

Resurrection Lutheran Church

Replacement Reserve Report FY 2019

November 2018

Replacement Reserve Study and Report was prepared, under contract, by MillerDodson a Capital Reserve Consultant, in Annapolis, Maryland. At a cost of \$5,220, the study was funded through the Property Committee annual budget, and not from Capital Campaign funds.

A copy of the Replacement Reserve Report can be found on the church website at: <http://www.resurrectionpeople.org/....TBD>

What is a Replacement Reserve Study?

It is a study that provides the church with an inventory of the common community facilities and infrastructure components (valued at \$1,000 or more) that require periodic replacement. It provides a general view of the condition of these components and an effective financial plan to fund projected periodic replacements over the next 40 years.

Why Conduct a Replacement Reserve Study?

As a sound financial practice this study provides verification that RLC is pursuing and scheduling the right items/components for replacement within the campus. The plan creates an architecture for replacements and a funding profile for the years of projected replacement.

What does the plan show?

At the top level, the plan shows that RLC will need \$1,705,809 (inflation adjusted) for expenditures over the next 40 years to ensure that we have a facility that operates to meet our needs.

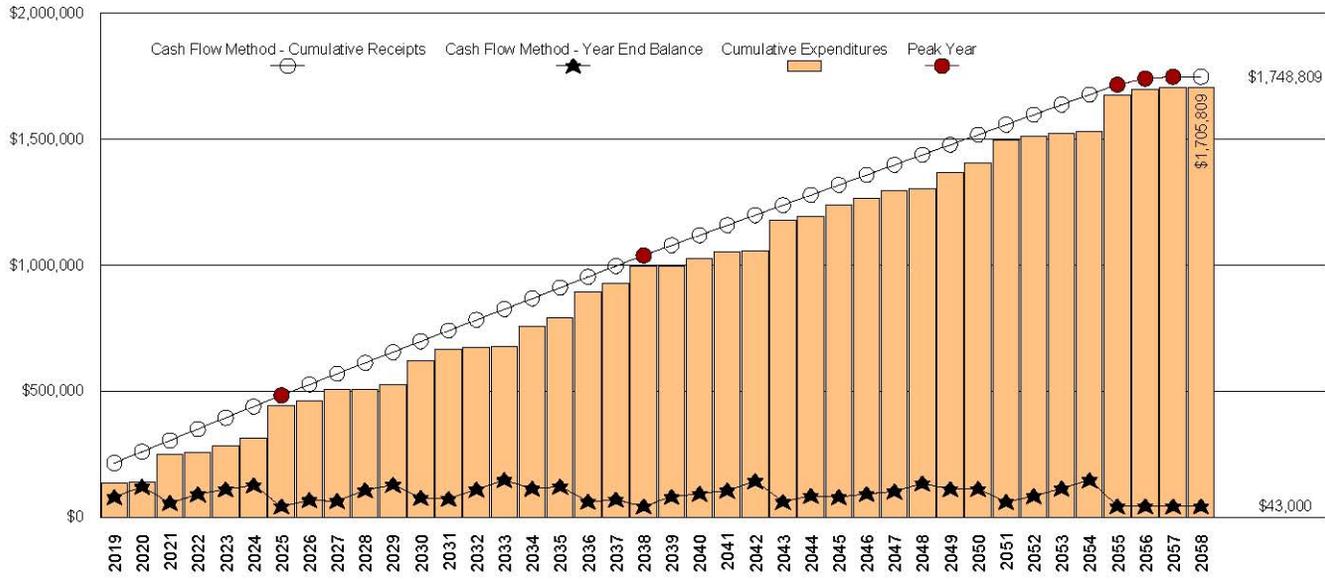
The reserve study used two cost accounting approaches to project the anticipated expenditures. They used the Cash Flow and the Component methods. We will discuss the Cash Flow approach for this discussion because it is simpler and requires a lower minimum cash contribution by year.

The Cash Flow Method (Uses a constant annual funding amount to cover the costs while maintaining a minimum balance) annual budget of \$42,645 each year to fund the 40 years of expenditures.

Examples from the plan:

From charts #4 and #5 in the Executive Summary

#4 - Cash Flow Method - Graph of Cumulative Receipts and Expenditures - Years 1 through 40



#5 - Cash Flow Method - Table of Receipts & Expenditures - Years 1 through 40

Year	2019	2020	2021	2022	2023	2024	1st Peak - 2025	2026	2027	2028
Starting Balance	\$170,000									
Projected Replacements	(\$135,921)	(\$3,872)	(\$108,560)	(\$10,000)	(\$25,313)	(\$28,856)	(\$128,200)	(\$19,010)	(\$45,875)	
Annual Deposit	\$44,817	\$44,817	\$44,817	\$44,817	\$44,817	\$44,817	\$44,817	\$42,720	\$42,720	\$42,720
End of Year Balance	\$78,896	\$119,842	\$56,099	\$90,916	\$110,421	\$126,382	\$43,000	\$66,710	\$63,555	\$106,276
Cumulative Expenditures	\$135,921	\$139,793	\$248,353	\$258,353	\$283,666	\$312,522	\$440,722	\$459,732	\$505,607	\$505,607
Cumulative Receipts	\$214,817	\$259,635	\$304,452	\$349,269	\$394,087	\$438,904	\$483,722	\$526,442	\$569,162	\$611,882
Year	2029	2030	2031	2032	2033	2034	2035	2036	2037	2nd Peak - 2038
Projected Replacements	(\$21,205)	(\$94,150)	(\$46,513)	(\$5,872)	(\$5,650)	(\$77,066)	(\$33,520)	(\$103,206)	(\$34,297)	(\$69,000)
Annual Deposit	\$42,720	\$42,720	\$42,720	\$42,720	\$42,720	\$42,720	\$42,720	\$42,720	\$42,720	\$42,720
End of Year Balance	\$127,791	\$76,361	\$72,569	\$109,417	\$146,487	\$112,142	\$121,342	\$60,856	\$69,280	\$43,000
Cumulative Expenditures	(\$526,812)	(\$620,962)	(\$667,474)	(\$673,346)	(\$678,996)	(\$756,062)	(\$789,582)	(\$892,788)	(\$927,084)	(\$996,084)
Cumulative Receipts	\$654,602	\$697,322	\$740,043	\$782,763	\$825,483	\$868,203	\$910,923	\$953,644	\$996,364	\$1,039,084
Year	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Projected Replacements	(\$2,000)	(\$27,920)	(\$27,078)	(\$3,000)	(\$121,841)	(\$16,157)	(\$44,900)	(\$26,932)	(\$30,375)	(\$7,650)
Annual Deposit	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872
End of Year Balance	\$80,872	\$92,824	\$105,818	\$142,490	\$80,521	\$84,236	\$79,208	\$92,148	\$101,645	\$133,867
Cumulative Expenditures	(\$998,084)	(\$1,026,004)	(\$1,053,082)	(\$1,056,082)	(\$1,177,923)	(\$1,194,080)	(\$1,238,980)	(\$1,265,912)	(\$1,296,287)	(\$1,303,937)
Cumulative Receipts	\$1,078,956	\$1,118,828	\$1,158,700	\$1,198,572	\$1,238,444	\$1,278,316	\$1,318,188	\$1,358,060	\$1,397,931	\$1,437,803
Year	2049	2050	2051	2052	2053	2054	3rd Peak - 2055	4th Peak - 2056	5th Peak - 2057	2058
Projected Replacements	(\$63,030)	(\$39,060)	(\$91,810)	(\$16,000)	(\$10,000)	(\$7,000)	(\$143,071)	(\$24,002)	(\$7,900)	
Annual Deposit	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$39,872	\$24,002	\$7,900	
End of Year Balance	\$110,709	\$111,521	\$59,593	\$83,455	\$113,327	\$146,199	\$43,000	\$43,000	\$43,000	\$43,000
Cumulative Expenditures	(\$1,366,967)	(\$1,406,027)	(\$1,497,837)	(\$1,513,837)	(\$1,523,837)	(\$1,530,837)	(\$1,673,907)	(\$1,697,909)	(\$1,705,809)	(\$1,705,809)
Cumulative Receipts	\$1,477,675	\$1,517,547	\$1,557,419	\$1,597,291	\$1,637,163	\$1,677,035	\$1,716,907	\$1,740,909	\$1,748,809	\$1,748,809

These charts show a beginning balance of \$170,000 from the capital campaign, with yearly deposits of \$42,645 on average for 40 years. Also shown are yearly expenditures, cumulative expense, yearly balance and cumulative receipts.

Some examples of the 96 line items identified are:

SITE COMPONENTS PROJECTED REPLACEMENTS							
ITEM #	ITEM DESCRIPTION	UNIT	NUMBER OF UNITS	UNIT REPLACEMENT COST (\$)	NORMAL ECONOMIC LIFE (YRS)	REMAINING ECONOMIC LIFE (YRS)	REPLACEMENT COST (\$)
1	Asphalt pavement, mill & overlay	sf	47,580	\$1.40	18	6	\$66,612
2	Asphalt pavement, drive repairs	sf	9,520	\$1.70	18	none	\$16,184
3	Asphalt pavement, seal coat	sf	47,580	\$0.15	6	6	\$7,137
4	Concrete flatwork (6%)	ft	303	\$8.50	6	none	\$2,576
5	Concrete curb and gutter (18%)	ft	18	\$29.50	18	6	\$531
6	Metal picket railing	ft	352	\$55.00	45	31	\$19,360
7	Metal handrail	ft	308	\$25.00	45	31	\$7,700
8	Parking lot lights, metal pole	ea	2	\$1,625.00	25	11	\$3,250
9	Retaining wall repairs, allowance	ls	1	\$5,000.00	20	7	\$5,000
10	Trash corral, wood fencing	ft	52	\$32.00	18	4	\$1,664
11	Entrance sign, metal panel	ea	1	\$1,000.00	15	6	\$1,000
12	Chain link fence, detention pond	ft	650	\$18.00	30	16	\$11,700
13	Old garage bldg, metal roof	sf	620	\$6.00	45	15	\$3,720
14	Old garage bldg, siding	sf	780	\$7.20	30	15	\$5,616
15	Old garage bldg, windows	ea	7	\$350.00	30	15	\$2,450
SITE COMPONENTS - Replacement Costs - Subtotal							\$154,500

This chart provides a description, the size or location, unit replacement cost, normal life expectancy, years of life remaining and the anticipated replacement cost. In the full report there is a listing of 96 items with this information and projected years of replacement.

Capital Campaign confluence:

The reserve study validated that RLC is pursuing the repair or replacement of the correct items and in a correct sequence. From page C2 of the report the projected replacements for years 1 – 4 are:

Item	2019 Year 1	\$
2	Asphalt pavement, drive rep	10,184
4	Concrete flatwork (6%)	2,576
18	Roofing, asphalt shingles,	26,124
23	Gutter systems, 5" aluminum	1,538
25	Tower and cross repairs	2,000
39	Carpet, Sanctuary	13,000
48	Ceiling restoration, sanctuary	14,720
49	Accoustical ceiling tiles, glued	6,630
61	Sound speakers, sanctuary	10,000
80	HVAC split system, West Wing	5,650
82	HVAC split system, Cong Room	7,500
83	HVAC split system, Old Narthex	7,500
84	HVAC split system, Sanctuary	7,500
85	HVAC split system, Sanctuary	7,500
86	HVAC split system, Sanctuary	7,500
	Total scheduled replacements	135, 921

Item	2020 Year 2	\$
31	Entrance Canopy, fabric	3,872
	Total scheduled replacements	3,872

Item	2021 Year 3	\$
37	Exterior doors, metal	6,250
40	Carpet, Fellowship Hall	9,760
41	Carpet, Narthex	6,720
42	Carpet, Original Building	10,500
45	Carpet, 2 nd floor	7,800
47	Carpet, basement	8,280
87	HVAC split sys, Fellowship	7,500
88	HVAC split sys, 2 nd Floor	7,500
89	HVAC split sys, 2 nd Floor	7,500
90	HVAC split sys, Basement	7,500
91	HVAC split sys, Basement	7,500
92	HVAC packaged sys, New N	7,500
93	HVAC split system, Fellowship	14,250
	Total scheduled replacements	108,560

Item	2022 Year 4	\$
58	Kitchen, freezer	3,500
59	Kitchen, refrigerator	2,500
62	Flat screen TV, sanctuary	4,000
	Total scheduled replacements	10,000

Years 2023 – 2059 are contained in the full replacement report.

Plan updates:

RLC should review the plan annually and update to show actual replacements and correlating expenditure. Additionally, after three (3) to five (5) years the Replacement Reserve Study should be professionally updated, or when major changes occur, to show an accurate picture of the church infrastructure.

What do we do with this information and next steps:

The church council will decide if and how to fund the 96 items contained in the Reserve Study. Questions???