

Port Nelson United Church

Information Package for November 22, 2015 Congregational Meeting

*Our women see visions, our men clear their eyes,
With bold new decisions, your people arise.
-- Spirit of Gentleness, James K. Manley, 1975*

INTRODUCTION

Like a baseball pitcher's rubber on the mound that gives the pitcher firm footing and a place from which to start his powerful fastball, or the rubber "hack" that gives a curler the stability needed to start a perfectly curled draw to the button, our renovated building will be the place where we launch ourselves into the community.

This project did not come to us in a neatly bundled package labelled "Renovated Church Building – just add water." Instead, our women saw visions, our men cleared their eyes, and conceived of what this project could mean for us through our mission while living out our core values.

Our imaginations have been rekindled. Imagine a new kitchen out of which hundreds of Food Voucher Programme participants receive nourishment for their bodies and for their souls. Rekindled. Imagine GLEE Camp participants and leaders having more flexible space and a greater capacity within which to learn about God through the arts. Rekindled. Imagine the Pinnacle youth and the Adventure Crew children regularly enjoying the space for P.A. Days and for holidays. Rekindled. Imagine refugees learning English as a second language or attending nutrition classes because our space fits their needs. Rekindled. Imagine concerts with crowds of participants who enjoy the accessible space, the air conditioned atmosphere and the lack of line-ups for the bathrooms. Rekindled. Imagine Port Nelson United Church as a Centre for Excellence out of which people are taught how to be more inclusive, how to make use of green initiatives, or how to connect in small groups which grow numbers of participants as they deepen in faith. Rekindled. What about seniors, or youth, or the marginalized, or.... Rekindled, our only limit will be our imaginations.

But as important as the imaginative prophets and seers were, we also needed the accountants and number crunchers, and the "smallest detail people." Every email, every comment, and every piece of feedback became an integral part of the final plan.

HISTORY OF THE RENOVATION PROJECT

The journey toward this renovation project began over five years ago, involved extensive surveys by engineers as to the maintenance and accessibility issues with the Port Nelson United Church building, and two investigations (one to rebuild and the other to renovate) which culminated with the overwhelming majority approval of the current renovation plan. The Rekindle Campaign was successful in obtaining over \$2 million in pledges. More details are available on the church website: www.portnelsonunitedchurch.com.

Rekindle Campaign

Background. A mailing was sent to every family in the congregation including families for whom our ministerial staff conducted weddings, baptisms, and funeral/memorial services in the past five years. Personal visits were made to 125 households by 30 canvassers. In addition, invitations to contribute were made to families at each of the three summer GLEE Camp concerts.

Results

This table summarizes the number of pledges that were received according to the size of the pledge. The majority of these are to be given annually over five years beginning in 2015.

<u>PLEDGED AMOUNT:</u>	<u>NUMBER OF PLEDGES RECEIVED:</u>
\$250,000 or above	2
\$100,000 up to \$250,000	2
\$50,000 up to \$100,000	8
\$25,000 up to \$50,000	14
\$10,000 up to \$25,000	23
\$5,000 up to \$10,000	18
\$1,000 up to \$5,000	30
\$100 up to \$1,000	35
up to \$100	3
	135

TOTAL AMOUNT PLEDGED: \$ 2,008,000

Planned Giving

We have embarked on asking members to prayerfully consider adding Port Nelson to their Wills. To date, we are aware of eleven members/family units who have indicated that they have included Port Nelson in their Wills. This may amount to in excess of \$300,000. We are hoping others may follow their lead. We have a goal of at least 25 legacy gift commitments by the end of 2015. This would help in paying for the balance of renovation costs. We are also in a period of the most significant wealth transfer ever. Members might also consider contributing a portion of their inheritance to the project. Still others may have insurance policies they do not need and could consider naming Port Nelson as the beneficiary. All of these options are possible and probable, but are not included in the financial scenarios in the Funding Plan

Council Meeting September 16, 2015

Council received the Rekindle Campaign report and after much discussion about the need to take on debt and the ability to service a debt it was decided to attempt to secure another \$500,000 in pledges. This decision was presented at a congregational meeting on September 27 in the form of a motion to proceed with the project if the additional pledges were secured.

Congregational Meeting September 27, 2015

On September 27, the congregation celebrated the great success of the Rekindle Campaign. The motion to proceed with the project if an additional \$500,000 in pledges could be secured was approved.

The intent of the approved motion was that the project would proceed if satisfactory funding was established. The funding needed to fill the gap (between the \$2 million pledged, plus \$500,000 in anticipated new pledges, and the \$3.2 million estimated project cost) was \$700,000. At current institutional interest rates the ability of the congregation to support the required loan of \$700,000 and bridging loans was considered to be possible. When the additional \$500,000 in pledges was not achieved by October 14, alternate funding approaches were considered by Council. If the interest rate payable on a loan could be reduced (i.e. from 5% to 3%) then the size of a loan could be increased accordingly (i.e. from \$700,000 to \$1.2 million). It was suggested that the lower rate loans could be achieved if they came from individuals willing to loan money at a reasonable rate of return.

Council Meeting October 14, 2015 (the following is taken from the draft Council minutes):

Alan Brown, Vice Chair of Council, offered four options for the Council to consider:

- a) Do nothing
- b) Go back to the architect and scale back the design. Could \$2 million be raised again with a new design? How long would this take? How much would the new design process cost?
- c) Remain as we are in fundraising mode and wait for more money to come in. We know that a substantial number of people do not give until a project has started and that the cost of the project will rise. Also we cannot apply for grants until the project has started.
- d) Approve the project with the funding we have in hand.

Council discussion focused on options c) and d). It was noted that a leap of faith was needed in going forward with a project. Bequests by individuals are a possible source to pay down a loan. Grants are available, the extent of which will not be known until the project is approved and the applications are made.

It was pointed out that the current pledges are to start in 2015. Cheques received during Rekindle will become stale dated after Nov. 1, 2015. Approving the project now with the pledge money in the bank gives room to breathe before the project commences. Also people will receive a tax receipt for their donation for the 2015 year if we commit to the project and collect the pledges.

It was reported that there are individuals in the church family who are willing to loan money at a reasonable rate to the project. A better business case could be made to lending institutions for loans if it is shown that members are willing to invest. A small ad hoc group (Steve Jones, Treasurer; Rod McGrath, Finance Chair; Marty Wamsley, Trustees; and Stan Harvey, Rekindle Secretary) was struck to investigate and recommend the terms of such loans and to approach additional individuals about making loans. At the previous congregational meeting it was noted that there was a general sense of support for the project, but there was also frustration at the slowness of the process.

It was decided to go to the congregation with the pledges received to date, a funding plan and a recommendation from Council to commence the project. Thus, Council approved the following motion:

MOTION: *Recommend to the congregation to proceed with the renovation project based on pledges obtained to date of \$1.99 million and augmented by a plan for the remaining funding.*

PLAN FOR REMAINING FUNDING

In order to begin the \$3.2 million project, the ad hoc group struck at the October 14 Council meeting suggests the following:

Total Project Cost: \$3.2 million

Pledges Received: \$2,008,000

Additional Funds Required: \$1.2 million

Sources of Additional Funds:

Anticipated additional pledges:	\$200,000
Grants	\$350,000
Loans from Individuals	\$350,000
Loan from external sources	\$300,000
TOTAL	\$1.2 million

Additional Pledges

We have heard from professional fundraisers that additional funds will likely come in after the project is approved. This could be up to 10% of the total value of the project. We know at this time that several households have not yet committed. We have faith that the additional pledges will be received and have worked this into our projections.

Grants

Many grant opportunities for programme improvements and accessibility are available. This could be between \$100,000 and \$500,000. Grant applications cannot be made until the project is approved. We need faith and hard work to maximize this opportunity.

Loans from Individuals

The ad hoc group has researched possibilities for Promissory Notes in support of the renovation project. This would significantly reduce or eliminate the need for a loan from external sources. Several individuals have indicated interest in loaning money for the project. For details of the Promissory Notes see Attachment A.

Loans from External Sources

As pledges have been committed over five years, it will be necessary to obtain external financing as an interim means to cover pledges to be received for the years 2017 to 2019. This is reflected in both the conservative and optimistic scenarios (see Attachment B - Line 8). The total required is \$700,000 to be repaid as the pledges are received.

A second loan from external sources is required to complete the project funding. The amount of this loan is shown in Line 7 in the two funding scenarios.

Summary of Financing Scenarios

Attachment B is a detailed summary prepared by the ad hoc group showing two possible financing scenarios: one is conservative, and one more optimistic.

In both scenarios, during the year of construction, external financing would be in the form of a construction loan at a rate of approximately 4.5%. Funds from this loan would be drawn upon as required during the construction phase. Once the project is complete, the balance of the construction loan would be converted into a term loan and mortgage (conservative scenario) or term loan only (optimistic scenario).

While the optimistic scenario reflects increases in several of the funding options, it does result in a lower requirement for external financing and allows Port Nelson to avoid entering into a mortgage and the constraints of a mortgage. The total external financing of \$1 million (\$300,000 project funding and \$700,000 pledge coverage) would be in the form of a term loan, interest only, subject to an annual review. Principal would be repaid at any time as pledges, legacy gifts, fundraising and other revenues are received. This can significantly reduce the payback period and the resultant cost of financing.

The summary in Attachment B also includes annual principal and interest charges over the anticipated 15 year amortization period. It is expected that the principal of loans from individuals would be repaid from legacy gifts received over the 10 year term of these loans.

How Will the Annual Financing Costs be Paid?

We would like to highlight a few possible sources of funding to repay the loans:

- **Increased Rental Income (\$10,000)** – the renovated space will be more attractive, flexible, multi-purpose, and air conditioned.
- **Annual Savings in Building Repairs and Maintenance (\$10,000)** – with most of the current problem areas of the building being addressed through the renovation and improved efficiencies gained through boiler replacement and other changes, it is expected there will be savings in annual building repairs and maintenance. It is recommended a portion of these savings be directed to the renovation project.
- **Increased Giving Specific to Loan Reduction (\$20,000)**
- **Fundraising Projects (\$10,000)** – additional fundraising projects are expected with the specific purpose of debt financing repayment.
- **Endowment Fund Interest Allocation (\$5,000)** – Each year the Endowment Fund Committee allocates the interest available from the Fund to projects including those within Port Nelson United Church. Over the next 10 years, \$135,000 of interest is expected from the loan granted to the PNUC Renewable Energy Co-operative Inc. for the solar panel installation. It is recommended that \$5,000 per year of this interest be directed to the reduction of the renovation financing.

CONCLUSION

There are many other possibilities. We are one of the wealthiest communities in Canada. Our Church community is also one of the most blessed in our city. We are a community growing in faith, and we realize that the renovation will help us live out our values and mission. Financially, we as a church are in a very positive position. Additionally, the cost of borrowing money is very low. We believe that with faith, plus hard work and prayerful consideration this project will be a tremendous success.

Attachment A
Ad hoc Committee Report to Council
Promissory Notes

RECOMENDATION

After dutiful discussion and consideration, the Ad hoc Committee is recommending to Council the following terms for funds raised by Promissory Note in support of the Renovation Project:

Term – Ten (10) years

Interest Rate – Three (3%) Per Cent per annum - fixed rate

Interest Paid annually on the anniversary of the date

Repayment – Principle paid at maturity, however Port Nelson United Church reserves the right to repay any or all principal on the loan prior to maturity at no penalty.

Note: these loans are not secured

BACKGROUND

The term of ten (10) years is in keeping with the term extended by Financial Institutions for loans of this nature. The term also allows Port Nelson United Church to plan reserve funds for the repayment of loans at maturity.

The interest rate of three (3%) percent is better than what investors can currently earn on GIC investments and Bond issues. Port Nelson United Church benefits from a rate that is lower than what PNUC would have to pay for a loan/mortgage from external sources (4.5 to 5%).

The fixed rate allows PNUC to effectively plan for the annual interest payments and limits the administrative responsibilities associated with these notes.

It is also recommended that a minimum loan amount of \$10,000 or \$25,000 be considered, again to limit the administration responsibilities associated with the management of the loan portfolio.

A number of individuals have also indicated that they have now included a legacy gift to PNUC in their wills. While we do not know the amount and it may be years before we realize these gifts, PNUC reserves the right to use any undesignated Legacy gift proceeds to reduce, without penalty, the principal outstanding on the promissory note loans.