St. John the Evangelist

Talking Points on Church and School Renovation Project

1. How much is our debt ?
   1. As of April 30, 2011, it is $1,570,000
2. What resources do we have to repay our debt?
   1. We have unrestricted reserves of $600,000. While we should not reduce our reserves to zero, we could allocate up to $300,000 to immediately reduce our debt.
   2. We have additional pledges to the original capital campaign and our follow on appeal of March 2009 of approximately $200,000. These funds should be received and available for our use.
   3. We anticipate an additional capital campaign to raise funds to provide for other urgent capital projects and to reduce our debt.
   4. Principal and interest on the remaining balance will be paid from our operating revenues.
3. Who loaned us the money?
   1. The loan was made by the Parochial Revolving Fund, a fund managed by the Seattle Archdiocese. Essentially we have borrowed from other Parishes who have deposits in the Parochial Revolving Fund.
4. What is the present loan arrangement?
   1. The debt bears interest at 6.75% per year.
   2. The agreement we have with the Parochial Revolving Fund is that we will pay interest on the debt through June of 2012. The overall loan agreement allows a balance of up to approximately $2,000,000 should we choose to do additional capital projects. The PRF approved the loan of additional amounts to complete the school portable project. Capital campaign pledge collections are applied to principal. Thereafter, we will repay the debt over 15 years or less.
5. Why is our debt $1,570,000 if the original project costs were only projected to be $1,600,000 and our capital campaign had pledges for $1,000,000?
   1. The original estimates in the campaign materials did not include some reasonably anticipated items, scope of work changed, costs increased due to inflation between early 2006 and mid 2008 when projects were completed, resulting in additional borrowing of $796,000.
      1. The cost of the school seismic and windows projects were fairly close to the original estimates. The campaign materials indicated that those projects would cost $653,000. Final costs were $679,000. The reasons for the excess of $26,000 are: 1) increased costs for window replacements (more work was required than anticipated); 2) an offset by savings in architectural and engineering costs; and 3) sales taxes were not included in original estimates.
      2. The costs of the Church seismic, mechanical systems upgrades and renovation project totaled $1,710,000 which exceed the estimates in the campaign materials by $770,000. The reasons for the increase are as follows:
         1. Exclusion of construction period interest from original estimates--$40,000
         2. Additional engineering and architectural fees--$165,000
         3. Cost of furnishings not included in original estimates--$100,000
         4. Sales taxes not included in original estimates--$97,000
         5. Changes in scope, inflation and other additional costs--$370,000
   2. Capital campaign pledge collections to date have been $930,000 which is $70,000 less than amounts originally pledged.
   3. The school portables project was funded through the loan resulting in borrowing of $100,000.
   4. The remaining difference of $34,000 consists of some interest charges which were added to the balance rather than paid.
6. Those are significant changes. Did we check the billings to be sure they are appropriate?
   1. Yes we did. An audit of the largest contract ($1,320,000) was funded by a parishioner, completed and confirmed that all of the invoiced costs were incurred and billed consistent with the applicable written contract.
7. Isn’t this a lot of debt for our Parish?
   1. While the debt is larger than we planned, it is consistent with the debt obligations of other parishes that have engaged in capital projects and it is certainly manageable. We have reserves, operating revenues and additional pledges that can be used to reduce the amounts owed. Additional capital campaign proceeds can also be used to reduce the balance. Operating revenues are sufficient to make payments of interest and the remaining balance.
8. Why was it decided to borrow money to complete projects?
   1. The full menu of projects was completed because it was more cost effective to do them all at once and in order to avoid further price increases. An example is the heating system in the Church. It did not make sense to do the work involved in moving the altar and pews and to later go back and install the heating systems. Work would be duplicated and costs would be higher.
   2. While the Parish was informed on the plan to do all the projects and borrow funds, the Parish at large was not properly informed or consulted on the increases in scope and the resulting increases in associated costs and borrowings.
9. Should we expect more capital projects and borrowing in the future?
   1. Yes. We have been blessed with wonderful facilities. However, they must be properly maintained and appropriately updated. The cost of deferring critical repairs and maintenance is too high. Our school continues to grow and may need additional space. It may make sense for us to utilize loans to fund some of these necessary projects in the future.
10. What will we do differently?
    1. Father Crispin has insisted that the planning process address the lessons we have learned and, as a result, make changes to ensure that :
       1. That the Parish is properly consulted and fully informed on all projects and plans;
       2. Project estimates are accurate, properly and widely vetted within the parish and updated; and
       3. Changes are identified and communicated to the Parish as they occur.