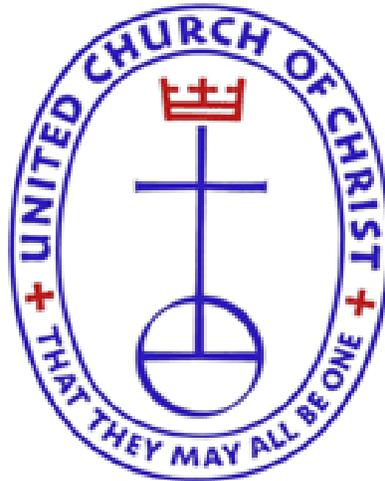


# Michigan Conference United Church of Christ

## Financial Assessment of Resolutions Related to Youth and Young Adult Ministry and the Talahi Property



October 2011 Conference Annual Meeting

Prepared August 27, 2011

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## Purpose

This addendum explores the financial impact of each resolution based solely on its impact on the finances of the Michigan Conference surrounding the Talahi property. It should be understood that the current proposals, resolutions and general directions of the resolutions were the result of funding for the camp property through Vision Inc being depleted over the last 23 years.

The exhaustion of the Vision funding sources support for Talahi property and operations have been subsidized over the last few years through the conference budget. Over the last several years the conference has also experienced investment and revenue short falls and could no longer fund Vision shortages. As a result of the increased amount of funding required each year for Talahi short falls, the Conference could no longer subsidize additional needed funding and voted in 2009 not to continue supplemental funding. There was a concerted effort from 2007 until 2009 to make the camp self funded and profitable.

The conference is no longer in a revenue positive position to fund or provide supplemental funding for the Talahi Property although the property is not in operation. The following resolutions focus on various directives that will support youth and young adult programs throughout the Michigan Conference. This document explores the financial implications of each resolution on the Michigan Conference.

To avoid a duplication of the actions that use any available principles which was a primary contributor of the depletion of Vision Inc funding all recommendations for funding are based on principle protection of cash base assets.

**A. Resolution: Ministering to Youth, Young Adults and Families in the Michigan Conference UCC (#1)**

**“Be it resolved that the Michigan Conference of the United Church of Christ at the October 2011 annual meeting facilitate our church’s mission with youth, young adults, and families through a denominationally endorsed venue for outdoor ministry by recommending to the Board of Directors of the Michigan Conference UCC that they authorize a consortium of Michigan Conference church pastors and members, also known as Camp Talahi Retreat and Nature Center Inc., to direct the use of the Camp Talahi grounds and facilities.”**

**Financial Implications**

*The motion has no direct language as to financing and does not recommend that the consortium under its new name take any financial responsibility for the property. The motion only supports the consortium directing operational use of the facility and the grounds. Should the group’s direction take the form of reopening the camp the implications could be the following.*

*Therefore as the resolution is stated the cost would reflect the following:*

- 1. Cost to support the proposal as stated with no operational funding expectations would be maintenance of grounds and structures similar to current status \$20,000 to \$40,000 per year provided there is no damage of buildings, equipment loss or unforeseeable events. These costs are only estimates based on an escalation of cost associated with non-use of the facility. There is no increased cost associated with this resolution because it is not specific in intended use for the camp.*
- 2. If the directed use of the facility is to include a plan to become fully operational, The Michigan Conference would have to understand who would be responsible for funding this plan and the expected streams of income so that the facility would be self sustaining.*
- 3. The Conference would also need to understand the specifics surrounding the transfer of operational responsibility to another organization and the specifics of that organization’s tax status (for profit or non-profit), and UCC affiliations. The Conference would also need to understand the liability channel and levels of indemnification for the conference since the property would still remain an asset of the conference.*

**Funding Recommendations & Cautions**

- 1. All funding for this resolution as stated could be supported through the following methods:*

- a) *Annual draws from return on the fully protected principle base from Bows Lake investment account. This would be possible only if full principle is never breached or comprised only the designated ROI payout from that principle.*
- b) *Should the Bows Lake principle protected investment fund not yield the required amount to cover the \$20,000 to \$40,000 annual amount, the conference operating budget, which is separated, could be affected.*

*If the Conference separate budget or investment accounts reflect a deficit trend and are impacted negatively, any redirection of conference funds to support this motion could result in staff reductions or other dramatic cuts. Should the need exist at any time to support camp property short falls or other drastic measures to meet this proposals overall funding needs, there could be long term impacts on how the conference will operate.*

**B. Resolution: Ministering to Youth, Young Adults and Families in the Michigan Conference UCC (#2)**

**Be it resolved that the Michigan Conference of the United Church of Christ, at the October 2011 annual meeting, recommend that the Board of Directors of the Michigan Conference UCC allocate an appropriate portion of the proceeds from the sale of Bows Lake property to finance essential energy conservation and facility improvements to the Camp Talahi property.**

**Financial Implications**

*This resolution's financial impact could be unmeasurable for the following reasons:*

1. *“Facility improvements” is an ambiguous statement because it could be applied to all or any of the following:*
  - a) *One or more of the current facilities on the camp grounds*
  - b) *All buildings on the overall site.*
  - c) *The entire camp*

- d) *Facility improvements could be subject to the overall plan for the end use which could reflect a different strategy than the past use of the overall property. Should a new plan be developed which reflects structure or facility expansion, demolition, or new structures, there would be an unknown financial impact surrounding the statement “appropriate portions of the proceeds from the sale of Bows Lake”.*
2. *It is not clearly stated what “finance essential energy conservation” will mean in the way of cost based activity. Not knowing or having any specifics makes it impossible to assess any potential cost to this statement.*
3. *Any attempt to open and fund the camp, because of the two year shut down, makes it difficult to determine the possible revenue in the first year. Allowing for the usually start up considerations it would be prudent to assume that first year income would not support start up expenses and create the necessary capital to support the second year of operation. The expectation of a second year of operation should the camp open considering low profit margins and the rebuilding of new customers/users would require first year total and full capitalization to reasonably expect a program in the second year.*
4. *Cost to open and maintain facility in a state of readiness for use is approximately \$250,000 minimum start up for first year which could include but not be limited to the following essentials.*
- a) *Maintenance general facility approximately \$50,000 per year*
- b) *Facility Manager with limited benefits approximately. \$60,000*
- c) *Lead Program Professional, Lead Marketing Professional estimated cost subject to benefits if any \$100,000*
- d) *Limited seasonal staffing \$30,000*
- e) *Food utilities and supply cost could be offset by the cost of participation fees if participation is near or close to camp capacity daily and throughout the season, which impacts cost and inventory turns and purchase prices.*
- f) *The number of people needed could vary according to the number and times of year that they would be needed*
- g) *Misc. contingent cost \$15,000*

- h) *Profitable professionally run operation with outside professionals that have successfully run camp/entertainment venues in other markets. (unknown cost)*
- i) *Booking and internal accounting personnel (unknown cost based on use)*
- j) *Insurance and other liability protection coverage*

### **Funding Recommendations**

*Limited funding for this resolution could be supported through the following methods through the Conference:*

- a) *Annual draws from principle based Bows Lake investment account where primary principle is never breached or compromised only the designated payout from investment returns. This type of return would be from an aggressive investment portfolio which has greater risk during low return periods.*

*It should be noted that consistent investment returns to support an annual draw of \$250,000 would require a protected principle of 4 million dollars or more. The protected principle would have to deliver exceptional returns with no loss or underperforming years which is unlikely.*

*We currently only have the Bows Lake funds minus the outstanding money owed to the conference from operational deficits from the operation of Camp Talahi prior to closing. Utilizing returns from the Bows Lake protected principle currently available would not solely fund start up operational cost as currently outlined*

**C. Resolution: Authorizing the Sale or Leasing of the Talahi Property**

- 1 Be it resolved that the Michigan Conference United Church of Christ authorize the Board of Directors to sell or lease the Talahi Property as a non-commercial recreational space.**
- 2 Be it resolved that the Board of Directors agree to negotiate for the possibility of a lease back arrangement in any sale agreement allowing an independent not-for-profit corporation to operate a Camp on the property.**
- 3 Be it further resolved that proceeds from a sale or lease of the Talahi property be held in trust by the Michigan Conference UCC, with income to be allocated by the Board of Directors for the work of the Conference, a portion being reserved to endow a youth and young adult ministry priority, with the option of supporting a staff position focused on this ministry.**

**Financial Implications**

**Financial impact would be as follows for point 1 of the resolution:**

- 1. Be it resolved that the Michigan Conference United Church of Christ authorize the Board of Directors to sell or lease the Talahi Property as a non-commercial recreational space.**

*The conference could receive up to 1.2 million dollars resulting from a sale of the Talahi Property. In addition the Conference would no longer have the maintenance and liability responsibility for the Talahi property which would save us on average between \$20,000 and \$40,000 per year.*

**Financial impact would be as follows for point 2 of the resolution:**

- 2. Be it resolved that the Board of Directors agree to negotiate for the possibility of a lease back arrangement in any sale agreement allowing an independent not-for-profit corporation to operate a Camp on the property.**

*There would be no financial impact of the negotiation other than the relief of the cost of maintaining the property. We would negotiate the lowest lease back cost and investigate possible areas where new purchaser may be able to provide new areas of partnership revenue support for Consortium.*

**Financial impact would be as follows for point 3 of the resolution:**

- 3. Be it further resolved that proceeds from a sale or lease of the Talahi property be held in trust by the Michigan Conference UCC, with income to be allocated by the Board of Directors for the work of the**

**Conference, a portion being reserved to endow a youth and young adult ministry priority, with the option of supporting a staff position focused on this ministry.**

*Funding of a staff position focused on youth and young adult Ministry could be sustained on an ongoing basis and supported annually based on how protected funds are set aside. This position could be funded with some level of benefits for under \$60,000 per year depending on level of benefits.*

*Funds would be set aside in a principle protected account with the Bows Lake Funds. The combined protected principle could reflect a balance of 1.8 million dollars. A principle protected account of 1.8 million dollars has a potential return depending on how it is protected of 4% in absolutely conservative never touch the principle account (of \$74,000 per year). Utilizing our current investment strategy which has generated an average return over the last several years of 8% we would receive an estimated financial return of (\$144,000 per year). The aggressive 8% return funding strategy does not consider a possible bad year when no returns over principle may be available.*

**D. Resolution: Establishing an Endowment for Youth and Young Adult Ministries**

**Be it resolved that the Michigan Conference of the United Church of Christ recommend to its Board of Directors that an endowment for the purpose of focusing on youth and young adult ministries, including the option of a staff position for youth and young adult ministries be established.**

**Financial Implications**

*There is little impact on the budget of the conference for this resolution.*

*An endowment of 2 to 2 ½ million dollars would be needed to ensure an ongoing ministry with youth and young adults, including a full-time staff position. The Conference received approximately \$600,000 from the Bows Lake property. The 2012 budget includes interest from the Bows Lake property sale which is still owed to the conference from VISION. Any income from the sale of the Talahi property would take time to accrue interest. Using the interest from these properties would still likely be short of our needs, so other fund-raising would be needed. There could be enough income to help a strong group attend National Youth Event in 2012 and to gather our young adults. It would be 2013 before full implementation could be realized.*