Reflections On Congregational Life

CAPITAL CAMPAIGNS ©

by
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April 2014

Reflections On Congregational Life is a service of the Southern Ohio Synod, ELCA

There are five reasons for a congregation to have a capital campaign: 1. to purchase property; 2. to raise funds to build a sanctuary, fellowship hall, classrooms, or to renovate existing property; 3. to reduce or pay off debt; 4. to fund a special project; and 5. to provide funds for calling or hiring additional staff.

Following are four components needed for a capital campaign to be successful.

Defining the benefits

Change is always uncomfortable. Therefore, the long-term benefits of a proposed building project, new ministries, or additional staff need to be greater than the short-term discomfort of the campaign and the implementation of the projects it will support. If clear benefits cannot be articulated, there is no reason for members to support the capital campaign or the projects it will fund.

The theory behind defining the benefits of a capital campaign and its projects is called the Gap Theory. If the gap between the present day and the new building or ministries funded by the campaign is large, members have a reason to support the campaign. If the gap between is small or nonexistent, then there is no reason to support the campaign.

In order to create the gap between the present day and preferred future, three questions need to be answered. 1. Who will directly benefit from the new ministries? 2. What current ministries will be enhanced by the proposed building projects or new ministry? 3. What new ministries will be added to our ministry portfolio because of the proposed building projects?

Finally, a word of warning. There are grave consequences if nothing new happens at the completion of the proposed building projects; namely, there will be a backlash by members. This backlash is usually directed at the pastor and selected lay leaders. It is not uncommon for a pastor to leave a congregation shortly after the completion of a capital campaign and the projects it funds because benefits are not experienced.

Feasibility of the goal

The conventional wisdom before the recession of 2008 was that a congregation could raise up to three times its annual budget in a capital campaign if it was going to build a new sanctuary, up to two times its budget if it was going to build a new fellowship hall and/or classrooms, and less than one time its budget to reduce or pay off existing debt. Since the recession, the conventional wisdom is that a congregation can raise up to one and one-half times its annual budget for a new sanctuary, up to one time its budget for a fellowship hall and/or classrooms, and less than one time it budget for debt reduction. To determine the amount of funds a capital fund can realistically raise, multiply the annual budget by the type of project the campaign will support.

Capital campaigns are dependent upon major gifts. In secular non-profit organizations, as much as 70% to 80% of the goal is given by major donors. In churches, that percentage may be smaller if a large number of members are not major donors.

A gift pyramid is one way to determine the number of major donors a congregation needs to meet its goals. A sample pryamid follows:

1	gift of	10%	of the goal
2-3	gifts of	5%	of the goal
4-6	gifts of	3%	of the goal
8-12	gifts of	2%	of the goal
16-24	gifts of	1%	of the goal
?	gifts	<1%	of the goal

The minimum number of major donors is 31 (64% of the goal) and the maximum on the pyramid is 46 (91% of the goal). If a congregation has a small number of giving units, it must have more major donors than a congregation with a large number of giving units.

Building a budget for building or calling additional staff

A congregation wants to build a multipurpose extension to its current building at a cost of $750,000 but it can only raise $250,000 (one times its budget) through a capital campaign or $83,000 annually for three years. The congregation plans to borrow $750,000 payable over 20 years at 5.75% fixed interest. The annual debt payment is $63,000. which is approximately a 25% increase to its annual budget. Following is the congregation's plan:

The congregation pays the first three years of its mortgage payment ($63,000 annually) from the capital campaign funds ($83,000 annually). It puts the difference ($20,000 annually) in a special account for mortgage payment. At the end of the third year, there is $60,000 in the special account which pays 93% of the fourth year's mortgage payment.

At the same time the congregation adds a line-item to its budget the first year of mortgage payments of $10,000. It puts this money in the special mortgage account. The second year, it puts $20,000 in the annual budget for mortgage payment and then puts the $20,000 in the special account. The third year the line-item is $30,000, the fourth year it is $40,000 with each amount placed in the special account. (At this point there is $100,000 in the special account.) The mortgage line-item in the fifth year is $50,000. An additional $13,000 is taken from the special account to pay the mortgage. In the sixth year, the mortgage line-item is $60,000 and $3,000 is taken from the special fund to make the mortgage payment. Following this plan gives the congregation six years to add $63,000 to its budget. A word of warning, it will take great discipline the first four years to put annual budget line-item funds in the special account. If the funds are not put into the special account, the whole plan falls apart.

A similar strategy can be used to add staff to oversee a ministry in the congregation. A congregation wants to add a staff person with a salary of $30,000 and benefit package of $15,000 for a total of $45,000. It has a capital campaign with a goal of $90,000. The campaign funds pay the first year's salary and benefits, two-thirds the second year, and one-third the third year. The congregation adds to its budget the second year $15,000 for salary and benefits, $30,000 the second year, and $45,000 the third year. The strategy is dependent upon the growth of the congregation that the new staff person brings. Church growth advocates maintain it is not unreasonable to expect a new program staff person to grow the congregation membership in two to three years to match their salary.

Participation in the campaign

Members contribute to the ministries and causes in which they participate. If a congregation is to have a successful capital campaign, it needs to have at least 20% to 25% of its membership directly involved in the campaign.

Those who contribute to congregations do so because they are involved in the congregation. Church consultant George Barna reports that those who gave $1,000 or more to the church annually were involved in the congregation. Only 5% of those with low participation contributed $1,000 or more. The lesson learned is that involvement in a ministry influences the size of a contributor's donation.

Conclusion

Capital campaigns can provide the funds needed to construct a building, enhance current ministries, and call additional staff. They are also times when large numbers of members work together to achieve a common goal which builds community in the congregation.

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