SHPC Financial Resiliency FAQs from Your Session

Why is the Session of the church asking the church to consider a financial reorganization?
The church elects its Session to govern the church and serve as stewards of the church's financial health and sustainability. The Session has determined that our current financial organization is seriously underfunding staff, facilities, and program/mission, and compromising the sustainability of the church.

What is the Session's proposed solution?
The Session's August 17, 2017 Letter to the Congregation proposes that the congregation consider selling the church property at 110 Tarry (built in the 1990's as a manse/pastor housing), with proceeds directed to: (1) purchase a less expensive property for pastor housing or rental, (2) reduce church debt, and (3) create a capital improvement fund for upgrading our church building and grounds. Rental and investment income and reduced debt payments would augment the church's operating budget and thus provide ongoing support for staff and program/mission.

What are the benefits of this proposal?
It puts the church's assets to work for the life of the church, providing ongoing support for areas of immediate need (staff, facilities, program/mission), and meets the Session's criteria for financial sustainability:

The Sustainability Criteria:
(1) pastor housing option which is affordable to the church and a future pastor;
(2) reduce our debt;
(3) establish a capital improvement/maintenance fund to meet the significant needs of the church facility, so that we invest in our church;
(4) increase the operating budget without putting additional stress on our pledgers, so that immediate staffing, facilities, and program needs can be met and the church can continue to grow and flourish;
(5) direct precious volunteer energy and hours into God's work.

Why should the church do this now? Why not wait?
God has blessed this church abundantly! We are growing! But our Pastor works 6 + days/week, is paid $65,000 per year (salary plus housing allowance), has no pastoral assistant, and is covering for inadequate staffing in the office, janitorial, and property management areas. This is not healthy or sustainable for **any** pastor or church. Additionally, our current budget provides only $4,000 annually for a Youth Director, and we have an immediate need to fully fund this position for 2018 and years to come. Finally, our Building and Grounds elder has identified $100,000-$200,000 of current need on the church campus, from broken windows in the sanctuary, to lack of disabled access to the sanctuary (and between sanctuary and restrooms), to a kitchen woefully inadequate for our youth REST cooks and our preschool tenant.

What other alternatives did the Session consider?
The Session considered:
(1) Continuing the status quo, and raising the rent on 110 Tarry as high as the market would bear to augment the operating budget. This option would continue to divert church donor dollars into paying off debt and amassing wealth in equity in a restricted capital asset (which serves the church only when sold). It provides insufficient capital funds to maintain and upgrade the church.
(2) Downsizing to a smaller single-family house in the $900,000-$1M range to pay off debt. This option provides insufficient capital funds to maintain and upgrade the church.
(3) Selling 110 Tarry and investing the equity in non-real estate holdings. This option provides for no pastor housing, although a fund could be created to support pastor housing in the form of down payment assistance or rental assistance.
(4) Significantly increasing LMP rental in exchange for increasing the school's footprint in/use of the church. This was not feasible due to LMP's lack of interest, plus the church has no surplus space to rent.

Are there any other options?
The church's income comes from pledges/gifts and rental income from 110 Tarry and the preschool. Our pledges/gifts are full-participation and excellent for a church our size with economic diversity, and have remained stable for 3 years, so Session concluded that it wouldn't be realistic to presume a significant increase.
The church facility might provide more rental income, but would need financial investment and additional staff support to seek and manage rentals.
The "Junior Suite" idea, to subdivide 110 Tarry into two units, was raised for the first time on the floor of the 8/27 all-church meeting by Mark Sarkisian and Chris Lopin, and will be presented in more detail 11/12 as an alternate to the Session's proposal.

What are the guiding principles for church finance?
The church is the body of Christ in the world, and as faithful disciples we are to put God's mission at the center of all we do.

How do church finance and family finance differ?
The goal of church finance is not to amass wealth for the future, for retirement, or for passing on to heirs. The goal of church finance is to provide sufficient funding to grow and sustain the life of the mission-centered church. The church is tax-exempt, and gains no tax advantage from debt. Church finance lives out our faith that God has given us resources to put to use for God's mission in the world today.

Wouldn't selling Marin real estate be a mistake?
Because of its high carrying cost, with two mortgages, property tax, insurance, and maintenance, the property at 110 Tarry has averaged less than $2,000/year profit over the last six years (1/1/12 through 11/8/17). With a monthly rental of $5,200, and presuming just $2,000 in annual maintenance, the return on the church's $1M in presumed equity is less than 2%.

Why isn't 110 Tarry an affordable housing option for a future pastor and the church?
Our pastor currently earns $65,000 per year in salary and housing allowance, which is about $5,400 per month. If a pastor resided at 110 Tarry, and pastor housing allowance reflected the rental value of the property ($5,200/month), the pastor would receive only $200/month in salary. Lowering the housing allowance below rental value would cause an immediate and ongoing loss of revenue to the church. This would in effect increase the cost of the pastor compensation package to the church beyond what is currently affordable for the church.

Is church-owned housing adjacent to the church popular with today's pastors?
In our Presbytery of 48 churches, only 2 pastors live in church-owned housing adjacent to the church. Pastors prefer to choose their own housing to meet their family's needs and budget, to enjoy the tax advantage of the clergy housing allowance, and if home owners, to enjoy the mortgage interest deduction and appreciation in real estate. Pastors also need rest and privacy.

What is the Session's plan for the process going forward from here?
(1) presentation of alternate idea(s) at an after-service *Let's Talk* on 11/12;
(2) a survey of preferences of the congregation thereafter;
(3) the calling of a congregational meeting if a consensus appears to exist on the sale of church property, at which point, a decision would be made.

What finance work has been done by the Session and the congregation over the last 2 years?
(1) the work of the Manse and Capital Improvement Study team, commissioned by Session 4/27/16, the report of which has been made generally available,
(2) the work of the Finance Elder Study Group, available at the *Let's Talks* 6/1/17 and 8/27/17,
(3) the work of the LMP Liaison Team, and the Real Estate Team, reported in the Session's reports in the weekly newsletter;
(4) the half day All-Church Finance retreat on 5/6/17,
(5) an evening All-Church Financial Resiliency Education & Discussion meeting 6/1/17,
(6) an after-service All-Church Financial Resiliency Education and Discussion meeting on 8/27/17, which followed
(7) a Congregational Letter and All-Church e-blast on 8/17/17.
(8) Additionally, the Session has been receiving feedback from the congregation for more than a year on both this process and church finances generally, and has been in regular contact with the Presbytery for guidance and direction.

What is the Presbytery of the Redwood's role?
The Presbytery owns church property for the benefit of the congregation. By its finance committee, it has approved Session's proposal for presentation to the full Presbytery, if the way be clear (if the congregation duly votes in favor). Presbytery is in a fiduciary relationship with the congregation, and all proceeds of any sale which might occur would be segregated and held for SHPC's exclusive benefit.