

All Souls Church Third Century Challenge Financing our Building Renovation

Presentation to Church Congregation

March 10, 2013

Questions

- Total Funds Available – What are the amounts and sources of funds available to pay for our church renovation?
- Long-term Borrowing – What are the options for borrowing to supplement capital campaign funds?
- Short-term Borrowing – How will we fill the timing gap between construction cost needs and pledge cash received?

Key Considerations

- Total pledges to date: \$7.8 million
- Total longer-term bank borrowing potential: \$1-\$2 m.
 - Likely terms: 25-year amortization, 7-year term, 4-5% rate
- Upside potential:
 - Future pledges and grants
 - Legacy giving
 - Endowment resources (\$5.8 million, of which \$1-2 million potentially eligible)
- Downside risks:
 - Pledge fulfillment rate (also affects borrowing capacity)
 - Refinancing terms for bank loan (after 7 years)
 - Debt service costs (and/or foregone earnings if endowment used)

Three Options

Source	High Case	Base Case	Low Case
Pledges fulfilled to date (91% fulfillment)	\$ 1,743,500	\$ 1,743,500	\$ 1,743,500
Fulfillment of remaining pledges	\$ 5,870,000 (97% fulfillment)	\$ 5,748,700 (95% fulfillment)	\$ 5,627,700 (93% fulfillment)
Pledges- new donors	\$ 150,000	\$ 50,000	\$ 50,000
Pledges- increases	\$ 200,000	\$ 25,000	\$ 25,000
Grants	\$ 100,000	\$ 25,000	\$ 25,000
Bank loan- 7 years	\$ 2,000,000	\$ 1,500,000	\$ 0
TOTAL	\$10,063,500	\$ 9,092,200	\$ 7,471,200

Debt Service and Year-7 Refinancing Requirements

\$1.5 million loan

	3.75%	4.5%	5.5%
Annual Payment (\$000)	92	100	110
% annual ACS budget	5.2%	5.7%	6.2%
% annual pledges	7.1%	7.7%	8.5%
Balloon year 7 (\$000)	1,209	1,232	1,261

\$2.0 million loan

	3.75%	4.5%	5.5%
Annual Payment (\$000)	123	133	147
% annual ACS budget	7.0%	7.5%	8.3%
% annual pledges	9.5%	10.2%	11.3%
Balloon year 7 (\$000)	1,613	1,644	1,681

Funding Debt Service

- ACS does not have operating surplus to pay debt service -- will need additional funds
- Possible sources of funding for annual debt service 2016-23
 - Increased giving levels per member
 - Growth in church membership and pledging households
 - Rental income from new space
 - Reduced expenses (e.g. building operations and maintenance)
- Possible sources of principal repayment for balloon note due ~2023
 - New 7-year mortgage from bank
 - Grant or loan from eligible endowment funds
 - Debt-retirement capital campaign
 - Designated or legacy gifts

Short-term Borrowing

- Needed to pay costs of construction (2014-2015) until all pledges paid (2016-2017)
- ACS likely to be eligible for line of credit with up to \$5 million outstanding (interest-only during construction, floating rate)

Likely BOT Recommendation to Congregation

- **To approve up to \$2m in long-term bank borrowing** (to allow for borrowing between \$1m and \$2m depending on terms, pledges, and other funding available as of Spring 2014)
- **To approve up to \$5m in short-term bank construction financing**