



FINANCIAL SUBCOMMITTEE REPORT

Summary of Financing Options

July 31, 2008 Addendum

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Overview: This report is an addendum to our original one of July 1, 2008. This addendum should be read in conjunction with the July 1 original report. On July 15, 2008, Clinton Anderson, the Chair of the Discernment Committee, sent an email to the Discernment Committee requesting additional recommendations from the Finance Subcommittee. Clinton stated in his email in relevant part:

First, it is appropriate and important for the Discernment Committee to include recommendations about how to finance our vision in our report. The final decision on spending will be made by the vestry, but the committee's work will greatly inform their decisions. Second, the recommendations we make in our report should pass the "do the recommendations make sense for us" rule, but should not be dramatically limited by a self-imposed financial ceiling. (The feasibility study will be the tool for narrowing the scope of our vision.) Being very conservative in our financial assumptions has the dual risks of failing to address important Parish goals for larger facilities that will support growth and of failing to inspire giving.

. . . . Therefore, I have asked . . . the Finance Subcommittee to develop financial recommendations and deliver those recommendations to the Discernment Committee by July 31.

The financial recommendations of the Finance Subcommittee will need to be considered and accepted or modified by the Committee as an early item of business in our August 6 meeting. This recommendation will be a part of our report and needs to be an item about which there is consensus.

In addition, as part of the Inconsistencies group's process, several of the Finance Subcommittee's members participated in their deliberations. Out of these deliberations came a request to the Finance Subcommittee to "define a dollar amount" that we believe we could raise through asset sales and fund raising. After deliberations, the Finance Subcommittee is of the mind that there's not enough information for us to "define a dollar amount." However, there were two key elements in our July 1 Report recommendations that we believe bear repeating to the Discernment Committee. First, the Parish should explore the sale of physical assets in detail including development options. Second, the Parish needs to explore external fundraising in light of St. Thomas' nontraditional parish stance. We elaborate on each of these below.

Physical Asset Sales: The Finance Subcommittee set forth in our July 1 report the potential dollar amounts to be obtained from the sale of Parish physical assets, and also potential impacts, if any, on the Parish operating budget from such sales, but we are of a mind that only the full Discernment Committee should decide whether to recommend any such sale or pursuing a joint venture with a developer. We believe that discussions and voting by the members of the

Discernment Committee as a whole, representing a broad cross-section of the Parish, will provide a better sense of the Parish's will for disposal of parish assets. We believe that the Financial Subcommittee's recommendations coming from a narrow representation of parishioners would not hold up as well under Parish scrutiny. There are many profound trade-offs in choosing to sell or jointly develop any particular physical Parish asset. An asset sale impacts the scope of any building campaign and the Parish's ability to fund future operations.

We also believe that the Discernment Committee should recommend to the Vestry that the Vestry direct a committee, perhaps the Finance Committee, to prepare a 3-5 year analysis of the impact on the Parish's operating budget of any sale of Parish assets or other financing plan adopted to fund a capital campaign.

External Fundraising Options: We continue to attempt to reconcile what our building campaign advisor has advised us regarding raising building funds outside of the Parish and what many of us believe is possible to raise outside of St. Thomas'. Our building campaign advisor, Eleanor Weiss, has stated several times that "the money raised to build our church will come from those persons sitting in the pews on Sunday morning". She has cautioned against thinking that we could raise significant funds from external sources. She has stated that there is a "rule of thumb" that indicates that we can raise internally in a capital campaign up to three times our annual pledges and plate amount. If we were completely successful in meeting this 3 times plate & pledges rule, we would be talking about raising a range of \$500,000 to \$750,000. Thus, a campaign limited to just what we could raise internally from Parishioners would likely raise an amount in this range. This would support neither a new sanctuary built out over the Parish garden (approximately \$5.1 million), or a complete renovation of the existing Parish Hall (roughly estimated to cost \$2.87 million for renovating just the existing square footage, and \$4.3 million if the Parish Hall were increased by 50% (i.e., adding a third floor). Please note that these estimates of the costs of building a sanctuary covering the park and of renovating the Parish Hall are rough approximations based on industry standard costs per square foot and that St. Thomas' costs could vary. Further, we would likely want to raise approximately another \$500,000 to 1 million dollars in addition to building costs to generate income each year to cover the additional operating and maintenance costs associated with the additional space, and raise further funds to cover the costs of an external campaign (by rule of thumb purported to be 5% to 15% of the total amount raised).

Despite Ms. Weiss's cautions that we will likely only be able to raise funds internally from those sitting in the pews, the committee still believes that there is value in the Parish exploring external fund raising options. This process will take time and may involve retaining another professional to assist the Parish in evaluating the likely success of an external capital campaign.

One particular item of research that came up since our original report is a not-for-profit entity, "Partners for Sacred Places" (PSP). Their website is www.sacredplaces.org. This entity started in 1988 and helps religious organizations discern how they can tap their "communities" for fund raising. They have trained some 900 religious organizations and consulted with another 400 for their fund raising. PSP's experience is that their clients have augmented internal fund raising by a factor of 2. As an illustration, if St Thomas raises \$800,000 internally, PSP suggests that we could perhaps raise another \$1.6 million externally, for a total of \$2.4 million. However, external capital campaigns also come with costs, typically ranging from 5% to 15% of the total raised. So, for example, with an overall goal of raising \$2.4 million (\$800,000 from internal sources, and \$1.6 million from external sources), the cost could be \$120,000 to \$360,000.

Another item that came up in research is the concept that the Parish hires professional fund raising entities that essentially do the same process that Eleanor will do within the congregation. For example, they will identify external donor sources, such as among the families that originally founded St. Thomas', among the GLBT community, among the descendants or foundations relating to FDR and Eleanor Roosevelt, and research them and help us ask for funds. Such capital campaigns usually do not announce or determine how much they believe they could raise until they have identified and approached key individual target donors. We thus obtain a sense

from this exploration regarding how much the external campaign may raise. More time and research is needed to identify fund raising consultants who might assist the Parish with (i) considering the merits and costs of doing an external campaign and (ii) running such an external campaign, and to quantify their fees and identify their expectations.

Matching Potential Building and Funding Options

A. New Sanctuary & Renovated Parish Hall

Rough approximations of the cost of both a new Sanctuary and a fully renovated Parish Hall are, as stated above, \$5.1 million for the sanctuary, \$4.3 million for a renovation of the Parish Hall that adds a third floor to it, and adding an additional \$500,000 to \$1 million for funds with which to operate and maintain the added space, and perhaps another \$1 million to pay consultants running a campaign that would fund all of the foregoing work. The campaign would likely entail a three-year process, taking into account the time for identifying and approaching key individual donors. Thus, funds in the \$10-\$12 million dollar range would need to be raised. Clearly, it would appear that the Parish would need to do an external capital campaign as well as an internal one to raise that sum of money. Such an external campaign would probably take 2-3 years to plan and implement, with the help of professional consultants, and would need to be much more successful than the experience found by Partners for Sacred Places (i.e., 2 times what can be raised internally). Only after the Parish had paid consultants to help it identify potential individuals and approached such individuals would the Parish know whether it could hope to raise any sum approaching this figure.

B. Phased Approach

The Discernment Committee might set forth visions for both a new sanctuary over the Parish Garden, and a remodeled Parish Hall, but the Parish could pursue the new Sanctuary first, and save the renovation of the Parish Hall to a later date. As indicated above, a new Sanctuary might cost roughly in the range of \$5.1 million, plus amounts to cover increased maintenance and the costs of the capital campaign itself. Again, raising that sum would appear to involve a very successful effort or campaign to raise funds from individuals and sources external to the Parish, rather than relying solely on an internal capital campaign aimed at those in the pews. Such a campaign would, again, take planning and commitment from the Parish, and its degree of success might only be known after particular individuals and organizations were identified and approached.

C. Expansion of Existing Sanctuary

The Discernment Committee may also wish to consider and recommend that, in the event that further exploration of mounting an external campaign indicates that the Parish would have the same experience as the average experience of those religious organizations with which Partners for Sacred Places has worked (raising from external sources roughly 2 times what is raised internally), that the Parish take steps to attempt to raise such funds internally and externally, to be used for expanding the existing Sanctuary.

Respectfully Submitted, Finance Subcommittee

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