St. John's – Minneapolis: Building Reserve Study Overview/Summary

November 2024

Overall:

The "Building Reserve Study" for St. John's Episcopal Church, conducted by Building Reserves, outlines the financial plan for maintaining the building's infrastructure over the next 30 years, without any space reconfiguration or remodeling.

This financial overview indicates that significant financial planning, including increased reserve contributions and capital campaigns, will be required to maintain the church building's infrastructure over the long term.

Key components of the study include:

1. **Reserve Status and Contributions**: The church has a current reserve balance of $107,907, with recommended contributions starting at $130,000 annually, adjusted for inflation (3.9% annually). The study suggests capital campaigns to cover building expenses, with projected increases over time.
2. **Component Evaluation**: The study evaluates various external, internal, service, and site components of the property, assigning priority levels based on condition and impact on livability. Key priorities include refurbishing sanctuary doors, repairing walls, and replacing windows and stained glass covers.
3. **30-Year Cash Flow Analysis**: The study projects the cash flow for reserve contributions, major capital expenses, and the balance of reserve funds over a 30-year period. It identifies potential funding shortfalls if contributions or capital campaigns are not adjusted accordingly.
4. **Long-Term Maintenance**: The study highlights the need for phased replacements and refurbishments of major components such as HVAC systems, roofs, and stained glass windows, along with smaller maintenance tasks like elevator modernization and restroom renovations.

Overall, though it cannot be seen as a budget because it's impossible to predict exact replacement and repair costs far into the future, this reserve study serves as a financial planning tool to ensure that St. John's maintains a positive reserve fund balance while addressing significant capital repair and replacement needs over the long term. Regular updates to the reserve study are recommended every 2-3 years.

The financial overview of the "Reserve Study" for St. John's Episcopal Church highlights the following key points:

1. **Current Reserve Balance**: As of June 30, 2024, the church's reserve balance is $107,907.
2. **Annual Reserve Contribution**: The current annual reserve contribution is $12,500, but the study recommends increasing it significantly to $130,000 starting in 2025 to ensure adequate funding for future capital projects. As stated above, contributions are adjusted annually by 3.9% to account for inflation.

3. **Capital Campaigns**: The study outlines the need for substantial capital campaigns to meet large future expenses. Key campaign years include:
    - 2026: $648,684
    - 2027: $673,983
    - 2029: $605,407
4. **30-Year Projection**: Over the next 30 years, the study projects cumulative capital expenditures up to $8 million, covering a wide range of repairs and replacements across the church's facilities. These include external building components, internal systems, and service components like HVAC units, boilers, and windows.
5. **Projected Cash Flow**: The study provides a cash flow analysis that includes:
    - Estimated reserve fund balances over time.
    - Projected interest earnings on reserves (at a rate of 3.00%)
    - Annual reserve adjustments, which are necessary to maintain sufficient funds for major repairs and replacements.
6. **Inflation and Interest Rates**: The reserve study uses an inflation rate of 3.9% for labor, equipment, and materials, and assumes a 3.00% interest rate on invested reserves. Changes in these rates will affect future reserve balances and contribution recommendations.
7. **Long-Term Financial Health**: The study recommends a stable and equitable funding plan, aiming to avoid reliance on supplemental funding like loans or special assessments. Maintaining positive reserve balances is essential to prevent potential funding shortfalls during major repair periods.

This financial overview indicates that significant financial planning, including increased reserve contributions and capital campaigns, will be required to maintain the church building's infrastructure over the long term.

Initial adjustments to Building Reserve Study findings:

These findings must be taken in the context described in the e-news article published November 21, 2024 called "Building Reserve Study and Sustainable Mission Project", where we describe how we are interpreting, adjusting and implementing this study. Of particular note are three adjustments that materially reduce the cost estimates in this study:

(1) the study's immediate recommended $2 million capital can be adjusted to remove the cost of replacing the pipe organ (estimated at $600,000) because, based on recent professional evaluation, we anticipate the organ to last 10-15 more years, and because there are lower cost alternatives (both repair and replacement) when it does fail.

(2) The capital campaign costs are also based in part on a current bid estimate for approximately $1 million to repair our masonry; however, by using manufactured stone, we believe we can reduce that cost by 30-60%.

(3) In general, the study does not include lower cost alternatives for repair or replacing any building components, using instead standard market value costs for them. St. John's has a history of living frugally and finding viable, lower-cost options for many things.