

District Finance Committee Virtual Meeting Minutes September 21, 2022

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

Mark Peters opened the meeting in prayer at 9:00am.

Approval of Agenda

Moved (N. Lai) and seconded that the Agenda be approved.

CARRIED

Declaration of Conflict of Interest

Erin and Mark Peters expressed a conflict with the conversation regarding the benefits plan as both are plan members.

Approval of Minutes

Moved (M. Peters) and seconded that the minutes of the meeting on August 18, 2022 be approved.

CARRIED

Monthly Financial Statements

Aaron reviewed the Summary Income Statement and noted that the District Operating Budget (DOB) in August was \$12K above the budget, but \$8K less than 2021. Canadian Ministries (CM) is \$10K lower than 2021. The net income is a deficit of \$47K due to donation income not yet received of \$52K that was expected in 2022. This donation will likely come in 2023 as the Canada Revenue Agency is taking a long time to issue the tax clearance. The employee benefits deficit in August was \$27K.

Aaron expects that for the rest of 2022 the interest earned will be higher than the interest paid out. Travel expenses are higher than budget, and Mark Peters believes this is likely to continue as we return to normal travel levels post-pandemic.

Aaron reviewed the Balance Sheet Summary and noted that the cash balance is down by \$1.6M due to the loan of \$1.4M to Fraser Lands Church. With interest rates increasing, income from loans to churches will be increased. Deferred revenue is down from \$270K in January to \$50K at the end of August.

Aaron reviewed the loans to churches as of the end of August and noted that several churches are doing well and have made additional payments. 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.

Moved (W. Drewlo) and seconded that the financial statements are accepted and recommended to DEXCOM.

CARRIED

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

District Benefits Plan Changes

Mark Peters reviewed the decision by DEXCOM to take a hybrid approach to address ongoing benefits plan deficits. Erin reviewed the benefits survey results and noted that of the 392 benefits contacts that the majority are employees.

District employees were previously not paying into the benefits plan, and DEXCOM required the District to remedy this for employees for the entirety of 2022 and moving forward. This is an annual cost of approximately \$60K. Aaron will include this amount in the Income Statement Summary beginning in September.

DEXCOM assigned an action item at their September meeting:

Action Item – The District Finance Committee to discuss the implementation of annual increases to benefits premium rates.

The committee noted that there is an annual review of the benefits plan, and it was suggested that the conversation of the annual increase amount be addressed at that time.

Action Item – Add discussion of annual benefits premium rates to the Finance Committee’s perpetual calendar at the meeting following the annual benefits plan review.

Investment Opportunities Debrief

Wes reviewed the responses received after the two investment opportunity presentations at the June meeting. He commented that there are pros and cons to both directions and that the Western Canadian District (WCD) self-directed model would require significant administrative capacity and extensive capital (potentially \$10-15M) as a starting point. The Westbow option makes sense given the lower level of skills, time, and capacity to manage the investment.

The CPD would need to enter into a loan to invest and would need an offsetting advantage in the investment to pay the interest. Mark Hutchinson noted that he is a Westbow investor and that Westbow has tweaked the investment numbers given the current economic situation.

In a previous meeting, it was determined that the District could partner with local churches to borrow against property assets for up to 50% of the equity with a bank. An appraisal would be needed as well as confirming the ability of the church to pay back a loan. Monthly dividends with an agreed-upon proceeds split could potentially cover interest costs. Each church would determine its use of income in support of its individual vision/mission. It was agreed there would be complete autonomy for churches and the CPD with the use of funds.

It was suggested that the District Office be used as a pilot project before involving churches. The BC Property Assessment valued the District Office at \$2.7M, and Aaron notes that it is not encumbered. The bank would lend half of that amount, meaning there is the possibility to invest approximately \$1M. It was believed that to see a positive impact from these funds, the investment should be \$1M or higher.

There was consensus that the Westbow investment concept may be beneficial, and that an initial step would be to leverage against the District Office property. Churches could be approached about potential partnerships while the initial project is underway.

It was recognized that the Westbow approach could be undertaken relatively quickly and easily as they do much of the work, whereas the WCD model would require much more time to plan and create the structure. To present any investment opportunities to DEXCOM, it was agreed to investigate both the model and potential partners to do due diligence.

Action Item – The Finance Committee to reach out to contacts regarding potential investment opportunities as follows:

- **Wes Drewlo to speak to John Kaethler and another developer contact**
- **Mark Hutchinson to speak to a financial advisor**
- **Nicholas Lai to reach out to Robert Bonkes**
- **Other committee members to connect with any relevant contacts they may have**

All research to be sent to Mark Hutchinson by the end of November to compile and bring back to the December meeting.

There was a consensus that criteria need to be established regarding what the committee is looking for and to be strategic in what we request. There was also agreement that seeking a company with Christian directors/owners that has outreach as part of their work was desired.

It was noted that while exploring investment options that the WCD model is still a consideration. The committee expressed interest in exploring alternatives for the use of property, for example, subdividing the South Hazelton property to generate income. It was suggested that the investment model could fund capital for a WCD-type model.

A short break was taken at 10:30am.

Modified 2023 Budget & 2024/2025 Budget Forecasts

The modified 2023 budget and 2024/2025 budget forecasts were reviewed, and Aaron noted that all budgets are balanced as required by policy.

CM income is forecast close to what we have received for 2022. DOB income in 2023 is the same as the revised 2022 budget, and modest growth is projected for 2024/2025. The assumption is that there will be no new loans in 2023, and projecting modest loans in 2024/2025. Employee Insurance income is lower than expenses which shows the inclusion of District employee claim expenses.

Salaries and benefits reflect a 2% cost of living allowance (COLA) increase, and no additional staff hires are anticipated. A modest 0.5% and 1% COLA are included for 2024/2025. It was noted that in previous years staff were given a COLA based on the inflation rate, but this was not automatic. It was asked if this amount was adequate and realistic given current levels of inflation being between 6 and 8%, and Mark Peters responded that even if COLA was set at 4% for 2023 that it is a challenge to balance the budget moving forward.

Mark noted that expenses in the Operating Reserve (OR) Fund are not included as these are unbudgeted amounts. On an annual basis, DEXCOM approves up to \$200K for use according to the policy in place. Travel expenses have been decreased as it was needed to cut funds in the budget, but likely OR funds will need to be used to cover the difference needed in this expense line. Mark further noted that with the use of the OR, each year the District is spending more than it is receiving in income. Over a number of years, the reserve will continue to drop, and we will have a problem.

Aaron estimated that there is between \$1 and 1.5M in the OR. Funds come from closed churches, property sales, and income surpluses. The funds are sitting there because of the zero net income policy. The committee expressed concern with the amount of money in the fund and suggested actively trying to multiply those funds.

The policy governing OR funds usage was written to allow the District to access these funds, but it may need revision along with the *Budget Process Policy* to better use and access funds and provide transparent budgeting.

The strategic partnership expense line was increased significantly due to an increase in district partnership amounts and the number of partners. Brian Derksen's role was not replaced and some of those monies have been redeployed to develop regional coaches for board training allowing a more regionalized focus, further District reach, and reduced travel expenses.

Mark Peters noted that, unlike a church, the District does not have the same ability to raise funds. In speaking with other District Superintendents, he realized that the CPD is the only district that does not have a DOB rate of 3% (the CPD is currently at 2.5%). Aside from income increasing through investments, the other option is to increase the DOB rate, however, it would be challenging to consider increasing DOB at this time given the benefits rate increase and the timing of District Conference 2023. It was noted that waiting for an increase until 2025 means it will be a number of years until an increase in income is seen. It was suggested to investigate how the CPD is doing in comparison to other district offices, including the cost of living.

Moved (W. Drewlo) and seconded to recommend to DEXCOM that the modified 2023 budget and the 2024/2025 budget forecasts be approved.

CARRIED

South Hazelton Property

Nicholas received a comparative market analysis from Eldon Whalen, a local realtor, who recommended a price of \$450K that was far above the assessed value. This is significantly above the assessed value. It was noted that the market is not active in the region and there is an annual cost of approximately \$10K to maintain the property. Nicholas noted that the property does not appear to be suitable for Misty River Ministry's use.

The size of the property is much larger than the surrounding properties and it was believed that there may be merit in exploring redevelopment of the property to possibly realize a higher rate of return. There was uncertainty regarding the costs to subdivide the property and the market for the divided property, but potential was seen.

Nicholas recommended seeking preliminary approval for the subdivision and marketing the property at that point. He believed that initial costs for the inquiry stage would be minimal.

There was a consensus not to market the property at this time but to mitigate ongoing costs by leasing the property to the interested non-profit group while exploring subdivision if possible.

Action Item – Nicholas Lai to continue dialogue with Eldon Whalen and also explore the possibility of a potential subdivision of the South Hazelton property.

Action Item – Aaron Chan to follow up with Maurice Yee and the interested non-profit group regarding a potential lease for the South Hazelton church property.

New Finance Committee Member

Mark Hutchinson spoke to Brad Boyd regarding his potential appointment to the committee and believes that he will be a strong addition.

Moved (M. Hutchinson) and seconded to recommend to DEXCOM that Brad Boyd be appointed as a member of the District Finance Committee.

CARRIED

Review Proposed Model Church Bylaws Clause 5.3 Revision

Erin reviewed the input from the Bylaws Committee and proposed the change recommended to clause 5.3. There was agreement that the revision proposed was appropriate.

Moved (M. Peters) and seconded to recommend to DEXCOM the revision to clause 5.3 of the Model Church Bylaws.

CARRIED

Review of DEXCOM Policy Governance Manual Section 4.4.12

Erin reviewed the proposed revisions to the DEXCOM Policy Governance Manual in section 4.4.12 and there were no suggested edits made by the committee.

Moved (E. Knott) and seconded to recommend to DEXCOM the revision to section 4.4.12 of the DEXCOM Policy Governance Manual.

CARRIED

Finance Committee Terms of Reference Revision

Erin reviewed the proposed revision to the Terms of Reference and noted that the changes are to bring clarification and alignment with the proposed changes in the DEXCOM Policy Governance Manual. There were no suggested edits made by the committee.

Moved (M. Hutchinson) and seconded to recommend to DEXCOM the revision to the Finance Committee Terms of Reference.

CARRIED

Next Meeting

The next meeting is on December 12, 2022 from 1:00-3:00pm at the District Office. It was noted that this will be Aaron Chan's last day in the office.

Wes Drewlo prayed to adjourn the meeting at 11:58am.