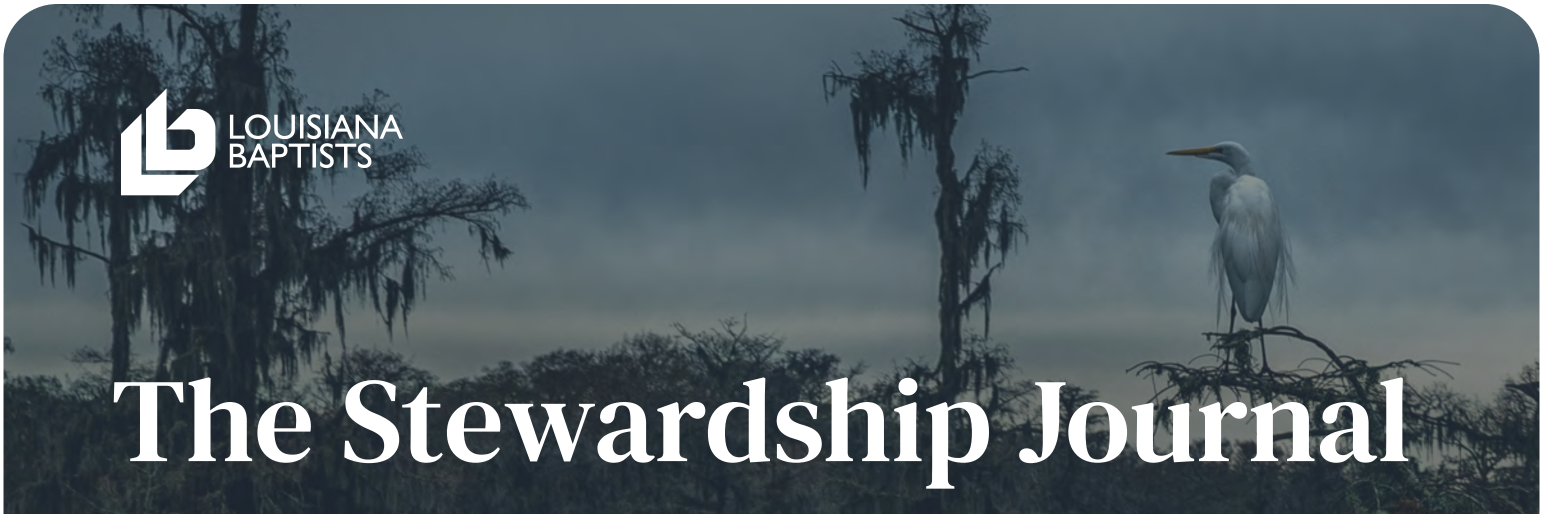

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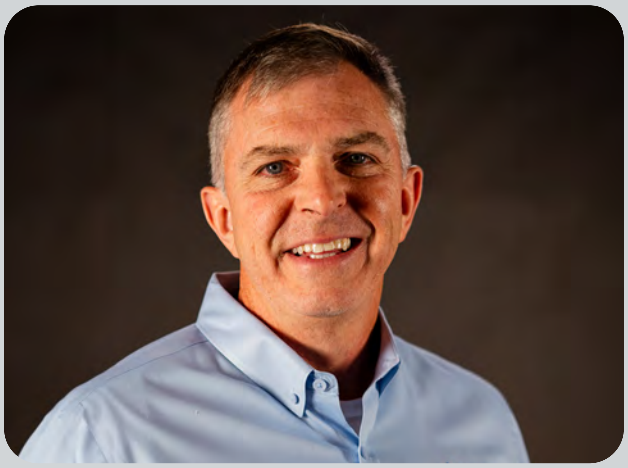
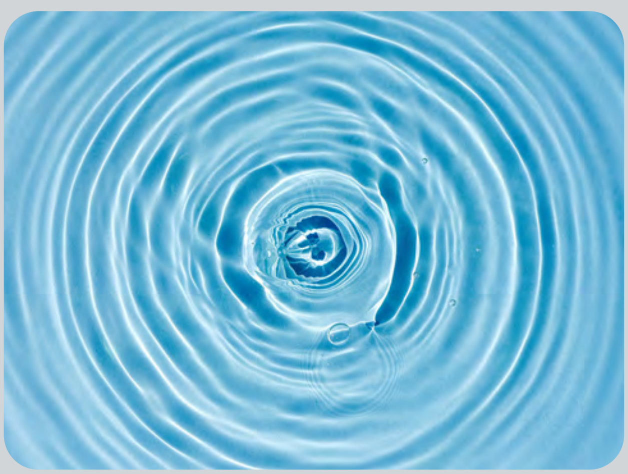
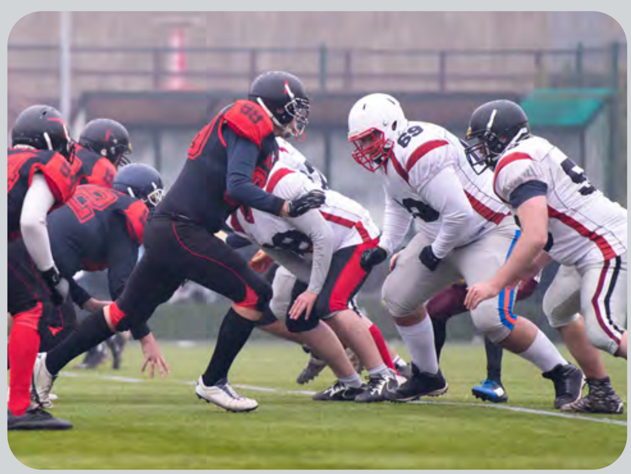


From My Desk to Your Inbox

The Stewardship of Debt



The Ripple Effect: An Interview with Dennis Moses



"Blocking and Tackling" Fundamentals of Facility Stewardship

THE STEWARDSHIP JOURNAL

From My Desk to Your Inbox

Greetings!

I pray all is well as we move into the final months of 2024.

"Should churches borrow money to build?" Good question. Mark Brooks, the Stewardship Coach, provides his take on why the answer is yes - in some cases.

Mark interviews a consultant from Church Capital Resources in the Bonus Section who shares valuable information about borrowing in ***The Ripple Effect: An Interview with Dennis Moses***.

Finally, Tim Cool, President and CEO of Smart Church Solutions, discusses the fundamentals of facility stewardship in his blog "***Blocking and Tackling.***"

Looking for all the articles on Capital Campaigns? You can find all past issues of *The Stewardship Journal* can be found at **stewardshipjournal.com** or **LouisianaBaptists.org/Stewardship**.

Keep Looking Up,

Dr. Steve Horn

The Stewardship of Debt

I believe that *sometimes,* it is in the best interest of a church to acquire a short-term debt to facilitate growth. That comment could get you disbarred from some churches in America, including the church I currently attend! I might be exaggerating a bit, but if I suggested we borrow money so we could finish our current project faster, I would be met with scorn and rebuke. Someone would quote me the passage in Romans about owing no man anything, and from there, the argument would ensue. As I wind down my series on capital campaigns in this Coach, I want to share with you what I call ***The Stewardship of Debt*.** In the times that we live in, it is almost impossible for churches to build without incurring some type of debt along the way.

My personal belief is that there are times when borrowing money is the best and wisest course of action for a particular church. It must be a manageable debt, meaning monthly payments do not hinder missions and ministry. I also advise paying off debt as fast as possible. However, I often am faced with objections with arguments like this…

"Debt is unbiblical and unwise!" A few years back, I wrote about these two objections. Here is what I wrote,

Is debt unbiblical? In some circles, this is a raging debate. I have seen churches split over this issue. Let me be clear: I will never advise anyone to do anything that I feel violates the Scripture. My view is that the Bible warns against the danger of debt much as it does the danger of money. Those warnings need to be understood as exactly that.

Years ago, when Dr. Don Sweeting, the President of Colorado Christian University, was a pastor, I helped his church raise capital funds. Dr. Sweeting wrote this about debt. He said,

> "Some Christians think that believers should never borrow money to go into debt. They hold this conviction with regard to their car, their house, their business, and their church. Other Christians operate no differently than the world, and they irresponsibly borrow up to their eyeballs. They borrow for things they should have paid cash for, like clothes, vacations, stereos, etc. They are haunted by it for a long time.
>
> We believe there is wise middle ground that is biblically responsible, where debt is sometimes taken on and used as a tool with the intent to pay it back as soon as possible. That is the action we took this past summer.
>
> It is interesting that the Bible verses most often used regarding debt are Romans 13.7, 8. The NIV renders it, "give to everyone what you owe him" and "let no debt remain outstanding." The only debt that is to remain outstanding is the continuing debt to love one another. Paul is not making a statement that it is wrong to borrow, but saying that when you borrow, pay it back!"

So, in answer to the question is debt unbiblical, I believe the answer is, it depends! It depends upon whether the debt is manageable. Does the debt so debilitate the church that missions and other vital ministries are cut or curtailed? If not, then I believe debt can, at times, be good stewardship of God's money.

Is debt practical? Consider the following…

First Church bit the bullet and borrowed five million dollars to build their new family life center three years ago. Across town, Faith Church, faced with essentially the same project, decided to pay cash for their family life center. Both churches embarked upon a capital stewardship campaign, raising three million dollars.

First Church entered into its new building around two years after their campaign. It held a second capital stewardship campaign to pay off the short-term debt it incurred. Faith Church, meanwhile, is finishing its second capital campaign and hopes to be in its building in another two years. It hopes to be completely debt-free at the grand opening, hopefully, seven and a half years after First Church opened its facility.

I believe that First Church was a better steward by borrowing than Faith Church. Let me explain. First, you need to consider the rising cost of construction and materials. You can count on at least a 10% increase a year. I recently had a client whose estimated cost for their new sanctuary increased from $10 million to $15 million! You will cost your church more money every year if you delay the start of your project. **See my Bonus Section for more on this.**

Secondly, you must consider what the new building will mean regarding growth. A word of caution here: if you build it, they might come, but it doesn't mean they will stay. However, if you never build or delay building for years, they won't come, and you won't get a chance to keep them coming back. Your attendance suffers, as does your giving.

So, the bottom line is that, at times, debt is not only practical but also makes the best sense of stewardship. The key is to find the wise middle ground for your church or ministry. Then, you need a plan on how to pay off that debt without it burdening your budget. A good action plan can help you achieve the dreams and visions God has given you. That is what a capital campaign can do for you: provide you with an alternate stream of revenue to help you build, renovate, and repurpose whatever you need for missions and ministry.

Now is the time to build, renovate, repair, etc., what you need for the next generation of ministry *and* to pay off any debt quickly. It's time to get your house in order, and one key area is the stewardship of debt.

Mark Brooks – The Stewardship Coach
mark@acts17generosity.com

Bonus Section

The Ripple Effect: An Interview With Dennis Moses

Toss a stone in the middle of a body of calm water, and you can watch the ripples spread outward from the point of impact, changing the water's dynamic. It's cause and effect. The calm of the water is interrupted by the impact of the rock. It's a ripple effect that will ultimately change the surface of the entire body of water. That analogy came to mind as I interviewed my friend and long-time banker, Dennis Moses of Church Capital Resources, for this Coach. Minutes into the interview, it became apparent that the banking industry suffers from the effect of failed banks rippling into the world of church finance and loans. Here is my interview with Dennis, who will help explain the current world of finance to our pastors and advise us on moving forward.

Mark: Dennis, thanks for your time. In our conversations leading up to this interview, you expressed concern about the liquidity crunch banks are experiencing. Can you give us an overview of the liquidity crunch?

Dennis: You have liquidity as a bank to make loans. Last year, there were a couple of high-profile bank foreclosures that scared investors, which also impacted a lot of foundations. People were taking money out of banks and institutions. Banks had such tight liquidity that they started looking for only the premiere prime loans. In other words, loans with far less risk. Churches were always considered a high risk. What has happened for churches is money is now harder to get. It wasn't plentiful, and things tightened up. Lenders started increasing their minimum loan sizes while limiting maximum loans. For instance, if they were making loans at $1 million, they raised it to $3 million. If their limit was $3 million, then it would be $5 million. No matter how good the credit, they wanted the maximum loans. As a result, banks are drilling down more into a church's finances, and they are asking more questions than I have ever seen in my career.

Mark: So, the bottom line is that churches looking for financing are facing a more uphill battle than in the past. Can you clarify further some of the difficulties this liquidity crunch is causing?

Dennis: One of the biggest areas impacted was in how banks are now using **Debt Service Coverage Ratio Guidelines.** Let me explain. For many years, up until Covid, the ratio was 1 to 1. That meant the lender wanted to see that you could make the mortgage payment. So, for every dollar loaned, a church needed to show a dollar coming in to cover the loan. Now, because of the liquidity crunch, it is 1.25 to 1.

Let me illustrate. For instance, $3 million at 7 ½%, on a 25-year amortization, would be around $22,170 monthly. The lender wants to make sure you can make that payment and have what we call "free catch," meaning you take the $22,170 a month times 125%, which equals $27,700 a month. $6,600 a month is what they want you to have on hand to meet all other expenses. Annually, this would mean $266,028 in annual debt service. A lender wants to make sure you have at least that. But they will want to push it. $332,000 is what we would like to see.

Mark: We used to tell churches that banks would loan them, on average, 2 to 3 times their annual operating expenses. Has that changed?

Dennis: Lenders used to use 2 1/2 to 3 times your income. They still use that to some extent, but a church can expect a higher debt service coverage ratio. This is why church leaders need to ask what capacity they have before they start talking about building. What is the church's capacity to borrow money? Sometimes, they don't know what they need. I just look at numbers. They must understand their needs and what they can afford. Adding to a church's problems is the fact that most pastors and church leaders don't know the project's cost.

Mark: Explain why they can't know the cost of their project and how this impacts potential loan ability.

Dennis: Construction loan limitations are impacting churches due to the liquidity crunch. Before Covid, loans were common to churches that wanted to go out and buy land and build a building. We call these Brown Dirt Loans, and they are becoming more difficult for churches to acquire as fewer and fewer lenders are willing to make that kind of loan today. Lenders are more open to loans for purchasing existing buildings, renovating, etc. So, a church needs to ensure that whatever lending institution I used in the past is still open to the church now and in the future.

Mark: With prices fluctuating with inflation, how can any church know for certainty what the cost of their project will be?

Dennis: This is a huge issue, Mark. Builders are now asking churches to sign a cost-plus contract, which makes the final number on the project cost difficult, if not impossible, to guarantee. It's like writing blank checks, hoping they are not taken advantage of. More and more lenders want a Guarantee Fixed Price or what is called a GMax contract. The price must be fixed; it can't go up. We are finding that contractors are putting into contracts contingencies, sometimes 10%, in case prices go up. So, the church tries to find someone who will not require contingencies. You must get that in writing! I talked to a lender today who told me that the last 40 loans they have made have all drawn down on their contingency, money set aside in that contract in case of cost overruns.

Mark: What are some other issues churches should be aware of?

Dennis: Lenders are very interested in a church's succession plan if the pastor leaves for whatever reason. Lenders want to make sure the church has a succession plan. They want to know how the Board of the church is organized. They want to know if you have a simple majority of people who are non-family, non-staff members. If your board is comprised of people, not from the church or out of state, they will not talk with you. You need to have a written succession plan. Who is on the Board, and what did they do for a living? They will also ask if the pastor can be fired. They are asking to ensure your ability to pay that loan back.

Mark: Dennis, I know no one can predict the future, but what trends do you see in the next 12 to 24 months?

Dennis: I ask lenders this question. I have over 20 lending institutions that we do business with. We do know that the Fed is talking about dropping a quarter of a percent in September and perhaps another drop in October. The concern is that this could drive up inflation. The economy is going to play a huge role. However, my concern is the supply chain and the price of materials. We are currently seeing buildings at around $275 a square foot. $300 to $350 a square foot is not uncommon. Given the rising cost of materials, it could easily get up to $400 a square foot.

Mark: Given all that is happening in the financial world, what would you say to church leaders?

Dennis: We talk about two issues in borrowing money. The first is your capacity to borrow, which we talked about earlier. In my experience, church leaders often feel they can borrow more than a lender is comfortable loaning. Knowing your capacity to borrow keeps you from over-extending your project with a builder or architect.

The second issue is being able to fill the gap between what a lender will loan you and what the cost of the project will be. Take whatever cash you have on hand, plus capital campaign revenue and that must equal the project cost. The church must fill that gap. If they can't, they must value engineer the project. Nearly every project I am dealing with now must be done in phases as a result.

Mark: Dennis, thanks so much for this information. If a pastor or church leader would like more information, how can they get in touch with you?

Dennis: Mark, I would love to help. The best way might be to simply email me at moses@churchcapitalresources.com. They can also find out more at our website at: https://churchcapitalresources.com/.

"Blocking and Tackling" Fundamentals of Facility Stewardship

Tim Cool

President and Chief Executive Officer, Smart Church Solutions

Facility stewardship is crucial for any organization that manages physical spaces—be it commercial buildings, educational institutions, healthcare facilities, or industrial sites. Just as in football, where mastering the basics like 'blocking and tackling' is key to winning, effective facility stewardship hinges on core practices that ensure the efficient, safe, and sustainable operation of physical assets.

I frequently encounter promotional material for facility-related conferences, blogs, and workshops that highlight facility management's more glamorous aspects. While these innovative approaches have their place, they can only be truly effective when built on a solid foundation of basic facility stewardship.

So, what are these essential fundamentals? Let's dive in.

5 Fundamentals of Facility Management

1. Regular Maintenance and Inspections

Regular maintenance and inspection are the cornerstones of effective facility stewardship. This proactive approach ensures all facility systems and components operate correctly and efficiently. Regular check-ups can prevent costly repairs and downtime by identifying issues before they escalate. This includes routine cleaning, safety checks, equipment servicing, and compliance with all relevant regulations and standards.

Key Practices Include:

- **Scheduled Preventive Maintenance:** Implement a calendar for regular maintenance tasks based on manufacturer recommendations and past performance data.
- **Routine Inspections:** Regularly inspect physical structures and mechanical systems to identify wear and tear or potential safety hazards.

2. Asset Management

Effective asset management helps facility stewards track and manage the life cycle of every component within their facilities. This includes understanding assets' age, condition, and value to make informed decisions about repairs, replacements, and investments.

Effective Asset Management Techniques:

Inventory Management Systems: Utilizing software to keep track of assets and their conditions. What equipment, assets, and inventory are we stewarding? Do we know where each is located? Their age and condition? Are they nearing the end of their useful life, or is there any functional obsolescence?

Life Cycle Analysis: Regularly assessing the expected life cycle of equipment and infrastructure to plan for future replacements and budgeting. We have found that the most effective Life Cycle plans are done with your executive pastor/business administrator and your finance committee (or similar). The effort may go for nothing if the large group of financial "influencers" are not involved and bought into this process and analysis.

3. Stakeholder Engagement and Communication

When did you last engage with stakeholders—from senior leadership to staff to everyday facility users? The "feedback loop" is critical to our growth as facility stewards. Regular communication helps align facility operations with organizational goals and adapt to changing needs.

Ways to Enhance Communication:

- **Regular Updates and Reports:** Keep all stakeholders informed about facility conditions, upcoming maintenance, upcoming events, and any disruptions.
- **Feedback Mechanisms:** Establish channels for receiving feedback from facility users and integrating this feedback into operational improvements.
- **After-Action Reviews:** Have after-action review meetings. What went great? What could we have done differently? Did we accomplish the goal of the event? What surprised you?

4. Safety and Security

Ensuring the safety and security of facilities is non-negotiable. This involves not only physical security measures but also creating environments that safeguard the well-being of all occupants. Far too often, the focus is on "active shooters" or other such violent incidents. While these are critical to have a plan and be keenly aware of, they are outliers in the blocking and tackling functions.

Critical Components:

- **Security Systems:** Installing and regularly updating security systems, including surveillance cameras, alarm systems, and controlled access systems.
- **Emergency Preparedness:** Developing and regularly updating emergency response plans, conducting drills, and ensuring clear emergency communication channels.
- **Deterrents:** Do you have plans to deter nefarious people and actions? Some basic things can assist in this process, such as having a well-lit exterior of your facility, leaving some interior lights on, and eliminating "hiding" places. Simple things like LED lighting on the exterior and in your parking lots that stay on all night are a great deterrent. The same applies to trimming landscaping to eliminate hiding places.

5. Operational Efficiency

A crucial aspect of facility stewardship is managing energy consumption and striving for sustainability. Reducing energy use not only cuts costs but also minimizes the environmental impact of facility operations.

Strategies for Enhancing Operational Efficiency:

Upgrades to Energy-Efficient Systems: Investing in modern, energy-efficient technologies such as LED lighting, HVAC, and energy management systems.

System Integrations and IoT: Operational efficiency is not only relegated to energy savings; it is also part of the equation. Given that nearly every church we work with is grossly understaffed, we find that incorporating system integrations and IoT (Internet of Things) can be the one-two punch your organization needs to improve operational efficiency.

For example, if your HVAC systems are integrated with your event management system and the HVAC can be initiated and disengaged when an event is scheduled so that your team doesn't have to run around adjusting thermostats, you will not only save utility costs but also on manpower requirements (allowing your team to focus on more critical items). You will save life cycle dollars as the "runtime" of the equipment is reduced, thus extending its life cycle.

Conclusion

The “blocking and tackling” of facility stewardship might not be glamorous. Still, it’s crucial for maintaining physical assets’ health, efficiency, and safety. By focusing on these fundamental practices, organizations can ensure their facilities support their operational goals and positively impact their overall success. Just as in sports, mastering these basics sets the stage for advanced strategies and innovations in facility stewardship.

Tim Cool is the President and CEO of Smart Church Solutions and takes great pride in helping churches optimize their facilities. When he’s not at the helm of his company, he’s dedicated to his family, being a husband to Lisa and a father to 27-year-old triplets. An enthusiast of the outdoors, Tim enjoys the simplicity of hiking in the North Carolina mountains.

This post can be found originally at:

https://www.smartchurchsolutions.com/resources/blog/fundamentals-of-facility-stewardship/