

CCDC  
Financial Sustainability  
Working Group

February 2014

# Financial Sustainability Working Group

- Charter

- To review recent financial data looking for important trends
- To suggest possible new revenue sources and ways to strengthen existing sources
- To ensure mission-critical programs – new and existing – can be adequately supported

- Membership

- Carla Bailey
- Steve Bensen
- Jay Benson
- Tom Csatari
- Brian Edwards
- Trish Jackson
- Evan Smith

# Revenue

# Revenue Overview

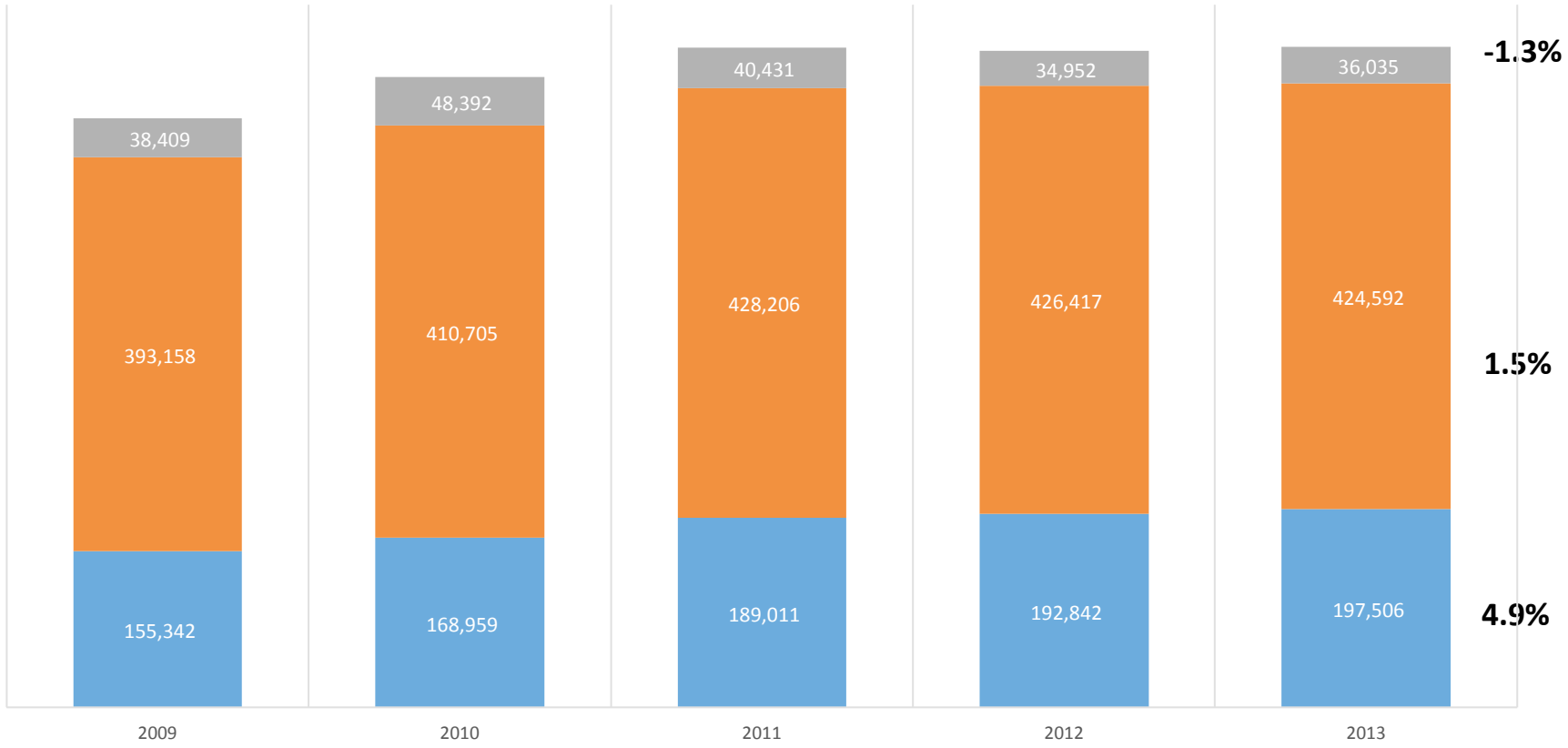
- Over the last 5 years, church revenue has grown on average 2.3% per year.
- We have two main sources of income: rental income and plate/pledge income.
- Both sources have grown, although plate/pledge more slowly.
- Pledge income has been flat in the last two years.

# We have had income growth across our two major funding sources but P&P is flattening

## INCOME BY SOURCE

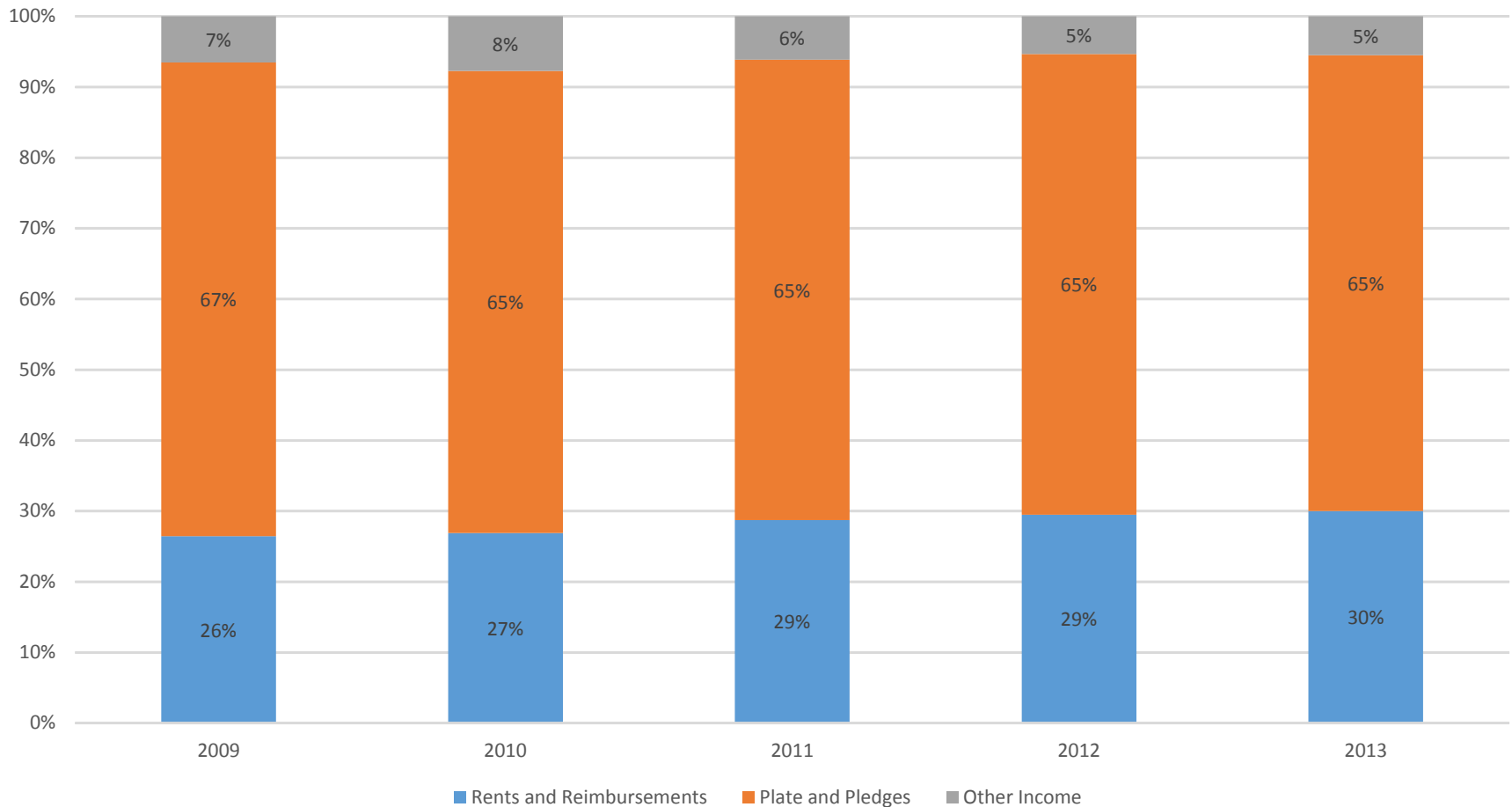
■ Rents and Reimbursements ■ Plate and Pledges ■ Other Income

Compound Annual Growth Rate



On a percentage basis, these sources have remained relatively consistent from year to year.

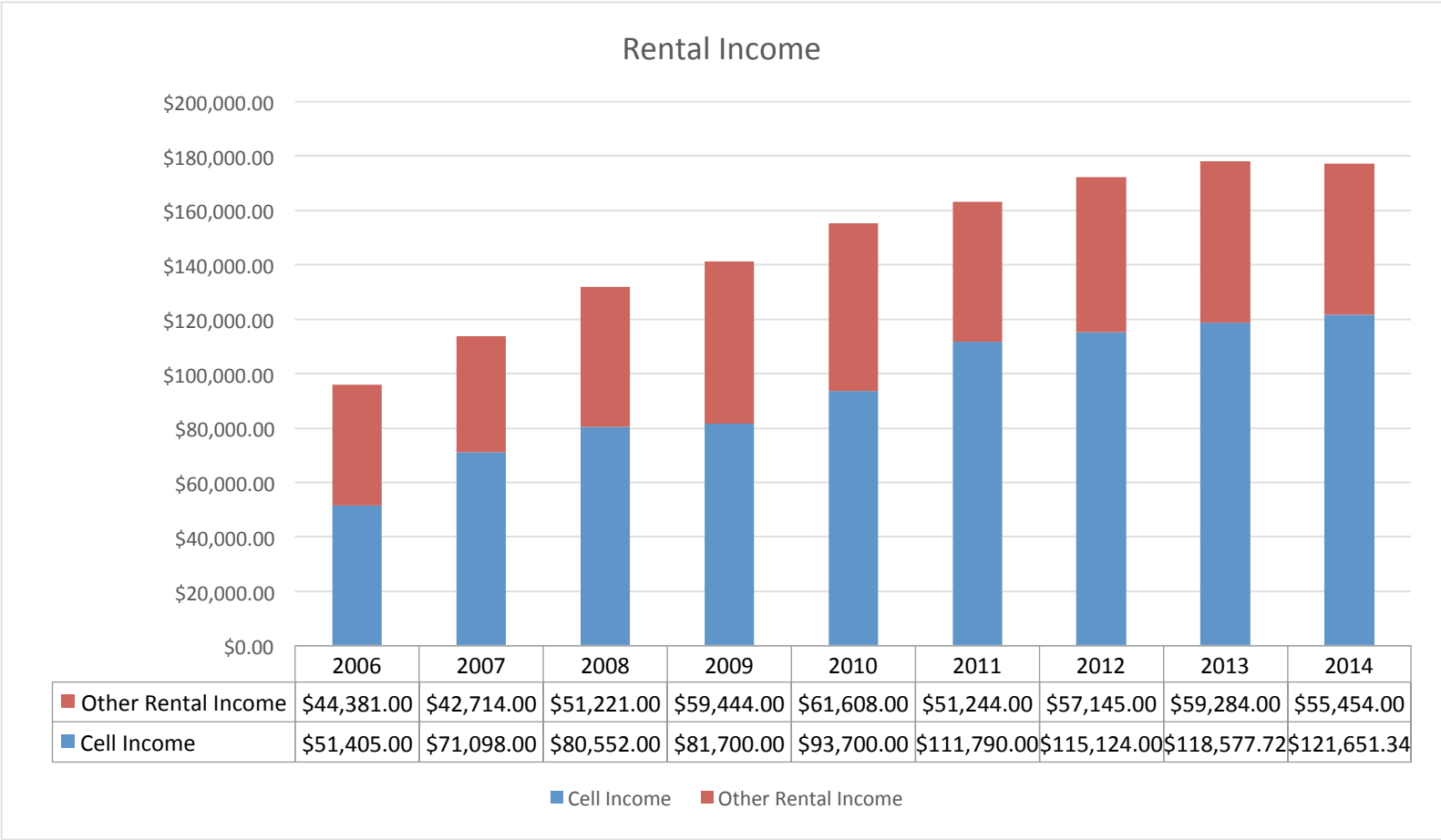
Income by Percent



# Church Rental Income

- Total Rental Income
  - 2009 rents were \$141K/yr
  - 2013 rents were \$177K/yr
- Cell Leases
  - All of our cell leases are on 5 year leases with several auto-renewal periods
  - All of these leases have automatic rent increases. (CPI to 3% increase)
  - Money is received monthly and provides consistent cash flow to the church
  - The longest term lease expires in 2037
  - All of the leases reimburse the church for any property tax assessments on the equipment.
  - Cell leases impose less burden on church infrastructure (parking, maintenance, etc) than do populated spaces.
- Other Rental Spaces
  - We lease 7 other spaces in the church to a variety of tenants
  - Tenants include TMO, Chordsmen, Dartmouth (two spaces) and the apartment
  - Only 1 previously rented space is not currently being rented (Creche space)
  - One of the Dartmouth spaces may become available July 1, 2014.

Rental income has increased steadily, with cellular income growing from 54 to 69% of total rents.



**Compound Annual Growth Rate**

**3%**

**10%**



# There is future potential to grow rental income

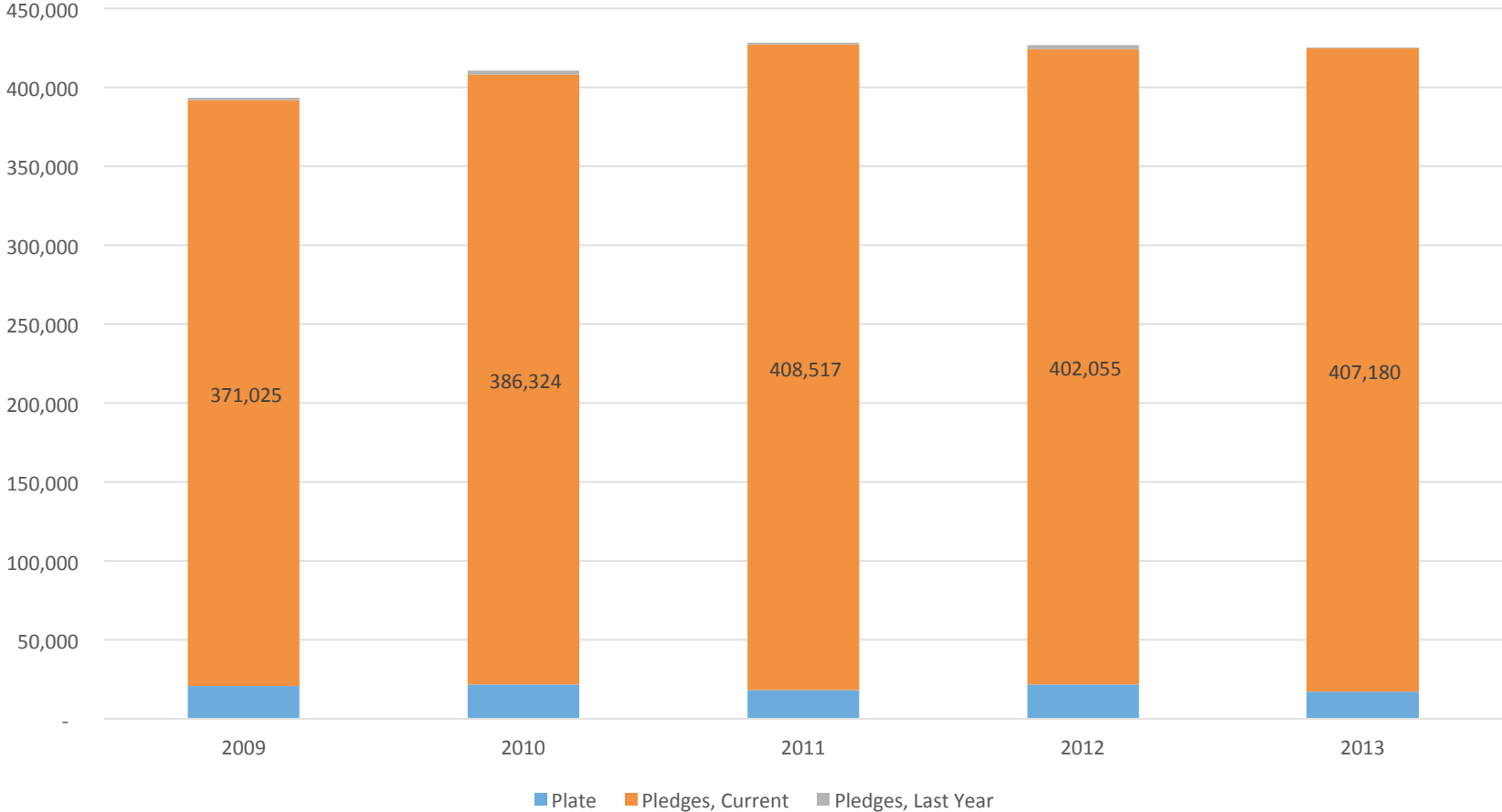
- Refurbish Ombudsperson's space to prepare for future tenant.
- Subdivide Creche space to create a new multipurpose space for church school, AA, other group meetings. Keep some of the space available for storage/church use.
- Refurbish current 4<sup>th</sup> floor classroom to convert into a potential rental space/office
- Rent additional space to TMO
- Estimated increase in potential rents \$10-20K annually (not counting Ombudsperson office)

# Pledge and Plate

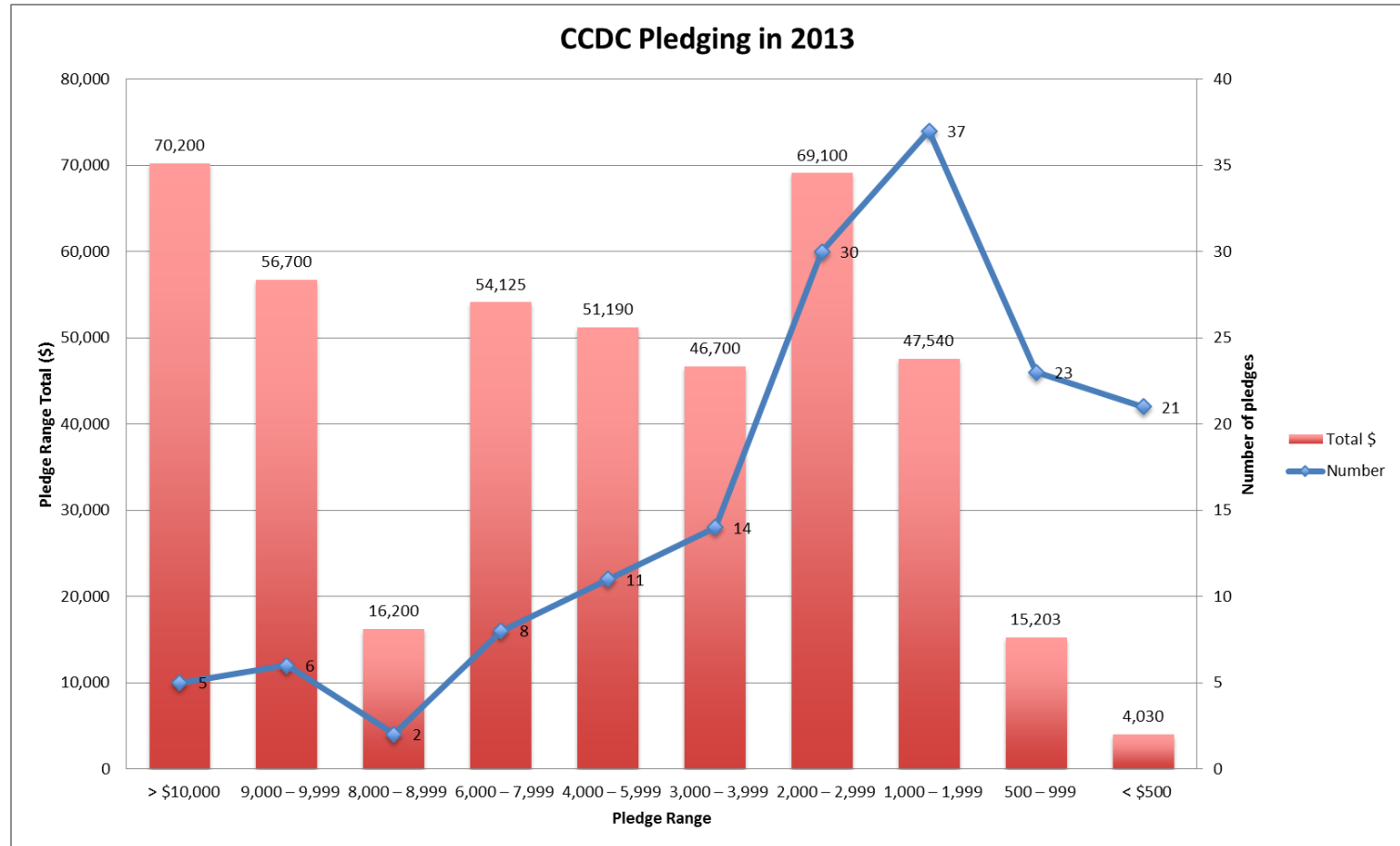
- In last five years, Plate and Pledge Income has consistently represented between 65 and 67% of overall income.
- The number of members pledging has remained roughly constant or declined slightly
- Average pledge in 2013 was \$2,745
- Individual pledges are more likely to increase or remain unchanged year-to-year than to decrease
- For 2013 compared with 2012, 44% of pledges were increased, 32% remained the same, 12% decreased and 8% were new

# Pledges represent the major portion of our giving income.

Plate and Pledge Income



# More data on pledge units



# Pledge and Plate (actual vs. budget)

- In the last 13 years, actual pledge receipts have averaged 2.2% less than budgeted. On the other hand, actual plate receipts have averaged 5.5% more than budgeted.
- In 2013, the gap between actual and budgeted amounts for pledges was -6% and plate was -21%.
- In the last 13 years, actual pledge receipts exceeded budgeted amounts three times (ranging from 1-3%)

# Planned Giving Program Opportunity

- **Opportunity for giving from accumulated assets in addition to income**
  - Older members depending on investment income, but interested in then giving/designating residual assets to the church.
  - Other members who have asked or who would be interested in making will designations or gifts through other planned giving vehicles if provided assistance.
- **CCDC endowment of ~\$1.27 million provides about 4% of annual operating revenue**
  - Could likely be substantially larger given CCDC membership demographics.
  - Larger endowment would provide increased time and capacity to adapt to potential changes or disruptions in income-based pledges or other sources of income (leases).
  - Members have expressed interest in assistance in setting up planned giving vehicles.
- **UCC provides comprehensive planned giving support and management resources**
  - Extensive program planning guides and materials
  - Educational/informational materials
  - Trust services for more extensive planned giving vehicles such as charitable annuities and charitable remainder uni-trusts
- **Elders have voted to form a Planned Giving Committee**
  - Plan CCDC program and oversee communication/education efforts
  - Establish and monitor program administration with CCDC staff
  - Periodically review and make recommendations on Gift Acceptance Policy and Endowment Policy
  - Serve as Gift Acceptance Committee
  - Serve as visible go-to resource within the congregation

# Revenue Conclusions

- Over recent years the church has had strong and consistent funding.
- We believe there is opportunity to continue to grow income in both the rental and the pledge areas.
- Our rental income remains proportionally balanced between active tenants and cellular tenants.
- Our cellular contracts are long-term, include rent increases and require advanced notice to terminate.
- Our active tenants are short-term leases and we have the opportunity to expand our active tenant rental income.
- Pledge income remains a strong component given current expense levels although recent experience indicates some reason for concern.
- Some pledges have not been increased to reflect inflation for several years.

# Expenses

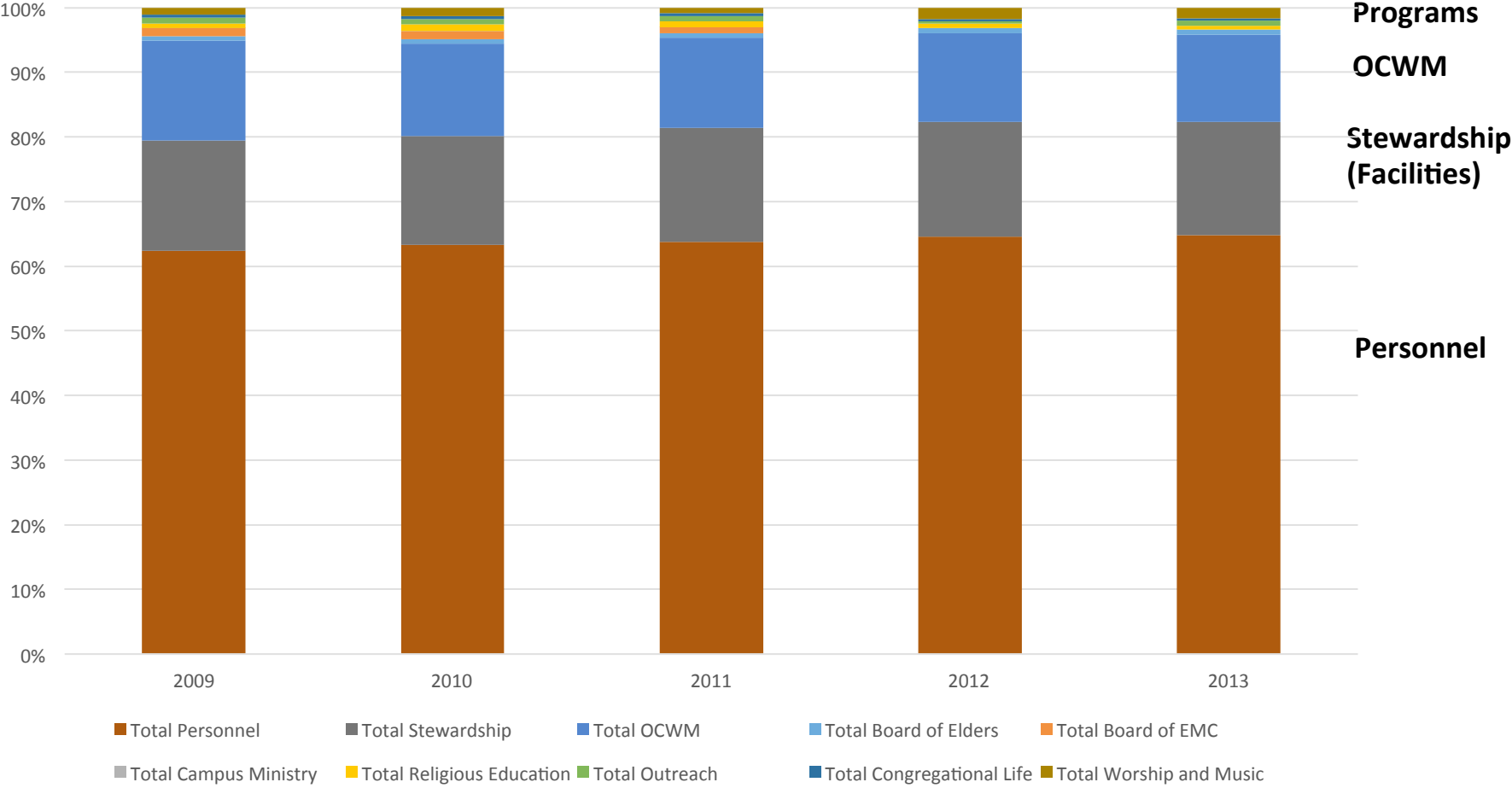


# Expense Overview

- Church expenses have stayed roughly in line with revenue growth.
- Personnel and Facility expenses are the largest components.
- Proportionally, our largest expenses have remained in line over the last 5 years, despite the trends of higher energy costs and benefit costs.
- Our rental income more than covers ALL the costs of maintaining the building (including energy costs and custodial personnel costs), enabling plate/pledge revenue to cover programmatic and the majority of personnel costs.

# Personnel, Stewardship and OCWM consistently represent the majority of expenses in our annual budget

Proportional Expenses



# Next Steps

- Rental Income
  - Evaluate the costs to upgrade and renew the three potential spaces for increased usage and rents
  - Evaluate opportunities to further stagger cell lease terms upon renewal
- Pledges
  - Further analysis of pledge giving history
  - Develop program to attract new pledge units and expand the giving of existing pledge units
- Stewardship
  - Develop our thinking around a building reserve fund to cover replacement of existing infrastructure
- Planned Giving
  - Formalize the planned giving committee
  - Share materials with the congregation

## Next Steps (cont.)

- Continue and complete analysis of historical data trends
- Create opportunities for congregational input and discussion including Second Hour presentation
- Finalize report for the June 2014 Congregational Meeting