

## **Capital Infrastructure Fund Policy**

### Background.

The purpose of this policy is to document a shared, workable, sustained approach to prioritizing and funding capital projects for First Parish UU Arlington infrastructure over the years. This is written knowing how difficult it is to sustain policies such as this over time in an organization staffed with volunteer committees with regular turnover. This shared policy has been jointly created and approved and is to be implemented and updated as needed by the Property Committee, Finance Committee, Trustees of the Trust Funds and Parish Committee.

The policy establishes a mutual, reciprocal matching fund whereby each year the Trustees, from the Trust Funds, and the Parish Committee, from the operating budget, contribute matching amounts to a capital infrastructure fund. If the amount that each party can contribute in a given year differs, both parties will match at least the smaller amount. Any unused money in a given year will remain in the capital infrastructure fund for subsequent years, building a sustained investment to support First Parish infrastructure. This capital infrastructure fund is in addition to annual maintenance funding in the annual operating budget.

First Parish Unitarian Universalist of Arlington Massachusetts (“First Parish”) owns and uses interconnected buildings and grounds located at 630 Massachusetts Avenue, Arlington, Massachusetts. The members of the Property Committee of First Parish are responsible for the upkeep and maintenance of this property, including the maintenance and replacement of capital items and systems. Orderly implementation of a capital infrastructure plan requires planning and funding on an ongoing basis to ensure that First Parish’s infrastructure is maintained in an efficient and effective manner. The members of the Finance Committee of First Parish are responsible for preparing the annual budgets for First Parish including making provision for capital projects. The Trustees of Trust Funds (“Trustees”) of First Parish are responsible for the prudent management and investment of First Parish’s trust funds and under their charter have identified preservation, maintenance, and replacement of infrastructure as a priority for the use of the funds and investment returns on these funds while abiding by the requirements of bequests and their fiduciary responsibility to the congregation. The members of the Parish Committee of First Parish are responsible for managing, among other things, the annual budgets and expenditures for First Parish.

This policy statement is to provide for capital infrastructure needs of First Parish in an orderly manner and to assure that capital expenditures are made on a regular basis for maintaining the infrastructure upon which First Parish depends for fulfillment of its mission. The capital infrastructure plan will not encompass major capital improvements or replacements to the Church buildings, which shall be approved by the congregation and funded through capital campaigns or third party grants. For the sake of clarity this policy also does not address funding

for normal, routine, and preventative maintenance, which will continue to be funded through the annual operating budget.

A. Property: The members of the Property Committee will:

1. Annually prepare, update, and publish in the Annual Report a long term capital infrastructure plan, including projected projects, priorities of projects, life expectancy, and estimated cost.
2. Plan for those capital infrastructure projects that will need to be funded and performed during the current year as well as those which will need to be accomplished during the next five years based on the priorities set forth in the capital infrastructure plan. Funds available for capital infrastructure projects may be greater than actual capital infrastructure expenditures in a fiscal year and, if that is the case, such funds will remain with and be invested by the Trustees and be made available to fund capital infrastructure projects in future fiscal years.
3. Keep the Parish Committee, Trustees and Finance Committee informed on status of the capital infrastructure projects and developments that could lead to changes in the project priorities and acceleration or postponement of work.
4. Initiate requests to the Parish Committee for capital infrastructure expenditures for the current year based on the capital infrastructure plan and this policy, as well as unforeseen emergency needs that may arise.

B. Finance: The members of the Finance Committee will:

1. Review the Property Committee's annually updated capital infrastructure plan and current year capital infrastructure expense requests to determine the funding required for current (including unexpected) and future capital infrastructure plan requirements.
2. Verify the amounts required to pay for the capital plan that are available in an annual budget and recommend adjustments as needed to Property Committee, Parish Committee, and Trustees.
3. Report the status of funds for the capital infrastructure plan to the Property Committee, Parish Committee, Trustees, and in the Annual Report.

C. Trustees: The members of the Trustees will:

1. Work with the Parish Committee annually (during the budget preparation process) to determine annually whether both groups can commit funds for capital infrastructure for the coming budget year. The intent is that each committee mutually commits at least the same amount – in essence a mutually agreed matching fund. The Trustees need to review whether the return on investment on the unrestricted funds under their management has been sufficient to support funding for the capital infrastructure plan. The Parish

Committee needs to determine whether the annual operating budget can provide its contribution.

2. Determine the annual amount, if any, available for the capital infrastructure plan from the trust funds returns. The initial goal is initially targeted at to be [one percent ([1]% of the unrestricted funds, (currently approximately \$15,000.) The Trustees will separately account for capital infrastructure plan funds in its statements of funds and the Annual Report.
3. Report the amount of trust funds designated for the capital infrastructure plan upon the request of the Parish Committee, Finance Committee or Property Committee and in the Annual Report.
4. Liquidate funds from the designated capital infrastructure plan funds to pay for capital projects when requested by the Property Committee and reinvest surplus funds designated for the capital infrastructure plan. Funds for future capital infrastructure projects will be invested as the Trustees deem prudent in light of the capital infrastructure plan and may be comingled and invested with other funds held by the Trustees. The value of investments will change over time and there can be no assurance that funds invested by the Trustees will increase or even maintain their value over time.

D. Parish: The members of the Parish Committee will:

1. Work with the Trustees annually (during the budget preparation process) to determine whether both groups can commit funds for capital infrastructure for the coming budget year. The intent is that each committee mutually commits at least the same amount – in essence a mutually agreed matching fund agreement. Such amounts will include funding for the capital infrastructure plan in the annual operating budget from operating funds in an amount at least equal to the amount the Trustees make available in a given year, subject to adoption of the operating budget by First Parish members at their Annual Meeting or special meetings.
2. With the Property and Finance Committees and the Trustees of Trust Funds, annually evaluate the funds available for capital infrastructure projects in the current fiscal year to agree on how much must be on hand for current anticipated expenditures and how much might be invested by the Trustees, potentially increasing the funds available in future years for capital infrastructure projects in a capital infrastructure plan, and
3. Propose revisions to this policy as needed to match mutually agreeable practice by all parties provided that it is essential that the capital infrastructure plan be funded by an annual operating budget allocation that is at least equal to the amount the Trustees make available in a given year. In that the capital infrastructure plan requirements are expected to increase over time, the Parish Committee will prioritize and support efforts to increase annual donations to the operating budget and donations through planned giving and otherwise to the trust funds.

The Committees shall establish a procedure for the chairs of each to meet to recommend to the Trustees the transfer of funds as recommended by the Property Committee. The chairs of these committees and the Trustees shall ensure that expenditures under this Policy will be used only for capital needs.

Adopted by the Parish Committee, July 12, 2016 and April 11, 2017

Adopted by the Trustees of the Trust Funds, September 26, 2016 and April 11, 2017

Adopted by the Property Committee March 16, 2017

Adopted by the Finance Committee April 11, 2017

Updated March 5, 2017

**Process Addendum:**

<b>Annual review of capital infrastructure plan</b>	<b>Property</b>	<b>Finance</b>	<b>Trustees</b>	<b>ParCom</b>
<b>Who</b>	Chair	Chair	Chair	Chair + Treasurer
<b>When</b>	Prior to annual budget: ~ Oct			
<b>What</b>	Calls joint meeting	Confirms reasonableness of annual plan, funding needs, sequencing, timing	Reviews plan for funding needs & timing implications for investments	Reviews plan for funding in operating budget

<b>Funding request for a specific project</b>	<b>Property</b>	<b>Finance</b>	<b>Trustees</b>	<b>ParCom</b>
---	-----------------	----------------	-----------------	---------------

<b>Who</b>	Chair + at least one other member	Chair	Chair	Chair & Treasurer
<b>What</b>	Initiates request to ParCom in writing; copy to Finance, Trustees and Treasurer	Verifies reasonableness of cost & request against plan in writing copied to Property, Trustees and ParCom	Determines funding availability from capital infrastructure fund and respond in writing to chair of Property, Finance, ParCom + Treasurer. Disburse funds to operating account.	Approves subject to concurrence from Finance and Trustees; copied to chair of Property, Finance, Trustees + Treasurer

Any monies that are disbursed and not spent on a particular project will revert to the Capital Infrastructure Fund managed by the Trustees.  
Payment of a specific invoice will follow normal procedures.