



“Just a Thought....”

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; well-intended pressure but too often overlooking 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 to establish before a campaign is launched, before predictable impatience leads to imprudent financial decisions, is defining specific criteria for commencement of construction. A policy guideline we encourage clients to consider is as follows:

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

Percentages applied in such a policy will vary based on an institution’s access to construction funding and financing; consideration of escalating construction costs; and, revenue generating aspects of the new building and facilities.

As an editorial aside, I have become increasingly concerned with the proliferation of tax-exempt bond issuances and other sources of financing for worthy projects; financing to hasten completion of promised buildings which may bear a donor’s name, the amortization of which will be borne by future generations of governing boards, donors, and development officers.