

**Board of Trustees  
Meeting Minutes**

**All Souls Church, Unitarian  
February 26, 2014  
7 p.m.**

**Trustees, Officers, and Staff in Attendance:**

Brian Marshall, President  
Jenice View, First Vice President  
Bruce DePuyt, Second Vice President  
Julia Sayles, Trustee  
Emily Koechlin, Trustee  
Fred Tipson, Trustee  
Vickie Lindsey, Trustee  
Kysseline Jean-Mary Chérestal, Trustee  
Erika Landberg, Moderator  
Cheryl Gray, Treasurer  
Anne Bradley, Membership Secretary  
Mark Matthews, Secretary  
Rob Hardies, Senior Minister  
Susan Moore, Associate Minister  
Katie Loughary, Executive Director

**Also in attendance:** Tom Fox, co-chair, CAPT; Marc Bendick, CAPT (Social Justice Subcommittee); Bob Bonner, Investment Committee; Georgia Yuan and Michael Milano.

**Not in attendance:** Cledwyn Jones, Trustee; Uta Allers, Assistant Treasurer

**Call to Order:** Brian Marshall.

**Chalice lighting and reading** – Jenice View: “The Task of the Religious Community” by Mark Morrison-Reed

**New staff position** – Rob Hardies, Michael Milano, Georgia Yuan: Georgia and Michael worked with Rob on a job description for a Chief Program Officer (CPO) – a full-time Executive Team member who would supervise program staff, including the Social Justice minister, run the adult spiritual development programs, and serve as principal liaison between the ET and the Church Council and Nominating Committee. If the person hired is an ordained minister, he or she would support Rob and Susan in leading the service and performing weddings and other duties. Rob and Susan argued strongly in favor of creating the position. Rob would favor keeping it even if overall staffing were forced below the current 17 due to budget constraints.

**Discussion:** The job description drew praise, but there was concern about integrating a new supervisor into the current staff structure and the budget impact. With the new position, others' jobs are likely to change. Is it fair to promise a fulltime job with benefits given the church's financial challenges? Some money will be freed up by the departure of the current director of membership and welcoming. Cheryl would be comfortable hiring a new person if the membership director were not replaced. Katie anticipates filling that position as well eventually, but at a lower salary. Brian, summing up, expresses support for the new position: Even though it's unlikely current staff levels can be sustained through 2016, the current situation is not working and the church would get more from Rob by letting him do what only he can.

**Motion** by Fred Tipson, seconded by Vickie Lindsey, to support the decision of the Executive Team to hire a chief program officer. Voice vote – all in favor.

**Building renovation** – Tom Fox, Marc Bendick, Brian Marshall, Phyllis Caldwell, Bob Bonner, Cheryl Gray:

Tom: Following receipt of subcontractor bids, CAPT worked with Forrester, the contractors, and architect Brian Frickie to match the scope of the project with costs and budget. Significant problems with the roof and gutters require more money than had been estimated last spring. CAPT worked hard to get to a base plan costing \$7.1 million to \$7.4 million. Not renovating the kitchen – which would need to be gutted – will be the biggest disappointment. Also not included are storm windows and interior window repairs. CAPT examined, and rejected, other cuts to the plan: keeping main-floor restrooms as they are; eliminating the terrace redesign and skylights for the basement. The renovation covers a lot of ground. The number of toilets – now 14 – will rise to 10 for women; 10 for men, and 6 handicapped stalls. Collected rainwater will be used for flushing and draw revenue under a future District stormwater credit scheme. Loss of a stairwell provides space for a new room on the second floor. A stairwell will be reopened from the narthex leading to the basement and a restroom.

Marc: The CAPT social justice subcommittee drew up 26 requirements for Forrester and subcontractors. Invitations went out to 785 subcontractors – more than were on Forrester's original list. The approach brought in more bidders than anticipated and increased the representation of District residents. Low bidders and alternates were assessed against the social justice criteria. In the end, 28 percent of work hours will go to minorities; 40 percent will be union; the living wage standard will be met 100 percent; the caulking contractor is women-owned.

Brian: The construction contract will be close to the expected \$7.34 million. Five percent is budgeted as contingency. Additional costs include fees to the architect and fundraising consultant and the project manager. Interest costs during the interest-only repayment period will be \$339,000. There will be a \$2 million balloon payment. People should be encouraged to move up pledge fulfillment. Large overruns would be a problem.

Phyllis: A loan commitment letter from First Virginia Community Bank adheres closely to a previous term sheet. It provides for a 4.48 percent interest rate for 12 years. We should feel good

about the financing. The renovation budget anticipates a 97.5 percent pledge fulfillment; in her experience that will be hard to meet. There's also a greater than 50 percent chance we will need a shortterm loan from the endowment. We need to start thinking of the endowment as a reserve facility. The bank might increase the loan up to \$10.3 million, but would not grant any more concessions.

**Discussion:** There's no enforceability to pledges (banks have been known to contact congregants and remind them). Annual giving is tight. More than half the endowment is off limits. There is worry that years of deferred maintenance will turn up more problems. "We could use all \$9 million on the building itself." Many building projects set aside 10 percent for contingency. Given the record of pledge fulfillment, it could go down to 85-90 percent. "There could be a \$250,000 hit on the annual budget for the next 10 years." The sight of a construction crane may renew excitement. A potential grantor (of \$100,000) prefers to fund an item on the "wish list," not the base plan.

Motion by Julia Sayles, seconded by Emily Koechlin:

The Board of Trustees RESOLVED THAT:

1. The Board of Trustees recommends the following Motion to the Members at the Special Congregational Meeting on March 2, 2014:

The Membership of All Souls Church supports the decision of the Board of Trustees:

1. To proceed with the project to renovate the All Souls Church building and grounds, including entering into a construction General Contract;

2. To enter into a construction and renovation loan on terms suitable to the Board of up to \$5,500,000, to convert to a term loan of up to \$3,500,000 two years after loan closing, to be reduced to \$2,500,000 or less within three years of loan closing; and

3. To modify the project as necessary, consistent with the terms of its loan agreements.

2. The Board of Trustees accepts the terms of the February 19, 2014 First Virginia Community Bank (FVCB) Commitment Letter and authorizes the Executive Director, Katie Loughary, to execute same on its behalf and on behalf of All Souls Church and deliver it to FVCB no later than March 1, 2014.

All in favor by voice vote.

**Planning for the March 2 special congregational meeting** – Erika Landberg: It was agreed that Jenice would make the motion; Bruce would second and be the first speaker.

**Hiring of a construction manager** – Katie Loughary: A proposed contract with Charles McNear calls for a \$2,500 monthly fee totaling \$30,000. Katie and Tom Fox checked his references and All Souls' counsel has reviewed the contract.

**Motion** by Fred Tipson, seconded by Bruce DePuyt, to give Katie authority to sign the contract.

The vote was 5-0 (three board members had left the room for a separate discussion).

**Consent Agenda:** Staff Report; appointments to the Investment Committee (Sarah Puro, Lucia Savage, Andrew Scott, John Strongman, with Mark Matthews as Board representative; and Audit Committee (Jenice View – chair; Carol Falk; Cheryl Gray; Cledwyn Jones); BOT minutes from Jan. 22 and Feb. 9.

**Motion** by Bruce DePuyt, seconded by Emily Koechlin, to approve the Consent Agenda. Passed 5-0.

### **Announcements**

**Closing Words** by Kysseline Jean-Mary Chérestal, recommended as a new Board practice: from First Corinthians 16: “Let all that you do be done in love.”

The meeting adjourned at 10:05 p.m.

Respectfully submitted,  
Mark Matthews, Secretary

## **All Souls Church, Unitarian**

### **Board of Trustees Meeting – February 26, 2014**

#### **Proposed Agenda**

7:00	Call to Order	Brian Marshall
7:02	Chalice Lighting and Reading	Jenice View
7:05	Welcome and Introductions	All
7:10	Discussion of New Staff Position	Rev. Hardies Georgia Yuan Michael Milano

7:40	CAPT Report and Recommendation	Tom Fox Katie Loughary Brian Marshall
8:20	Consideration of Motion for Special Congregational Meeting	Brian Marshall
8:30	Planning for Congregational Meeting	Erika Landberg
8:35	Staff Report	Executive Team
8:40	Consent Agenda  -- Appointments to the Investment Committee  -- Appointments to the Audit Committee  -- Minutes of January 22 BOT Meeting  -- Minutes of February 9 BOT Meeting	Trustees
8:45	Announcements  -- Special Congregational Meeting, Sunday, March 2, 1 p.m.  -- TENTATIVE: Special Board of Trustees Meeting, Sunday, March 2 (after Congregational Meeting)  -- Joseph Priestly Dist. Assembly, Apr. 11-12, Lafayette Hill, PA  -- General Assembly, June 25-29, Providence, RI	Brian Marshall
8:50	Agenda Items for Next Board Meeting, March 26, 2014, 7 p.m.  -- Discussion with the Committee on Ministry  -- Executive Limitations Report: Asset Protection  -- Construction Governance	Brian Marshall
8:55	Meeting Form and Feedback	All

9:00	Prayer and Adjournalment	Kysseline Cherestal
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### **Description of Proposed Scope of Work**

Barbara Corprew and Tom Fox, Co-Chairs

#### *Final Design: Design Details*

- Accessible Entry with new ramp at corner of 16<sup>th</sup> and Harvard Streets
- NW Terrace – New renovated, green terrace with landscaping and planters with trees
- New welcoming entrance space from renovated terrace with reception desk
- Eco-friendly Elevator to all three floors
- Re-opening of the stairway from the 16<sup>th</sup> Street narthex
- New Restrooms (10 women’s toilets; 10 men’s toilets; 6 handicapped stalls)
- LL Toddler bathroom will have HC clearances and features
- Roofs – Roof made PV ready; new roof membrane in white to reflect energy rather than absorbing it, and to reduce the energy load on the mechanical systems of the building.
- Consolidate staff offices on main level and lower level; Reception Room repurposed for Rev. Hardies' office
- LL renovation provides 5 classrooms and 2 offices for weekday renter(s)
- Extensive Gutter Work – New Copper gutters for office and church
- Passive Ventilation System in Pierce Hall
- Exterior Window Repairs/Restoration in phases over time
- Attic Insulation – All three buildings (office, church, Pierce Hall) will have R-21 insulation
- New wiring and electrical upgrades
- New high efficiency fluorescent lighting fixtures
- Skylights for additional natural light into lower level classrooms
- New HVAC system in renovated areas
- New boiler to support heating in non-renovated areas
- Masonry/stone repair of Bell Tower/portico/office building
- Building Security Package (remote electronic access control system/cameras at 3 entry spots) to be implemented in stages
- New Exterior Bulletin/Sign (existing brick sign will be removed and replaced)
- Installing grey water piping and cisterns for future storm water collection system/indoor water reuse in bathrooms
- Preparation for Kitchen and Pantry Renovation
- Exterior Lighting
- Sprinklering in all renovated areas
- Installing infrastructure to support planned A/V and security systems
- Installing cisterns in the basement for future stormwater collection system

What's Changed From March 2013

- Adding New Side Gate at NW Terrace entryway - Front gate will be removed permanently
- Adding Bell Tower Improvements to scope - Repairs will be made to bell clapper, wheel, yoke, cradle in addition to repairing Bell Tower masonry
- Addition of a New Room on the 2<sup>nd</sup> floor in the area near the sanctuary where the internal stairwell is located. This could be a meditation room and or a space that parents can use during worship services
- Revised light fixture package that will have fluorescent fixtures as standard in most office spaces and classrooms; LED lighting in some areas
- Installing conduits on roof for future solar projects
- Kitchen not in current scope
- Storm Windows not in current scope
- Interior Window Repairs not in current scope
- No Masonry/stone repair work in Pierce Hall

\* \* \* \* \*

Prospective reductions in scope (not recommended by CAPT)

- Terrace - repair to reseal only, no skylights, no trees, no storm water storage, no gray water re-use, no change to signage: **\$296,150 (est.)**
- 15th St. Hallways - Leave existing main-level restrooms in place; eliminate 15th Street staff offices: **\$220,942 (est.)**
- No gutter repair: **\$208,420**

Prospective additions to scope if additional funds were available

- Kitchen Renovation: **\$238,881**
- Pierce Hall "Pantry" (counter & sink): **\$17,467**
- Upper Level Restrooms: **\$45,737**
- Princess Balcony - Green Roof: **\$104,960**
- Fencing Gates at 16th Portico Entrance: **\$44,175**
- Second Tier Envelope Repairs: **\$788,950**

**PROJECT BUDGET AND DEBT SERVICE COSTS**

Brian Marshall (with Andrew Scott)

SOURCES OF FUNDS		USES OF FUNDS	
Gifts through 12/31/2013	\$ 3,925,705	Construction Contract	\$ 7,341,647
Future Gifts*	\$ 4,080,898	Contingency (5%)	\$ 367,082
Remaining Debt (Apr. 2017)	\$ 2,377,171	Past Soft Costs	\$ 1,390,703
		Future Soft Costs	\$ 945,420
		Interest (to March 2017)**	\$ 338,921
<b>TOTAL SOURCES</b>	<b>\$10,383,774</b>	<b>TOTAL USES</b>	<b>\$10,383,774</b>

\* Assumes 97.5% fulfillment of outstanding pledges and \$100,000 grant

\*\* Assumes 4.46% interest rate

Principal & Interest Payments

Principal and interest payments start in April or May 2017. Assuming \$2,377,171 outstanding debt and 4.46% interest rate, annual principal and interest payments would be \$143,860. The balloon payment due in 2026 would be \$2,009,722.

Outstanding Debt under Alternative Scenarios

Fulfillment	Contingency	Outstanding Debt	Annual Cost	Exceed \$2.5M Loan Limit
100%	0%	\$1,754,780	\$106,195	No
97.5%	5%	\$2,377,171	\$143,860	No
95%	5%	\$2,589,867	\$155,786	Yes***
92.5%	5%	\$2,806,993	\$166,643	Yes***
90%	10%	\$3,429,384	\$197,762	Yes***
85%	15%	\$4,266,687	\$239,627	Yes***

\*\*\* Annual Cost calculation assumes use of endowment funds to cover shortfall, resulting in reduction of annual endowment income by 5% of endowment funds expended.



## **CAPITAL PLEDGE FULLFILLMENT ANALYSIS**

Bob Bonner (2/22/2014)

Looking at all pledge amounts (adjusted to their 2/20/2014 pledge):  
Currently total pledged is \$8,111,900.36 of which  
\$4,001,516.99 paid as of 2/20/2014  
\$4,110,383.36 remains to be paid.

Unfulfilled Pledge amounts ranked by current fulfillment (i.e., risk)  
56 pledges with 0% fulfillment owe in total \$0.38million  
36pledges with <10% fulfilled but some nominal pledge owe \$0.35 million  
31pledges with at least 10% fulfillment but <20% owe \$0.25million  
86 pledges with at least 20% fulfillment but <30% owe \$0.59million  
96 pledges with at least 30% fulfillment but <40% owe \$1.03million  
60 pledges with at least 40% fulfillment but <50% owe \$0.85million  
31 pledges with at least 50% fulfillment but <60% owe \$0.21million  
25 pledges with at least 60% fulfillment but <70% owe \$0.20million  
23 pledges with at least 70% fulfillment but <100% owe \$0.25million

168 pledges totaling \$1.27million have been 100% fulfilled

In the last 29 days the \$152,000 has been received in TCC pledge fulfillment. This is roughly equal to our monthly average over the last 24 months.

## LOAN COLLATERAL AND DEFAULT ANALYSIS

Phyllis Caldwell (1/25/2014)

In addition to the summary below, a board member asked that I send a written summary of the loan collateral. Here is the excerpt from the November 2013 term sheet. It might be helpful to have on a slide for future presentations so people are aware. It's also important to think about what would have to happen before the collateral is at risk so I included a summary of what the downside might look like. The probability of the loan getting to the point where the building is at risk is low. However, it is a mortgage on the building and our congregation should understand we are offering the church as collateral to finance the fulfillment of pledges as we begin construction.

1. 1st DoT i/a/o \$5,500,000 on real estate located at 1500 Harvard Street NW, Washington, DC.
2. Blanket lien on business assets of the Borrower, excluding the endowment funds
3. Assignment of all pledges
4. Assignment of all architect, engineering, budget and construction contracts, as well as plans and permits associated with construction. Construction inspections and title bringdowns will be conducted under FVCbank standard loan procedures. All documents to be presented and reviewed prior to closing.

**FVCbank reserves the right to approve the firm fixed price contract and chosen contractor prior to closing.**

While the optimistic among us believe we can collect 96%, it's our first time at this so it is very hard to project. If we fail to reach 96% fulfillment, we would likely manage in the following order:

1. Bank Loan: The bank loan builds in an additional \$1 million in term loan to \$2.5 million which essentially means the bank finances the first \$1 million in fulfillment shortfall down to an effective fulfillment rate of \$ 7 million or ~85%. We would repay the financing either through
  - a. fulfillment of remaining pledges that trickle in over time;
  - b. potential increased annual giving from members either new or old;
  - c. potential increased operating income from the building;
  - d. temporary increased operating distributions from the Endowment or
  - e. new bequests or major gifts.

Since we are counting on items a-c to pay the \$1.5 million term loan, we would likely be looking at items d and e for the increased amount. The \$1 million back up financing is important – the competitor banks offered \$2 million term meaning \$500k in back up financing. The loan also gives us the flexibility to make a gift or loan from the endowment if we didn't want to accept the additional financing.

2. Endowment: If the pledge fulfillment goes below \$7 million we would need to cover the shortfall from a one-time loan or gift from the endowment in the amount of the shortfall below \$7 million fulfillment.
3. Renegotiation of Loan: If steps 1 and 2 don't work, we would try to renegotiate the loan terms to meet the current situation.

We have three viable steps before reaching a payment default which is when things go bad quickly.

Finally, we have the UUA use lien. FVCB agreed to a subordination versus release meaning the UUA will remain in the title chain. With a well-structured subordination agreement, if the worst case disaster scenario occurs (ministers are fired, members leave in droves and stop paying, FVCB sells itself to a foreign bank and the new bank fires our account team etc.), the UUA would have the right to “foreclose” on the bank's lien for the outstanding balance of the loan and would become the new lender or owner. In addition, the use lien restricts the property to whatever terms are in the UUA agreement so the building is not much use to any bank beyond negotiating threat.

It's important to understand the downside but recognize we are in a good position compared to many other churches who take on debt which is why we were able to get very competitive bids from banks large and small.

February 19, 2014

**All Souls Church, Unitarian**  
**Attn: Katie Loughary, Executive Director**  
**Attn: Investment Committee**  
**1500 Harvard Street NW**  
**Washington, DC 20009-4216**  
**In Re: Construction Loan Financing**  
Dear Katie and Investment Committee:

I am pleased to advise you that FVCbank ("the Bank") has approved, as of , February 14, 2014, a commercial construction loan and permanent financing credit facility for the above referenced borrower, ("the Loan/s") in an amount not to exceed the lesser of \$5,500,000 or 65% of the currently appraised market value. The terms and conditions of this commitment are outlined below:

Borrower: All Souls Church, Unitarian

Amount: The lesser of \$5,500,000 or 65% of the appraised value of the commercial real estate property located at 1500 Harvard Street NW, Washington, DC 20009-4216

Purpose: To renovate and expand the church. Maximum Loan to Cost during construction is 75%.

Facility: A line of credit facility (24 month maturity) converting to a permanent mortgage facility in an amount not to exceed the lesser of \$3,500,000 or 65% of the appraised valuation. Standard construction draw advances to be supported by inspector verified draw requests.

Interest Rate

& Terms: No more than 60 days prior to closing, during the construction loan period and continuing on after conversion to a permanent commercial mortgage loan, the **interest rate will be fixed at the 10 year Treasury Bill plus 1.73% (currently 4.48%)** for a maximum of twelve (12) years from the date of closing.

Loan must close within 60 days of the rate lock. If the loan is not closed within 60 days from the rate lock, the rate will begin floating again at the 10 year Treasury Bill plus 1.73% with a floor of 4.50%. The rate may then be locked for increments of 7 days until a closing date is determined. Loan must close no later than April 30, 2014. 2500 Wilson Boulevard ☐ Arlington, Virginia 22201 ☐ (703) 387-5012

The construction line of credit/commercial mortgage to have a **twelve (12) year maturity** from the date of closing (includes a 24 month construction period) and a **thirty (30) year loan amortization**. Construction and renovation, as well as conversion to a permanent facility, must be completed within 24 months from the date of closing and the permanent facility may not exceed \$3,500,000. Amortization of loan proceeds totaling no more than \$2,500,000 (i.e. – Borrower will make a principal reduction of at least \$1,000,000 or an amount needed to pay the loan down to a maximum balance of \$2,500,000 prior to the start of the amortization period) and principal /interest payments will commence after 36 months from the date of closing or at the borrowers request. Monthly interest only payments for no more than 36 months from the date of closing.

The following chart is intended as an illustration of the required curtailment amounts assuming the maximum loan amount is outstanding at the end of the first, second and third year following loan closing. <b>Year</b>	<b>Maximum Loan Amount</b>	<b>Required Curtailment</b>	<b>Amortization</b>
1 & 2	\$5,500,000	\$2,000,000	Interest Only
3	\$3,500,000	\$1,000,000	Interest Only
4-12	\$2,500,000	Amortized Schedule	P & I- 30 years

All Souls Church

Feb. 2014 Board Meeting

**Resolutions to Appoint Members to Board Committees (Consent Agenda)**

**RESOLUTION 1: INVESTMENT COMMITTEE**

BE IT RESOLVED THAT on the recommendation of the Investment Committee, the Board of Trustees appoints the following people to three-year terms on the Investment Committee:

Steven Newburg-Rinn

Sarah Puro

Lucia Savage

Andrew Scott

John Strongman

and BE IT FURTHER RESOLVED THAT the Board of Trustees designates Mark Matthews as its representative on the Investment Committee.

**RESOLUTION 2: AUDIT COMMITTEE**

BE IT RESOLVED THAT the Board of Trustees appoints the following people to the Audit Committee:

Jenice View (Chair)

Carol Falk

Cheryl Gray

Cledwyn Jones

**Memorandum**

**To:** Brian Simmonds Marshall, President, All Souls Church Board of Trustees

**From:** Jenice L. View, 1<sup>st</sup> Vice President, All Souls Church Board of Trustees

**Subject:** Appointments to Audit Committee

**Date:** February 19, 2014

I have agreed to be the chair of the Audit Committee. In addition, Cledwyn Jones (Trustee), Cheryl Gray (Treasurer), and Carol Falk (lay person) have agreed to serve. In accordance with the bylaws, we need to be formally appointed by the Board of Trustees.

I request that this slate be placed on the consent agenda of the February 26, 2014 Board meeting.

