

The Community Church of Chapel Hill

UNITARIAN UNIVERSALIST

106 Purefoy Road, Chapel Hill, NC 27514 • 919-942-2050 • c3huu.org

BOARD OF TRUSTEES

Meeting Minutes

August 8, 2017

Members:	Lilie Bonzani (absent)	Dan Hill	Bill Rote
	Barb Chapman	Dave Klibanow	Jenny Warnasch (absent)
	Andy Hencke (absent)	Bill Poteat	Steve Warshaw, chair
Ex Officio:	Thom Belote	Bonnie Nelson	Andrew Wright
Guest:	Paige Smith		

Welcome

Chalice Lighting/Reading – B. Chapman opened the Board of Trustees (BoT) meeting with a reading and B. Rote lit of the chalice.

Check-in

Agenda

Approval of Tonight's Agenda – S. Warshaw sent the agenda out in advance of the meeting. He called for a motion to approve the agenda.

D. Klibanow made a motion to approve.

D. Hill seconded the motion.

All in favor with none opposing.

S. Warshaw asked if there were any items on the agenda that could be moved to the Consent Agenda in the future to create room for the discussion of larger items. Items placed on the Consent Agenda can still be discussed if a member requests to do so. This approach will be tried in the future meetings.

Minutes from Meeting of June 13, 2017

Approval of Minutes from June Meeting – B. Nelson sent out the minutes in advance of the meeting. S. Warshaw asked if there were any changes to be made and there were two, including a clarification on T. Belote's comments on General Assembly. S. Warshaw called for a motion to approve the minutes as amended.

B. Poteat made a motion to approve.

B. Rote seconded the motion.

All in favor with none opposing.

Building Project Team Report

P. Smith

S. Warshaw introduced P. Smith. She reviewed a Building Project Team timeline that had been previously distributed. She stressed that the timeline is a work in progress. There is no congregational kick-off dinner planned; however, there are plans for a church-wide event on 9/16/17 from 5:00-7:00.

A. Wright asked about a budget for the event. P. Smith replied that G. McKinley was working on one.

B. Poteat questioned the lack of deliverables or reporting deadlines on the timeline. P. Smith said that she would talk with the team about them.

P. Smith noted that the campaign now has a new name: Building on Our Legacy. B. Poteat asked if this was a rebranding effort, which required support from the Board.

B. Rote made a motion of resolution to support the rebranding.

B. Poteat seconded the motion.

All in favor with none opposing.

D. Klibanow asked what did rebranding actually mean. P. Smith replied that it better reflected the history of the building projects and our reasons for moving forward.

P. Smith noted that the team is gathering input from in-house experts and generosity consultant, Mark Ewert. Fundraising status so far led to a question by D. Hill asking if the \$250,000 recently donated counts towards the 50% pay-down. P. Smith replied that it does and when factoring the amounts, it is included in both the numerator and the denominator, leaving \$1.6M to be raised. Questions were asked by D. Klibanow and B. Poteat about how to respond to others interested in donating. P. Smith requested that all inquiries be directed to the team. A. Wright said that the current building loan is due in the middle of the capital campaign receipts time (when pledges are being fulfilled); therefore, the construction loan will incorporate the remainder of the existing loan, if not paid off beforehand and the capital account has run out of funds. B. Poteat asked about designating contributions to be for the building only, not debt. A. Wright said that it cannot really be done since it will all be in one fund. B. Poteat said that we should be able to work that out if they talk to the capital campaign task force ahead of time.

P. Smith continued her update by reviewing copies of a slide presentation about the Building Plan. S. Warshaw asked if there were provisions for the renovation to be environmentally friendly. She replied that G. McKinley would be leading listening sessions about those issues. In the presentation, RE needs unfulfilled in the 2006 Building Project are listed as a driver in this building project. P. Smith suggested that the BoT can answer questions with regards to the need and the commitment made to dedicated space for RE. B. Poteat said that that's not a great sale item. B. Chapman added that sometimes that draws a negative reaction and was there not a better way to state the need. D. Klibanow asked for the history of why it is being presented this way. S. Warshaw asked that wordsmithing suggestions be emailed to P. Smith.

B. Poteat asked about how to address fundraising questions with it not being public until September and the idea of the silent leadership phase. P. Smith reiterated that all parties should be referred to the team. B. Poteat asked if there were going to be any additional fundraising besides soliciting pledges. P. Smith replied that not many were planned but one is doing the game day parking for dates not covered by RE. B. Poteat asked about a bake sale or something else with the kids. P. Smith said that they are talking with M. Hirsch about

possibilities. She added that there is a commitment to not taking monies from other church fundraisers, such as the Music Gala or the Service Auction.

B. Poteat asked if off-line questions should be directed to A. Hencke (the BoT liaison to the Building Team). S. Warshaw replied affirmatively.

Building Project Team Budget - A. Wright presented the projected financial budget, noting that it has had some minor updates since the last BoT meeting. He would like to post it on the Capital Campaign website. B. Poteat called for a motion that the BoT supports the plan to post the budget.

D. Klibanow made a motion to approve.

B. Poteat seconded the motion.

All in favor with none opposing.

A. Wright noted that there is \$27K in the current campaign fund.

B. Rote made a motion to approve, with inclusion of construction drawings costs to be determined by the Task Force.

D. Hill seconded the motion.

Discussion ensued. B. Poteat asked if proposed amount was too little. A. Wright replied that it depends on the definition of the pre-construction phase. B. Chapman asked about the proposed \$7K from the Endowment Ministry grants. P. Smith said that the team is going to request that they defer their grants for two years. T. Belote concurred.

There being no further discussion, a vote was taken on B. Rote's motion.

All in favor with none opposing.

S. Warshaw noted that P. Smith would return to future BoT meetings. He also asked if there would be physical models for the proposed construction. P. Smith said that only drawings were planned at this time.

Consent Agenda

Minister's Monthly Report – T. Belote sent his report out in advance of the meeting.

D. Klibanow made a motion to approve.

B. Rote seconded the motion.

All present in favor with none opposing. B. Poteat was absent.

Endorsement of Sara Gush's Candidacy for Ministerial Training – T. Belote requested the BoT's endorsement. No funding is required for the endorsement.

B. Chapman made a motion to approve.

D. Klibanow seconded the motion.

All in favor with none opposing.

S. Warshaw will sign the endorsement letter on behalf of the church and BoT.

Endowment Committee – B. Chapman provided a summary of the Endowment Committee (EC) meeting. T. Belote noted that there are currently no Capital Campaign grant

requests at this time. He added that M. Hirsch plans to submit a grant request for an anti-racism workshop.

B. Chapman asked for a discussion on the EC's thoughts on a more unified approach to stewardship. B. Poteat noted that this is not a new idea but that the BoT current focus is on the church's buildings -- both those being renovated and the maintenance of the existing ones. T. Belote pointed out that item #3 on the EC's suggestion list is actually the responsibility of the Endowment Committee. B. Chapman thanked everyone for the good discussion.

B. Rote noted that historically there were quarterly meetings with the EC. B. Poteat said that B. Chapman now serves as that conduit. T. Belote noted that the current long-range pledge drive is aligned with the BoT's and church's goals, and that it has been hard to find a stewardship leader.

S. Warshaw added that the issues with the BoT and the EC can not be solved with a liaison and that face-to-face meetings are needed at some point. However, in support of B. Poteat's statement, the BoT is particularly busy now. However, a meeting should occur as soon as reasonable, to include representatives of stewardship teams, T. Belote, S. Warshaw, and P. Johnson (EC Chair).

B. Poteat noted that the EC was established before the current governance model was adopted. Now the BoT is the official voice of the congregation. B. Chapman asked about the BoT using an EC grant to bring in an outside consultant who could help with generosity in the church. There is also the issue of no records/minutes for some of the EC history. B. Poteat recommended delaying action with the EC, while the BoT focus is on the building campaign. S. Warshaw concurred. B. Chapman repeated her concern about what the EC was to be doing during this phase.

Affirmation of Minutes from Congregational Meeting of June 6, 2017 – B. Nelson sent out the minutes in advance of the meeting. S. Warshaw asked if there were any changes to be made and B. Poteat made a correction as to the taxed income from the preschool and parking. S. Warshaw called for a motion to affirm the minutes as amended.

B. Rote made a motion to affirm.

D. Klibanow seconded the motion.

All in favor with none opposing.

Nominating Committee – S. Warshaw introduced the slate of candidates for the Nominating Committee. M. Scarborough will be the new chair. E. van Tongren is returning and K. Gush and S. Barker are joining the Committee.

S. Warshaw made a motion to approve.

B. Poteat seconded the motion.

All in favor with none opposing.

T. Belote distributed documents about attributes that the Nominating Committee should look for in new BoT members. Discussion ensued. It was noted that D. Klibanow and A. Hencke will run for 1-year terms to complete the current 2-years terms of the 2018 class.

B. Chapman had a question about the size of the BoT. B. Poteat said that it was prescribed by the Bylaws. S. Warshaw turned to the questions T. Belote raised on his hand-outs.

D. Klibanow noted that with the departure of B. Poteat from the BoT will leave a gap in

the financial knowledge.

B. Rote asked if legal expertise was needed with the pending building project. T. Belote agreed that that was a good point.

B. Poteat said that he thought it important that new BoT members knew that they represented the Congregation, not themselves or specific ministries or teams.

D. Klibanow said that the Nominating Committee should educate nominees about being on the BoT.

B. Chapman said that nominees need to know that it is a working board.

S. Warshaw raised the question of tenure. D. Klibanow felt that having both short- and long-term members was good.

B. Poteat added that the requirement to have been a Community Church of CH UU member for a year was a good idea.

D. Klibanow asked if past Nominating Committees kept a record of who has been approved and their responses, so as to aid the current committee? B. Chapman thought that they had in the past.

A. Wright returned to the question of adding new finance expertise to the BoT.

S. Warshaw asked about the leadership in the church. D. Klibanow expressed concern about “stealing” BoT members from other committees and thereby keeping the same people in leadership. S. Warshaw said that an upcoming BoT meeting there would be a discussion on developing leadership in the church.

S. Warshaw will convey to M. Scarborough the BoT thoughts on preferred nominee attributes.

Strategic Management Team – S. Warshaw brought back to the BoT the issue of membership for the Strategic Management Team (SMT). D. Hill is currently on the SMT, along with T. Belote and L. Bonzani. They are nominating Dawn Adams to join the team.

S. Warshaw made a motion to approve.

D. Klibanow seconded the motion.

All in favor with none opposing.

Annual Report – S. Warshaw brought back to the BoT the issue of the church’s annual report. T. Belote and S. Warshaw will handle this task. T. Belote will send out the questions to all the committees/ministries, using input from S. Warshaw and D. Hill. S. Warshaw and T. Belote will write summaries from the responses. B. Chapman asked if the report would be posted online and T. Belote said that it would be on the BoT page. S. Warshaw said that they are targeting a 9/15/17 date.

Maintenance Needs – T. Belote informed the BoT that the decision regarding a sewer line for the Manse is with the Orange Water and Sewer Agency (OWASA). B. Kosiba was not happy with the contractor’s quote, based on the location identified by OWASA. They are asking OWASA for a new route. This issue is tabled until next month.

B. Poteat asked if this needed to come back before the BoT. T. Belote said that the minister has to have a 10-year plan with a budget for maintenance needs and this was not in the 10-year plan.

Additional Items

S. Warshaw requested that an additional item be added to the agenda. He would like to reserve time in future BoT meetings to discuss larger issues. T. Belote would like to create a list of BoT retreat topics to discuss in the next year. B. Chapman noted that in Hotchkiss's book, it's advised that the Board needs to operate at a higher level of discussions. B. Poteat added that the church is now into five years of operating under the governance model and this is probably the right time to move towards this goal.

S. Warshaw reiterated the points from the discussion on BoT nominees that he will bring to M. Scarborough's attention.

Closing

Process Observations - B. Chapman provided a pro and con chart of the meeting flow.

Action Items - B. Nelson listed out the action items from the minutes taken: the Building Project Team to return for the next BoT meeting, the posting of pre-construction budget to the website, S. Warshaw's pending conversation with the Nominating Committee chair, the Manse sewer issue, and the Annual Report deadlines.

B. Chapman requested a change in the "Board Member of the Month". S. Warshaw will revise the list and share.

Closing Words - B. Chapman gave a reading and B. Rote extinguished the chalice.

ATTACHMENTS:

Board Agenda (Proposed)

Building Project Team Report

Minister's Monthly Report

Stewardship Coordination Memo

Minister's Memo to the BoT for the Nominating Committee

Building Project Team Plan & Budget

BOARD AGENDA (Proposed)
August 8, 2017
Straley Room

<u>ITEM</u>	<u>RESPONSIBLE PERSON</u>	<u>END TIME</u>
<u>Welcome</u>		
Chalice Lighting/Reading	Barb	7:04
Check-in	Steve	7:10
<u>Agenda – Approval Needed</u>	Steve	7:12
<u>Minutes from 06/13 Meeting – Approval Needed</u>	Steve	7:15
<u>Building Project Team Report</u>	Paige Smith/Andrew	7:45
<u>Consent Agenda</u>		
Minister’s Monthly Report	Thom	7:50
<u>Endorsement of Sarah Gush’s Candidacy for Ministerial Training – Approval Needed</u>	Thom	7:55
<u>Coordination among Stewardship Teams</u>	Barb	8:00
<u>Congregational Meetings</u>		
<u>Minutes for 6/11/17 Mtg – Affirmation Needed</u>	Steve	8:05
<u>6/10 Mtg Date for June 2018</u>	Jenny	8:10
<u>Nominating Committee</u>	Steve	8:20
<u>New Members – Approval Needed</u>		
Conveying Board Needs to Nominating Committee		
<u>Strategic Management Team</u>	Thom/Dan	8:30
<u>New Members – Approval Needed</u>		
Annual Report		
<u>Maintenance Needs</u>		
<u>Expected Maintenance Needs 2016-2030 – Approval Needed</u>	Thom	8:40
<u>Manse Sewer Improvements – Approval Needed</u>	Thom	8:50
<u>Building Project Team Budget – Approval Needed</u>	Andrew	8:55
<u>Closing</u>		
Process Observations	Barb	
Action Items	Bonnie	
Closing Words	Barb	

BUILDING ON OUR LEGACY

THE COMMUNITY CHURCH OF CHAPEL HILL
UNITARIAN UNIVERSALIST BUILDING AND
CAPITAL CAMPAIGN

Building on Our legacy – *Charlie Jones' Dedication to Jones Building*

- This house will become a church home when it is greatly used. This building will be a church home for us and the community when it has become tracked with the muddy feet of children, when the walls show usage, when its doors are open wide and often to ourselves and strangers, our own groups, and groups who have no home but stand in need of a place in which they may gather; when there is controversy within it; when these differences are not resented, not simply tolerated but prized and expressed in loving and creative controversy within our church family; also when it has controversy with the culture in which we live; when we are so bound to the common good and have such courage that we are lifted from conformity, custom and habit and are impelled to a creative maladjustment and controversy with 'normal' society.

Leadership Phase

- Following consultant's (Mark Ewert) guidelines
- Rule of thumb → raise 50%
- Level of “ask” determined by Mark
- Stewards will be trained by Mark
- Number of people to be asked for a pledge this fall is TBD

Our Building plan is



- Mission driven
- Honorable (honors commitment to RE)
- Financially attainable
- Welcoming for all
- Environmentally friendly
- Inclusive
- Responsible

RE Needs → Building design

RE Need	Building
<ul style="list-style-type: none">• 1 nursery• 2 for toddler and Pre-K ages	<ul style="list-style-type: none">• Remodel 3 rooms in downstairs Jones → <i>Rooms dedicated for children</i>
<ul style="list-style-type: none">• 3 rooms for children in grades k-6	<ul style="list-style-type: none">• Remodel 3 rooms in upstairs Jones → <i>Rooms useful for adults</i>
<p>“Living Room” for youth groups</p> <ul style="list-style-type: none">• Sunday day for middle school• Sunday evening for high school	<ul style="list-style-type: none">• New construction: lower level room → <i>Room useful for adults</i>
<ul style="list-style-type: none">• Worship space for all children on Sunday morning	<ul style="list-style-type: none">• New construction: Upper level “multipurpose room” → <i>Room useful for adults</i>

Remodeled Construction

Room	Purpose
3 rooms downstairs (bathrooms, storage)	<ul style="list-style-type: none">• Dedicated for young children → <i>nursery, toddlers and Pre-K</i>
3 rooms upstairs	<ul style="list-style-type: none">• Children K-6 Sundays• Adult programming other times: SEA, meetings, covenant groups
Upgrade community room and kitchen	<ul style="list-style-type: none">• Quieter space• More functional

New Construction

Room	Purpose
Multipurpose Space comfortable for 40-60	<ul style="list-style-type: none">• Children's worship on Sunday mornings• Rites of passage too small for sanctuary• Larger adult event, show films, community gatherings
"Living Room" Space, comfortable for 20-25	<ul style="list-style-type: none">• Middle school youth group on Sunday morning• High school youth groups on Sunday evening• Casual adult meetings
Gender inclusive family washrooms	<ul style="list-style-type: none">• Rooms on both levels
Small elevator, privacy room	<ul style="list-style-type: none">• All spaces accessible• Private space for personal use

Building Project Budget Summary						
	Actuals through 6/27/17	Actual Spent	Actual Vs Budget (Remaining Budget)			Notes
	Jun 2017	Jun 2017	To be requested	Open Budget after request		
Capital Campaign Task Force						
Generosity Consultant	11,610	1,390	1,535	2,925		
Meeting Expenses 10/23/16	809	(4)	4	-		
Meeting Expenses 12/4/16	167	633	(633)	-	Budget was a little high, so some leftover is being used to reduce the request	
Meeting Expenses 1/29/17	159	641	(641)	-	Budget was a little high, so some leftover is being used to reduce the request	
Space Assessment	242	0	(0)	-		
Kickoff Party	-	750	(250)	500	Initially was 750, but latest estimate is 500	
Celebration June 2018	-	-	2,000	2,000		
Silent Campaign Expenses	-	-	500	500		
Brochure Printing	-	1,000		1,000		
Case for Support	-	-	150	150		
	-	-		-		
Communications Task Force						
Artists' drawings	2,121	879	5,000	5,879	Task forces need to discuss	
Generosity Consultant for CTF	-	-	700	700	4 hours	
Tabling/Display	325	175	325	500		
Other Printing	-	-	500	500		
Finance Task Force						
Loan Principal, FY 2017	8,964	4,513		4,513	May and June loan principal has not posted to CC Fund as of 6/27	
Loan Principal, Debt Donations	250,900	-		-		
	-	-		-		
Building Task Force						
Architect's Fees	9,367	(0)		(0)		
	-	-		-		
Total	284,664	9,977	9,189	19,166		

Thom's Summer Schedule

- 6/14-6/17: Beach Trip [Vacation]
- 6/19-6/26: General Assembly in New Orleans [Denominational Travel]
- 6/28-7/2: Boston [Vacation]
- 7/3-7/31: Chapel Hill [Vacation / Study Leave]

Work During Denominational Travel / Vacation / Study Leave

Pastoral Care

- 6/14 Pastoral phone call to member whose brother died tragically.
- 6/27 Pastoral visit with Kroothoep family.
- 7/3 Pastoral visit with Kroothoep family.
- 7/5 Pastoral visit with family following death of Lori Kroothoep.
Meeting with Mayer family to plan Memorial Service.
- 7/6 Meeting with Kroothoep family to plan Memorial Service.
- 7/7 Compose memorial service for Dorothy Mayer.
Compose memorial service for Lori Kroothoep.
- 7/8 Officiate memorial service for Dorothy Mayer.
Preside over interment of ashes for Dorothy Mayer.
Officiate memorial service for Lori Kroothoep.

Quality Control for Summer Worship

- 6/16 Read and provided editorial suggestions for Linda Thompson's Preaching Practicum sermon.
- 6/24 Read and provided editorial suggestions for Lauraina Levwood's Preaching Practicum sermon.
- 7/13 Read and provided editorial suggestions for Bill Rote's Preaching Practicum sermon.

Other

- 6/18 Phone/Email Consultation with Kathy Farinola about Communications committee.
- 7/3 Respond to joint inquiry from Capital Campaign and Auction committees.
- 7/20 Attended Durham Bulls game with Charlie Kast and Danny Gotham
- 7/23 Attended SEA book discussion of "The Blood of Emmett Till" with guest Tim Tyson
- 7/24 Attended ice-cream social with members of 20&30s Group
- 7/25 Attended Committee on Ministry meeting
- 7/26 Participated in conference call with Executive Committee

Report from Barb Chapman, BOT Endowment Committee Liaison – August 8, 2017

From Polly Johnson, Chair, C3HUU Endowment Committee

I want to briefly outline some of our [the Endowment Committee] reasons for [requesting the establishment of a] of such a . . . a Stewardship Coordinating Committee"

1. Improve coordination of all stewardship-related activities/initiatives ranging from Annual Pledge Drive through long-range planning;
2. Including information about Endowment Fund and gathering data from members re estate planning and Endowment giving when doing annual pledge or special projects drives;
3. Discussing and developing a plan for a Planned Giving initiative;
4. Enhancing the section on Stewardship (Making a Financial Commitment) on our website.

From Katie Heineman, member, C3HUU Endowment Committee

. . . [S]tewardship including time, treasure and talent. For example, if we had an overall stewardship plan and program, could we (would we want to) be more conscious of maximizing peoples talents and not just asking them to plug holes with their volunteer service?
Could we maximize the use of volunteers' time by recognizing needs in advance and having coordinated plans to meet those needs? Would additional recognition and appreciation boost volunteerism?
Would it be easier to conduct future capital campaigns if there was a coordinated strategy in place for keeping the lights on through annual campaigns and meeting special needs inside and outside of our walls through the endowment all while preparing for those future big ticket capital needs, like RE space? Stewardship would include continuous education of the congregation so that being asked to support any of these things might not seem like such a big deal, nor an obligation if one just can't help out at a given time.
That kind of thing. I know we wouldn't want to impose structure where it's not wanted.

BOT Grant Application? Building the Spirit of Generosity within Our Church
Ewert and/or Hotchkiss as resources?

MEMORANDUM

To: Board of Trustees
From: Rev. Thom Belote
RE: Nominating Committee Best Practices
August 2, 2017

In the past 18 months nearly half of the Board of Trustees has resigned.

- John Ballantyne resigned citing health reasons in the spring of 2016. Pete Bird was appointed to fill this board vacancy.
- Bryan Sexton resigned as VP/President Elect in the fall of 2016 citing a mismatch between his time, skills, and interests and the demands of serving as president. He was replaced by Steve Warshaw.
- Russ Bowen accepted a nomination to serve on the Board then withdrew his acceptance in the late fall of 2016. Dave Klibanow was appointed to fill this vacancy.
- Katie Heineman resigned from the board in spring of 2017 citing frustration with efforts to change the approach to stewardship. Andy Hencke was appointed to fill this vacancy.

Presently, the Nominating Committee is charged with recruiting candidates to fill more than half of all Board positions. This high level of unexpected turnover is a cause for concern as it threatens board continuity and has the potential of generating anxiety in the congregation.

I recommend that the Board of Trustees have a conversation among its members regarding the recruitment of future board members and create a charge to the Nominating Committee directing its work in the coming recruitment period.

Further, I recommend that the Board have a conversation about the skills, qualities, and characteristics desired in prospective Board members as well as the ideal constitution of the Board as a whole and share the results of this conversation with the Nominating Committee. (See Appendix A for some questions to consider in this discussion.)

In addition, I recommend that the Nominating Committee receive a charge from the Board to seek input from the minister and program staff as part of their search process. Since I have arrived as minister the Nominating Committee has not asked me to recommend possible Board members or to comment on those under consideration for the Board. Two of the past three years the Nominating Committee has not asked Marion Hirsch to recommend possible Board members or to comment on those under consideration. Additionally, Rachel Rose has not been asked to give input on potential board members. If the Nominating Committee is charged to expand its search by consulting with the Minister, Director of Religious Education, and Membership Director, then the process of selecting Board members may be smoother and easier. We are a larger church now with approximately 400 members and it no longer works well to recruit leaders by having a small group of members ask amongst themselves, "Who do we know?" This tends to result in the same people being nominated over and over and excludes those outside of certain social constellations.

Appendix A:

Skills, Qualities, and Characteristics of Board Members

- 1) How important is it to have a member or members with legal backgrounds serving on the Board?
- 2) How important is it to have a member or members with financial backgrounds serving on the Board?
- 3) What other skills would be desirable to have represented on the board?
 - a. Stewardship and development skills
 - b. Process development and facilitation skills
 - c. Mediation and nonviolent communication skills
 - d. Parliamentary procedure skills
 - e. other
- 4) How important is it to have diversity on the Board?
 - a. Age
 - b. Gender
 - c. Sexual Orientation
 - d. Racial
 - e. Other
- 5) Do Board members represent specific program areas (religious education, music, social justice) or do Board members represent the church as a whole?
- 6) What personality types or personal characteristics are desired in board members?
- 7) Is there a desirable balance between longer-tenured and shorter-tenured members of the church serving on the Board? Can members be too new to the congregation to serve on the Board?
- 8) Is it important for Board members to have already held other leadership positions in the church?
- 9) What is the ideal relationship between generosity to the church and service on the Board?
 - a. It is important that Board members give generously to the church in relation to their means.
 - b. It is not important that Board members give generously to the church in relation to their means.
 - c. It is important that "Large Donors" be represented on the Board.
 - d. It is not important that "Large Donors" be represented on the Board.
 - e. Generosity is a private matter and should have no bearing on holding any leadership position in the church
- 10) Should a member who is in conflict with someone else in the church community be nominated to serve on the Board?
- 11) **What other questions are important when thinking about potential members of the Board?**

BUILDING PROJECT FINANCIAL PLAN

**Laurence Kirsch, Dan Hill, Larry Ross, & Andrew Wright
The Building Project Finance Task Force**

July 19, 2017

BACKGROUND

The Community Church of Chapel Hill needs new and improved spaces for its Religious Education programs for both children and adults, for regular meetings by twenty-three ministries and committees and six different choirs, for irregular meetings by an additional twenty-eight ministries and committees, and to accommodate substantial growth in various programs. Since 2013, our space needs and ways of addressing those needs have been identified by a Space Assessment Team (later evolving into the Space Exploration Team) and most recently by a Space Reassessment Task Force. The Space Reassessment Task Force held eight group listening sessions in July and August 2016 involving seventy-two members representing all the constituencies of our church community. Following the reassessment, members of the team met with the architect to develop design options to meet our needs. The results of the space reassessment and the design options were presented to the congregation in October 2016.

A building renovation and expansion will be funded by a capital campaign that may also pay off all or part of the existing commercial loan, which we refer to as the “legacy mortgage.” Although the capital campaign has not yet been initiated, the Board of Trustees has established a Capital Fund that had a present balance of \$27,562 at June 27, 2017.

The building campaign raises some financial issues, including how the church will determine the reasonableness of construction expenditures, pay construction bills in a timely fashion, manage debt, account for transactions, and involve the congregation in decisions and outcomes. Because funds from the capital campaign will likely be received by the church over a period that partly occurs after the expenditure of funds for construction, there will likely be temporary funding shortfalls that require the church to obtain a construction (bridge) loan in addition to the legacy mortgage.

PURPOSE

The purpose of the financial plan is to facilitate the building project and its associated decisions by providing two things: a) a list of the nuts-and-bolts activities that are needed to implement project financing; and b) financial information that will assist the congregation and the Board of Trustees in making their decisions. This plan is a living document that will evolve over time with improving information, advancing ideas, congregational decisions, and other events.

FINANCIAL FEASIBILITY AND PRUDENCE

The Building Project Finance Task Force (FTF), which reports to the Board of Trustees, is concerned with the financial feasibility and prudence of the manner in which the building project's finances are handled. We have two sets of concerns.

First, the receipts of the capital campaign need to be large enough to pay for the costs of the building project as well as any for any concurrent reduction in the principal of the legacy mortgage.

Second, the church's operating budget should continue to be related to the ongoing operations of the church, and not bear a burden from the financial impacts of the building project itself. Otherwise, there would be some risk that the church's programs and staff compensation could be adversely affected by the financial impacts. Once the building project is complete, some change in the operating budget is expected.

ROLE OF THE CONGREGATION

The congregation will decide whether to proceed with a capital campaign. If the decision is affirmative, then the congregation will decide, through individual donations, how much money will be raised by the campaign.

When the results of the capital campaign are known, the congregation will make two key interrelated decisions:

- It will decide the scope of the building project, particularly including its design and cost; and
- It will decide the extent, if any, to which capital campaign funds will be applied to payment of the legacy mortgage.

To accommodate differences between the timing of when capital campaign pledges are received and construction expenses must be paid, the congregation will need to formally grant to the Board authority to secure new debt for the purpose of bridge financing consistent with its decisions on the scope of the building project and payment of the legacy mortgage.

DETAILS OF THE FINANCIAL PLAN

Appendix A describes the steps that the FTF and others will take to enable the church to handle receipts and disbursements associated with the building project. These include establishing a project budget, contracting policy, a dedicated bank account, a construction loan line of credit, and accounting procedures; working with the Communications Task Force; and obtaining congregational support.

When the congregation makes its decisions on the scope and cost of the building project and on the handling of the legacy mortgage, we will easily be able to reasonably analyze and forecast the flows of money over time through the Capital Fund and the operating budget. Prior to

these decisions, however, we do have the following information and expectations concerning some key aspects of these flows:

- When the preschool leaves, the church will lose about \$54,000 per year in net rental income.¹ For a building project that expands our building space, this loss of preschool rental income will need to be addressed either through increased operating budget pledges or reduced operating budget expenditures.²
- The legacy mortgage payments are \$47,784 per year. The principal balance owned at June 30, 2017 was \$220,571. In the absence of any early payment of this principal, a balloon payment of approximately \$164,500 will be due when the loan matures on 12/25/2018.³ If refinanced at 6% per annum, a seven-year amortization loan would have payments of \$28,837 per year starting in January 2018.
- A construction loan, in addition to the legacy mortgage, will be needed to cover any amount by which construction costs exceed capital campaign funds received by the time of construction.
- Capital campaign receipts cannot be prudently used to pay down our legacy mortgage until such time as these receipts exceed total expected construction costs.

1 The preschool's lease expires on August 31, 2018. The \$54,000 figure, which is in 2016 dollars, approximates our annual receipts of \$64,045 from the preschool minus our payments of \$10,200 for cleaning up after the preschool.

2 Note that payments on the legacy mortgage are part of the operating budget expenditures. Donations of \$250,000 to pay down the legacy mortgage were received in June 2017 and will reduce a large portion of the legacy mortgage.

3 Over the past decade, the church has financed the balloon payments through rollover financing, that is, through new loans. Depending upon the timing of capital campaign receipts, this may happen again in whole or in part.

APPENDIX A
STEPS FOR HANDLING RECEIPTS AND DISBURSEMENTS

This appendix describes the steps that the Building Project Finance Task Force (FTF) and others will take to enable the church to handle receipts and disbursements associated with the building project.

1. ESTABLISH A PROJECT BUDGET

The FTF will collaborate with the architect, the Building Construction Task Force, and the Capital Campaign Task Force in developing a project budget, which will be subject to Board review and approval. The budget will evolve over time. It will initially depend upon the projected costs of the task forces associated with the building project. It will eventually include construction costs, including the soft costs associated with construction, as consistent with plans approved by the congregation. The FTF will present proposed budgets to the Board for approval.

2. OBTAIN CONGREGATIONAL SUPPORT FOR THE PLAN

Section 2 of the church's Bylaws states, "The congregation must approve any new debt secured by the real property of the congregation. The congregation cedes to the Board the authority to manage the financing of such approved debt."

The Board of Trustees intends to involve the congregation in decision steps beyond the requirement of the Bylaws. In June 2018, after the capital campaign is completed and before detailed planning or construction is initiated, the congregation will be asked to reconcile their design priorities with the amount of money raised, as well as to choose from among the financing options.

2.1. Develop Communication Materials

The FTF will work with the other three task forces to develop materials that inform the congregation of both the physical and financial aspects of the building project.

2.2. Obtain Formal Congregational Approval

The FTF will participate in the process by which the congregation will formally approve, revise, or reject:

- a. the scope of the building project, particularly including design and dollars;
- b. the application of funds to repayment of the legacy mortgage; and
- c. authority for the Board to secure new debt for the purpose of bridge financing.

3. ESTABLISH CONTRACTING POLICY

Consistent with Section 4.3.10 of the Board Policy Book, all construction contracts that have values greater than or equal to five thousand dollars (\$5,000) must be specifically approved by the Board. Contracts with values less than five thousand dollars (\$5,000) may also be specifically approved by the Board, but may also be authorized by the Board through its approval of a general resolution covering smaller contracts.

All contracts must be signed by an officer of the church, namely the Board President, Vice President, Past President, or Board Member at Large. All signed contracts must be consistent with Board approvals and the architect's plans.

4. ESTABLISH A CAPITAL FUND BANK ACCOUNT

To separate building project funds from other church funds, the FTF has established a Capital Fund Bank Account that is separate from the main church bank accounts. All funds associated with the building project will run through the Capital Fund Bank Account except for such funds as may be directly paid by a lender to building contractors. The FTF will work with the Congregational Administrator in establishing the deposit and disbursement procedures associated with this account, and will monitor the implementation of those procedures.

4.1. Establish Signatory Requirements

The persons who are authorized to sign checks disbursing money from the Capital Fund Bank Account are Dan Hill, Laurence Kirsch, Larry Ross, and Andrew Wright. For checks in amounts less than ten thousand dollars (\$10,000), any one signature of the foregoing persons shall be sufficient. For checks in amounts greater than or equal to ten thousand dollars (\$10,000), two signatures of the foregoing persons shall be required.

The signers shall sign checks and authorize other disbursements only when such disbursements are consistent with the Board-approved project budget as per Section 1, the contracting policy of Section 3, and the disbursement procedures of Section 4.3.

4.2. Establish Procedures for Depositing Funds into the Capital Fund Bank Account

The Capital Fund Bank Account was established on December 16, 2016, with funds, from the main church bank accounts, in an amount equal to the balance of the Capital Fund in the church's accounting records.

The Congregational Administrator or her designee(s) is authorized to deposit funds into the Capital Fund Bank Account. As capital campaign or other contributions to the building project are received, the Congregational Administrator shall deposit these contributions to the Capital Fund Bank Account. If funds are received for multiple purposes, such as a check that the donor intends will partly go the church operating budget and partly to the building project, the Congregational Administrator shall deposit the check to the BB&T Checking account and then, generally within a period of no more than five (5) business days thereafter, shall transfer the building project portion from the BB&T Checking account to the Capital Fund Bank Account.

4.3. Establish Procedures for Disbursing Funds from the Capital Fund Bank Account

In each of the first two quarters of calendar 2017, a check shall be drawn, before the end of each calendar quarter, to transfer from the Capital Fund Bank Account to the BB&T Checking account an amount equal to the church's payments of principal on the legacy mortgage during the quarter just ending.⁴

For the building project's non-construction tasks, an appropriate member of the Building Project Task Force must approve each invoice submitted for payment, on the basis the invoice's consistency with the Board-approved project budget as per Section 1, the contracting policy of Section 3, and the vendor's completion of the invoiced task(s).

For construction tasks, we will work with our architect's numbering system for construction tasks. A co-chair of the Building Construction Task Force must approve each invoice submitted for payment, on the basis of the invoice's consistency with the Board-approved project budget as per Section 1, the contracting policy of Section 3, and the contractor's completion of the invoiced task(s). When the Capital Fund Bank Account has sufficient funds to pay invoices, it will be used for this purpose. When the Capital Fund Bank account does not have sufficient funds, it will be paid by the lender through a construction loan.

5. ESTABLISH A CONSTRUCTION LOAN LINE OF CREDIT

The purpose of the line of credit is to fund the likely temporary shortfalls in capital campaign receipts relative to building project expenditures.

5.1. Establish a Construction Loan Line of Credit

We wish to establish a construction loan line of credit that includes the following characteristics:

- The lender will determine the maximum loan amount as a percentage of the revised project budget as established in Section 1.2 above. The remaining percentage must be provided by capital campaign funds that are received before the start of construction. Authority for the maximum loan amount must be approved by formal vote of the congregation.
- The construction loan could have an interest-only repayment structure for two to three years to allow for disbursement of construction funds and reductions from capital campaign proceeds. If construction expenditures exceed capital campaign receipts, any amount remaining could be combined into the rollover of the legacy mortgage, subject to a formal vote of the members of the congregation.

⁴ The intention of this policy was: a) to insulate the church's operating budgets for fiscal year (FY) 2018 and FY 2019 from financial impacts of the building project; and b) to leave open the *possibility* that the entire legacy mortgage balance of \$484,039 at 12/31/2016 can be paid by capital campaign receipts. Because of the lengthy delay in the preschool's departure and other developments, this policy was suspended after June 30, 2017.

To provide us with a construction loan, the lender will require evidence of the church’s ability to meet its financial obligations in the absence of income from the preschool, and evidence of pledges related to the building project.

Consistent with Section 4.3.10 of the Board Policy Book, the documents establishing the line of credit must be signed by an officer of the church.

5.2. Establish Procedures for Direct Disbursements of Funds from the Lender to Contractors

When the Capital Fund Bank Account does not have sufficient funds to pay invoices, payment shall be made through a draw on the construction loan. The architect must approve each invoice for payment, on the basis of the contractor’s completion of the invoiced task. The lender (or its disbursement agent) will also have approval procedures. The FTF will act as liaison between the lending institution and the architect.

6. ESTABLISH ACCOUNTING PROCEDURES

The FTF will work with the Congregational Administrator to establish disbursement and accounting procedures, and to monitor the implementation of those procedures.

6.1. Establish or Continue Ledger Accounts

The Congregational Administrator shall:

- establish a new asset account for the Capital Fund Bank Account;
- establish a new Construction Loan liability account; and
- continue the use of the Capital Fund temporarily restricted fund equity account.

6.2. Record Transactions

The Congregational Administrator shall record building project transactions relevant to accounts as follows: 5

Transaction	Debit	Credit
Initial transfer	Capital Fund Bank Account	BB&T Checking or BB&T Investors
Receipts from pledges	Capital Fund Bank Account	Capital Fund equity account
Disbursements from pledges	Capital Fund equity account Real Estate – Church	Illiquid Equity Capital Fund Bank Account
Disbursements from lender	Real Estate – Church	Construction Loan
Payment of construction loan	Capital Fund equity account	Illiquid Equity

5 A \$10,000 disbursement from pledges is recorded as \$10,000 reductions in the Capital Fund equity account and the Capital Fund Bank Account, and as \$10,000 increases in Real Estate and Illiquid Equity. Payments of construction loan are handled similarly.

	Construction Loan	Capital Fund Bank Account
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Note that no project transactions affect income or expense accounts.

The Congregational Administrator shall inform the FTF of building project transactions on a monthly basis.

7. WORK WITH THE COMMUNICATIONS TASK FORCE

The FTF will work with the Building Project Communications Task Force to provide timely financial information to the congregation. This will include supporting documentation for the Capital Campaign, and information on receipts and expenditures and the project progresses.

Building Project Milestones
Adapted from Building Project Timeline by Andy Henke and Paige Hall Smith
7/24/2017

<u>Start Date</u>	<u>End Date</u>	<u>Category</u>	<u>Activity</u>	<u>In Charge</u>	<u>Support from</u>	<u>Note</u>
6/12/2017	8/30/2017	Finance	Five-year operating budget projection with pledges flat	Treasurer	Thom, FTF	Draft is in review by Thom
8/8/2017	----	Finance	BOT Meeting: Board approves preconstruction budget, TF representative presents to board on progress	BOT, TF Rep TBD		
9/1/2017	9/30/2017	Education	Engage congregation in refining building plan.	CTF or BTF	BTF or CTF	Structured opportunities after church services
9/1/2017	10/30/2017	Campaign	Leadership phase of CC	CCTF		
9/12/2017	---	Education	Co-chairs educational session for BOT	CTF	CCFT	One co-chair from CCTF, CTF, BTF, FTF needed
10/7/2017		Education	Community Dinner with presentations, Q&A	CCTF	CTF, BTF, FTF	
1/7/2018	---	Education	Congregational meeting to approve capital campaign	BOT	CTF, CCTF	
2/24/2018	---	Campaign	CC and APD Kickoff	CCTF		
4/1/2018	5/31/2018	Campaign	Wrap up the capital campaign and annual pledge drive	CCTF	TF	Activity needs all hands on deck
5/1/2018	5/14/2018	Finance	Reconciliation of amount of funds raised and final design	FTF	BTF	
5/15/2018	5/21/2018	Finance	Preliminary approval from bank of line of credit	FTF		
5/15/2018	---	Building	Submit bid package to 3 Engineering firms for bids	BTF	FTF	Enough lead time?
6/10/2018	---		Congregational vote on final package: budget; financing; architectural concept drawings; approves loan.	BOT		Real building plan will not be ready at this point
6/11/2018	---	Building	Hire Engineering firm	BOT,	BTF, FTF	
8/30/2018	---		Preschool leaves	FTF		
2/1/2019	9/1/2019	Building	Construction	BTF		Begins 6-9 months after first Engineering plans to town for approval
9/1/2019	---	Building	Move-in and celebration			
10/1/2019	---	Finance	Construction loan amortization begins	FTF		

BOT=Board of Trustees; BTF=Building Construction Task Force; CC=Capital Campaign; APD=Annual Pledge Drive; CCTF=Capital Campaign Task Force; CTF=Communications Task Force; FTF=Finance Task Force; TF=all task forces;

Building Project Timeline

7/24/2017

<u>Start Date</u>	<u>End Date</u>	<u>Category</u>	<u>Activity</u>	<u>In Charge</u>	<u>Support from</u>	<u>Note</u>
6/11/2017	---	Education	Update congregation on Building Project	CTF	TF, Thom	
6/12/2017	8/30/2017	Finance	Five-year operating budget projection with pledges flat	Treasurer	Thom, FTF	Draft is in review by Thom
6/12/2017	6/30/2017	Finance	Accounting procedures finalized	FTF		See Building Project Financial Plan
6/15/2017	----		TF Meeting		TF	
6/16/2017	6/30/2017	Finance	Preconstruction budgets developed by TFs and turned in	Treasurer	TF	
7/1/2017	9/1/2017	Campaign	Finalize approach for leadership phase of CC	CCTF	Thom	
7/15/2017	8/31/2017	Education	Engage volunteers for project support, focus groups.	CTF		
7/16/2017	12/31/2017	Education	Execute Education and Engagement campaign; plans, financing, photos of the building design, table every Sunday, host meetings. Wall display.	CTF	CCTF, FTF, BTF, Thom	
8/1/2017	8/17/2017	Building	Prepare conceptual plans for congregational discussion	BTF	CCTF, CTF	Strawman available now for review; get CCTF inputs
8/1/2017	8/31/2017	Education	Market test and finalize educational materials	CTF	TF	
8/8/2017	----	Finance	BOT Meeting: Board approves preconstruction budget, TF representative presents to board on progress	BOT, TF Rep TBD		
8/17/2017	9/1/2017	Building	Work with architect to, as necessary, update conceptual design plans and drawings	BTF	CCTF	
8/22/2017	---	Education	TF Meeting: Finalize scope for educational materials	CTF	FTF, BTF	
9/1/2017	9/30/2017	Education	Engage congregation in refining building plan.	CTF or BTF	BTF or CTF	Structured opportunities after church services
9/1/2017	3/31/2018	Education	Update congregation on process for CC and activities for fall	CTF		regular announcements during services, increasing in frequency
9/1/2017	10/30/2017	Campaign	Leadership phase of CC	CCTF		

9/1/2017	10/15/2017	Building	Hire civil engineer to reaffirm master plan with town	BTF		
9/12/2017	---	Finance	Board approves gift policy	BOT		
9/12/2017	---	Education	Co-chairs educational session for BOT	CTF	CCFT	One co-chair from CCTF, CTF, BTF, FTF needed
9/26/2017	---	Education	TF Meeting	TF		
10/1/2017	11/15/17	Building	Meet with town on master plan and get agreement	BTF		
10/7/2017		Education	Community Dinner with presentations, Q&A	CCTF	CTF, BTF, FTF	
10/24/2017	---		TF Meeting	TF		
11/1/2017	2/1/2018	Campaign	Recruit for cottage meetings/stewards	CCTF		
11/21/2017	---	Education	TF Meeting	TF		Thanksgiving is Nov 23
12/26/2017	---		TF Meeting (actual date tbd)	TF		TF meetings for 2018 to be scheduled
1/1/2018	?	Campaign	Develop pledge materials (in addition to brochure; eg. Pledge cards)	CCTF		
1/1/2018	3/31/2018	Education	Convert to joint tabling for Capital campaign/APD	CTF		
1/7/2018	---	Education	Congregational meeting to approve capital campaign	BOT	CTF, CCTF	
2/11/2018		Campaign	Start sign up for cottage meetings	CCTF		
2/16/2018	2/17/2018	Campaign	Training for cottage meeting hosts/facilitators and stewards	CCTF		With Mark Ewert
2/24/2018	---	Campaign	CC and APD Kickoff	CCTF		
3/1/2018	3/31/2018	Campaign	Cottage meetings/ stewardship visits (as needed)	CCTF	TF	
4/1/2018	5/31/2018	Campaign	Wrap up the capital campaign and annual pledge drive	CCTF	TF	Activity needs all hands on deck
4/1/2018	5/14/18	Building	Identify and qualify 3 engineering firms for bids	BTF	FTF	
4/1/2018	5/14/18	Building	Develop bid package with Architect	BTF	FTF, BOT	
4/15/2018	5/1/2018	Finance	Planning for financing related to any loans	FTF		
5/1/2018	5/14/2018	Finance	Reconciliation of amount of funds raised and final design	FTF	BTF	
5/15/2018	5/21/2018	Finance	Preliminary approval from bank of line of credit	FTF		
5/15/2018	---	Building	Submit bid package to 3 Engineering firms for bids	BTF	FTF	Enough lead time?
5/20/2018	---	Campaign	Materials to congregation for vote	CTF	TF	14 days before meeting
6/10/2018	---		Congregational vote on final package: budget; financing; architectural concept drawings; approves loan.	BOT		Real building plan will not be ready at this point
6/11/2018	---	Campaign	Campaign wrap party	CCTF		

6/4/2018	---	Education	Provide regular updates to congregation on progress	CTF	BTF	
6/4/2018	---	Building	Hire Engineering firm	BOT,	BTF, FTF	
6/4/2018	8/30/2018	Building	Produce and approve Engineering Design for Town approval	BTF	BOT, FTF	
6/4/2018	6/30/2018	Building	Plan for displacement	BTF	FTF	
8/30/2018	---		Preschool leaves	FTF		
2/1/2019	9/1/2019	Building	Construction	BTF		Begins 6-9 months after first Engineering plans to town for approval
9/1/2019	---	Building	Move-in and celebration			
10/1/2019	---	Finance	Construction loan amortization begins	FTF		
4/1/2021	---	Finance	Final receipts of capital campaign pledges	FTF		

Abbreviations

- BOT = Board of Trustees
- BTF = Building Construction Task Force
- CC = Capital Campaign
- APD = Annual Pledge Drive
- CCTF = Capital Campaign Task Force
- CTF = Communications Task Force
- FTF = Finance Task Force
- TF = all task forces