

It appears that the progress of Phase 2 has slowed considerably due to a number of reasons, such as the participation in the capital campaign has not been sufficiently robust and the recent dampening distraction of the fallout of the youth director's moral failure. However, there are still some developments that have surfaced which needs to be communicated to the church family. These developments are provided in the form of FAQs.

Questions:

1. Is the capital campaign adequate for Phase 2 to proceed? If not will there be a second campaign?
2. What is the new cost of Phase 2 and how do you reconcile the difference between the old cost (\$6.6M) and the new cost (\$7.16M)? How does the Coble property purchase affect the numbers?
3. What are the specifications of the final rendition of the Phase 2 construction plan that costs \$7.16M? What do we get for the money?
4. As the new budget is now \$7.16M, an increase of \$560,000 (from the approved \$6.6M), will the difference have to be approved by the Congregation?
5. Can you give a rough calculation as to how much we need to borrow?
6. How much cash do we have on hand that can be used for Phase 2?
7. What are the options if we don't have enough money?
8. Any response back from the banks on a construction loan?
9. Is there a guarantee to cover any unanticipated surge in material costs during the construction period?
10. Is there a tentative ballpark payment plan to cover the whole building expansion cost?
11. What is the progress of negotiations with our GDS neighbors on building the Allen Lewis Drive Extension (ALDE)? What is Fee-in-Lieu (FiL)?
12. When does the Church Building Expansion Committee (CBEC) expect to file the site plan with the Town of Cary (TOC)? Why does the CBEC want to file when construction is not imminent?
13. How will the plan submission and architectural drawings be coordinated?
14. What is the new timetable for construction? When can we expect to move into the new building?

Answers:

1. Is the capital campaign adequate for Phase 2 to proceed? If not will there be a second campaign?
Yes, the amount of the campaign pledges to date are insufficient to undertake the project whose new cost is now \$7.16M, a difference of \$560,000 from the original \$6.6M amount approved in October 2010. The Congregation still needs to

approve the new budget cost. The new cost can be easily explained which is detailed under question 5. Campaign data as of Sunday, April 29 is ~\$997,000 from 153 pledges. The goal of this initial campaign is \$1.7M.

Yes, there will be a second campaign. Additional information will be forthcoming from the CCFC (Capital Campaign FundGIVING Committee) after the first campaign is closed.

2. What is the new cost of Phase 2, that is, how do you reconcile the difference between the old cost (\$6.6M) and the new cost (\$7.16M)? How does the Coble property purchase affect the numbers?

This can be best answered by a comparison basis or “Then and Now Budget”

	Then [October 2010]	Now [March 2012]
Budget	\$6.6M	\$7.16M
Reasons for Budget Increase		
Square footage (sf) increase	34,429 sf [Build in back of current church – no worship center]	40,120 sf
	5,691 sf increase	
Additional sf Cost	~\$110 per sf	\$626K
	\$110 / sf x 5,691 sf = \$626K	
Enclosed walkway, 1,792 sf x \$110/sf	Not in October 2010 Plan	[\$197K] [] = included in \$626K
ALDE, RCCC half		\$139K
Chapel Hill Road widening		\$260K
Site work ¹	\$1,130,802	\$876,447 Savings: \$254,355
Short-fall [] (Difference)	\$6,600,000	\$7,160,000
	[\$560,000]	
Seek congregation approval of ...	\$7,160,000 - \$6,600,000 = \$560,000 + 15% contingency	
	\$644,000 increase (to include \$84,000 as contingency)	

¹See Site work row in above table. How does the purchase of the Coble property affect the construction cost? Well, the purchase cost was \$420,000 which was paid in cash. With the Coble purchase the total footprint of the construction changed. The original construction cost of \$6.6M included a fellowship hall but no worship center and the construction was on the north or backside of the current church building. In this scenario, a 3rd phase would be needed for a future worship center to be build along Chapel Hill Road or southward perhaps 12-15 years from now.

Note that the site work costs \$1,130,802 in the 2010 plan. This is because the north side construction necessitated major upgrade of the current dry pond to a wet pond which is very expensive. With the new Coble land the footprint/building configuration changed significantly. The building design changed with all new construction to the south along Chapel Hill Road such the site work include a new dry pond on the Coble site which turns out to be less expensive - \$876,447 – as the new underground pipes are less extensive and less expensive. Thus the savings (difference) between \$1,130,802 and \$876,447 is \$254,355. While the actual cost of the Coble property was \$420,000 the net cost is \$165,645 realized from the site work savings ($\$420,000 - \$254,355 = \$165,645$).

3. What are the specifications of the final rendition of the Phase 2 construction plan that costs \$7.16M? What do we get for the money?

New Building size: 40,120 sf

- First Floor:

- Worship center: 665+ movable seats
- Chapel: 128 movable seats (can also serve as a large classroom)
- Choir and conference rooms (potential classrooms)
- Wide corridor: 145 ft long x 16ft wide = 2,320 sf
- Women's toilet with ten stalls
- Eleven offices (include finance office) plus reception and break areas

- Second Floor:

- 11 Classrooms, seats 447
- Library (large) / Lounge

- Outside:

- Enclosed walkway between new and current buildings: 140 ft long x 12.1⁺ ft wide = 1,792 sf
- Maximum parking spaces: 434 total (138 now + 296 new)
- During the Fee-in-Lieu interim period (see Q9), the current entry/driveway will remain in use necessitating the loss of about 25 parking spaces. When the ALDE is finally completed to make way for a new entry point (on ALDE), the current entry will be closed and the area renovated to complete the parking plan to recover the 25 parking spaces. This renovation will be additional cost in the future.

4. As the new cost for Phase 2 is now at \$7.16M, higher than the original \$6.6M approved by the congregation in October 2010, will the new budget need to be approved by the congregation?

Yes, the Council will seek congregation approval for the additional money at the appropriate time in the near future. See last row in table in Q2.

5. Can you give a rough calculation as to how much we need to borrow?

Sure, let's tabulate the math:

	Item	Cost	Projected Annual Surplus	Loan
1	Bank Loan Amount Target ²		\$225,000 ⁴	\$3,000,000 ²
2	New budget, March 2012	\$7,160,000		
3	Cash on hand	\$1,800,000		
4	Total Pledges (as of 04/29/12)	\$997,000		
5	RCCC ability to date [3+4]	\$2,797,000		
6	Short [2-5]	\$4,363,000		
7	Loan	\$3,000,000		
8	Additional cash needed [6-7] ³	\$1,363,000		

²Our financial ability is limited to this ceiling amount. Even with this minimum loan, it will be a stretch for us to cover the mortgage cost (retire debt service) for this amount of loan.

³More pledges needed to close the \$1,396,000 gap.

⁴Average total income surplus. We have a gap of \$80-100K per year to the needed \$330K annual mortgage payment.

6. How much cash on hand do we have that can be used for Phase 2?

We have \$1.8M cash that can be used for Phase 2. We previously reported \$2.2M but we neglected to set aside \$400,000 for ministry and staff salary and benefits which represent six months of operating reserve.

7. What are the options if we don't have enough money to begin the construction?

While there are options open to us, there are consequences as well from the delay. Let's list the options and their associated consequences. We need more deep pockets overall.

	Option	Consequences	
1	Obtain the maximum loan possible stating our aggressiveness to push the capital campaign to raise \$2M or more by 2013 end	We are still short \$330,000 but we will hedge on the excess of offering over expenses to make up the shortfall. <u>Result:</u> We proceed with the timeline table as shown in Q11 below	
2	We start with what we got: \$1.4M	<u>Pro</u>	<u>Con</u>

	short (Q5) and scale back the size of the project initially by building in phases	<ul style="list-style-type: none"> - Allows project to begin - Not discourage people who pledged 	<ul style="list-style-type: none"> - Alters the site plan - Explored before with no defining adv - Future cost will be more
3	Delay project start for 12-18 months to raise more money	<p style="text-align: center;"><u>Pro</u></p> <ul style="list-style-type: none"> - Realistic, low risk - Ensure adequate money available 	<p style="text-align: center;"><u>Con</u></p> <ul style="list-style-type: none"> - No faith - Discouraging - Cost and interest rate will go up

8. Any response back from the banks on a construction loan?

We have been talking with three banks that offer commercial loans, namely BB&T, First Citizens and Wells Fargo. A 5-year finance information package has been provided to each of the banks and only Wells Fargo has provided some preliminary feedback to date. WF commented that providing the loan is not the problem but the debt payment is; this confirms the CBEC concern that additional giving is needed to cover the monthly mortgage payment (i.e., debt payment). For example, a \$3M loan at 4.75% interest would amount to a monthly mortgage payment of \$27,569 or an additional weekly giving of \$6,362 above the normal giving based on an annualized debt service of \$330,826.

The above example is for a 15-year fixed commercial loan and the interest rate will be re-negotiated every five years.

9. Is there a guarantee to cover any unanticipated surge in material costs during the construction period?

This is a very good question but any surge in material cost would not affect us as the owner of the project. Once the sub-contractor bids the price of the job, and the bid-price is accepted by Choate/RCCC, that price is locked in. Even with a surge in material cost, the “loss in profit margin” would be bore by the sub-contractor not RCCC. We have a contingency inside the \$7.16M budget (5% construction contingency), but that contingency is intended for change orders and not for material hikes.

This is a two-edged sword. There can be potential savings as well and we wouldn't have to pay the full amount. That savings is normally divided amongst the

project partners: Architect, GC and RCCC. RCCC has the right to set the ratio percentage of the distribution. That is like a bonus for good performance.

10. Is there a tentative ballpark payment plan to cover the whole building expansion cost?

We can wish and speculate. Strictly talking from the money perspective, we are not financially solvent to begin Phase 2, for the following two reasons:

- We are short approximately \$100K in annual surplus to meet the annual \$330K mortgage payment; see Q5 above.
- Also from Q5, we are short \$1,363,000.

Therefore, to answer the question hypothetically assuming we can get a \$4,363,000 construction loan (we can't because we don't qualify) but the principle is the same:

- We spend RCCC's \$1.8M in cash first, pay as the job is completed. As this is our money we would pay, not the bank. Followed with the pledges received.
 - We exhausted our cash on hand and capital campaign amounts received.
 - The construction loan kicks in. Again pay as the job is completed. The GC submits the bill to the bank to verify and then it pays. The bank continues to pay as each job is completed until the whole project is completed.
 - RCCC does not begin repaying until Phase 2 is completed. Then RCCC wakes up from the excitement and realizes it needs to begin paying back the construction loan not at the \$3M loan rate but at the \$4.3M loan rate.
 - CAUTION: This explanation is based on collecting ALL the \$1.7M campaign pledges, that we have the money on hand.
11. What is the progress of negotiations with the GDS neighbors on building the Allen Lewis Drive Extension (ALDE)? What is Fee-in-Lieu (FiL)?

RCCC was not able to reach an amicable compromise with GDS. They wanted excessive cash reimbursement for construction cost and land lost. We sought mediation from TOC to see an agreement could be reached. During the last discussion with Mr. Jerry Jensen, TOC traffic & transportation engineering manager, he sought further counsel from Tim Bailey, TOC director of engineering and Bob Benfield, TOC senior planner, and the resulting outcome was that the TOC would offer RCCC a Fee-in-Lieu (FiL) as a means to avoid the construction of the church's half of the ALDE. That means RCCC would no longer have to negotiate with GDS for a term of settlement. While the church would still have to donate a 30 feet section of the easement for the future ALDE, it would no longer be

responsible to build it. The identified amount of \$139K would be given to TOC which would be held in escrow for the future construction of ALDE.

The \$139K was determined by the Alpha Omega Group and confirmed by Choate Construction (our civil engineering firm and our general contractor, respectively). When we submit our site plan to TOC we will simultaneously submit an application for the Fee-in-Lieu option. The \$139K amount will be reviewed and double-checked by TOC engineers to determine the acceptable figure. RCCC will pay whatever the FiL is determined to be, no more. When the future ALDE is constructed, the cost can increase at the time of construction. If the amount exceeds the FiL paid by RCCC, either the Town will bear the extra cost or they will try to extract the difference from GDS or the new owner of that site. Poof, just like that RCCC would no longer have to negotiate with GDS on this project. Praise God for His intervention!

- 12. When does the Church Building Expansion Committee (CBEC) expect to file the site plan with the Town of Cary (TOC)? Why does the CBEC want to file when construction is not imminent?

The Alpha Omega Group will submit the site plan on May 10, 2012. TOC takes up to six months to approve the plan. Filing now has no direct and immediate impact on the construction start date. The Shepherding Team thought it prudent and would save time if we submit at the next opportunity as the site plan has been completed and paid for. This completes the site development/design development (SD/DD) stage of the project. The next stage of the project scope is called CD (construction drawing) whereby detailed drawings are generated for actual construction and also used for sub-contractor bidding to determine the exact price.

Stage 1	Stage 2
Basic Services SD/DD (site development/design development)	Basic Services CD (construction drawing)
Completed – ready for filing	Not yet started

Additionally, there is a sense of urgency to submit which would include filing a request for the TOC granted Fee-in-Lieu. Filing later may jeopardize our chance and lose this opportunity should the TOC reverses itself.

Therefore the site plan filing would include (1) the civil engineering site work plan and (2) the architectural SD/DD plan. A supplemental application filing on the Fee-in-Lieu option will be filed jointly.

- 13. How will the plan submission and architectural drawings be coordinated?

We will proceed in a sequential mode instead of a parallel mode. That is, when one task is completed, the next task will begin. That is, we will first submit the site

plan and wait for approval. This may take up to six months. Once approval is received, we will begin the architectural construction drawing stage or CD next. This will take up to four months to complete. Then the CD plans are submitted to TOC which again may take up to six months before approval is rendered. During this six month period, TOC may request changes to the CD plans which can cause a further delay. After approval is given by TOC, the approved CD plans are given to Choate Construction (our general contractor) for bidding by the sub-contractors for a final guaranteed price. The bidding is open book and will take one month to complete. Once bids are received and selected, Choate will apply for grading and construction permits. Once the permits are received, grading can begin depending on the season of the year. It is unlikely grading will begin during the 4th quarter due to the cold and wet season.

The timeline table is shown in chart form in Question 14 below.

14. What is the new timeline for construction? It is based on the \$7.16M scope and Congregational approval of the budget differential by the end of October. When can we expect to move into the new building? This timeline is predicated on a \$3M construction loan and additional \$1.363M+ new cash and/or new pledges beyond the current \$997,000 pledged to date.

Month		Phase 2 Timeline		
2012 ¹		RCCC Task	Target Party	Result
May	↓	1. Submit site plan to TOC on May 10. TOC has 6 months to approve the site plan. 2. Capital campaign continues	Alpha Omega Group	To approve the site plan
Jun			Town of Cary (TOC)	
Jul				
Aug				
Sep				
Oct				
Nov	↓	CD stage begins by architect. Four months are needed to complete the CDs	McClure Hopkins Architects	Complete the construction drawings (CDs)
Dec				
2013				
Jan				
Feb	↓	Submit CDs to TOC. Takes up to six months for approval	Town of Cary (TOC)	Approve CD plans before sub-contractor bidding can take place to identify guaranteed cost.
Mar				
Apr				
May				
Jun				
Jul				
Aug				
Sep				
Oct	↓	Grading and construction begins 15 months construction time	Choate Construction and numerous sub-contractors	Complete Phase 2
Nov				
Dec				
2014				
Jan				
Feb				
Mar				
Apr				
May				
Jun				
Jul				
Aug				
Sep				
Oct				
Nov		Occupancy!! If this is the Lord's timetable, all three of our occupancies will happen on Thanksgiving Sunday!!!		

¹Worst case scenario

RCCC Fundgiving FAQ (April 23, 2012)

Q: What is the goal of our Fundgiving pledge campaign?

A: Our fundgiving pledge campaign is designed to support our church 2nd phase expansion. Our goal is to learn to commit to God, and build our faith to rely on His provision, making Fundgiving pledges beyond the amount of our regular tithe. Specifically,

- To seek 100% congregation participation. Allow God to move everyone among us to pledge any amount that would bring glory to Him.
- We value your prayer and support regardless of the amount of your individual pledge.
- To reach a total of \$1.7 million in pledges to help support the total construction budget.

Q: What types of gift will you accept?

A: We will accept cash and stock donations.

- RCCC has established a brokerage account and a procedure to accept your donation in stock. Please ask our Finance deacon, Jimmy Luong for instructions.
- If you prefer to contribute your property, jewelry or other valuable assets please convert them into cash because RCCC does not have the skills to manage them nor use the method of your choice to sell them.

Q: What happens if the fundgiving pledge goal of \$1.7 MM is not reached?

A: We may do all of the following.

- We will pray together to help us understand God's perfect timing on 2nd phase church expansion. We believe God wants us to expand His ministries through RCCC.
- We will pray for the Church Council to lead the congregation to consider alternative courses of action.

Q: I do not want to pledge but will increase my offerings to support church expansion.

A: The banks want to have pledge information (the total dollar amount and the total number of pledges/giving units received) prior to making a loan available to us. It is critical for us to make pledges to secure the needed loan.

Q: How will you secure the pledge information?

A: Your pledge is your sacrificial giving on top of the regular offering. Your pledge will be handled and secured by the Finance coworkers as your regular tithing.

- Only the total amount of pledge and the number of pledges received will be published.
- You will honor your pledge with God's provision and your faithful commitment to God. RCCC will not track your pledge offerings.

Q: How can I make my pledge?

A: Please fill out the fundgiving pledge card to specify the amount of pledge that God moves you to make each year for 2012 and 2013 in addition to your regular offering. The pledge card can be put into the offering bag during the worship service or placed into the "pledges box" located on the table in the church lobby.

Q: When should I fulfill my pledge?

A: You may fulfill your total pledge amount during 2012 and 2013 by making your cash gifts in an installment schedule you desire (for example, weekly, monthly or other intervals during the period of 1/1/2012 to 12/31/2013).