

Special Voters Meeting

May 8, 2022



GROWING LEGACY
FOR THE GOSPEL



Mission



OUR MISSION

Connecting People to Jesus

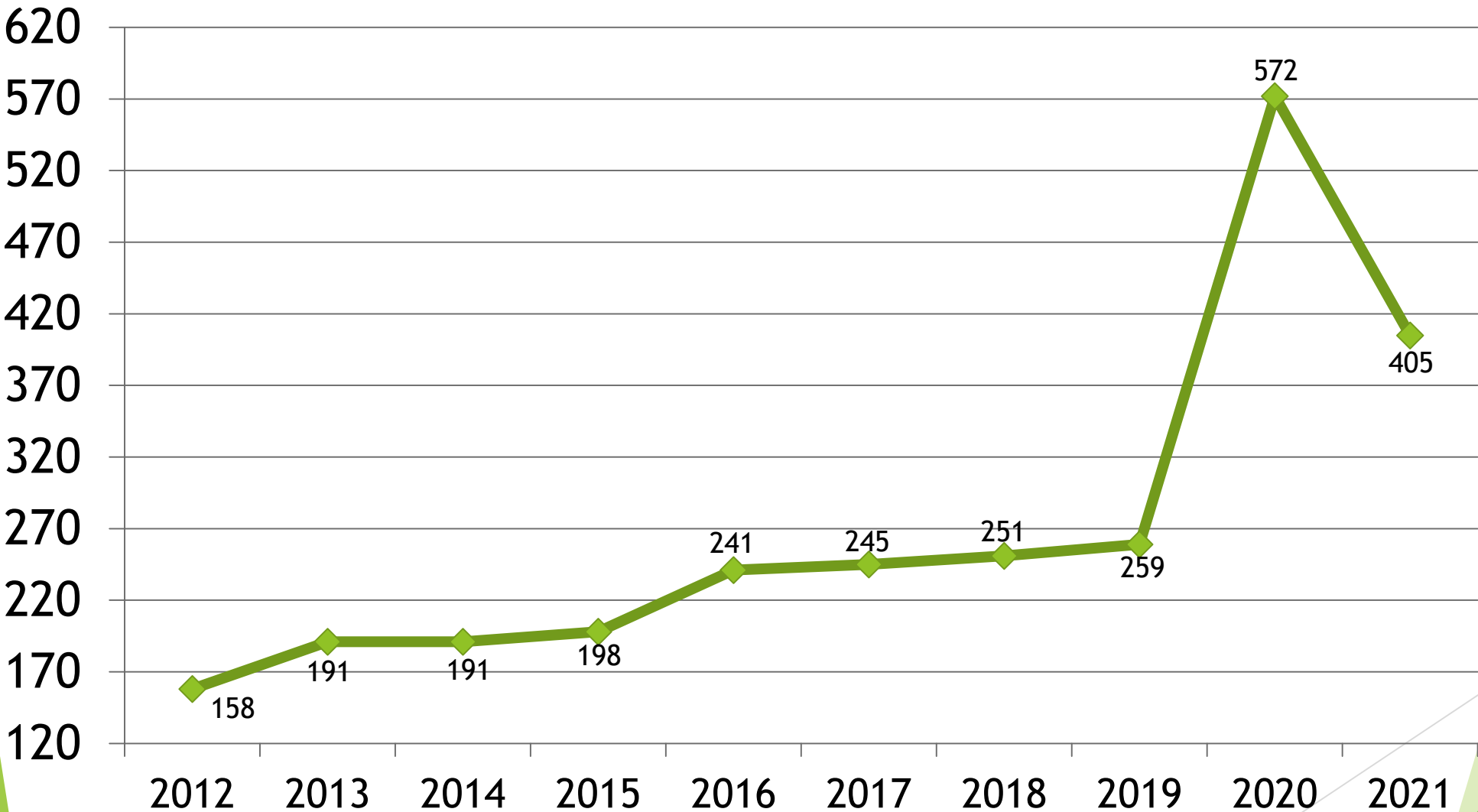
OUR VISION

To be a divine oasis in a spiritually desolate culture,
imparting to all God's children, young and old, near
and far, living faith in Jesus.



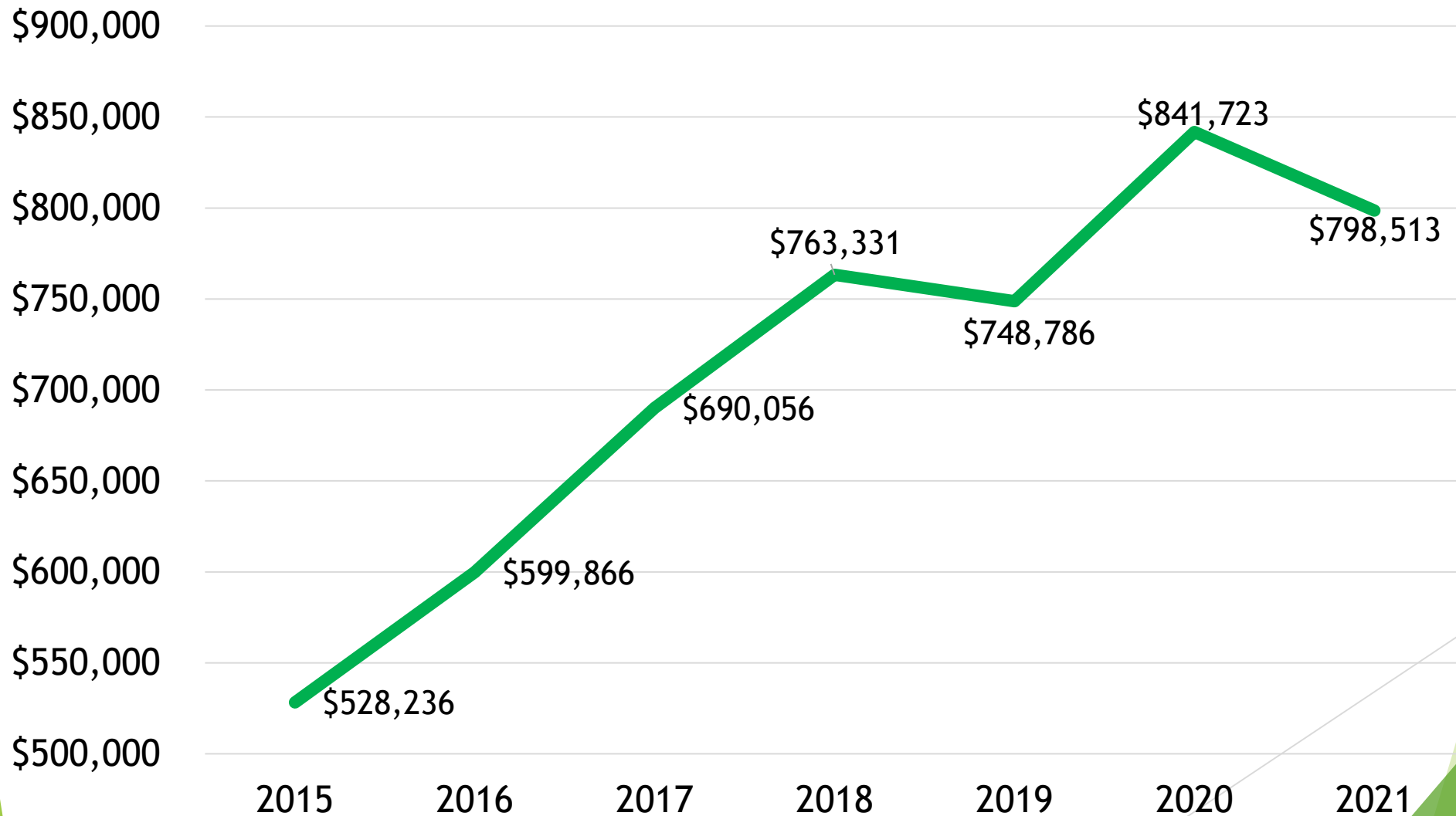
Recap

Average Sunday Worship Attendance



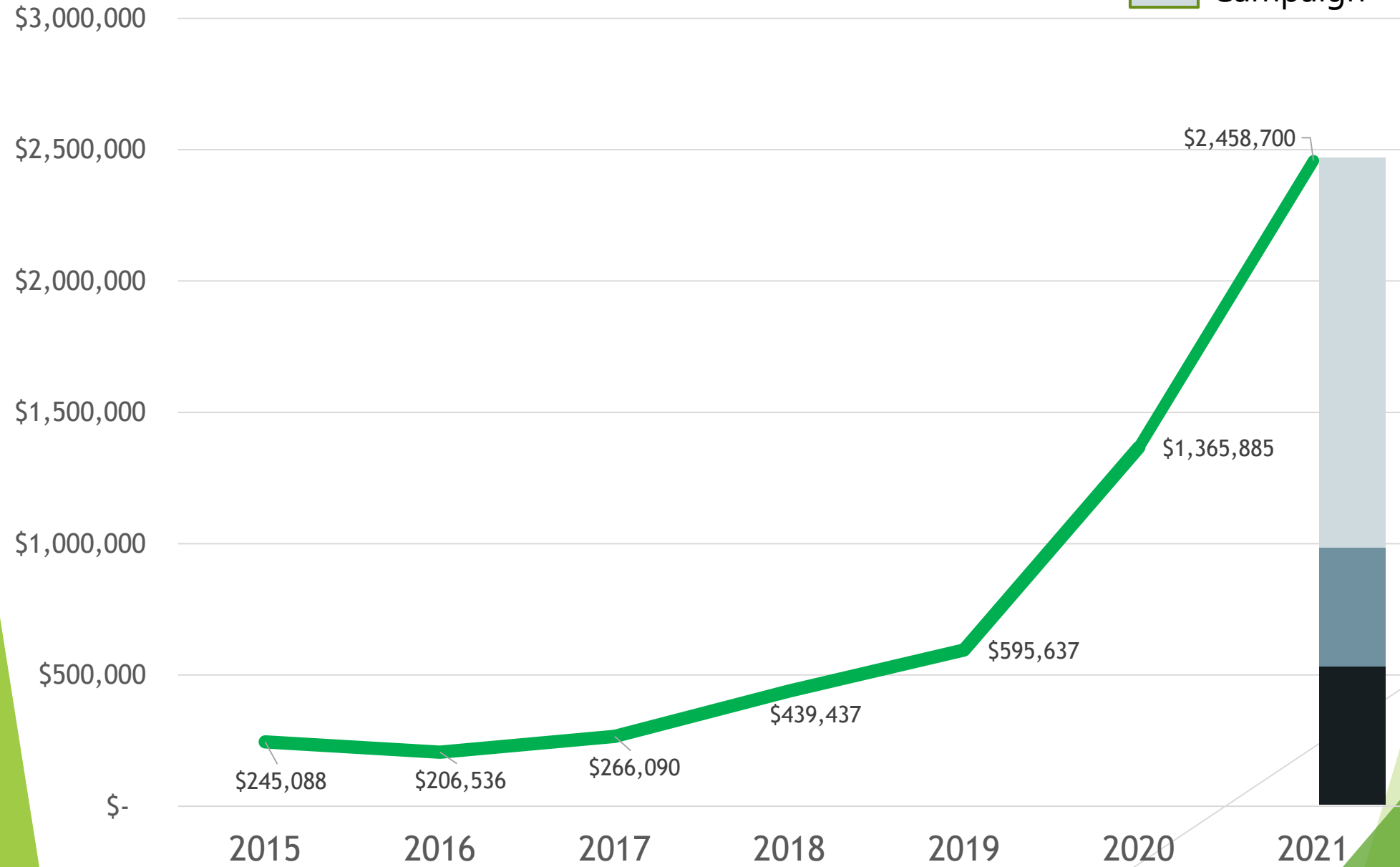
General Fund/Plate Offerings

DFLC Historic Giving



Historic Cash On Hand

- Operating
- Endowment
- Campaign



Historical Budgets

	2017	2018	2019	2020	2021
Budgeted Income	\$904,000	\$976,500	\$1,034,900	\$1,022,200	\$1,092,500
Budgeted Expenses	\$904,000	\$997,487	\$1,098,037	\$1,084,292	\$1,109,237
Budget Gain/(Loss)	\$ -	\$(20,987)	\$(63,137)	\$(62,092)	\$(16,737)

Actual Income	\$960,492	\$1,060,718	\$1,004,533	\$1,048,528	\$1,156,767
Actual Expenses	\$908,775	\$1,009,999	\$1,023,718	\$1,010,498	\$1,038,673
Gain/(Loss)	\$51,717	\$50,719	\$(19,185)	\$38,030	\$118,094

2022-26 SMP Financial Effects (\$,000)

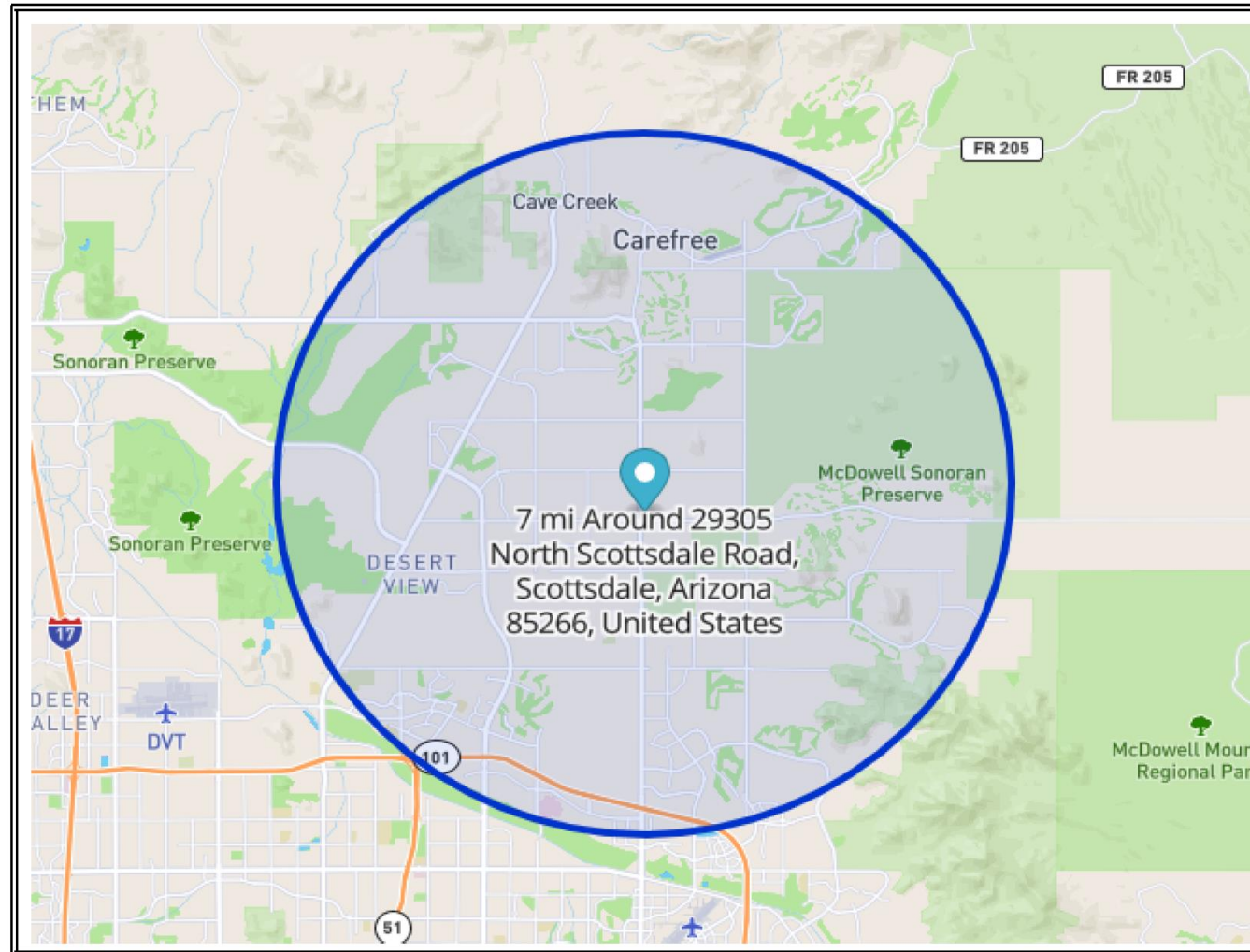
	Effective Year	2022	2023	2024	2025	2026
Expense Budget – Increase 3%		1,189	1,225	1,261	1,299	1,338
ADD						
Director of Christian Education	2022	80	82	84	86	88
Business Manager (half time)	2022	40				
Business Manager (full time)	2023		80	82	84	86
Facility Manager	2024			82	84	86
Community Connections Cord.	2024			82	84	86
Total Expense Budget		1,309	1,387	1,591	1,637	1,684



Demographic Forecast

The QuickInsite Report

Prepared for: Pacific Southwest District LCMS

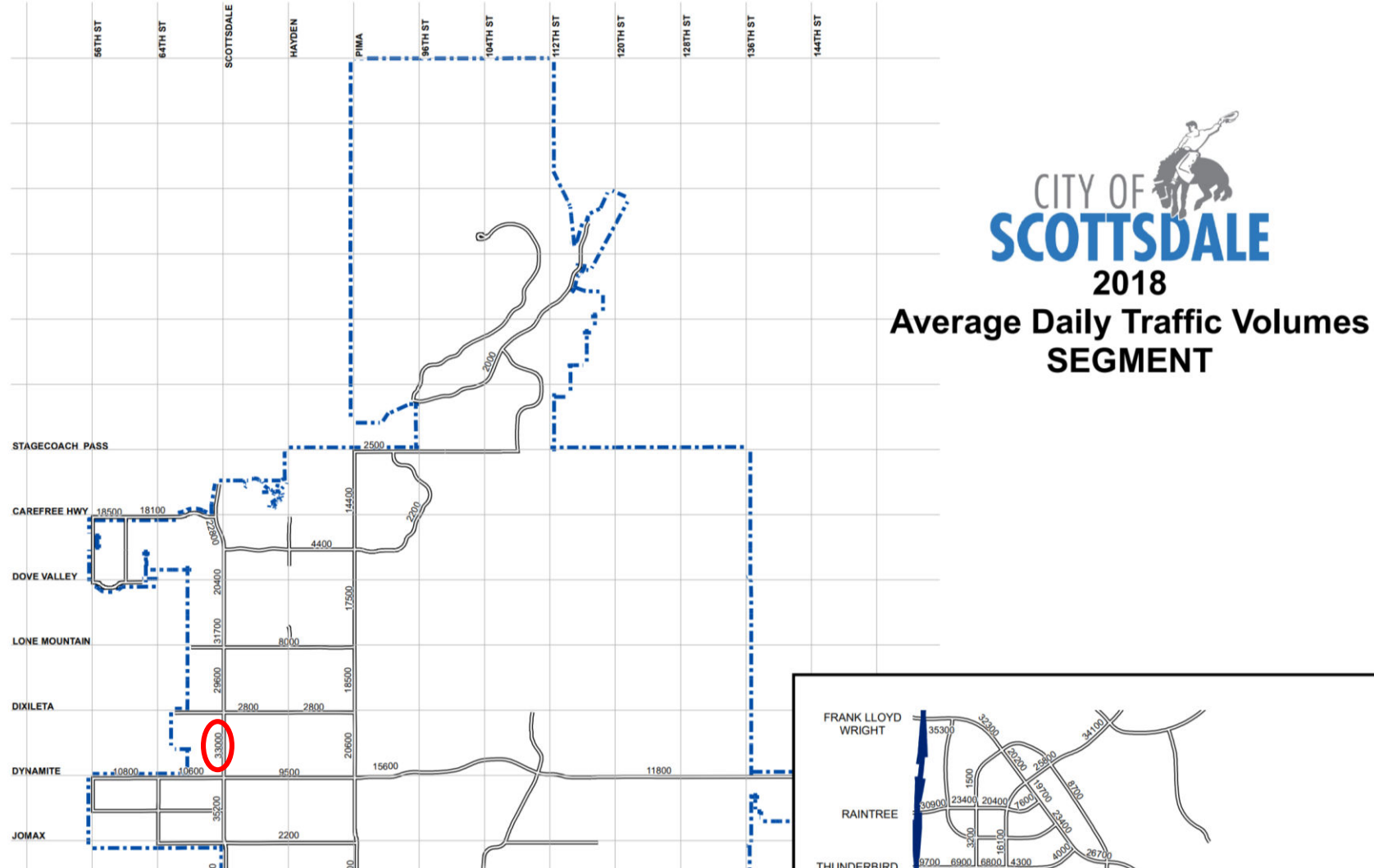


Sources: US Census Bureau, Synergos Technologies Inc., Experian, DecisionInsite/MissionInsite, City of Scottsdale



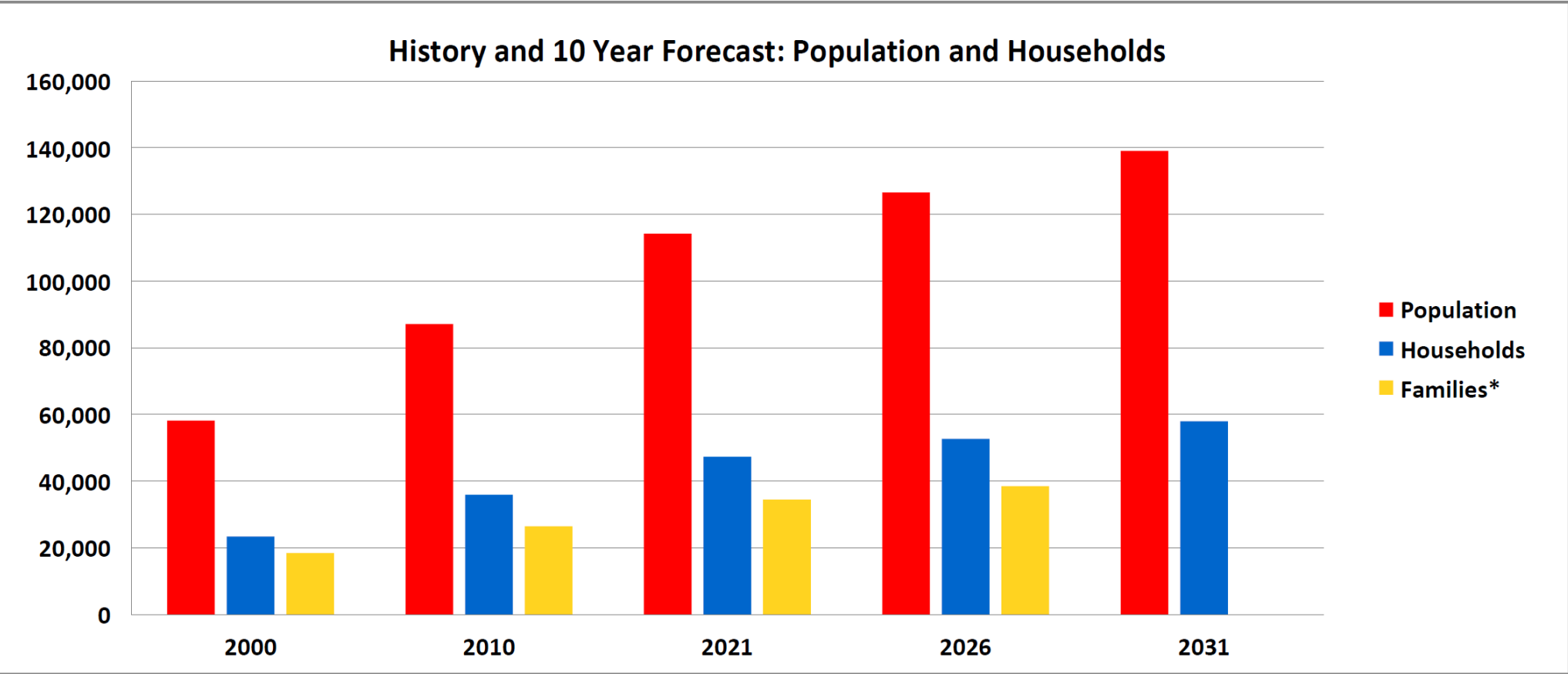
Traffic Count (2018)

Scottsdale Road between Dynamite & Dixileta = 33,000 cars per day (up 28% from 2016)



Population is the most basic demographic characteristic. It indicates how many persons reside within an area and how that total changes over time. In addition, future population is forecasted looking out 10 years.

Population and Household History with 5 and 10 Year Projected Change



NOTE: Family Household data is not projected out 10 years.

Population, Households & Families

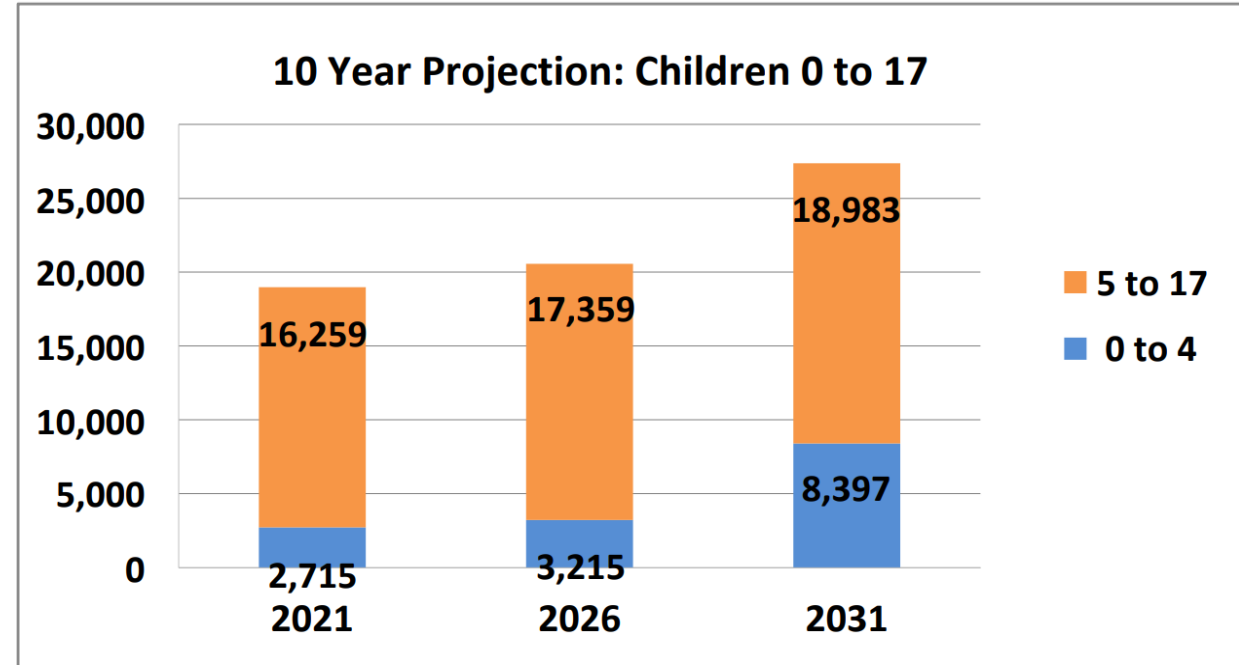
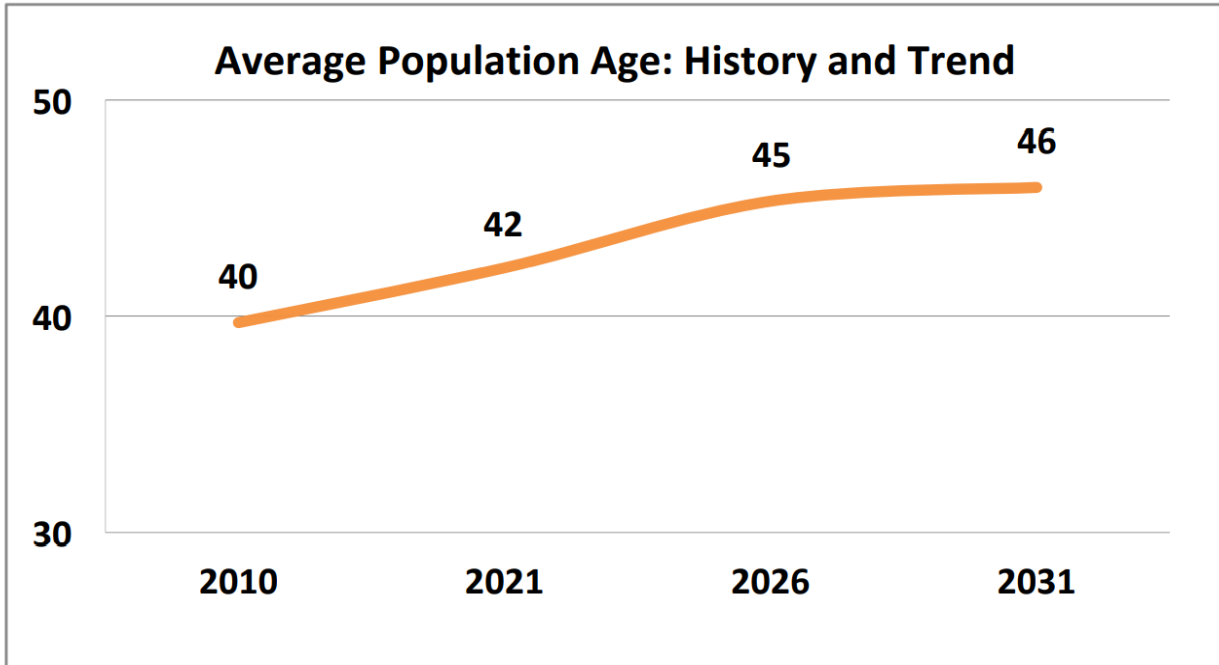
	2000	2010	2021	2026	2031
Population	58,165	87,098	114,200	126,581	139,053
Population Change		28,933	27,102	12,381	12,472
Percent Change		49.7%	31.1%	10.8%	9.9%



Age Theme

10 Year Average Age and Children 0 to 17 Trends

The age history and forecast reflect changes in a community. For example, two demographic trends currently in play are the aging of the Baby Boom generation and the decline in live births in the late 20th and 21st centuries.



- ▶ 17% increase in children and youth
- ▶ 209% increase in preschool age children



Preschool Enrollment Forecast

2022	2023*	2024	2025	2026	2027	2028**	2029	2030	2031
90	100	110	120	130	140	150	150	150	150

Preschool Revenue Forecast

2022	2023*	2024	2025	2026	2027	2028**	2029	2030	2031
\$300,000	\$333,000	\$366,000	\$400,000	\$436,000	\$469,000	\$500,000	\$515,000	\$530,000	\$546,000

Do-Nothing Approach

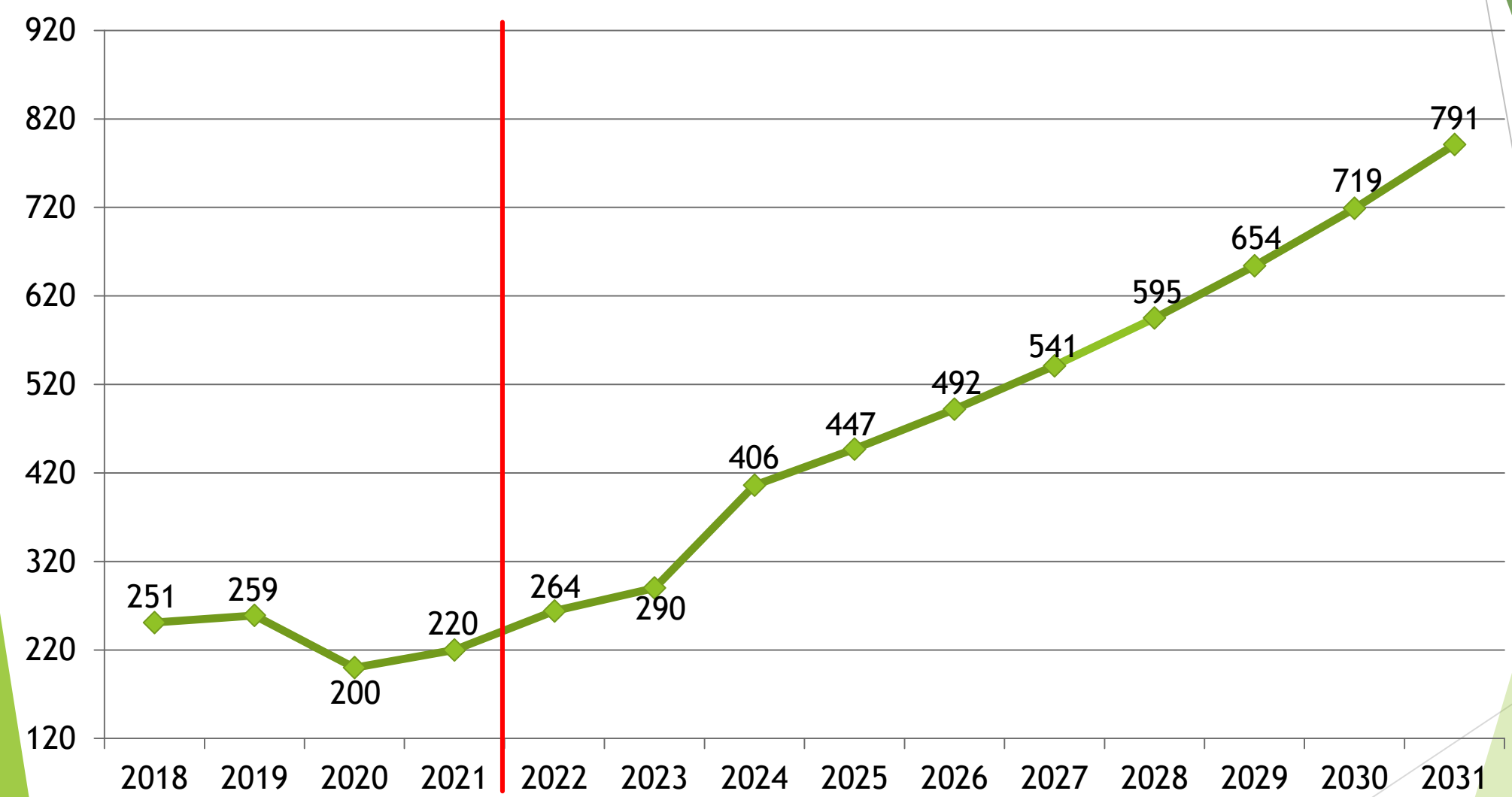
Compare to adding no capacity, with 3% tuition increases, in 2031 revenues would be \$391,000

* After adding three classrooms (completion of Children's Ministry Building renovation)

** Classroom Capacity



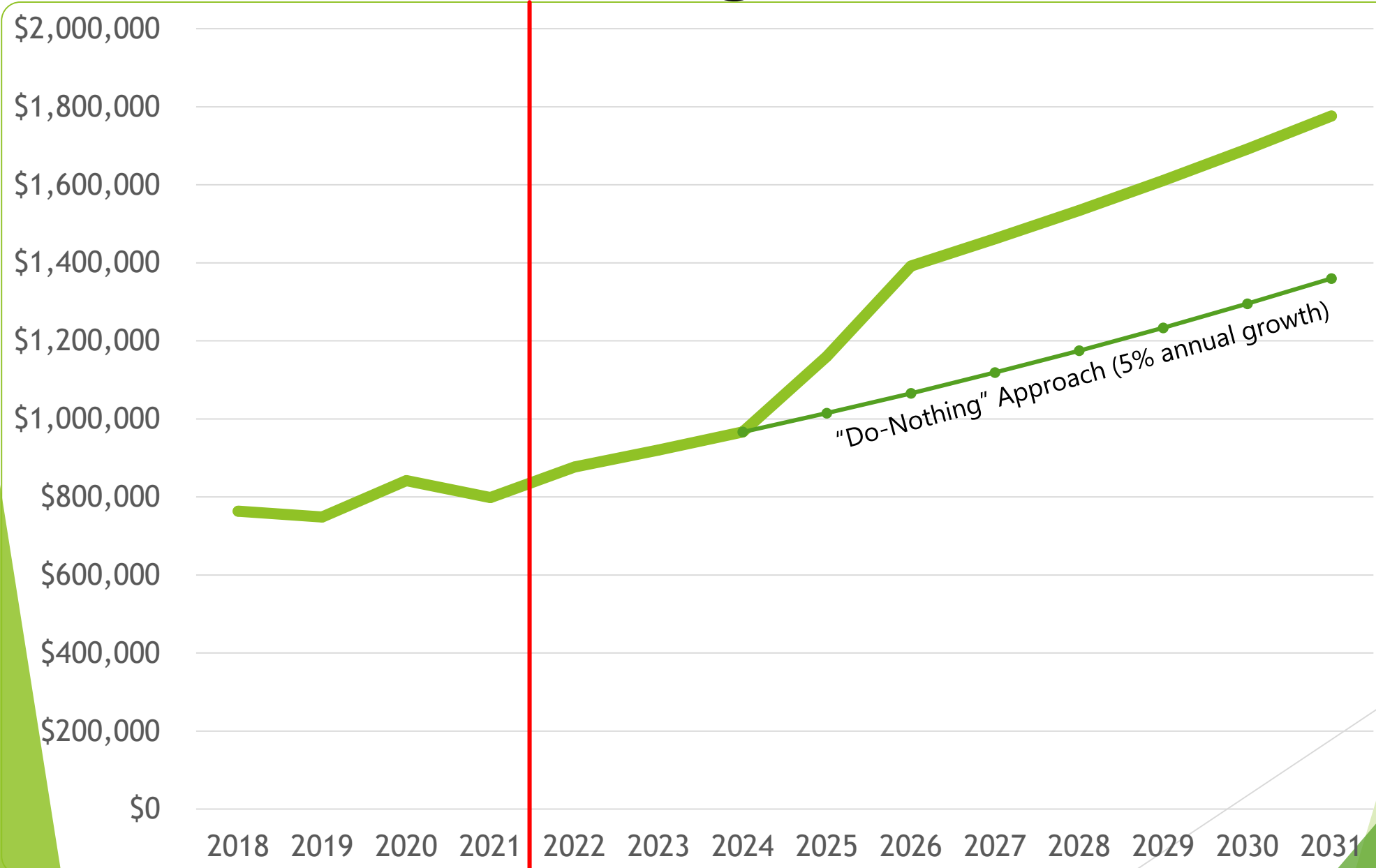
Average In-Person Worship Attendance Forecast



*Assumptions: 2022 recovery, 40% jump at completion of worship venues, and 10% growth thereafter



Plate Offerings Forecast



Annual Mortgage Payment Scenario

New Mortgage Payment: \$324,000

Current Mortgage Payment: \$128,648

Increase to Our Annual Budget:

\$195,352

(17% of 2021's Income)

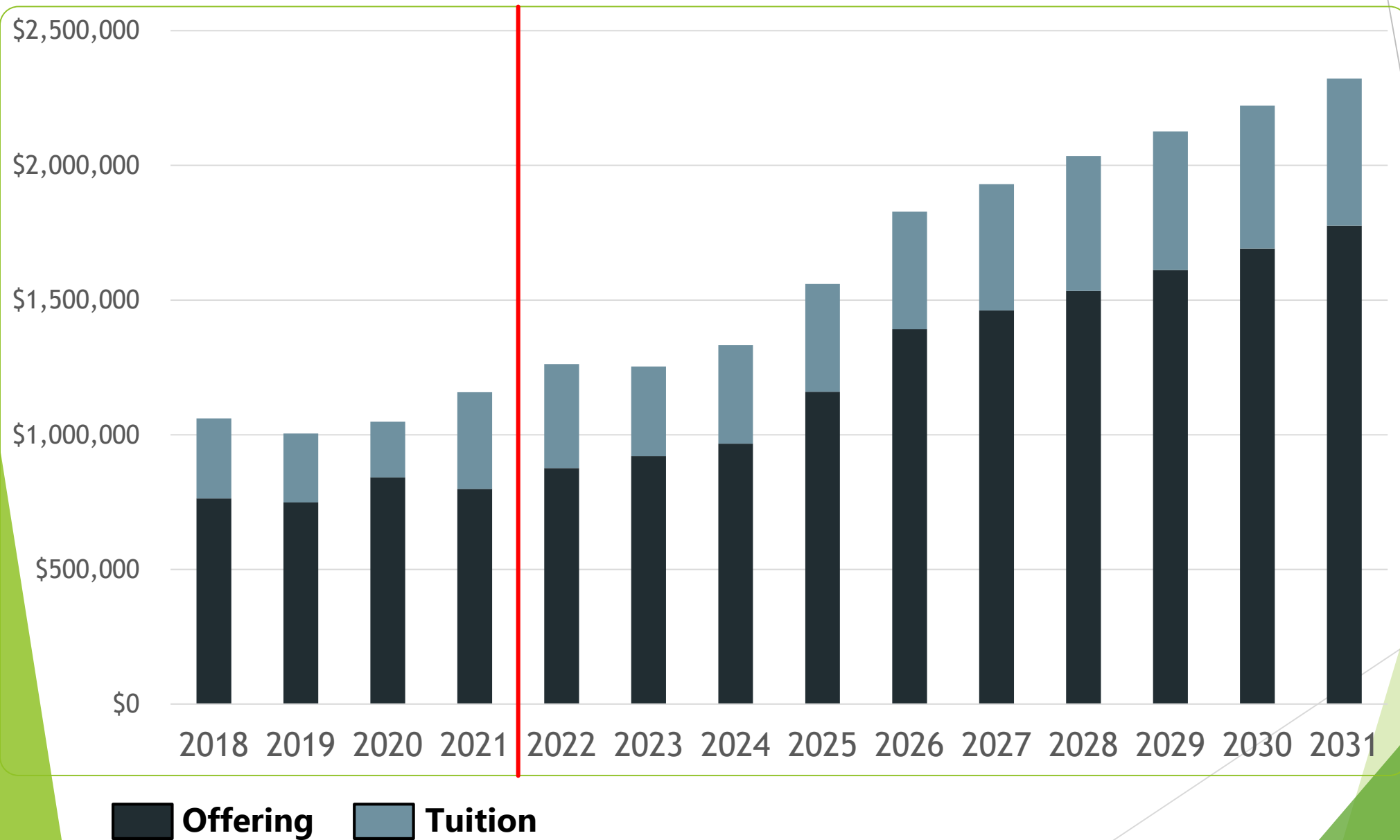
Projected increase in Offerings in 2025: \$283,000

Projected increase in Tuition in 2025: \$100,000

*Assumptions: \$5 Million Total (\$4M for Construction plus \$1M from old debt) at 5% interest

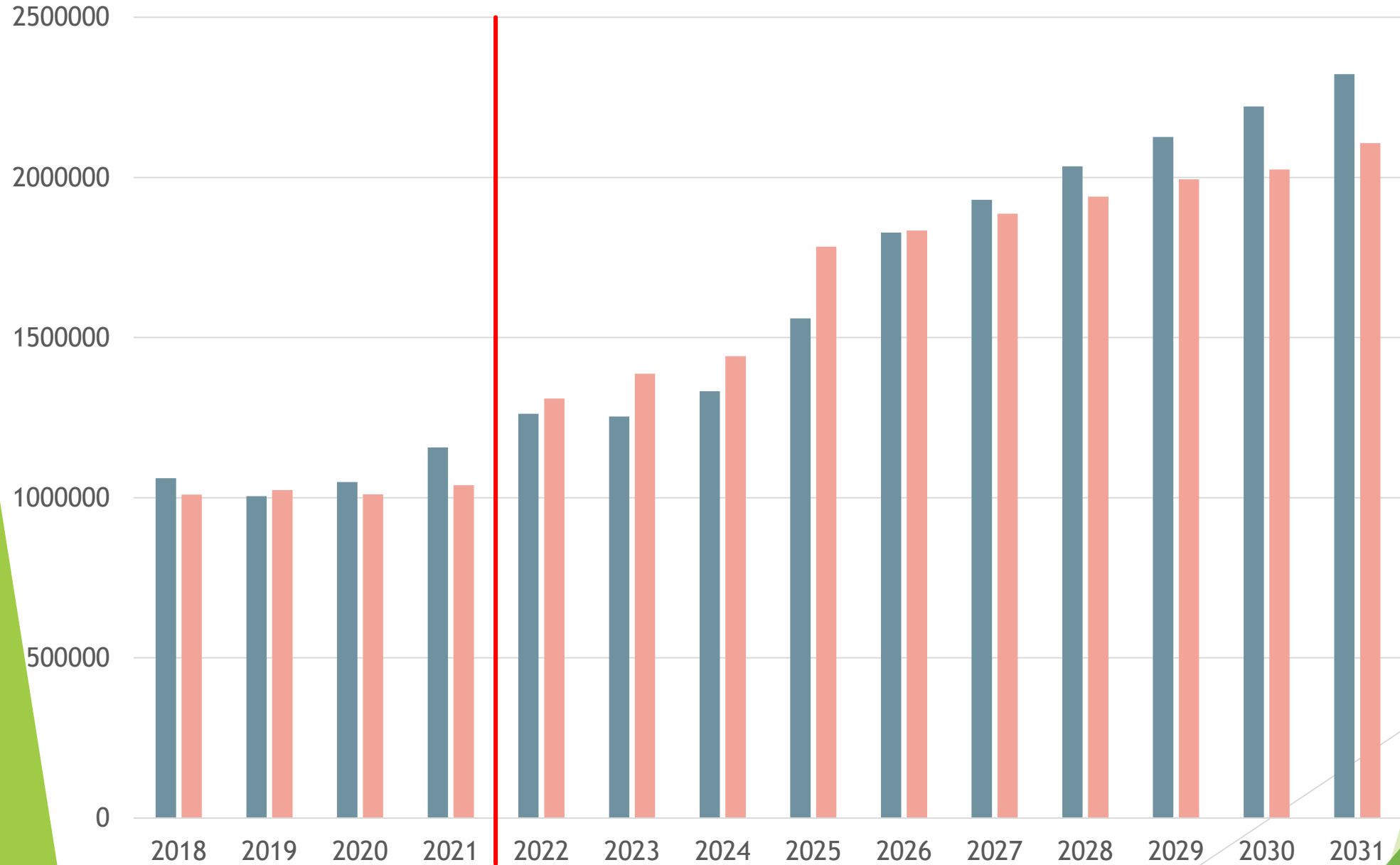


Total Income



P&L Forecast

Income Expensive



Construction Estimates

Chasse: \$19,405,000

Concord: \$16,918,335

Redden: \$15,935,909





Building Program Review

Current Status Update

- ▶ We have some very good news to share!
- ▶ Our value engineering efforts with Redden Construction and our architect, Steve Barduson, over the last three weeks have resulted in much lower costs for the project.
- ▶ As we discussed at the last informational meeting, there were numerous "*nice to have, but not absolutely necessary*" items that we are proposing to be deferred to the last phase or redesigned to save costs.
- ▶ These items were viewed as lower priorities since they wouldn't directly affect our ministry plans or growth potential here at DFLC.



Scope – What are we going to construct?

- ▶ As you might recall, our master plan has three phases:
 - Phase 1:** A new Contemporary Worship Center, the remodel of the preschool and children's building and most of the site work.
 - Phase 2:** Expansion of the existing Sanctuary and choir room, nursery, commons area between the two worship spaces and the remainder of the site work including the courtyard/cloister.
 - Phase 3:** Family Life Center and gymnasium which includes youth space, meeting rooms and new church offices.
- ▶ Since our commitments totaled an amazing \$8M we will be able to build both Phases 1 and 2 now with just a few revisions from the original proposal. Phase 3 will be deferred to a future date.



Scope – What did we defer to the future?

- ▶ **\$1,000,000:** The cloister, also called the courtyard, was to have several features to complete the look of the architect's design. Deferring these to Phase 3 will not materially affect ministry at DFLC. Examples of these items include, decorative steel panels, architectural LED lighting, the shade structures and extraneous paving. This moves approximately \$1M to the Phase 3 project.
- ▶ **\$500,000:** The choir practice room was originally designed to be an addition to the sanctuary next to the choir loft. Due to the additional structure and utility line relocation this would have cost over \$500k. Instead, it will reside in the commons area until Phase 3 occurs.
- ▶ **\$200,000:** Originally the plan was to remodel the existing sanctuary and worship center restrooms down to the wall framing. By moving to a lighter remodel, we can remove \$200k in costs.



Scope – What did we defer? (con'd)

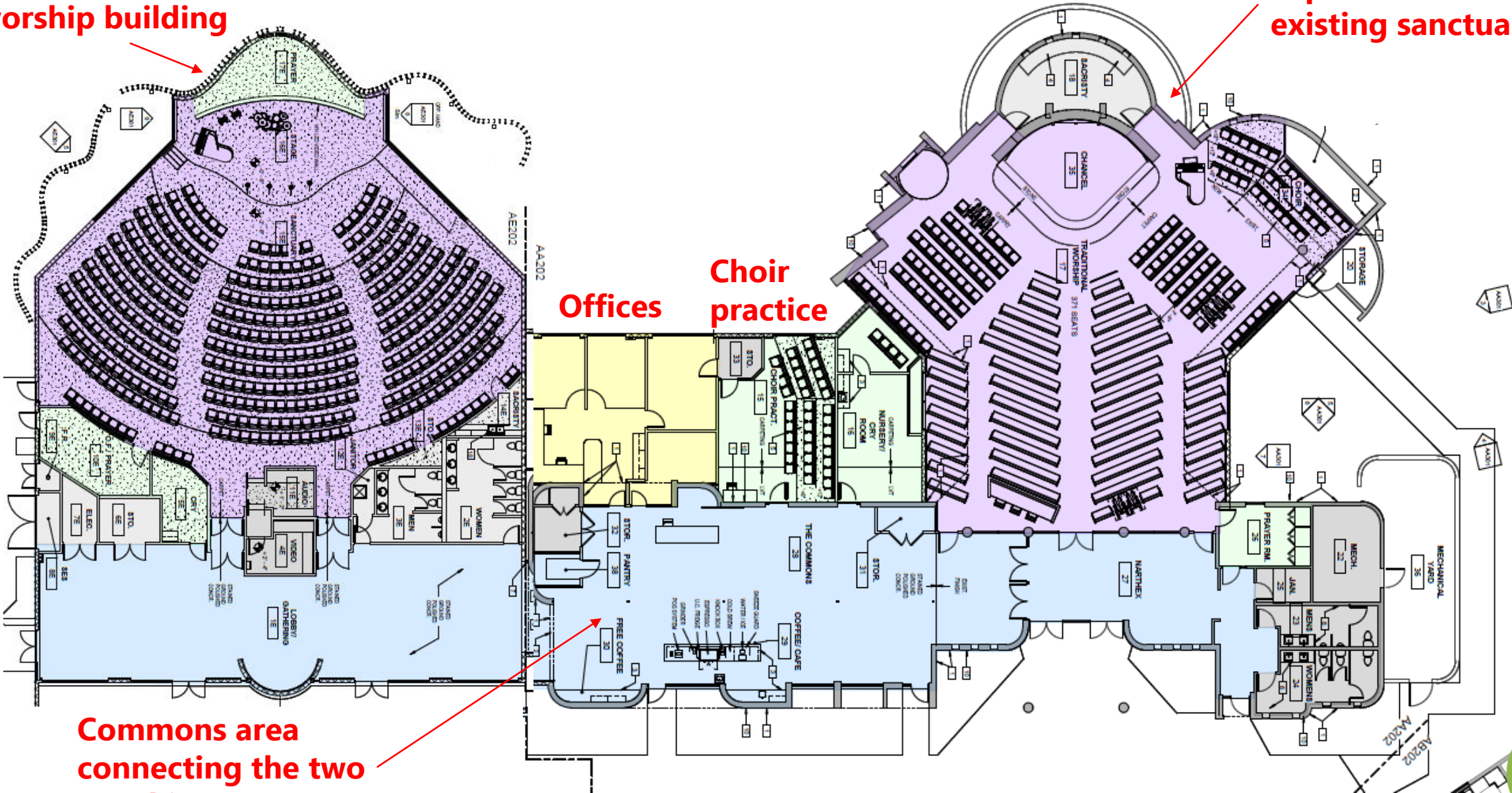
- ▶ **\$350,000:** The design called for tube steel trellis walls attached to the west side of the existing sanctuary to better architecturally tie the original and new buildings together. Removal of these saves \$350k.
- ▶ **\$400,000:** We fine tuned the scope of work for both the preschool and youth buildings. Examples are not remodeling the kitchen in the preschool, HVAC replacement and placing the new preschool restrooms into the existing space vs adding on new space. These will save us \$400k.
- ▶ **\$100,000:** The contractor and architect are also working on another approximately \$100k in miscellaneous savings.
- ▶ All together these efforts will reduce our costs for Phases 1 and 2 by approximately **\$3,000,000!**



Addition of new contemporary worship building

----- **Scottsdale Road** -----

Expansion of existing sanctuary



Commons area connecting the two worship spaces



Construction Costs After Value Engineering

	Original	After Value
	Bid	Engineering
Sitework	\$4,024,374	\$2,747,261
Existing Traditional Sanctuary - Bld A	\$2,110,289	\$1,510,981
Preschool - Building B	\$467,395	\$230,124
Worship Center - Building C	\$467,134	\$176,079
New Worship Center - Building E	\$3,174,796	\$3,018,896
Subtotal	\$10,243,988	\$7,683,341
Contingency of 8%	\$819,519	\$614,667
Insurance and Builder's Risk	\$204,880	\$169,811
Overhead and Profit 5.5%	\$563,420	\$422,584
Tax	\$512,199	\$384,167
Total	\$12,344,006	\$9,274,570



Soft Costs

- ▶ Soft costs are made up of items that are not directly related to the contractor's work, so are not included in the contractor's costs.
- ▶ Professional consulting costs like architectural and engineering fees, land surveying, soils reports, permitting fees, inspections, etc. are typical examples.
- ▶ Also included are items that we will be furnishing the building with like pews/chairs, AV equipment, computer networking, etc.
- ▶ The estimate for our soft costs is \$1,700,000.



Cost Increase Contingency

- ▶ Even though we have already included over \$600,000 in contingency allowances, we feel it necessary to include an additional allowance for cost increases since we will not be starting construction for about 8 months. It is very difficult to ascertain what inflation will do in the coming months and this will give us some cushion.
- ▶ In conversations with Redden Construction and our architect, we want to err on the side of caution and are proposing an additional \$860,000 (roughly 10%) contingency for potential cost escalations.
- ▶ These dollars are only to specifically cover potential cost increases and may or may not be needed.



Total Costs

▶ Redden estimate/bid	\$ 9,274,571	<i>(includes 8% or \$615k contingency)</i>
▶ Soft Costs estimate	\$ 1,700,000	
▶ 10% Cost Contingency	<u>\$ 860,000</u>	
	\$11,834,571	

Since DFLC was so generously blessed with commitments of approximately \$8,000,000, we will only be borrowing \$4,000,000 in the worst-case cost escalation assumption. Of course, it could be much less.



Finances

- ▶ Since our commitments go out three years and we want to start construction when we get our permits (about 8 months from now) we will also be obtaining a bridge loan from LCEF. We will pay down the bridge loan as commitments come in and the remainder will be converted into the new mortgage.
- ▶ Our existing mortgage balance is \$966,000. We will be looking to roll this into our new mortgage from LCEF.



Construction Team

- ▶ Thus far we have had many wonderfully dedicated members volunteer their time to make this campaign a success. Whether it was the Building Committee or the Capital Campaign, a great deal of excellent work was done. Thank you to everyone who has helped!
- ▶ As we move closer to the construction phase, the Governance Council will be creating and appointing a few members to a Construction Team. This team will take the project from permitting to ground break and completion. These folks will have experience in project management and will be charged with representing DFLC and ensuring a quality product.



Timeline – preliminary

- ▶ We expect to receive our building permits at the end of this year or January of 2023.
- ▶ Work will start on the south parking lot once permits are received.
- ▶ Construction on the new contemporary worship building will start about Q2 of 2023.
- ▶ Construction on the expansion of the existing sanctuary could start around the end of 2023.
- ▶ All construction should be complete by Easter of 2024!!



Recommendation and Motion

Hereby make a motion to approve moving forward with the building program Phases 1 and 2 as revised and presented today not to exceed a total cost of \$12,000,000 utilizing the committed dollars and a LCEF final mortgage not to exceed \$5,000,000 including our existing mortgage.



Doxology

Praise God from whom all blessings flow

Praise Him, all creatures here below

Praise Him, above ye Heavenly host

Praise Father, Son, and Holy Ghost

Amen



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