Frequently Asked Questions – September 2020

Q1. Why is the building project costing more than we originally estimated?

A1. Since the original estimate in 2017, the cost of new construction (labor and materials) has risen significantly, due to major storm-driven competition for reconstruction resources, a booming market for new housing and commercial construction, and government tariffs.

By the time the capital campaign concluded in 2018, we already realized we would have to redefine the package* and create a financing strategy to close "the Gap" between estimated costs and projected funds, so that the church budget would not end up being unduly burdened with debt service over the next ten or more years. The good news is that the construction contract we negotiated in January 2020 is "fixed price," which protects us from the current year's upward cost pressures.

*The design was streamlined to the extent viable without compromising structural integrity, quality, and adherence to key priorities. A significant part of the package's redefinition was to fix up the existing Jones Building space ourselves to make it usable (what we called "Phase I," done summer 2019), and to postpone discrete improvement projects for that space (e.g. Community Room acoustics, kitchen upgrades, etc.) until after the "Phase II" new construction is completed and paid for.

Q2. How much is needed to close the Gap between the new building's estimated cost and our projected income?

A2. According to our updated estimates as of July 31, 2020, we will be $310,000 short of closing the Gap by June 30, 2021, which is the end date of the original three-year pledges. The Board has approved "Strategy B" allowing a fourth year for a no-pressure appeal to congregational households for supplemental pledges as they are able. If enough folks are able, on average, to pledge one-third of their original pledge, we will be able to close the Gap (which will have risen to $326,000 due to extra year of interest cost) by June 30, 2022.

Q3. What if we don't meet that target date for closing the Gap?

A3. If necessary, we could extend the timeframe for collecting supplemental pledge payments until June 2024, by using a prudent reserve in the Capital Fund to buffer monthly pledge payment fluctuations and ensure we can meet the loan payments. A downside would be the extra two years of loan interest costs.

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Q4. Why don't we just let the construction loan extend for ten or more years, instead of striving to pay it off?

A4. When no money is left in the capital fund, debt service in future years would have to come from the church's annual operating budget, risking shortfalls for staff salaries and building operations. A loan of this size over ten years at current rates would be an annual hit of about $16,000 to our operating budget, totaling $160,000 over that ten-year period.

Q5. What happens if funds raised exceed the building cost figure?

A5. The "let's make it work" plan endorsed at the January 2019 congregational meeting defined three Phases (see "*Recap in a Nutshell: Why Are We Doing a Building Project*" leaflet for more information). If, after completing Phase I (Jones Building fix-up) and Phase II (new construction), there are funds left over, we would address "Phase III" high-priority improvements to the existing building that have been deferred until after the new construction is paid for, such as: Jones Building acoustics improvements, HVAC and kitchen upgrades, built-in storage spaces, and improvements to the Commons bathrooms. We would involve the congregation in assessing the relative priorities of the identified "Phase III" deferrals and move ahead accordingly.

Q6. I already paid my original pledge in full. For tax reasons, I want to transfer some assets by the end of December. Could I donate an amount of cash or some stock and have it count as fulfillment of my Fourth-Year pledge?

A6. Yes.

Moreover, any early donations before we transition to the post-construction loan (March 2021) will help reduce the size of the post-construction loan, and thus the fixed monthly payment will be smaller and our overall interest cost will be reduced!

Q7. Why introduce the campaign in September 2020 with so much uncertainty: coronavirus, the economy and the upcoming election?

A7. The current uncertainties have affected each of us in a variety of ways. Some have lost jobs and face other financial difficulties. Others have successfully worked from home and experienced little or no loss of income. The fortunate ones may have in fact experienced an increase in savings because of the restrictions of the pandemic on free time.

We feel it is important to explain impacts that the looming debt (the Gap) will have when the new construction is completed (circa March 2021). And, to offer alternatives for those who are able and willing to either donate before March or to pledge a donation before the end of June 2022. There is no intention to make an in-person appeal to all members and associates. Each member or associate can decide about helping close the Gap as their changing circumstances dictate.

Q8. <u>What's the difference between pledging to the Annual Operating Fund and pledging to the Capital Fund?</u>

A8. **Funding for the Annual Operating Budget is by necessity the higher priority each year.** If that income falls short, there won't be enough to keep our building in working order and pay our staff for their outstanding service.

Feature	Annual Operating Fund	Capital Fund
Uses	Staff salaries, building maintenance and operating costs, program expenses, supplies	Capital improvements - in particular, construction of new building addition
Chief source of funding	Pledges in response to Annual Pledge Drive each spring	Pledges in response to 2018 capital campaign
Required?	To be a member of the church entails a requirement to make an annual pledge of some amount. The amount is entirely individual and may, in hardship cases, be waived by the minister	Not required. An optional capital pledge may be large or small. Many (75%) of the church's members have pledged to the 2018 campaign to support the current building project
Time period for receipts	Each fiscal year July 1 – June 30	Over three fiscal years ending June 30, 2021, now extended for new or increased pledges to June 2022
Current projected annual pledge receipts	$520,000 (fiscal year July 2019-June 2020)	$1,250,000 (spread over the three fiscal years ending June 30, 2021)