

WHEN DO WE BREAK GROUND?

During most capital campaigns there comes a time when a few major donors and volunteer leaders may press earnestly for commencement of construction of the featured buildings and facilities. While well-intended, this pressure too often overlooks the related costs of “*financing the delta*”, i.e. borrowing cash required, over and above cash gifts received and pledge payments due, to pay for construction, furnishings, equipping the building and surrounding landscaping.

A wise institutional policy is to establish--*before* a campaign is launched, and *before* predictable impatience leads to imprudent financial decisions--specific criteria for commencement of construction. The criteria to be applied in such a policy will vary based on an organization’s access to construction funding and financing; consideration of escalating construction costs; and, revenue generating aspects of the new building and facilities.

For example, a policy guideline to consider is:

Construction of the campaign’s featured building objectives will commence when no less than 70 percent of the total costs of the project has been received in cash and confirmed cash pledges, and with no less than 30 percent received in cash and with pledge payments due within 3 years from commencement of construction.

Organizations are wise to be cautious of tax-exempt bond issuances and other sources of financing for worthy projects. The amortization costs of such financing to hasten completion of promised buildings which may bear a donor’s name will be borne by future generations of governing Boards, donors and development officers.