

St. John's Episcopal Church, Lancaster, PA – Parish Mini-meeting, September 18, 2016

Note: This is an approximate transcript of an audio recording of the meeting. Some editing and formatting were added for clarity.

Father John: Quick review of what we're about today: It is a mini-meeting - that means we're only focused on one issue and the issue is to update you about what's been happening, or not happening, with the capital construction program. We're going to give a little review and then

- Jenn Hreben is going to give you an update about what's going on in conversation between our Executive Committee and the Diocesan Standing Committee.
- Rob Ashton is here to kind of get you up-to-speed about what's going on with the loan team and their discussions and plans. Ted's also a member of that, along with Scott Qualls.
- Then finally, sort of the main event is the construction committee report. Doug Brown is going to be talking to you about that and also addressing any issues and updates about what's happening with the columbarium plan. Other members of that committee include Andy Carroll, Janice Henry, Ted Loose and Steve Latshaw.

Then once you have all of this information, we'll open the floor to general answers and questions and hopefully a lively and fulsome discussion.

So in terms of my review, I just want to call to your attention this paper that you find, not for the first time, on your table, which I first shared with you in 2013. So for the last three years, we've been following these steps, these stages. These are the seven stages of a capital building program. We've progressed through Stages 1 through 4:

1. discernment
2. assessment
3. feasibility and
4. funding.

We're now coming to Stages 5 and 6 –

5. financing and
6. right size.

And that's the basis of our discussions going on right now: how much should we borrow and how much can we build? We're trying to coordinate the crossing of those two lines between how much to borrow and how much to build. Just bear in mind, these are stages. This is not a timeline. This is developmental. It means before you go from Stage 2 to Stage 3, you have to finish Stage 2, because if you don't finish Stage 2 before you go to Stage 3, Stage 2 will come back to bite you. So it's really important that we don't try to speed through these stages, but make sure that we complete every stage fully before we move on to the next.

And that's why, even though we're a little bit behind our ideal schedule, I think this is divine intervention. You'll hear more about why we're going to be making the best use of these next few months.

So that's enough of me. Let me invite Jenn to come forward to give you a quick update on the dialogue with the standing committee.

Jenn Hreben: So where we are right now is on Stage 5. In August, Father John, Sherry (Qualls), myself and Steve Latshaw (by phone) went to the diocese to meet with the Standing Committee and answer any questions that they might have. The next step from that is then the Finance Committee of the diocese needs to make some recommendations and that's where we are. We're still waiting to hear back from the Finance Committee and the Finance Committee needs to report back to the Standing Committee, which will then report back to us. So we're still in a holding pattern, waiting to find out what the diocese is going to say for us moving forward. So that's where we are in Stage 5. We've asked the diocese for approval for a commercial loan and we're still waiting.

Father John: Rob, do you want to break down where we are with the loan team?

Rob Ashton: So I put this handout on all the tables -- so if you haven't gotten one, I've got plenty more here -- to explain what we're going through and why we're going through it. So if you look at this, the total pie is the construction total that we're trying to get to, which is about 1.5 million dollars. The green is the cash we have received from the pledges. The red is the pledges that are still outstanding, but they're coming in, which means there's a certain amount of it that's unfunded as of this point. Since we believe that the contractor is going to want to make sure that we have available funds before he starts construction, we need to go get a loan to make sure we have the total cost covered before we start. We've got a group of people ... there are three of us, as the list says here, that are going to visit all the banks using some of the material that John developed for the Standing Committee and see what we can do to make sure that we can finance this and get it done properly.

Doug Brown: My name is Doug Brown, I'm the chair of the Construction Committee. I wanted to give you a breakdown of where we are today as I take you back all the way to the beginning, like 50 years ago. Father Sherman had a vision of putting a ramp along Chestnut Street and then we carried on that vision into the 80's where we wanted to put in an elevator shaft. Then we actually got a quote for an elevator shaft, but that's about where it died. And then we were able to put a ramp in here from Father Pete. Even though we were able to put the ramp in, the goal was full ADA accessibility but that's the best we could do at that time.

Then several years ago, we did the parish survey to find out what the important things were that we wanted in the church, and they were the

- full ADA accessibility,
- more columbarium space,
- fix the courtyard and provide a nice gathering space for us.

And we went out and hired Marotta/Main Architects to help us out with that vision. We went out and got Horizon Stewardship to help us with a capital campaign. Marotta/Main drew up plans that encompassed all of our goals. They showed

- an elevator,
- a new ramp along Chestnut Street,
- a revitalized courtyard,
- an atrium with a skylight,
- outside columbarium space,
- a lower level to the atrium and a lot of columbarium niches in that lower level, and
- full ADA accessibility to the entire campus.

We went out and invited contractors to bid on the project using the plans that Marotta/Main drew up. We received bids from Warfel, Wickersham, and Wohlsen Construction. We reviewed those bids at one of our construction committee meetings. We liked two of the contractors - Warfel and Wickersham - because their costs were in line with what we were looking for. But Wohlsen's, we let them go because it was much higher than we were anticipating.

The only problem with Warfel and Wickersham is that we have a \$1.5 million upper limit and they were well over that. So we asked them to do some value engineering. And value engineering is showing what kind of costs can be cut to bring the price more in line with what we were hoping for.

And then we also had to tell them that the cuts had to be done on the courtyard side of the project because we have HARB (Historical Architectural Review Board) involved, because we're in a historic district and any changes we do on the Chestnut Street side will need to be re-reviewed by HARB and approved. And we already have everything approved. So we had to stay in the courtyard side.

So what they came back with is removal of the lower level of the atrium. That would save us \$300,000 to \$400,000 and that would get us close to what we're looking for with the \$1.5 million limit. And one bonus to that is we would not have to lower the level of the courtyard. We can leave it where it is. And right now, Marotta/Main Architects are working on revised prints reflecting those changes, and once those prints are completed, they will be re-submitted out to Warfel and Wickersham to see what kind of cost it will be, using those new revised prints. We're not going to be looking for

other bids from other contractors at this time because Warfel and Wickersham both spent a lot of time and effort into putting in the bids that they have.

And once those bids are in, the construction committee team will review them and see which ones best fit for us. Some of the reasons why we're thinking that the bids were so high is that we're trying to build this construction project in the beginning/middle of summer. These contractors have had their whole years planned out for months and months, so this is more like an add-on in the end and they don't really have time to do this project. And the elevator that we're going to be installing is a custom-built elevator that has a three to four month lead time, which means it's going to take three to four months to construct the elevator before they even send it out to us. And we were hoping to have this project done by Christmas, and it was going to be pushed back well beyond Christmas, and you're talking in the middle of winter and when the snow starts flying, everything pretty much shuts down. So the timeframe wasn't working out.

So what we decided to do is push off the beginning of the construction project until the spring of 2017. What that will do for us is that will give us an in with the contractor because whatever contractor we pick, they're just beginning to schedule next year. And so we're hoping that will improve the bid we get for us, plus we won't have to worry about the scheduling nearly as much. So that brings us up to the present time.

As you heard, we're still trying to seek diocesan approval, we're still trying to get a loan approved. But we do have two very competent and accomplished contractors bidding on our project. And what we're hoping to do is make sure that our prints are exactly what we want, so we don't have to worry about change orders or any kind of changes during the construction process - that we'll be able just to have it run smoothly because, coming from a construction background, it's not much fun when you're going out to do a job and the prints aren't approved and you're just flying by the seat of your pants and they're making changes on you left and right.

Unfortunately, with the new revised prints, our campus would not be fully ADA accessible. We were going to have a corridor going through the boiler room and into the undercroft. Since many ministries were looking at that and were going to utilize that area, we're going to now need to take a look and explore ways that we can address the changes and try to meet all of our ministries' needs.

So moving forward to the columbarium... The columbariums are kind of a little different entity of part of the project. As many of you know, all the columbarium spaces in the courtyard are full. And we need a lot of niches because there's a lot of interest in having the cremains here at the church. With the new plans, all the cremains will be stored in niches in the courtyard. There's going to be a retaining wall very similar to the one that's out there now, and we'll also be able to put them along the elevator wall below the atrium on the back side. We're going to be drawing up a columbarium policy so we know how to handle the cremains that are in the church right now and any new cremains that are going to be stored here. So we're not going to be able to have any indoor space because we're not going to have a lower level of the atrium.

The retaining wall that's out there right now, our plan is to remove it and waterproof against the Sunday School room wall because there's a lot of moisture problems there. And unfortunately, we're going to have to put the retaining wall back because Marotta/Main thinks that that retaining wall there is there for a purpose. In the 60's when they built the all-purpose room, they lowered the courtyard. And when they lowered the courtyard, they're thinking that they exposed too much of the foundation along the Sunday School room wall. And then that retaining wall with the dirt there is to preserve the footer from any frost damage.

During our meetings, we decided upon the 8-by-8 size columbarium niches because they will provide us with the most effective layout. And we're probably going to phase the installation of the niches because they are expensive. So we're going to try to put as many in as we can, but whatever we decide upon, we're going to have it in sections, so that when we put new niches in, they won't be right next to the old ones. We're going to try to have it in layers because as you quarry the stone, then put the stone facing on the niches, they tend to change color in time and then if you're digging from a different part of the quarry, the stone color can actually change.

We're planning on having a shelf, probably on the side of the atrium where the atrium niches are, so that loved ones can place mementos on the shelves. And we're looking at two columbarium companies right now - Eickhof Columbaria of

Crookston, Minn. and Matthews International Cremation Division of Apopka, Fla. Both have excellent credentials, both are very willing to work with us and both have very similar costs. So it's going to be difficult for us to decide what we want to do. And when we do make a decision, we will let you know. And also, Marotta/Main will be doing an exploratory dig behind this retaining wall just to prove that they didn't actually underpin this foundation. It was what they would need to do to remove that retaining wall, but it's very expensive to do that, so that would be one of the value engineering measures that we are going to employ.

So that is it for the presentation. So if anybody has any questions for me or others, now would be the time.

Question: Did the committee ever consider in lieu of an elevator, putting a stair lift system in to save money?

Doug Brown: One of the goals was to have a totally enclosed way of access for all the levels. And if you have a raised stair system, it's either outside or ... it's just not a very efficient way of moving people, and we are also going to use it for moving caskets, so that they bring them in from the parking lot here. So it would be very difficult to use a casket for that.

Question: The one announcement I heard is that we've raised \$725,000? How much money have we actually collected?

Rob Ashton: We've got about \$300,000 that has been collected of the almost a million dollars that was pledged?

Question: How close to a million dollars are we?

Rob Ashton: The pledge is about \$928,000. We've received about \$300,000. The plan was that the capital campaign would last for three years. It's right on track.

Rosemary Coverly: It's very heartwarming that our feasibility study indicated that we could probably raise about \$750,000. And this parish has come through with well over \$900,000 in pledges. Pledges are pretty much on schedule. And it's probably a blessing that things didn't get started this fall because, yes, we need to get a loan in order to complete the construction. But it's going to be so much better to start in the spring after another wave of pledges come in at the end of this year. We had our first fruits offering last December, which was very successful, and that's kind of the first big payment of the three-year pledges that people make. But this December, we expect to have another large amount coming in and we'll be much better prepared to pay bills as they come and not have to use the loan as much.

And if by chance something has changed in your life in the last year, and you're unable to keep up with the schedule that you planned originally, it would be very helpful for the planning if you could let Gina Keiser, our financial person, know what your plans are and how they've changed. Some people may even boost it up a little bit because this is a good year. But whatever, it's probably a blessing that we are going in the spring, rather than this fall.

Also just to remind you, right from the get-go when we had a consultant for the capital campaign, we knew there would be a phase two. It was never expected that that campaign would pay for this whole project, that it's very illogical to do the whole project at once. So there will be a phase two. But it's not until phase one is finished. Not to try to deceive you in any way, but there will be a phase two to it.

Rob Ashton: I would like to add one thing to my presentation. One thing that's worthwhile to keep in mind is the loan will have no impact to our operating budget. We'll use the funds that we've already received to service the loan.

Question: Could you address the memorial garden?

Doug Brown: We actually started removing the soil for the memorial and we are storing it in the undercroft. And then we started running into the value engineering things that we were trying to figure out what's going to happen. Once the plans come back from Marotta/Main Architects and the plan has become clear, we'll probably continue to remove the soil and store them in the undercroft.

Question: I did hear that with the change in the plan, there might be some disruption to the classroom space. I heard the elevator might be shifted so that we're going to lose part of the classroom?

Doug Brown: I don't believe the elevator is going to shift. It's still going to be in this corner, but there's going to be an entranceway this side of the elevator so that they'd be able to access the Sunday School room and they'd be able to go into the elevator from the Sunday School room level. So there's going to be an entranceway in the door downstairs. So some of the one Sunday School room may be taken.

Question: So they might have to redo the classroom?

Doug Brown: Yeah, a little bit, to accommodate the entrance.

Question: Is it for that space up here as well or is it just down below?

Doug Brown: It's just down below. The area up here will stay the same. I believe this window is planned for removal and that will be where you off-load from the elevator, and that window there will be put back here where the door is where it was originally.

Question: It was my understanding that there were some deferred maintenance costs that were going to be rolled into our construction project. Do you have an estimate on what the cost is of those deferred payments?

Doug Brown: I know one of them was the work that's being done outside right now. We're trying to remove all those costs to try to bring the project number down. I don't know how much deferred projects are actually in there anymore.

Question: You said the new columbarium is 8-by-8. What are they now?

Doug Brown: I believe they're 12-by-12.

Question: So that will give you more room?

Doug Brown: Yes, we'll have more columbarium niches.

Question: What will happen to the containers that are in it now?

Doug Brown: That's why we're working on the columbarium policies to decide. The plan was to have a columbarium committee be formed and they can address those kinds of questions.

Question: Someone recently shared with me that St. John's does not make its fair share contribution to the diocese.

Rob Ashton: We do make a fair share, but not as much as the diocese is making.

Question: So if we can't meet the financial obligation the diocese expects, how realistic is it to think that the diocese is going to turn around and say, "Oh sure, go ahead?"

Charlotte Weaver-Gelzer: I can answer that because I'm on the Standing Committee. I can't answer it completely. I was not at the meeting in August when the delegation from St. John's went to talk about the loan approval request. But I did receive the minutes from that meeting and the ensuing discussion. Their concern about fair share had nothing to do with paying fair share as if they were going to hold it against us that we don't.

We are among probably seven churches in the diocese who don't pay their full fair share. All of those churches are multi-staffed and have multiple clergy. They are all the large churches of the diocese. Not all the large churches don't pay, but those who do not pay full fair share are all churches with characteristics like ours. So their concern about the fair share was, I think, because it wasn't clear to them that the plan was to service the load with the pledges. So until they understand that, they are rightly concerned because we're not paying fair share because we say we can't. So the question is, how are we planning to also add the cost of paying the loan to the rest of the things that we have in our budget that require us to draw from the endowment?

So it's not a matter of holding us hostage until we cough up the fair share. It is actually a matter of concern about how we are putting the budget together. What is the finance going on here? What does the 2017 budget look like? I think they're doing due diligence on the finances before they agree to our encumbering ourselves and to the diocese also being encumbered by the loan. So that's what I understand to be the fair share question.

Question: I'm a little confused here. How much are we going to borrow? Is it going to be the half million that we're short, or are you going to borrow the 1.5 million?

Rob Ashton: We're currently planning to borrow 1.5 million to make sure we have those funds in hand. And then we can use the pledged income that we have to actually service the loan. For what it's worth, if we borrow 1.5 million dollars at 4 percent for 30 years, that's about \$7,100 a month. When you realize that we have close to a million dollars in pledges received, or pledges out there, that will keep us going for quite some time.

Question: In the interim, whatever revenue that you've generated already, where is that money sitting?

Rob Ashton: Right at the moment, it sits in one of the endowments.

Question: If you've raised a certain amount of money, why wouldn't you borrow only what is needed, which would lower the monthly payment, lower the interest cost?

Rob Ashton: Personally, it's due to the expectation that the contractor wants to be assured - not promised - but assured that the money will be in hand before we start construction.

Question: But it's more expensive (to borrow the whole amount).

Rob Ashton: Well, it is more expensive, but only for a short period of time.

Bruce Waskowicz: The vestry's expectation is that after the second capital campaign, we hope to have a zero balance. That's the expectation. I think I'm correct in that. So this is to make sure that the construction company knows we have the money and that we don't have to worry about that at all. But I think the expectation of everybody on vestry is that six years from start date, we are done paying. The second capital campaign will be three years. After we receive that money, we're done. We don't want to hold a balance.

Charlotte Weaver-Gelzer: It's very helpful to be clear that you're not expecting the payments to last 30 years. But you're expecting to use the money that comes in to pay it down right away.

Rob Ashton: And when I even talked about 30 years, it was the way of trying to figure out how much per month would be coming out of the capital campaign. That's pretty much it.

Father John: Other questions or just general discussion or recommendations? It's an open forum, so if you have any thoughts as to what you'd like to plant in the minds of the parish leadership, bear in mind, we're making a course correction at this point in time with the value engineering and coming up with a significantly-changed footprint for the plan of the new construction. Any general kind of thoughts or recommendations?

Anne Carroll?: I've been kind of MIA for a number of months, so this could already exist, but if the plan is to pay it off in three years, is that something that we all are on the same page with? Is there any finance plan in writing that could exist?

Father John: I think that's a very helpful suggestion, for the Finance Committee and loan team to sit down and just kind of work out a narrative statement as to what the plan is and how it's going to address funding going forward, points that Rob made that we do not anticipate drawing on operating funds, that we'll have the capital resources to pay for this to give some comprehension and clarity about that. Thank you, very good suggestion.

Question: One more point about the columbarium: St. John's grossly undervalues their columbarium. I did a little research; although most churches don't really tell you what they charge, Catholics however don't abide by that rule. And typically their charges are about \$1,400. Bottom rows, you can get about \$900. But primo rows run anywhere from \$1,200 to \$2,000. So we need to dramatically increase what we're charging. So have we factored that into potential revenue generated from the columbarium as opposed to cost of putting it in?

Doug Brown: If Steve Latshaw was here, he'd hug you. But that's exactly what his driving point is, like, every morning.

Father John: At a minimum, when it comes to the construction cost, it's neutral. They'll want to subsidize the building either positively or negatively using gifts for memorial spaces. But that's where the policy questions need to be sorted out. I mean, originally, this was set up just to pay costs, which it did. But then going forward, we've seen, as you point out, an escalation from where we are at \$450 to where the market is, \$800 to \$1,400. So that's part of the work of the committee that's going to put together the policy to address that issue. We don't want to become a congregation that uses that sort of spaces as a major revenue source. But by the same token, we don't want to short sheet ourselves when it comes to proper maintenance and fair funding. For me, one of the things I like about St. John's is that we do offer the resources of the memorial garden. And that is basically for free. So there's a number of folks whose cremains have been placed there who have no money. And we respect and honor them just as much as anybody else. And I think that's a really important factor as we think about this.

Doug Brown: They're also going to address things like, if you have a couple and they want to share an 8-by-8 space, what's the cost going to be for both of them together. And like you said, there could be like, down here will be one price, up here is another price. That's what needs to be worked out moving forward. So our delaying until spring will be beneficial so we can get some of those things worked out.

Charlotte Weaver-Gelzer: Is the vestry thinking about re-assessing the current – is it a “policy”? – of not paying full fair share? I don't want to hear whether we're going to do that or not. I want to know whether vestry is thinking about it out loud, thinking through the process.

Father John: The vestry is very much aware that we don't pay our full fair share.

Charlotte Weaver-Gelzer: Are they thinking about it?

Father John: They think about it every meeting, every time they look at the financial statement ... Not that this is about fair share, but I will say the important part isn't what St. John's thinks. The important part is what the diocese thinks. And the diocese, in my estimation, hasn't done fair thinking when it comes to fair share. They're currently going through a process of re-evaluation. It's been a very elongated process. I'm still waiting to hear the outcome. But that's a stewardship issue, I believe, number one for this diocese, to take a close look at what fair share means and to get serious about what it means to be diocesan leadership when it comes to stewardship.

Charlotte Weaver-Gelzer: So there's a conflict there at the top level of communication?

Father John: It's broadly systemic. It's not just communication. We're making progress on it, but this is a big piece of the systemic issue.

Father John: Other things about our building project?

(No response)

Father John: Well, if we're ready, Mother Barbara, do you want to close this with a word of prayer?

[End of transcript]