

**THE FOLLOWING STATEMENT WAS ADOPTED AND UNANIMOUSLY
APPROVED BY THE MEMBERS OF SF&A ON APRIL 2, 2020**

**Formal Statement of Recommendation for consideration by SF&A Members
at its April 2, 2020 meeting:**

The Stewardship Finance & Administration (SF&A) Ministry recommends that First Congregational Church of Berkeley retire the remaining principal balance due on its loan from Berkeley Pilgrimage Foundation (\$1,396,718.50) as soon as is practicable in 2020, drawing the funds from the fire insurance settlement proceeds fund held with Vanguard investments.

SF&A recommends that the Church Council consider and approve this recommendation at its next scheduled meeting.

Signed and forwarded by the members of the Stewardship Finance & Administration Ministry:

Nick Kukulan, co-chair; Amy Hiestand, co-chair; Pam VandeKamp; Tim Specht; Charles Taylor; Diana Graham; Becky Smith; Felicia Bellows; Moe Wright

Item Reviewed at SF&A Meeting – April 2, 2020

Action Item: Proposal for retirement of First Church Berkeley's \$1.4 million loan from the Berkeley Pilgrimage Foundation through use of proceeds from the Vanguard insurance settlement account

On March 1st, SF&A members were provided background financial information on the Church's loan from the Berkeley Pilgrimage Foundation ("BPF") including the current loan principal amount, amortization schedule, and its impacts on the church's operating budget.

The Church holds a loan of approximately \$1.4 million which has a remaining period of 14 years, through 2033. The church was able to renegotiate the terms of the loan in 2018 such that for 3 years (2019 through 2021), the church pays interest-only payments of approximately \$56,000 annually (paid at the end of the year). The BPF loan has a 4% interest rate. In 2022, the church is set to resume principal plus interest payments of about \$146,000 annually, through Year 2033, with one small final payment due in 2034. Summary information is below.

Payments made 2014-2018:

Principal Paid Years 2014-2018:	\$403,281.49
Interest Paid Years 2014-2018:	\$322,312.60
Total P&I Paid Years 2014-2018:	\$725,594.09

Principal Balance on BPF Loan as of end of 2018: \$1,396,718.50

Payment Amounts 2019-2034:

Annual Interest Payment Amount:	\$ 55,869	Years 2019-2021
Annual P&I Payment Amount:	\$ 146,358	Years 2022-2033

Cumulative Expected Principal and Interest Payments over Life of Loan (2014-2034):

Cumulative Principal Payments:	\$1,800,000
Cumulative Interest Payments:	\$ 855,450
Total Payments 2014-2034:	\$2,655,450

In summary, if we pay off the loan this year, using funds from the fire insurance settlement proceeds fund held with Vanguard investments, it will cost the church \$1.396 million over and above what we have paid thus far (\$781,463 in total payments made 2014 through 2019). If, however, we make loan payments in accordance with the amortization schedule, it will ultimately cost the church \$2,655,450. In other words, \$477,268 more than if we paid it off this year.

Discussion & Comments from March 24th Church Council Meeting

Council members were sent a copy of the March SF&A memo and amortization schedule and Nick provided an update on the BPF loan at the March 24th Church Council meeting. Council appreciated having the background information about the BPF loan and its impacts on the church's operating budget. Church Council requested that SF&A make a formal recommendation to approve the retirement of the BPF debt that could be forwarded to Council for consideration at its next meeting. Council members also asked SF&A to share information with congregation members about this item through the online Carillon before it comes to Council for a vote. Should the Council approve SF&A's recommendation, the Blue Fire Committee would be able to take this into account in its development of options for the campus rebuilding which will be reviewed by the congregation in April and May.

Vanguard Investment Account

The insurance settlement proceeds are invested in a Vanguard account that is earning about 2% currently. The account balance is approximately \$10 million. Investment income on this amount is projected at about \$150-160k/year. An important factor supporting the loan pay-off is that the church is paying 4% interest on the loan while we are earning less than that (approximately 1.5-2%) on the Vanguard account.