

Operations: Support of Ministries

It is important to understand that the dollar figure designated for ministries in bulletin reports encompasses *only* the amount needed by various ministries for materials, supplies and volunteer education.

However, most of our operational budget supports ministries in other ways. For example, our personnel costs include the positions of the Director of Liturgy, the Director of Religious Education and Youth Ministers, whose entire jobs focus on the ministries included under Liturgy and Christian Formation! Office personnel also help ministries through bookkeeping, communication and logistical support.

Of course, building maintenance and cleaning, utilities and other expenses also support ministries by providing functional space for meetings and projects.

In this sense, *every* contribution to our parish is a contribution to our ministries and to this community that our ministries serve. We would love to be able to give each ministry more for materials, supplies and continuing education, but we also need professional, educated staff to help coordinate ministries, ensure compliance with regulations, verify theological correctness, assist with scheduling and communication and help develop the vision for ministries.

When we talk about giving more money to ministries, we are hoping to increase the amount allocated for supplies, materials, and volunteer education. We would also like for ministries to be able to take on projects and do more outreach without having to worry about funds.

However, in stressing the need to give more to ministries, we should not assume that paying our utilities, hiring trained staff, maintaining our space and covering our operational expenses do not immediately impact the ministries and mission of our parish. All of it is necessary to function as a parish and to provide for the spiritual, educational and vocational needs of our community.

Thank you for always supporting the ministries of St. Mary's. Every cent counts!

As we consider the needs of our Capital Projects, including debt reduction, please remember that our operations are year round. We cannot take away from the one side to support the other. Both are important.

One reason we switched from a long term pledge to a yearly commitment and from separate drives to a single, comprehensive drive, is so that we can keep these needs in perspective.

While the operational needs of the parish are ongoing, these capital projects are short-term. They are needs that have to be addressed...sooner rather than later...but once they are, we will all be better off.

We hope you will prayerfully consider the Capital Projects we will cover in this handout and search your hearts and your budgets to determine what you can do to help us meet all of the needs of our parish.

Debt Reduction

Mortgage

\$73,603: The total amount we have to pay *this year* in monthly installments.

Balloon Payment

\$188,467

Balloon Payment due 9/1/18:	\$1,430,806
Subtract the amount we had in savings when calculated:	<u>- \$300,400</u>
Total we need to gather over the next 6 years:	\$1,130,802
Divided by 6 years:	\$1,130,802÷6=
Amount needed each year:	\$188,467

If we collect at least \$188,467 *each* year, in addition to the principal installments due, we will have enough to pay off the balloon payment in September of 2018. If we do not collect that much in one year, it will increase the amount we need to aim for in future years and increase the chance that we will have to refinance a portion of the balloon payment.

Finance Council's general recommendation is to achieve at least 80% of the amount needed each year for the balloon payment before allocating undesignated funds to any other projects.

However, this year, we have two other very important needs that must be addressed!

Father Remi thinks addressing the acoustics in the worship space, particularly, should be a foremost priority. After all, we come together every week to hear the Word of God proclaimed. Visitors receive their impression of St. Mary's based on their experience in the Mass. Newcomers have several parishes to choose from. Why would they stay here if they can't hear the Mass?

The following pages detail the two other projects in this year's Pledge Drive.

Acoustic Remediation

While this was called the “Sound System” in the Drive Materials, we are really talking about Acoustic Remediation...fixing the problems in the worship space that make it hard to hear.

Our sound system is fine. But we can improve the way it functions to balance the music, the singing and the speaking. We can also improve the space to reduce the reverberation (echo) so that the spoken word can be easily understood.

This project was chosen to focus on first because our primary activity as a parish is to gather together for the Eucharist and to hear God’s word proclaimed. Being able to hear in our worship space depends on where you sit and who is speaking...in most places, you can’t understand what is being said without a lot of concentration. In other places, even concentration doesn’t help! We also have had complaints about one sound being too loud, drowning out other sound, and other sounds being too quiet. There are pockets where nothing is heard and other pockets where sounds overlap.

We had **StageSound** come out to evaluate our problem. This company was recommended by other parishes and also by a contact at Virginia Tech.

They have done work in many churches throughout Southwest Virginia, including Blacksburg Baptist Church, Blacksburg Christian Fellowship, Blacksburg Presbyterian Church, St. Jude’s in Radford, St. Andrew’s and Our Lady of Nazareth in Roanoke and Our Lady of Perpetual Help in Salem.

They have worked in other venues as well, including the Art Museum of Western Virginia in Roanoke, the Blacksburg Marriott, Virginia Tech, the German Club at Virginia Tech, the Hotel Roanoke & Conference Center, and the Jefferson Center in Roanoke.

The engineers from StageSound explained that for the spoken word to be understood clearly, the reverberation time in a room should average no more than 2 seconds. According to Stage Sound’s measurements, the reverberation time in our worship space averages 4.2145 seconds.

The hard surfaces in the room are the reason for the long reverberation time...the sound bounces off the walls, floors, and any other surface it hits.

The solution proposed by Stage Sound involves mounting acoustic panels on the walls above the doors and windows and possibly even on the ceiling. These panels will be colored to match the current colors on the walls and will blend with the room, so they are not so noticeable.

(Mike Jones saw a similar treatment on a recent trip, and he said it was only noticeable to him because we are looking at doing something similar here. He also said it was effective...the church he saw had as much concrete and hardwood as ours, but hearing was no problem even though the church was nearly empty.)

Based on their measurements, StageSound quoted three different square footages... 4,000, 4500 and 5,000. You can see the anticipated results of adding each level of coverage:

<h2>Reducing the Echo</h2>			
Square feet of 2" thick acoustical panels			
Frequency (Hz)	4000	4500	5000
125	2.35	2.28	2.22
250	2.13	2.02	1.93
500	1.98	1.85	1.73
1000	2.01	1.88	1.76
2000	1.90	1.78	1.67
4000	1.72	1.62	1.54
8000	1.22	1.18	1.14
Unweighted Avg	1.99	1.87	1.76

As you can see, at 4,000 sq. ft, the average reverberation time was cut down to 1.99 seconds...just below the maximum range for clarity. While this might work, there are still several frequencies of sound above the 2 second mark.

At 4,500 sq. ft, the average reverberation time would be reduced to 1.87 seconds.

At 5,000 sq. ft., the average reverberation time would be reduced to 1.76 seconds. This is most effective solution, bringing the reverberation time well below the recommended levels so that clarity is assured. We don't want to choose a lower square footage and find out afterward we needed more.

The cost for each of these treatments would depend on whether we had our people remove some of the pews so a lift could be brought in and could move around the walls freely. If we did not move the pews, StageSound would have to build scaffolding.

Here is the cost for each level, assuming we would not pay tax.

4,000 sq. ft.	with a boom lift: \$58,839.00;	with scaffolding: \$61,739.00
4,500 sq. ft.	with a boom lift: \$68,821.00;	with scaffolding: \$71,721.00
5,000 sq. ft.	with a boom lift: \$79,402.00;	with scaffolding: \$82,302.00

If we do the work of moving the pews, we can have 5,000 square feet installed for \$79,402.

In addition to problems with reverberation, we have problems associated with the balance and control of sound in the room.

StageSound suggested making the sound controllable from an iPad in the worship space, which would allow real time sound management for liturgical functions (so that if one person is very loud and the next person very quiet, the sound can be raised and lowered accordingly).

To do that, we would convert the current sound system from analog to digital.

A digital control system upgrade would cost \$16,365.00 if we did it at the same time we install the acoustic panels. Upgrading to digital at a later date is possible, but would cost more, since discounts were applied based on doing it all at once.

Making it so that the lighting controls could work from the same iPad would cost \$4,373.05. While not necessary to help the acoustics, it would be handy for different possible events

The iPad itself should cost no more than \$400.

StageSound's final suggestion was to install a piano microphone system for better quality sound and to help adjust the volume of the piano to mesh with cantors and choir. That would cost from \$1,708.00 to \$3,389.00, depending on the quality and type of system chosen.

All together, taking the most quality option for completely addressing the acoustic problems in our worship space, with us doing the work of moving pews, it will cost \$103,929.

Please, take a look at the proposal above, and give us feedback including comments, suggestions or questions.

Rectory

The final project focused on this year is the rectory solution.

PLEASE NOTE: No final decision has been made in terms of whether to buy a *permanent* rectory off of this property or build a *permanent* rectory on this property.

As we noted in our Town Hall meeting on March 11, 2012, either decision requires strategic planning and consideration of all the pros and cons. We talked in March about two options for providing a temporary rectory solution and the need to decide which option makes more fiscal sense for our parish.

For many, building on our property is important. Purchasing a temporary rectory offsite does not mean we cannot eventually build on site if we choose to do so. However, there is a question of why we should purchase one now rather than going ahead and building one now. Therefore, we will include the option of building on the property now as we look at our options:

So...the three options are:

1. Continue to rent until the current debt is paid off in 2018, focusing our energies and resources on raising funds to pay off our balloon payment.
2. Purchase a house to serve as a rectory until the debt is paid off and we have had time to determine the best permanent option for our permanent rectory.
3. Make decisions quickly and build on the property now.

We need to make a final decision between these options **at this time**. So let's look at the numbers associated with each option:

OPTION ONE: RENTING UNTIL THE DEBT IS PAID OFF

We are currently renting a townhouse. We have already paid out \$25,495.97 in rent since January of 2011. Our rent has already gone up once, and likely will go up again over the years. In fact, we just got word that rent will go up to \$1,140 in July of 2013.

If we continue to rent until the debt is paid in September of 2018...and the rent was kept the same in this calculation...we will pay an **additional** \$81,000 in rent (at least).

Granted, renting would prevent adding to our debt load, and we could invest the funds until September of 2018. But, there is no equity built...the money is just gone.

OPTION TWO: PURCHASING A HOUSE UNTIL THE DEBT IS PAID OFF

If you look at the houses for sale in Blacksburg, you will see that many range between \$200,000 and \$300,000. How much house we could afford would depend on how much of a down payment we could raise and or how much we are willing to pay each month.

The current mortgage rates are right around 3% for a 15 year fixed rate mortgage.

To begin to compare buying to renting, we looked at raising \$50,000 for a down payment and financing \$150,000-\$200,000. This would keep our monthly payments close to what we are now paying for rent.

We are making two assumptions with these figures:

1. There is no increase or decrease in the market value of the house over the 6 years, and
2. The house is suitable with no major renovations needed to move in.

With \$50,000 down, financing \$150,000, the monthly payment would be \$1,035.87 (less than we are currently paying for rent). Here is how the finances would look if we sold it after six years:

Principal/Interest/taxes paid over 6 yrs.	87,259
Principal (equity built)	52,854
Interest	22,765
Taxes	11,640
Maintenance over 6 yrs. (including prep for sale)	10,000
Closing fees	2,200
Realtor commission	10,000
Total Spent over 6 years if sold:	109,459
Total spent over 6 years that is not equity:	56,605
Down Payment	50,000
Equity built up over 6 years	52,854
House sold: equity received from sale:	102,854
Total Cash on Hand when the house is sold:	\$102,854

With \$50,000 down, financing \$200,000, the monthly payment would be \$1,381.16:

Principal/Interest/taxes paid over 6 yrs.	112,465
Principal (equity built)	69,418
Interest	30,353
Taxes	14,550
Maintenance over 6 yrs. (including prep for sale)	10,000
Closing fees	2,200
Realtor commission	12,500
Total Spent over 6 years if sold:	134,665
Total spent over 6 years that is not equity:	69,603
Down Payment	50,000
Equity built up over 6 years	70,472
House sold: equity received from sale:	120,472
Total Cash on Hand when the house is sold:	\$120,472

Comparing different down payments and house values:

	house value	200,000	250,000	300,000
Principal/Interest+Taxes over 6 yrs.		87,259	90,169	93,079
Principal (equity built)		52,854	52,854	52,854
Interest		22,765	22,765	22,765
Taxes		11,640	14,550	17,460
Maintenance over 6 yrs.		10,000	10,000	10,000
Closing fees		2,200	2,200	2,200
Realtor fee		10,000	12,500	15,000
Total Spent over 6 years if sold:		109,459	114,869	120,279
Total spent over 6 years that is not equity:		56,605	62,015	67,425
Down Payment		50,000	100,000	150,000
Equity Built over 6 years		52,854	52,854	52,854
House sold: equity received from sale:		102,854	152,854	202,854
Cash on Hand when House is sold:		\$102,854	\$152,854	\$202,854

So, at any amount, buying is better than renting, BUT...what if we invested that down payment instead of using it to purchase a house? What would be fiscally better for the parish? Let's look at the same down payment values shown above:

Amount invested (rather than used as a down payment)	50,000	100,000	150,000
return on investment after 6 years at 3.5%	12,500	25,000	36,500
total after 6 years (amount invested plus return)	62,500	125,000	186,500
minus amount spent on rent	81,000	81,000	81,000
Difference between rent cost and investment earnings:	\$68,500	\$56,000	\$44,500
Cash on Hand in September 2018:	\$62,500	\$125,000	\$186,500

As you can see, the net rent expense above is more expensive than the (non-equity) expenses associated with buying a house in the first option. Therefore, if we raise \$100,000 quickly and invest it, we would lose less money investing and renting than we would by buying and selling.

That is why it would change the picture if we raised so much at once.

But what about going ahead with a decision on a permanent rectory and building on site? Let's look at that option next.

OPTION THREE: BUILDING A PERMANENT RECTORY ON SITE NOW

If we were to move ahead with building on site now, we would have to rent for at least another year so that we have time to decide where to build, to work out the details and to complete construction. One more year of renting would cost \$13,500.

Building a permanent rectory on site means we have to plan for several different possible living situations, such as having a priest and a seminarian or a priest and a retired priest living there. Having two unrelated adults sharing the house is not the same as having a single family home, and adequate space for both, as well as guests would need to be considered. We would also need to provide space for meetings and other social events that might be held at the rectory. Considering the winters and the need for priests to be able to leave for pastoral care reasons, it would need an attached garage for two cars.

According to an architect that Jerry contacted, who contacted local building companies, with the minimum space needed for two unrelated adults (such as a priest and a seminarian), the cost of construction would be at least \$460,000, NOT including:

- Alternative Septic,
- Extensive Water or Electrical connections
(Normal septic, water and electric hookups would be covered, but we already know we would have to have an alternative septic system and the length of the water and electrical connections would depend on the location of the house.)
- The driveway to where the house is located
- Landscaping

It is easy to assume that if we built, we would be adding approximately \$500,000 to our debt load.

If we had the same down payment we considered above, we would have to finance \$450,000:

Principal/Interest + taxes over 5 yrs. (remember, we rent for 1 year)	221,197
Principal (equity built)	137,416
Interest	61,471
Taxes	22,310
Maintenance over 5 yrs.	1,000
Total Spent over 6 years:	\$222,197
Down Payment	50,000
Equity Built over 5 years	137,416
Total equity owned in September 2018	\$187,416
Total spent on interest, taxes, maintenance and rent:	84,781
Total equity in house in September 2018:	\$187,416.

While we would spend more non-equity money over the 6 years if we built than if we bought, the equity owned would be greater. However, even if, in the long run, it would be fiscally better to go ahead with the permanent rectory, in the short term, we also have to consider that it would cost us in

terms of cash flow. The payment would be \$3,107.62 per month for the loan. (That is triple what we currently pay in rent.)

The downside to building now is that this is a huge decision to make quickly, it would add significantly to our overall debt and current monthly payment obligations would increase dramatically.

We need to do some strategic planning for the overall development of our land. We need to determine the best locations for various land use options and decide where a rectory should be placed in relation to other property uses.

If we build now, we would have to make the decision on where to place the rectory quickly, which means future decisions about land use would have to be made around the locations of the church and the rectory.

If we buy offsite, we can sell it later and apply any equity to the permanent rectory.

If we build now, we need to make sure we do it right, since it is permanent. That is why we would need to make the best decisions on where to place it and what to build.

Can we do that and build it within one year?

Can we afford the larger payments each month?

These are the questions we need to answer as we consider this option.

SUMMARY:

The decision we have to make is:

Do we buy now with the intention of selling after the church mortgage is paid off and we have had time to do strategic planning and to decide on a permanent rectory solution?

Do we keep renting and try to focus on raising and investing money toward our church mortgage?

Do we build now?

We need to do whatever is fiscally best for our parish.

Please review this information, consider the options and give us your feedback. We will be conducting a survey, and you can also send comments to either Elizabeth Zirkle, our business manager, or any member of Finance Council.

Final Details:

Where will my money go? I hope you can now see the importance of all 4 goals. However, rest assured that you CAN specify where your donation goes in the Capital Projects Fund if you feel strongly about a particular project.

If you want to pay **only** for debt reduction, then write debt reduction on your commitment card and also on each check and envelope. If you want your money to go toward the acoustic remediation **only**, write that on your card, check and envelope. The same goes for the rectory. Just be clear when you write your check, so the money counters will note it correctly.

However, if you see the importance of all four of these goals, and you want your donation applied where it is needed, then do not specify ...simply donate to the Capital Projects Fund and your donation will be allocated to whichever of these projects needs the funds the most.

Turning in your commitment cards:

Turning in your pledge cards is important as it will give us an idea of what we can expect and help us to plan and move forward accordingly. Thank you!

If you have not turned in your card, please do so before the end of November, to give us time to calculate and make decisions before the pledge year (January-December 2013) begins. If you turned yours in and want to make changes, just contact the office.

Strategic Planning:

As we noted during the rectory portion of this presentation, we have a lot of important decisions to make in the near future as well as in upcoming years. We need to decide what our goals are as a parish and a community.

Toward this end, we are hoping to gather a team to begin strategic planning. If you have experience with strategic planning, or if you would like to get involved in the future of St. Mary's, we invite you to put your name in the hat to be part of the team.

We need long term parishioners and new parishioners, and would like a good cross section of the population.

Contact Anna Chisholm (540-447-6778, achisholm@vofonline.org) if you would like to be considered for a position on this team. We would love to begin the planning process in January.

SURVEY:

Your feedback on these important issues is very important. We would like to have a survey completed by each family in the parish to provide feedback. Surveys will be available next weekend in the Narthex, online and in the office. Please, only one per family! PLEASE respond before the end of November, as we need to make these decisions when Father Remi is back in December.