

November 25, 2009

Dear Member of St. Mary's,

This coming week marks the start of a month of busy holiday preparations, as well as the first week of Advent and the start of the church's liturgical year. It is also a busy time for your church leadership, as we look closely at budgets, projects, and priorities in preparation for 2010 and the Annual Meeting on Sunday, January 24. This year is exceptional in that we are also dealing with the twin challenges of a Rector Search and increased financial pressures resulting from an extraordinary recession.

Framed by these challenges we want to update you on discussions the Vestry has been having about financial and property issues and encourage you to share your thoughts and suggestions on some important issues. Today's letter is expressly *not* being sent to ask for money.

Where We Are

As a reminder from our last letter, we believe that the interim period between permanent rectors is going well. Margaret Schwarzer is doing an outstanding job as our Interim Priest; the Search Committee is functioning well and has identified a pool of qualified applicants; and parish members are admirably stepping up into roles and projects including outreach, Christian Education, and property renovations. Our next rector will inherit a healthy and vibrant parish with caring, committed members.

That said, our budget and financial challenges are onerous. In seven years on the Vestry, 2009 was the first where we saw a decline in the total amount pledged, and a shortfall in actual receipts remains a risk. And our endowment suffered a 20% drop in total value for the 12 months ended September 30, 2008.

There is good news though. Our investment committee, comprising Ariel Acuna, Alicia Bowman and Rick Gordon, did a heroic job, and the value of our endowment is actually up slightly for the 12 months ending September 30, 2009, to \$1,874,000. In contrast, many other churches and non-profits suffered steep losses in 2009. Our heartfelt thanks go out to the Investment Committee.

2010 Budgeting and Exceptional Expenses

As a church we are fortunate to have a committed membership, a culture of fiscal prudence and a healthy endowment; St. Mary's is in much stronger financial shape than many other parishes.

However as early as last spring, the Vestry discussed that as we got closer to 2010 that the budget would become a more difficult balancing act if the economy were still struggling. Since our endowment is in part a "rainy day fund" for difficult times, in the arguably worst recession in 80 years we could certainly consider using additional funds from the endowment to avoid cutting vital programs at St. Mary's. But if the reduced levels of pledging in 2009 represent a new baseline, we would need to adjust our spending accordingly.

Further, our rector transition brings exceptional one-time 2010 expenses related to both the search and completion of repairs and renovations to the rectory to make it suitable for a new occupant. Although we will do our best to keep these under control, these extra expenses cannot be avoided or delayed.

Major Property Projects

Peter and Abbie graciously dealt with deferrals of maintenance and the accumulation of deficiencies on the rectory during their seventeen years so that the church's funds could be used elsewhere. As a result we are faced with a leaking oil tank, water damage and rotting wood in addition to the repainting and other cosmetic updating that are to be expected. Fortunately many parish members have responded to Jon Hayden's request for help in painting and carpentry so that work originally estimated to cost well over \$50,000 should cost much less.

That said, this is still far more than the church can afford out of normal income. Consequently, the Vestry has begun investigating several financing alternatives including Diocesan and commercial bank loans, as an alternative to tapping the endowment. Our intent is not to saddle St. Mary's with debt but rather to buy time and give us the flexibility to decide how best to ultimately pay for these important projects, when the economy has hopefully improved, our pledge base has increased and our endowment has grown. One possibility is that the 200th Anniversary of St. Mary's—coming in just three years—would be an opportune time for a capital campaign, and part of those proceeds could be used to retire a loan.

In this context, the Vestry has begun to discuss in detail three other major, long-postponed property projects:

(1) Heating System Renovations - Our heating system has been malfunctioning for years, resulting in excessive temperatures and money wasted on overheating. Various attempted repairs recommended by our vendors, including installing new thermostats have failed. The problem is particularly acute for our staff and the children of Hills and Falls.

We recently engaged an independent professional engineering firm to review our heating system and identify the source of the problem and recommend cures. We are also attempting to engage

Massachusetts Interfaith Power and Light to perform an energy audit. Our oil-based boiler is less than two decades old, so we expect that our ongoing problems can be resolved without replacing it.

(2) Fire Suppression (Sprinkler) System - Over Thanksgiving weekend two years ago, we had a near brush with disaster when the burner in the furnace malfunctioned and a steady stream of oil caught fire. Fortunately the smoke in the furnace room became so thick as to extinguish the fire. Smoke filled the hallways, offices and sanctuary. We were fortunate; there was a very real possibility that our nearly 200-year old wooden building would have burned down. (It is worth noting that the old “chapter house” building adjacent to the church did burn down in 1940.)

Although insurance would be sufficient to rebuild if a fire were to destroy the church building, the loss of our historic building would be a wrenching event for St. Mary’s. As such we are obtaining quotes for the cost of installing a sprinkler system in the church building from two vendors with experience installing such systems in historic buildings like our own.

Sound System - Although the acoustics of St. Mary’s are generally superb, some of our older members are not able to hear as well as they used to. We need to discuss this problem with vendors experienced in installing church sound systems visit St. Mary’s to see if there is a way to ensure that all of our members can continue to enjoy the services and music.

Timing and Options for Financing

Our preliminary estimates of costs of these projects are:

- Heating renovations - Up to \$75,000 if the entire current system is replaced (which is hopefully not needed)
- Sprinkler system - Up to \$100,000 for installing a system in the church. Additional costs will be necessary if it is determined that we need to include a sprinkler system in the parish hall.
- Sound system - Various options to be considered, but high-end solutions could be up to \$15,000

With respect to financing this, the banks we have talked to so far have been receptive and Diocesan assistance remains a possibility. Given the historic nature of our property, there is a possibility that grant money may be available for some of these costs, but we have only started to explore this complementary source.

Next Steps

The Vestry does not want to make a definitive decision regarding any major capital projects or expenses without consulting the parish. In the weeks ahead, we expect to provide more detailed information and recommendations as these issues will be major topics of discussion at the Annual Meeting. In the meantime, feel free to share your thoughts with the members of the Vestry.

The fact that the Vestry is fairly far along in its consideration of these projects is not by any means a “yes” decision. Much background work in investigating and evaluating the various

options is needed for an informed decision to be made. Many of us on the Vestry are personally conflicted, realizing that these projects are good and necessary but also being concerned and constrained by a reluctance to spend money unless absolutely needed.

That said, both of your Wardens feel strongly that these are projects we should move ahead with in 2010. First, these are all projects that are clearly needed and carry significant costs in delaying them, including money wasted on unnecessary heating, members who can't fully participate in the worship life of our parish, and the nagging feeling that we are only one small fire away from losing 200 years of history.

Second, the fundamental ability of our parish to finance these projects is not going to dramatically change over the next four years, which would be the earliest these projects could begin if they were deferred for a capital campaign. As we said earlier, using a loan or other alternative means of finance is not meant to saddle us with debt, but simply give us flexibility in deciding how we ultimately finance these needed projects.

Thirdly, and most importantly, your Wardens don't want to burden an incoming rector and our 200th anniversary with matters we can and should deal with now. Our next rector, the anniversary planning committee and the Vestry in 2013 should be focused on the future of St. Mary's and the larger issues of how we build our membership and maintain our relevance in the lives of our members, our community and the world in the 21st century. Delaying necessary spending and related matters to then will simply mean that their focus and energies will be spent on addressing problems of the past, not on building our shared future. This is not the legacy we want to leave them.

These are serious matters that your Vestry has been carefully and prayerfully considering. Again, we invite your feedback and ask for your prayers and your continuing support.

Yours in Christ,

Paul Pyzowski

Mary Green

P.S. We have been made aware of rumors that the Vestry has been considering using endowment funds restricted to other uses and/or funds from the Women of St. Mary's for capital project financing. These rumors are categorically untrue, and this has never even been mentioned, let alone discussed at any Vestry meeting.