

# Transcript of Construction and Finance Update

September 6-7, 2014

by Bill Ipsen

Good Morning,

I'm Bill Ipsen representing the St. Thomas More Finance Council, with a construction and finance update.

Before I begin, I would like to ask everyone to please stand....Now if you will turn toward the back and look through the windows at the construction site, I'd like everyone to take a moment and just reflect on what we have already accomplished, and how far we have come.

This represents \$5.4M that has already been spent to bring us to this moment, and everyone has worked very hard to get us to this very exciting point.

Now please give yourselves a round of applause, you have all earned it.

Since our last update 6 months ago, several changes in construction and construction financing have occurred, so today I invite you to pay close attention as there are some significant changes to discuss.

With this important update this weekend, Fr. Mike will not have a homily today, and our Mass will conclude at our normal time.

First, I want to update you on Parish finances. Our fiscal year ended June 30 and I am pleased to report that our Operations Budget ended in the black and on the positive side, so once again thank you to everyone for your continued support of this most important part of our daily operations.

Next, I will update you on the actual construction progress of our Church and Parish office buildings.

In a recent meeting with Fr. Mike and Brian Leahey, our Director of Construction, Brian indicated that our

contractor T.B. Penick is indicating that April 21, 2015, is the scheduled completion date, of course barring any unforeseen circumstances.

Lastly, and most significantly, I would like to speak about the Mortgage/Building Completion Fund and some changes which have occurred regarding the actual mortgage on our new construction.

As you know, St. Thomas More initially approached the Diocese and proposed our building plans and financial information to the Bishop and Diocesan

officials several years ago. Following a lengthy review process, and based on our past and current fundraising history, the Diocese gave us permission to begin the building process. At that time it was Diocesan

protocol for the individual Parish to raise a significant amount of money as a down payment, and for the Diocese to then loan the remainder of the money in the form of a 25-year mortgage, which included a variable interest rate.

So the first significant change I need to address involves the mortgage holder. The San Diego Diocese has entered into a new agreement with the national office of the Knights of Columbus to assume the role of the actual lender, with the Diocese continuing to assume financial responsibility in the case of a default. So...St. Thomas More, along with other Parishes are now required to use the Knights of Columbus to provide funds for new construction. At the time of our original application with the Diocese,



*\$6.6 million 20-year mortgage at 5.34% fixed*

*Monthly payment = \$45,000*

*Building completion target: April 21, 2015*



the interest rate was 3.5% for 25 years, a rate that has already climbed to 4.5%, as the rate is variable and changes with the times. The Knights have proposed a fixed interest rate of 5.34% for 20 years. While the interest rate is initially higher, this will actually allow us to better plan our monthly payments over the life of the mortgage. In addition, the Knights of Columbus have approved St. Thomas more for a loan of \$6.6 million dollars. This is \$1 million more than the Diocese was able to provide. This is extremely beneficial to us, because construction costs have escalated with an improving economy. We will need this money to complete the project. It is worth noting, and we have all been affected in numerous ways, that with this improving economy, literally everything from gas to groceries, from rent to mortgages, tuition, and yes, construction costs have all increased. When we began the planning process several years ago, costs were lower and financing was lower than it is today...items that, of course, are out of our control. The cost of our project, including both the church and administration building, is now \$13.8 million dollars. We have been fortunate to have Brian Leahey available throughout the project; he has worked hard at negotiating with contractors, keeping costs as low as possible.

The next area of information I will review involves the financial impact of both an increase in construction costs and an increase in financing costs. At this date, as I mentioned, construction costs for both buildings is estimated at \$13.8 million. We had on deposit \$5.4 million, and we have approval for a loan of \$6.6 million; a total of \$12 million. This leaves a shortfall of \$1.8 million. A decision was made to sell the rectory, and we may also sell our adjacent 5-acre parcel of land, with any proceeds being applied to our shortfall. Fr. Mike and succeeding pastors will live in rented property.

Perhaps even more important is the immediate impact these changes will have on our ability to retire monthly debt. Our initial estimates, based on a 25-year mortgage at 3.5% interest was approximately

\$29,000 per month. With these changes I have outlined, the payment will now be \$45,000 per month. Significant...yes. But if past history is any indication, we will be fine. Allow me to explain...Throughout the past 19-month interim period since our last official Capital Campaign ended, we have averaged \$36,300 per month in Mortgage/Building Completion Fund donations. However, during our three previous very successful campaigns, we averaged \$60,000-\$75,000 per month.

Herein lies our challenge! The word challenge denotes a task that tests someone's abilities....

Once again we will be tested!

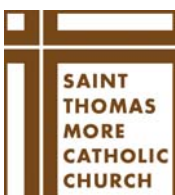
I am asking everyone in our Parish family to please rise to this challenge. We need you to consider what your household can commit to for the next 3 years... to get us started on the right path. If we can return to the level of financial commitment we had throughout our Capital Campaign years, we shall meet this challenge handily.

So please, prayerfully consider how you can again do your part individually, and collectively we can meet our goal. Time is critical—our loan payments start in October. In the very near future you will be receiving additional information from Fr. Mike and Chris Smith, our Director of Stewardship and Development. Once again, I ask you to please be as generous as your circumstances allow.

As I said to start, we have come a long way. Soon we will be worshipping in our new home. But...there is work to do. Fr. Mike and our Finance Council have every confidence in our ability to once again meet this challenge, much as we have met previous challenges.

On behalf of Fr. Mike and our entire team, thank you for listening to this important update. May God bless St. Thomas More Catholic Church.

Thank you...



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