

# Capital Campaign Discussion

St. Luke's Episcopal Church

May 3, 2018

## Stated Desired for Improvement

- Desire to develop a vibrant Children's and Youth program has been a high priority for years and surfaced in the Rector Search and Discernment Phase of this Campaign.
- 88% of respondents in the Feasibility Survey said the Children's & Youth Ministry Endowment Fund is a medium or high priority
  - One person wrote "Children and Youth are as important as HVAC; to grow the Church, we need Children and Youth"
  - Another said "We have to have the HVAC, but if we don't have youth, we don't have a church"
- Children are not the future, they are the present

## Capital in the Church

- From Merriam-Webster: “capital – relating to or being assets that add to the long-term net worth of a corporation.” Capital is simply a financial asset. This can be in the form of cash, investments, or property.
- But in the Church, our goal is not to earn money for shareholders, rather it is to be faithful stewards of what we have been given to proclaim and share the love of God.
- “The Church is not a building”
  - The Church, as defined by the New Testament, is the Body of Christ
    - “The Church’s one foundation is Jesus Christ her Lord”
  - What we seek to build is not our geographic footprint or the stature of our buildings, but the very Body of Christ

## Expected Costs

- Salary:
  - Varies greatly depending on education and experience, as well as hours/week
    - Goal is to make it an attractive enough position to have someone with a theological degree in the position
  - A starting point might be \$1,000/year for every weekly hour
- Health Insurance: \$11,000
- Pension (based on salary): \$3,250
- Total ~ \$45,000-\$55,000
  
- Previous position was paid \$18,000/year for 20 hours/week

## Ways to Finance – Endowed Position

- In 2016-2017, we had a part-time Children’s and Youth Assistant. To pay for this, we transferred \$21,000 from interest income from the Endowment into the operating budget to pay for the position
  - The preferred option is to increase the amount of interest we are able to draw from by increasing the size of the Endowment with a special Endowment for Children’s and Youth programs
  - Endowments do not spend down resources, but build them up and remain resources for future generations
  - Endowments allow for positions to remain in perpetuity and are not subject to the “ups and downs” of annual budgets
  - Endowment building is a special, one-time fundraiser instead of having to do it every single year and worry about falling short
  - Endowments eliminate the stress of having a stated or unstated mandate of “justify your salary”

## Ways to Finance – Endowed Position

- Draw on Endowment is dictated by a 3 year rolling average of investment income
  - 5% is a good target for this
- To generate \$45,000 of annual income
  - Previous position was funded this way and provided \$21,000 of income
  - So we need to come up with another \$24,000/year
  - \$480,000 of principal, at 5% draw leads to this \$24,000/year

## Ways to Finance – Annual Budget

- 2018:
  - Budgeted revenue: \$456,392
    - Pledges: \$417,792
    - Donations and Loose Offering: \$24,500
- A 10% increase in operating revenue would result in nearly enough funding to fund this position
  - Still need to allow for inflation on other costs, most notably – health insurance

## Ways to Finance – Annual Budget

- Getting to 10%

\$/month	Increase/month	\$/year	Increase/year
\$ 10	\$ 1	\$ 250	\$ 25
\$ 25	\$ 3	\$ 500	\$ 50
\$ 50	\$ 5	\$ 1,000	\$ 100
\$ 100	\$ 10	\$ 1,500	\$ 150
\$ 250	\$ 25	\$ 2,000	\$ 200
\$ 500	\$ 50	\$ 2,500	\$ 250
\$ 1,000	\$ 100	\$ 3,000	\$ 300
...	...	...	...

## Ways to Finance - Hybrid

- When the Children's and Youth position was 20 hours/week, we transferred \$21,000 from interest income from the Endowment into the operating budget to pay for the position
- Combine this with an increase in operating revenue and some (even modest) growth in the form of a Children's and Youth Endowment would also get us to the goal of having a staff member to lead a vibrant ministry with children and youth

## Heating, Ventilation, and Air Conditioning (HVAC)

- Current system installed in 1991 and had a life expectancy of 25 years
  - We're on "borrowed time"
  - Last summer we received a repair estimate of \$8,400 for chiller and \$2,500 for the St. Agnes Room. We decided to "ride it out" – this system is in bad shape.
- Bids received (all include \$20,000 in contingency money)
  - \$668,520
  - \$589,000 (later negotiated to \$523,000)
  - \$560,000
- Not like what you have at home
  - 70 ton water cooled chiller and cooling tower (requiring a crane to install), boiler, 9 air handler units, water pumps, 2 residential units for Canterbury House, plus associated piping and electrical upgrades, upgraded control systems

## HVAC

- Bid selected
  - Graham's Piping, Inc. based in Salisbury
    - Final cost should be close to \$503,000 (depending on contingency)
    - We also have \$24,000 in mechanical engineer costs
  - Was designed to be a high quality system and the changes from original bid will not impact performance or efficiency
    - Many of the savings items are from Graham's Piping reducing their profit margin and asking vendors to do the same for a church
  - Will be a much more efficient system
    - Should reduce operating expenses and have fewer repairs for several years
  - We are pursuing financing options to make payment until pledges come in
    - Installation will happen in late summer-early fall

## Next Steps

- Capital Campaign Committee is moving into the Solicitation Phase
  - \$450,000 – Campaign Goal
  - \$560,000 – Stretch Goal to Avoid Long-term Debt
  - \$560,000+ - Greater funding for Children's and Youth Ministry
- Questions & Comments