

**Capital Expenditure Fund Proposal**  
**Adopted at 5/28/2020 Finance Council Meeting**  
**To be Implemented in Fiscal Year 2021**  
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**Purpose:** The intent of the Capital Expenditure Fund (CEF) is to minimize, or possibly eliminate, the need to have periodic, major capital campaigns in order to meet the facility and other maintenance needs of the parish. The long-term goal is to reach a principal balance that is large enough to create an endowment to fund such parish expenditures. If, over time, the Pastor and Finance Council determine that the establishment of the required endowment is not feasible or appropriate, the CEF could be prudently managed where principal is used while maintaining a predetermined minimum balance. With this approach, the CEF would need to be replenished in a planful way to meet future expenditures.

The CEF is used to pay for capital projects exceeding \$2,500 in accordance with the POTHE's on-going facilities management plan. The facilities management plan contains the listing of both capital and maintenance items, their scheduled maintenance/upgrade schedule and associated costs. It is important that the facilities management plan be maintained and kept current.

This fund can also be used for unforeseen facility expenses where the cost is expected to exceed \$2,500. The use of the fund in such cases must first receive the approval of the POTHE's Pastor and Finance Council (see Approval Process below). Facility expenses costing less than \$2,500 should be paid from regular, on-going operations.

**Benefit:** Management of the CEF on a regular, on-going basis requires that the Finance Council be continuously diligent, vigilant and planful in anticipating and meeting the maintenance and capital needs of the POTHE.

Additionally, the availability of such a fund provides another way for someone to support the parish. Some individuals may find the CEF more appealing and flexible than a general donation or the perceived pressure and specifics associated with a capital campaign.

**Approval Process:** All activity involving the CEF, including its initial funding as well as on-going decisions to increase the CEF or use CEF funds for facility expenditures, must receive the approval of the POTHE's Pastor and Finance Council through the regular voting process. Appropriate documentation and transparency will be provided. In support of the required documentation and transparency, the Finance Council's meeting package will include a reconciliation of the CEF's ending balance, i.e., a rollforward of the beginning balance along with all the activity for the month.

**Implementation:** Establishment of the CEF, its initial funding and funding source will require approval by the Pastor and the Finance Council as described above. Once the required approvals occur, it is recommended that the CEF become operational in the month following

approval, i.e., the financial close in the next month. Ideally, the CEF will be approved by the Pastor and Finance Council for implementation by fiscal year-end 2020.

The fund will initially be established by a transfer of \$75,000 unrestricted funds from the parish's savings account (11000-1641).

The creation and on-going funding of the CEF is intended to be separate from any capital campaigns that may be required by the POTHE, i.e., it is not to be used simply as a "pass through" fund for a capital campaign. This, of course, would not increase the principal balance of the CEF.

**On-going Funding:** Increases to the CEF will come from two sources: on-going operations and unrestricted donations, endowments or bequests.

The funding from on-going operations or donations/endowments/bequests will be determined through quarterly review by the Finance Council. A standing agenda item for the Finance Council at the end of each quarter will be a review of the facilities management plan and determination of what, if any, funding from current operations should go to the CEF.

The Finance Council will also review new unrestricted donations, endowments or bequests. If a new donation, endowment or bequest is considered by the Finance Council to be an appropriate funding source for the CEF, the Finance Council will also determine how much of the donation/endowment/bequest should be used to strengthen (increase) the CEF.

**Quarterly Reviews:** The quarterly discussions of the CEF will occur at the October, January (Q2 and YTD of the current FY) and April (Q3 and YTD of the current FY) Finance Council meetings. The one remaining quarterly review and discussion is provisional. It will occur in July (Q4 and sum of the current fiscal year) but only if needed, since the Finance Council does not usually meet during the summer. If the Pastor, parish Business Manager or Finance Council member(s) feel circumstances (e.g., favorable operating results and/or receipt of an unrestricted donation, endowment or bequest) warrant discussion of the CEF by the committee, a meeting via teleconference will be scheduled.

**Investment Strategy:** The CEF will initially be invested in a diocesan saving's account. Once the fund's principal balance reaches \$300k, it will be the responsibility of the Finance Council to review the investment strategy and determine if it should change, e.g., rolling part of it into the investment pools provided by the diocese or other diocesan approved investment vehicles if available, and ensuring the change is implemented.