Church of the Assumption
Glorifying the Lord with Our Lives

November 25, 2020

Dear Assumption Parishioners,

In the year-and-a-half since I was made Priest Administrator here, I have been working with staff and the Pastoral and Finance Councils to try to reverse a trend towards deficit budgets that had emerged over the last few years. Ultimately, that work has culminated with the decision to retire our parish debt by selling the land we own along Ellis and Kentucky Streets, a decision that has been approved by the Archbishop and which will be carried out in the coming weeks.

In this letter, I will provide you an overview of the parish budget situation that brought us to this place, potential solutions that we explored, and why we determined that selling this land was the only reasonable path forward. This is a modified version of the letter I sent to the Archbishop, so please forgive any oddities of language that might have been carried forward.

One of my many jobs as Priest Administrator of Assumption is to manage the parish budget, a responsibility which always weighs heavily on me because I know that every dollar I spend was *donated* out of the generosity of our parishioners. My hope is that by being completely open and transparent about our finances and this decision-making process, our parishioners will remain confident that their hard-earned resources, which they have given for the support of the mission of the Church, continue to be used effectively to carry out that mission.

Everything we have is a gift from the Lord, and we are exceedingly blessed here at Assumption. Even financial difficulties cannot take away from our gratefulness for his many gifts, now and in the future. Thank you for your faith, your generosity, and your fidelity to this parish over so many years and generations.

Yours always in the Lord,

Fr. Moore

Current Status of Parish Finances

Below is a table of our parish finances for the last three complete fiscal years:

Year	Regular Income[1]	Regular Expenditures[2]	Irregular Income[3]	Irregular / Capital Expenditures[4]	Net
2017 – 2018	1,098,011	1,149,623	182,809	142,643	($11,446)
2018 – 2019	1,064,494	1,181,109	172,606	93,039	($37,048)
2019 – 2020	1,035,856	1,134,698	145,082	107,455	($61,215)

Below is how Assumption's regular expenditures were divided up for FY20:

- Salaries and Benefits: $633,023
- School Subsidy: $115,000
- Debt Payments: $91,684
- Building Maintenance/Utilities: $84,801
- Program & Office Expenses: $108,016
- Archdiocesan Assessment / Insurance: $119,089
- Outreach: $37,000

Our current debt is $1,279,000 and we have $249,683 in savings.

We currently have the following parish employees ("Full Time Equivalents" in parentheses):

- Priest Administrator (1)
- PAA Level II (1)
- PA for Parish Life, Pastoral Care, and Outreach (.8)
- PA for Faith Formation (.8)
- PA for Music and Liturgy (1)
- Youth Minister (.6, with the other .4 covered by Sacred Heart)
- Hispanic Coordinator / Faith Formation Registrar (.6)
- Receptionist (.85)
- Facilities Manager (1)
- Bookkeeping Assistant (.4)
- Custodian (.2)

None of this seems unreasonable for a parish with an average (pre-COVID) weekend Mass attendance of 1290 people. Nevertheless, we continue to spend more money than we take in and we are projected to burn through our reserves by July 2022.[5]

---

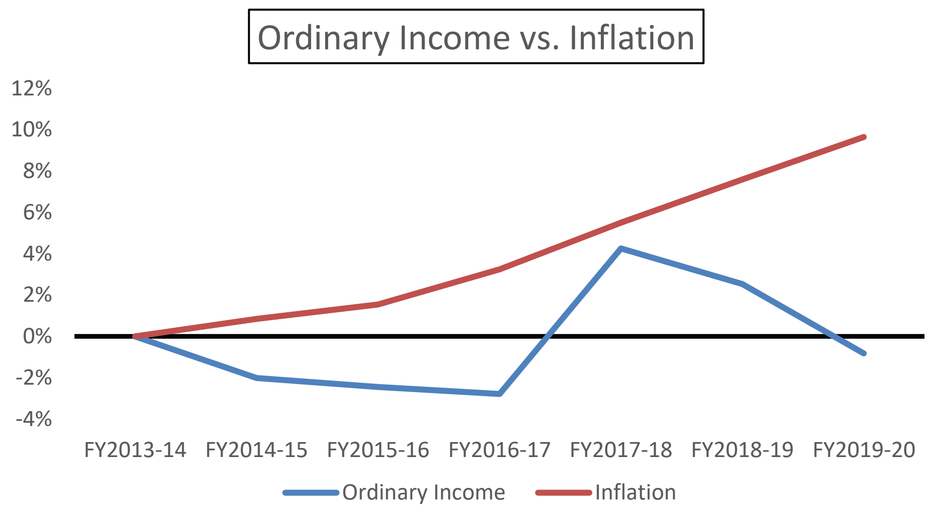
[1] Includes ordinary income, program and liturgy fees, and votives.
[2] Includes salaries and benefits, assessments, office and program expenses, and scheduled maintenance.
[3] Includes bequests, donations, rental income, and individual capital contributions.
[4] Includes unexpected maintenance, rental expenses, and capital expenditures.
[5] The COVID-19 Paycheck Protection Program loan has extended this at least to July 2023, but we do not consider that money "in the bank" until the loan has actually been forgiven.

Where did these problems come from?

In a very simplistic way, the increasing deficits can be attributed to two major factors:

Increasing Costs: Unfortunately, the state of the world is such that the cost to run and maintain a parish outpaces inflation every year and has for decades. Our property and liability insurance has increased by 42% in the last 5 years. Employee benefits and utilities increase every year. The maintenance cost of our buildings continues to rise as they age.

Decreasing Giving: As the Church continues to lose members due to a societal shift away from religion by younger generations, it should come as no surprise that our giving levels are going to decrease over the coming decade. We are already seeing signs of this.



Budgetary Actions taken So Far

The budget I inherited upon being named Priest Administrator in July 2019 was balanced on paper, but that balance was achieved with overly optimistic projections for major gifts, bequests, and increases in ordinary giving, plus the inclusion of rental income to pay for parish programs. This is, unfortunately, not an uncommon practice in the Archdiocese, but it is a practice that hides emerging deficits. Our hidden deficit resulted in a cash shortage that, in Fall 2019, the Finance Council informed me would deplete our savings within two years, requiring me to take immediate action.

After meeting with Archdiocesan Human Resources, I reorganized the staff and eliminated .6 FTEs, plus some stipended positions. These changes, most effective July 01, 2020, cut $41,400 from our annual budget.

I also established new budgetary guidelines that would eliminate the temptation to rely on optimistic projections going forward. They require that we:

1. Make a clear distinction between “regular” and “irregular” income and ensure that our budget is based only on our regular income. Specifically, regular income should consist *only* of Sunday giving, votives, stole fees, and program fees. All gifts and bequests are classified as irregular income and our budget will not rely on these. [6]

2. Ensure that our ordinary income projection for the fiscal year never exceeds our actual ordinary income from the previous year (i.e. never *planning* on an increase in giving).[7] Specifically, the ordinary income projection for an upcoming fiscal year will be the actual ordinary income of the previous January to December period. (E.g. the projection for Fiscal 2020 – 2021 will be the actual income from January-December2019).

---

[6] I felt this was necessary because it seemed unsound, for example, that we should rely on bequests, which are erratic and unplanned, to underwrite staff salaries, which are a regular, budgeted expense.

[7] An analysis by our PAA has shown that, accounting for inflation, Ordinary Income has remained flat for the last 25 years.

3. Apply rental income exclusively to the upkeep of the rental properties, until such time as the rental properties no longer require significant updating. We rarely realized our budgeted rental income anyway, since the degradation of the houses we owned resulted in a constant stream of large, unexpected maintenance expenses.

The goal of these policies was to right-size our budget so that what our parishioners are giving limits our expenses, rather than allowing our expenses to govern our expectations of giving. Admittedly, we should still expect some unplanned donations or bequests each year, but I think the parish is better served by a *pessimistic* approach which does not budget for these, so that our finances only get stronger with such gifts, rather than an *optimistic* approach that forces us to revise our income expectations downward when these gifts do not materialize. The optimistic approach has resulted in unplanned deficits for the last three years.

Having done all of this, we now project a ($108,800) deficit for FY21, a number which I think accurately reflects the actual state of our parish budget and which we expect to persist annually. Note that this does not account for decreases due to COVID-19, but these decreased are expected to be balanced out by our Paycheck Protection Plan coverage.

<u>The Path Forward</u>

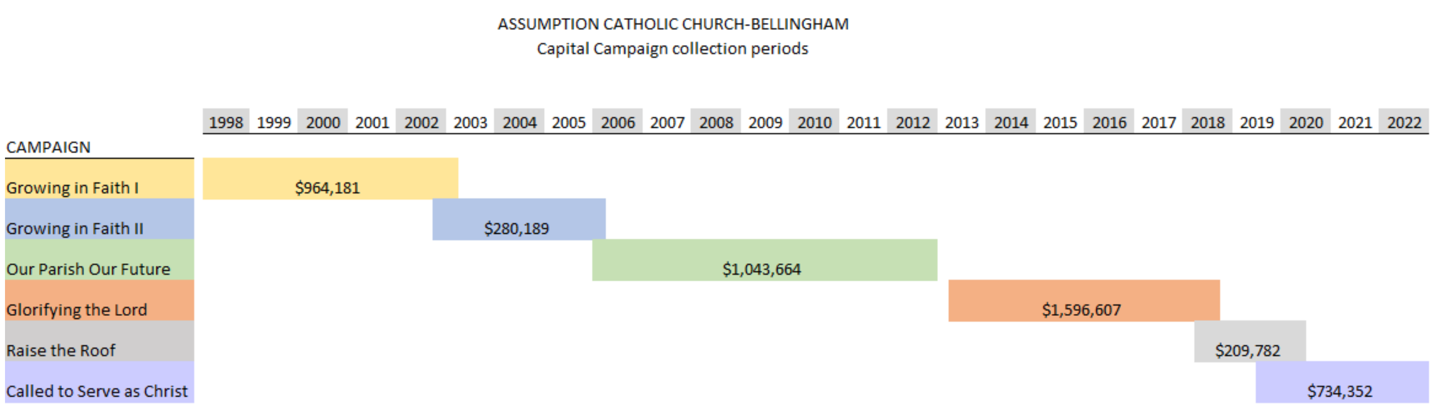
Given such a steep annual deficit, there are only a few potential fixes available to us:

1. Continue to reduce staffing. (In my consultation with the Archdiocesan Human Resources office before my first staffing reductions, I was told that our parish is appropriately staffed relative to other parishes. More reductions would be an austerity measure, not a right-sizing measure.)
2. Eliminate the school subsidy.
3. Eliminate the parish debt.
4. Create an austerity budget by eliminating all outreach, all program expenses, and any other expense not absolutely necessary to support liturgy, staffing, and building maintenance.

After many months of discussions, I decided that eliminating the parish debt was the only reasonable path forward. The Pastoral and Finance Councils agreed. Any other measure could create the feeling of a "dying parish" which might create a self-fulfilling prophecy from which we would struggle to recover.

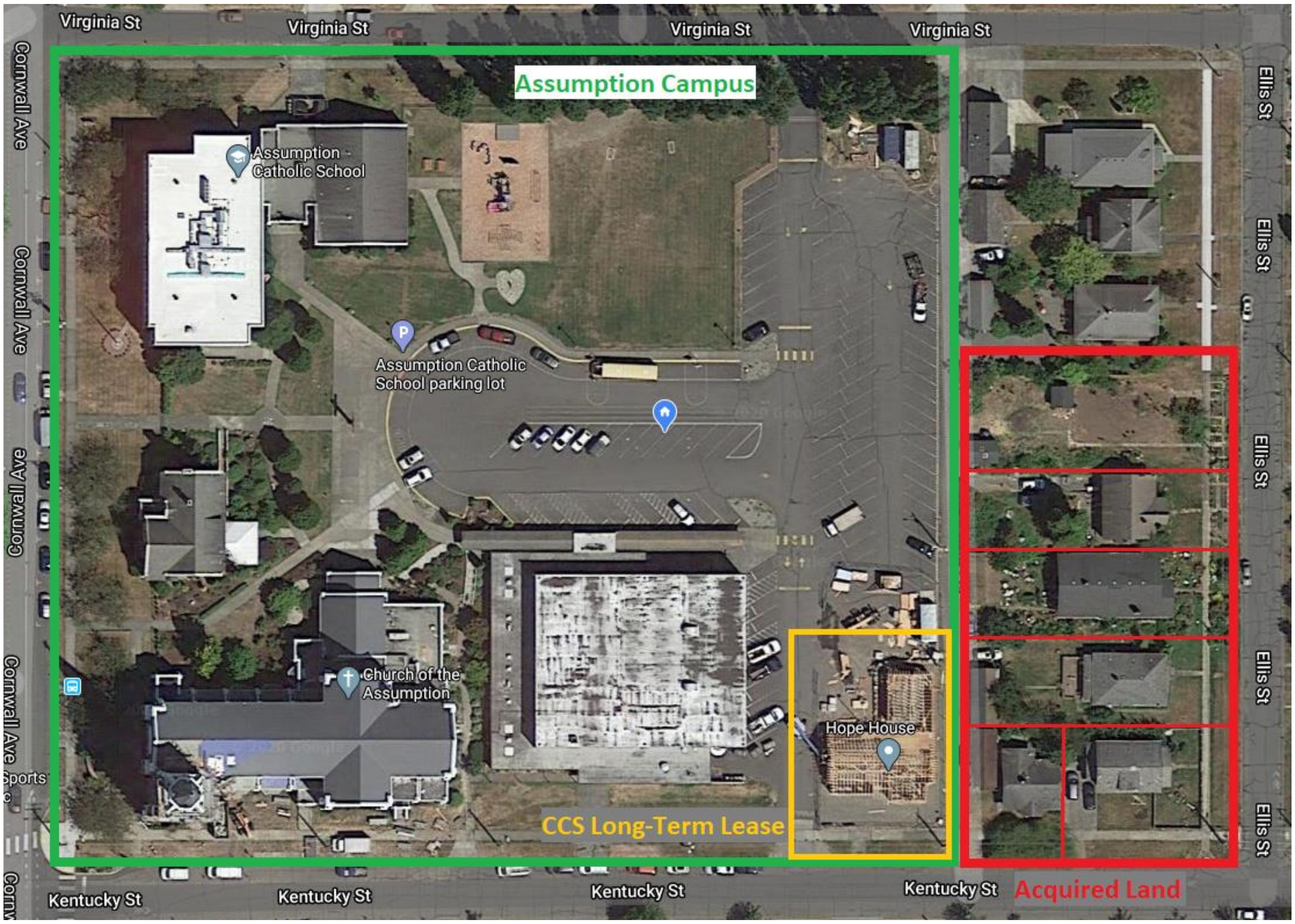
<u>Why not do a capital campaign?</u>

Most of the time, when a parish wants to retire its debt, the suggestion is made to do a capital campaign. Unfortunately, the history of Assumption suggests that this is a bad idea. All of our debt has come from cost overruns on previous capital campaigns and our parishioners have been engaged in one, never-ending capital campaign since the late 1990s. Even though the Archdiocesan "Called to Serve as Christ" campaign was successful and many people gave generously, our conversations during that campaign revealed significant donor fatigue.



Overview of the Land in Question

Below is a map of the Assumption campus and adjacent land.



Below is a chart of what land was acquired, when, and at what cost. Land listed North to South, East to West.

Address	**Area**	**Purchase Year**	**Purchase Price**	**Purchase Price (2019 Dollars)**	**2019 County Appraised Value**
2119 Ellis St.	0.14 Acres	1998	$112,500	$176,450	$315,921
2115 Ellis St.	0.14 Acres	1998	$112,500	$176,450	$358,828
2111 Ellis St.	0.14 Acres	1999	$145,000	$222,510	$366,361
2105 Ellis St.	0.14 Acres	2000	$106,000	$157,373	$276,095
2101 Ellis St.	0.08 Acres	2000	$130,000	$193,004	$281,753
211 Kentucky St.	0.06 Acres	1999	$80,000	$122,764	$235,408
TOTALS:	**0.7 Acres**		**$686,000**	**$1,048,551**	**$1,834,366**

These properties are all currently zoned as “multifamily residential” allowing duplexes. However, the historical buildings located on the properties all accommodate only single families.

Why do we own this land?

In 1995, Assumption carried out a "Needs Assessment" under then-pastor Fr. Jim Lee, which was expanded into a full capital campaign and campus refresh under Fr. Jay DeFolco (named pastor in July 1997). The building phase of this project was completed in the year 2000.

The parish archives indicate that this project was originally conceived in three phases:

- "Catch Up" effort for urgent matters of school and gathering at church,
- "Worshiping Together in the New Millennium" with completion of the church interior and development of appropriate spaces for administration and meetings,
- "Future Stage" including final completion of classroom space, outdoor worship and shrine spaces, and purchase of adjacent real estate.

The acquisition of Ellis St. properties for campus expansion is listed at the bottom of Phase 3. However, a letter from the Finance Council at the time indicates that mortgage rates were considered favorable enough in the late 1990s that, as these properties went up for sale, the pastor and Finance Council considered it advisable to purchase them, even before Phase 3 funding was secured. Unfortunately, Phases 1 and 2 of this project ended up running significantly over budget, meaning that funding for these properties never materialized and their purchase was absorbed into the debt remaining after this campaign.

Because Phase 3 funding never developed, the parish could not build anything on the newly acquired land and was forced to simply rent out the purchased houses, which we have now done for the last twenty years. Unfortunately, the idea that these houses would soon be demolished for campus expansion has persisted since their purchase, meaning that the parish has been perennially hesitant to make any repairs more than is absolutely necessary, resulting in a general degradation of the homes to a level not commensurate with the surrounding neighborhood. In fact, the building on 2119 Ellis was demolished in 2015 due to a mold problem deemed too expensive to fix.

Negotiations with CCS / CHS

In 2015, Assumption's pastor (Fr. Scott Connolly), Pastoral Council, and Buildings and Grounds Committee all decided that maintaining rental properties was not part of the mission of a parish and began looking for alternative, long-term uses, including selling the property. After consulting with the Archdiocesan Office of Property and Construction, the parish was informed that we would be prohibited from selling the land on the open market and were encouraged to work with CCS or CHS to find a use for the land that would allow retention by the Archdiocese.

The first proposal that was investigated with CHS was affordable housing for seniors. However, such facilities require economies of scale to operate sustainably, and CHS concluded in mid-2019 that 0.7 acres was simply not enough to support this proposal.

The second proposal explored with CHS, beginning in July 2019, was the idea of a "land trust" affordable housing model, which CHS was willing to investigate. At the same time, there were indications that the Bellingham City Council would be amenable to changing the zoning of the plots to accommodate triplexes, making this model potentially sustainable in a way the senior housing project was not. We asked CHS to investigate whether this model could be sustainable for them and how much they might be able to compensate the parish for use of the land. Unfortunately, the COVID-19 outbreak and expected recession caused CHS leadership to reevaluate their housing projects in development and pre-development, meaning that the land-trust investigation had to be shut down before a final determination could be made about its sustainability. It is not known when, if ever, CHS would be willing to resume these explorations or what the result of these explorations would be, and I believe it would be irresponsible to wait on an indeterminate timeline that may never bear results.

At this point, I believe that we have exhausted our options with other Archdiocesan entities which might be able to use this land and our most responsible option is to sell the land on the open market.

The Conclusion to Sell the Land

Ultimately, given everything stated above, it seems to be in the long-term, best-interest of the parish to sell our land on the open market.

Arguments Against:

1. The original parish rectory, which was a mixed-use space of offices and living quarters, has been exclusively offices since the mid-1980s. Assumption pastors have been forced to live off campus, which is long-term more expensive for the parish and also not the vision of the Church for priests (cf. CIC/83 Canon 533). This has also prevented the parish from hosting seminarians or temporary vicars, something for which this parish is an otherwise excellent candidate to do. The parish needs a rectory, and this land could be used for it.

2. The Church should think in centuries, and this appears to be a long-term loss for a medium-term solution. It is likely if we sell this land it may not come up for sale again for another 50 years.

Arguments For:

1. It allows us to pay off our debt, which is the most effective way to restore balance to our budget without major disruptions to parish life.

2. Property values have gone up significantly since 2000, so holding the land as long as we did was not a loss. And selling now makes sense, since the next housing bubble could be near on the horizon.

Archbishop's Requirement

Archbishop Etienne agreed with my assessment and gave us permission to sell the land. However, he required that the sale of the land should *first* be applied to establishing a rectory for current and future priests at Assumption before that money could be applied to the parish debt. To fulfill this requirement, we will be keeping 2111 Ellis to serve as the rectory, and we will be using a combination of volunteer parishioners and money from the sale of the other land to make this house a high-quality living space.

Timeline

2119 Ellis St. (the empty lot) and 211 Kentucky are both empty and will be sold as soon as possible. The other three properties have tenants currently living in them, and the law requires that we provide 60 days' notice for them to find new housing. We will be working with the tenants on relocation and will put those houses up for sale once the tenants have moved and the houses sufficiently cleaned and repaired for sale.