

## **SHPC Updated Financial Resiliency FAQs from Your Session**

*Why is the Session of the church bringing a motion to the 2/4/18 congregational meeting asking the church to approve the sale of the church property at 110 Tarry?*

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. After much study, prayer, congregational education, and discernment, the Session has found that the best option available to the church is to sell 110 Tarry. The Session acknowledges with deep gratitude the many generous contributions to the manse project by dedicated SHPC members.

*What is the Session's motion?*

"MOVED, that SHPC sell the church property at 110 Tarry, with proceeds directed to pay off interest-bearing debt, establish a capital improvement fund for the good of the church, and provide for pastor housing assistance as needed, either by purchase of affordable real estate or establishment of an investment fund. Income from rental property and capital/investment funds are not restricted, and can support the operating budget of the church."

*What are the benefits of approving this motion?*

The church can put its assets to work for the life of the church, provide ongoing support for areas of immediate need (staff, facilities, program/mission), and meet the Session's criteria for financial sustainability below. The Session intends to move forward to discern the consensus of the congregation with respect to re-investing in real property. *Purchase of real property is by vote of the congregation* pursuant to Book of Order G-1.0503 (d).

### **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.

*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.

*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), 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. Acting on the church's commitment to youth ministry, the Session has approved a deficit budget for 2018 to continue to fund our 40 hour/month Youth Director; this is not a sustainable solution to the opportunity we have been given to grow our youth ministries. 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) 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.

(4) The "Junior Suite" idea, to subdivide 110 Tarry into two units, was presented in an all-church mailing 11/10/17 and at an all-church meeting 11/12/17 by Mark Sarkisian and Chris Lopin as an alternate to the Session's proposal. Due diligence

was conducted by the Session with the Presbytery's CPA and a General Contractor and these results were shared with the congregation in the weekly newsletter.

*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.

*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.

*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) presentation of alternate idea(s) at an after-service *Let's Talk* on 11/12;
- (9) a survey of preferences of the congregation thereafter, the results of which were shared in the weekly newsletter and strongly support a sale of 110 Tarry, but are about even as to whether or not the church should reinvest in affordable real property.
- (10) 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 Redwoods' role?*

The Presbytery owns church property for the benefit of the congregation. By its finance committee, it has approved Session's motion for vote of the congregation and then 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 for SHPC's exclusive benefit.