Ministry Expansion Financial Assumptions and Operating Budget Impacts

Revised May 2018

<u>Changes from April numbers noted in bold/underline</u>

Note that while the payment scenarios shown below appear to show a great deal of precision, the number of underlying assumptions result in the actual precision more of a rough estimate.

Assumptions:

- Calculations are based on Ministry Expansion Project actual expenses and receipts through March 2018;
- first capital campaign collects 100% of pledges;
- second capital campaign receipts calculated at 40% of the first campaign ($824,354) starting in January 2019;
- total project costs are $5,215,000 which break down to $415,000 in pre-construction costs (architects, engineers, etc.) and $4,800,000 in construction costs, including HVAC replacement.
- **<u>The contractor is requiring an escrow of $700,000 to be held in order to ensure the final bills will be paid.</u>**
- Cconstruction begins in June 2018 and completes in May 2019;
- interest calculated at **<u>4.056%;</u>** interest only during construction converting to a 20-year mortgage once construction is complete (July 2019);
- while there is an interest rate reset provision in the mortgage, no change of interest rate is calculated in the payment scenarios.

Scenario 1

- **<u>The proceeds from sale of land are available in July 2019 and are used to reduce the mortgage principal at the time of conversion from construction loan to mortgage</u>**.
- **<u>Payments for principal and interest are paid out of the operating budget at an increasing rate each year - $20,000 in 2018, $40,000 in 2019, $60,000 in 2020, up to $120,000 in 2022. Any P&I above these amounts are paid for from capital campaign funds.</u>**
- once the construction loan is converted to a mortgage (July 2019), proceeds from the ongoing second capital campaign **<u>that are not used to pay P&I</u>** are accumulated until the end of the campaign at which point the mortgage would be paid down and re-amortized.

Results:

- we can self-fund the construction from June 2018 through **<u>August</u>** 2018;
- thereafter, we would need construction draws from **<u>September</u>** 2018 through **<u>March</u>** 2019 for a total of $2,765,000;

Summary cash flows would be (thousands of dollars)

	Before 2018	2018	2019	2020	2021	2022	2023 to 2039
Incoming							
Reserve	370						
Cap. Campaign less costs	1,581	386	275	275	275	0	0
Loan	0	1,730	1,035	0	0	0	0
Sale of Property	0		600				
TOTAL	1,951	2,116	1,910	275	275	0	0
Outgoing							
Project costs	196	3,168	1,852				
P&I paid by project			75	98	78	22	0
TOTAL	196	3,168	1,915	98	78	22	0
P&I paid from operating budget		6	55	60	80	100	123

- Interest and principal payments
  - **Principal and interest paid for by the operating budget limited to an increase of $20,000 each year, about 4% of the operating budget; balance paid out of campaign funds**
  - **Note that for 2019, operating budget impact is assumed to be $40,000 plus a carryover of the $14,000 budgeted but not spent in 2018.**
- at the end of the second capital campaign (December 2021), **$459,349** would be available to reduce the principal (some of the second capital campaign was used during construction to reduce the amount borrowed **and subsidize P&I payments**).
  - If applied to pay down the remaining principal of **$1,980,125** and the loan is re-amortized for 17 ½ years, the principal and interest payments in 2022 and beyond would be **$123,100** annually (**25**% over current operating budget)

Scenario 2 – defer property sale

If the sale of property is deferred until December 2021 (point of re-amortizing the loan), the annual mortgage payments in 2022 and beyond would be $126,802 or $4,664 more annually than if the property is sold in 2019.