		<b>\$ 600,521</b>	
<b>Operating Profit</b>				
	<b>\$ 252,316</b>		<b>\$ 270,576</b>	
Interest on Loans (\$100,000 @ 4.5%)	\$ 4,500		\$ 2,250	
Loan Repayment	\$ 50,000		\$ 50,000	
<b>Operating Profit after Debt Service</b>				
	<b>\$ 197,816</b>		<b>\$ 218,326</b>	
Employee Bonus Pool (Ex: 40%)	\$ 79,126		\$ 87,330	
<b>Net Operating Profit</b>				
	<b>\$ 118,689</b>		<b>\$ 130,995</b>	
<b>Income Taxes</b>				
	<b>\$ 63,378</b>		<b>\$ 69,223</b>	
<b>Retained Earnings</b>				
	<b>\$ 55,312</b>		<b>\$ 61,772</b>	

## 7.0 Appendices

### Appendix 1: Google 'Popular Times' for the New Deal Café

Relative Customer Traffic across Days of the Week and Hours of the Day According to Google



(Google Search, 'New Deal Café', 4-August-2016)

## Appendix 2: New Deal Café Balance Sheet, June 30, 2016

### Assets

#### Current Assets

Cash	\$	1,967
Checking Accounts	\$	9,432
Savings Accounts	\$	44,319
Accounts Receivable	\$	4,492
Inventory	\$	2,875
Prepaid Federal Income Tax	\$	818
Prepaid State Income Tax	\$	689
Total Current Assets	\$	64,592

#### Fixed Assets

Accumulated Depreciation	\$	(50,113)
Furniture and Equipment	\$	41,374
Leasehold Improvements	\$	13,211
Total Fixed Assets	\$	4,472

**Total Assets** \$ 69,064

### Liabilities and Equity

#### Current Liabilities

Sales Tax Payable	\$	(2,507)
Total Current Liabilities	\$	(2,507)

Total Liabilities \$ (2,507)

#### Equity

Retained Earnings	\$	45,735
Net Income	\$	25,836
Total Equity	\$	71,571

**Total Liabilities and Equity** \$ 69,064

### Appendix 3: Daily and Monthly Sales Estimates

#### Daily Sales Estimates

Day	Projected Number of Customers						Per Person Average						Projected Daily Sales						
	Coffee & Tea	Specialty Coffee	Bagels & Pastries	Bar Menu	Lunch	Dinner	Coffee & Tea	Specialty Coffee	Bagels & Pastries	Bar Menu	Lunch	Dinner	Coffee & Tea	Specialty Coffee	Bagels & Pastries	Bar Menu	Lunch	Dinner	Totals
Monday	80	30	30	0	55	0	\$ 2.00	\$ 3.00	\$ 2.67	\$ 6.00	\$ 11.00	\$ 15.00	\$ 160	\$ 90	\$ 80	\$ -	\$ 605	\$ -	\$ 935
Tuesday	80	30	30	7	55	75	\$ 2.00	\$ 3.00	\$ 2.67	\$ 6.00	\$ 11.00	\$ 15.00	\$ 160	\$ 90	\$ 80	\$ 42	\$ 605	\$ 1,125	\$ 2,102
Wednesday	80	30	30	7	55	75	\$ 2.00	\$ 3.00	\$ 2.67	\$ 6.00	\$ 11.00	\$ 15.00	\$ 160	\$ 90	\$ 80	\$ 42	\$ 605	\$ 1,125	\$ 2,102
Thursday	80	30	30	11	55	75	\$ 2.00	\$ 3.00	\$ 2.67	\$ 6.00	\$ 11.00	\$ 15.00	\$ 160	\$ 90	\$ 80	\$ 66	\$ 605	\$ 1,125	\$ 2,126
Friday	80	30	32	20	55	135	\$ 2.00	\$ 3.00	\$ 2.67	\$ 6.00	\$ 11.00	\$ 15.00	\$ 160	\$ 90	\$ 85	\$ 120	\$ 605	\$ 2,025	\$ 3,085
Saturday	110	45	50	15	90	165	\$ 2.00	\$ 3.00	\$ 2.67	\$ 6.00	\$ 11.00	\$ 15.00	\$ 220	\$ 135	\$ 133	\$ 90	\$ 990	\$ 2,475	\$ 4,043
Sunday	120	50	50	0	90	105	\$ 2.00	\$ 3.00	\$ 2.67	\$ 6.00	\$ 11.00	\$ 15.00	\$ 240	\$ 150	\$ 133	\$ -	\$ 990	\$ 1,575	\$ 3,088
Totals	630	245	252	60	455	630							\$ 1,260	\$ 735	\$ 672	\$ 360	\$ 5,005	\$ 9,450	\$ 17,482

#### Monthly Sales Estimates

Month	Expected Percent of Sales	Projected Monthly Sales	Variation from Monthly Average
<i>Average</i>	8.3%	\$ 87,715	-
January	7.0%	\$ 73,681	\$ (14,034)
February	8.0%	\$ 84,207	\$ (3,509)
March	8.5%	\$ 89,470	\$ 1,754
April	8.5%	\$ 89,470	\$ 1,754
May	9.0%	\$ 94,733	\$ 7,017
June	7.5%	\$ 78,944	\$ (8,772)
July	7.5%	\$ 78,944	\$ (8,772)
August	8.5%	\$ 89,470	\$ 1,754
September	9.5%	\$ 99,996	\$ 12,280
October	9.0%	\$ 94,733	\$ 7,017
November	8.5%	\$ 89,470	\$ 1,754
December	8.5%	\$ 89,470	\$ 1,754
Totals	100.0%	\$ 1,052,586	-