

District Finance Committee Meeting Minutes
Thursday, August 18, 2022
District Office

Present: Aaron Chan, Mark Hutchinson – Chair, Erin Knott, Nicholas Lai, Wes Drewlo, Mark Peters – District Superintendent

Guests: Janet Kirby, Don Miller, Sr., Gord Schutz, Dwayne Toews, Dan Werner

Mark Hutchinson opened the meeting in prayer at 9:08am.

Approval of Agenda

Moved (Mark Peters) and seconded that the Agenda be approved.

CARRIED

Conflict of Interest

Erin and Mark Peters expressed a conflict with the conversation regarding the benefits plan as both are plan members. The annual signing of the conflict of interest declarations took place.

Approval of Minutes

Moved (Nicholas Lai) and seconded that the minutes of the meeting on June 1, 2022 be approved.

CARRIED

Mountainview Alliance Church (MVAC) Property Development

Don Miller, Sr. joined the meeting in person and Gord Schutz and Dan Werner joined the meeting via Zoom at 9:15am.

Dan summarized the progress of the redevelopment project on behalf of the MVAC Building Committee. MVAC has been looking at expanding its facility since 2014, and after the potential affordable housing project with The Nest Society did not proceed, the church sent out requests for proposals (RFP) from developers to sell a portion of the church property that would allow for the construction of a new church building. The church has faced increasing property tax, the surrounding neighbourhood is growing, and it wants to be ready to receive people with capacity in the facility.

MVAC made several key decisions early on in this building project process. The church is:

- committed to remaining on its current site as it wants to have a visible, physical church presence in the Willoughby area of Langley
- focused on the church they want to be, which would provide space for multiethnic church congregations using the facility
- committed to expanding the church facility with little to no debt that might impair future ministry

Out of the RFP process, the MVAC elders selected the group of Forefront/Maple Reinders/Buro47 Architecture to work with and they are now evaluating the draft purchase and sale agreement. MVAC desires to proceed in partnership with the district and the congregation to move towards a common goal.

MVAC has received a draft purchase and sale agreement that has not yet been reviewed by lawyers. They would like a formulaic method for determining the final purchase price for the land in the agreement. MVAC recognizes that while an open purchase price for land involves some risk, it means they receive the value of extra density, and the entire property site is developed cohesively.

MVAC believes there may be the possibility for commercial space use in the new church facility to bring in an estimated annual income of \$300K/yr. MVAC is not including this in their financial planning but sees the potential to provide greater ministry impact in the community, likely with a daycare. They desire to design the building to incorporate this option into the church facility space.

A question-and-answer time was held.

It was noted that there is a long timeline until MVAC receives funds, and as the final determination has everything to do with yield there is no guaranteed minimum.

Don replied that MVAC is aware of this and wanted to agree on the business model inputs for determining the land value for transparency, to which the development proposal partners agreed. Should land values drop, MVAC would receive fewer funds, and they intend to include an exit clause in the purchase and sale agreement. The church currently enjoys a healthy rental income stream and will need to adjust the budget later on to operate without those funds, as well as pay the property taxes in the interim period.

Don noted that the formula for construction drives the purchase price, which itself is driven by financing and market forces. Funds are then given to the church to build their building. Don will be able to have access to projections and review them regularly, which is important as MVAC has the biggest variable in the entire project. The land won't be closed on until financing is in place, and it has been agreed that the rate of return for the project is 15%.

It was asked if MVAC expects there to be no debt whatsoever with the project, and Don replied that while the church needs to determine what the new facility encompasses and includes, there may be the need for a small mortgage but that the strong desire is to have no debt.

It was noted that MVAC congregational meetings have had very strong support, and no negative feedback has been received to date.

MVAC was asked what made them choose the Forefront/Maple Reinders/Buro47 Architecture group out of the proposals received.

Don responded that while Forefront is not as mature as Caliber, they do have projects in process in the Greater Vancouver Area and came with a different approach to develop the entire property with a cohesive aesthetic. The use of sustainable materials and green practices was also desired. Don acknowledged that there is an offshore element of investment with Forefront. Maple Reinders is a Christian-owned company that is open about their faith, and they vouched for Forefront, which gave MVAC confidence.

Mark Hutchinson what the ask of the committee was from MVAC at this point, and Don replied that MVAC desires to complete this project with the CPD's blessing and move efficiently through the process. MVAC wants to know how efficiency can be achieved to avoid timing roadblocks with document signatures and to clarify the relationship between MVAC, the committee, and DEXCOM.

Nicholas encouraged retaining a high calibre lawyer who would be directly involved and suggested Mike Walker or Peter Tolensky. The District's lawyer at Kuhn & Co., was also suggested.

Mark Hutchinson noted that MVAC will need to bring a final agreement for the redevelopment project back to the committee for consideration. Clarity from a legal perspective is needed on the agreement, and on what MVAC is aspiring to do with their building before the committee can recommend approval to DEXCOM.

Gratitude was expressed to Wes and Nicholas for their help in the process and Don, Gord, and Dan left the meeting at 10:23am. A short break was taken.

A time of debrief was held. Mark Peters reminded the committee that the Finance Committee and DEXCOM are evaluating both the vision and financial viability of such projects.

It was noted that there may be a lack of clarity for MVAC on its relationship to the CPD as legally there are only two parties involved (CPD and developers). Wes noted that there are multiple benefits for the development but that there is uncertainty because the land value is based on a formula rather than a set price.

It was agreed that the next steps are for MVAC to hire a good, experienced lawyer to review the draft purchase and sale agreement and bring the proposed agreement back to the Finance Committee and DEXCOM for approval.

Erin noted that the process for signing documents is fairly uncomplicated and expedient once DEXCOM approval is given. This information can be shared with MVAC once the DEXCOM approval process is complete.

The committee was encouraged by the presentation and the work done to date, as it seems a positive step for the growth of the church and community. Overall, the committee was pleased with the development plan and its consideration of community needs (daycare/seniors housing/communal space).

Monthly Financial Statements

Aaron reviewed the Summary Income Statement and noted that there is approximately \$52K in donation income that is pending tax clearance. The Canada Revenue Agency is shorthanded and so the process has been dragging on for three years awaiting the tax clearance certificate. Without this donation income, overall income is down \$44K. District Operating Budget income is \$17K above budget, but slightly lower than 2021, which was a record. Canadian Ministries income continues to trend lower and was \$11K under budget, and overall is down \$15K compared to 2021.

Aaron reviewed the Balance Sheet Summary and noted that the cash balance is down by \$1.5M. By the end of the year, Burnaby Alliance Church will be taking out a \$1.5M loan as well. It was noted that interest rates are increasing and that may increase income from loans to churches. There are still good margins in the Loan Development Fund. Deferred revenue is down nearly \$200K, which is a deficit of approximately \$30K per month.

Aaron reviewed the loans to churches as of the end of July and no concerns were noted. Two churches (Timbers and Summerland) are still paying interest only, but no concerns were expressed as both are healthy. It was noted that Summerland is in the midst of a lead pastor transition season. Chilliwack Chinese Alliance Church has been increasing payments and this is encouraging.

Moved (Mark Peters) and seconded that the financial statements are accepted and recommended to DEXCOM.

CARRIED

The Global Advance Fund (GAF) monthly report was received without comment.

DEXCOM Action Items

Interpretation of *Model Church Bylaws (MCB) Clause 5.3*

Janet Kirby joined the meeting at 10:58am via Zoom.

Janet reviewed the DEXCOM action item and explained the proposed change to clause 5.3. She noted that clause 5.3 a) is redundant because 5.2 in the MCB is mandatory, and so DEXCOM is looking at removing it but clarity is needed in the current 5.3 b). It was noted that the Bylaws Committee will also be providing input on this clause to DEXCOM.

Churches currently have the option to include clause 5.3 b) in their bylaws and as it's currently written, a church with this clause in its bylaws cannot accept donated securities without DEXCOM approval. Churches that do not have this clause in their bylaws have no restrictions, and DEXCOM does not desire to place churches in a position of being out of compliance because they are misreading a bylaws clause when other churches are able to donate securities.

Janet noted that the Local Church Constitution, 12.1, outlines that everything a church owns is actually owned by the district. By extension, when a church makes investment decisions, the district is effectively directly impacted by that decision, but this issue has not been understood well.

There was consensus that it is not feasible or practical for CPD churches to bring every financial decision to the Finance Committee and DEXCOM.

Aaron noted that clause 5.3 b) was lifted from a past Society Act regulation that has been rescinded in the current Societies Act. He suggested that clause 5.3 b) may not be needed at all in the MCB. Janet responded that DEXCOM intended to replace the clause with something churches would understand more clearly.

It was agreed that the conversation was about balancing church autonomy and providing clear boundaries. The desire was to allow churches freedom to make their own decisions unless the risk was so high that a clause needs to be included in the MCB.

It was acknowledged that in the case of investments, the Finance Committee members are not investment advisors. It was suggested to have a decision or policy in place for pre-approval of specific investment types, taking into consideration factors like investment standards, risk management, ethical perspectives, amounts allowed, etc.

Janet noted that separately incorporated churches are bound by the appropriate Societies Act clauses if clause 5.3b) is not included in their bylaws. Societies Act clause (33) contains language regarding prudent investments.

It was agreed to recommend to the Bylaws Committee that MCB clause 5.3b) be made mandatory and use similar language to the Societies Act (33) regarding a prudent investment.

Action Item – Erin Knott to refer Model Church Bylaws clause 5.3b) to the Bylaws Committee for wordsmithing, with the Finance Committee to review the proposed revision at the September meeting.

Janet expressed gratitude to the Finance Committee for its work and left the meeting at 11:55am.

District Benefits Plan

Impact of Increased Benefits Premium Rates

Even with enhanced benefits, there has been dramatically increased usage as well as inflationary pressure. No pushback was received at the District Office with the May 1, 2022 premium rate increase, but it's believed that pushback is more likely this time.

Mark Peters commented that the need for benefits for the average pastor doesn't go down, but that they will need to pay more. He sees pushback coming not from an increase in premium rates, but rather from coverage reductions or the decision being made for those on the plan without their input.

Aaron commented that other than the effect of increasing the premium rate, the projection estimates done by the benefits consultant on savings from reducing services may not be accurate. It was noted that the longer the decision takes, the more the reserve fund is depleted, and then funds will need to come out of the Operating Reserve Fund. Mark Peters felt this was an appropriate cost for the gain of relational trust.

It was agreed that a survey should be sent to churches, boards, and all licensed workers regarding the benefits plan that presents the following three options:

- 1) **Increase premium rates only** – Maintain the current benefits coverage level and increase the premium rate by XX% effective November 1st.
- 2) **Decrease benefits only** – Maintain the current premium rate and outline reduce benefits
- 3) **Increase premium rates and decrease benefits coverage** – Reduce benefits to pre-pandemic coverage levels, introduce a cap on physiotherapy, and increase premiums by XX%

Dwayne Toews joined the meeting at 12:20pm.

Dwayne and Aaron believe that we have some time to decide on the preferred option. There was consensus that the survey results would indicate a majority and that option is likely to be the preferred one.

Dwayne encouraged that future communications about the plan include reminders of how a self-funded plan works and that costs are based on usage, so encouragement to mitigate year-end expense increases may also be helpful. Any communications on increases will also include cost examples for individuals and families.

Dwayne left the meeting at 12:30pm.

Action Item – Mark Peters, Aaron Chan, and Erin Knott to create a survey for churches and workers regarding benefits to launch September 6 and close September 19, with results circulated to the Finance Committee in advance of the next meeting.

Action Item – Dwayne Toews to contact Sean Trimble to determine estimates for a reduction in benefits to pre-pandemic coverage and reasonable cap for physio coverage. Aaron Chan to determine the corresponding increase in premiums needed to eliminate the monthly deficit and stabilize the reserve fund to the desired \$200K level.

Investigate Two-Tiered District Benefits Plan

After investigation, there was consensus with District staff that a two-tier plan is not a viable option as it would be very difficult to manage, require increased administration, may cause relational issues, and would reduce flexibility in coverage changes.

South Hazelton Property

It was noted that the property valuation has gone down slightly, and it was agreed that the property value needs to be determined. It was also agreed that the committee should talk to Bart Metcalf as well as the interested party directly rather than Maurice Yee acting as an intermediary.

It was noted that the CPD cannot afford the upkeep of the property long-term, and the consensus was that selling would be the best option. Proceeds from the sale could then be reinvested into ministry in the district.

Action Item – Nicholas Lai to work with a local realtor in South Hazelton to determine an appropriate sale price for the church property.

Action Item – Aaron Chan to communicate with Maurice Yee that the Finance Committee is doing its due diligence and ask for contacts for the interested organization in order to follow up directly.

Review of DEXCOM Policy Governance Manual Section 4.4.12

There was consensus to allow for the Finance Committee to approve loans and/or lines of credit for churches up to \$250K and to increase the threshold for building project approvals to \$1M in 4.4.12.1.3.

It was suggested that reordering of some clauses in this section may be needed and that clarification between what applies to building loans versus other loans or debts should be added. A note was also made that the *Church Loan Policy* and *Finance Committee Terms of Reference* will need to be updated correspondingly to any changes DEXCOM approves.

Action Item – Erin Knott to review section 4.4.12 of the DEXCOM Policy Governance Manual and bring a proposed draft to the September meeting.

New Finance Committee Member

As Tami Cooke has moved to the USA, there is a need for a replacement committee member. Mark Peters worked with Brad Boyd at North Shore Alliance Church for many years and believes he would be an excellent addition to the committee. Brad desires to be involved in district activities where he could make a significant contribution.

Action Item – Mark Hutchinson to contact Brad Boyd regarding becoming a Finance Committee member.

It was noted that Aaron will be retiring at the end of 2022 and a search for his replacement will be initiated in September.

Next Meeting

The next meeting is on September 21, 2022, from 9:00am-12:00pm on Zoom.

The following items are to be included on the next meeting agenda:

- Benefits Survey Results and Decision
- Investment Opportunities Debrief
- Modified 2023 Budget and 2024/2025 Budget Forecasts
- South Hazelton Property
- New Finance Committee Member
- Review Proposed *Model Church Bylaws* Clause 5.3 Revision

Mark Peters prayed to adjourn the meeting at 1:25pm.