

A REPORT TO PARISHIONERS ON ST. JOHN'S HIGH SCHOOL BUILDING

We are grateful for this gift. Maintenance and stewardship of this valuable property is a privilege, and has been a legacy and an ongoing endeavor we have inherited among many others in our beloved Parish of St. John the Evangelist.

On May 07, 1996, (after the closure of St. John's High School) this property was leased out to San Francisco Electrical Apprenticeship and Training Trust (SFEATT). The original lease, a "Revocable License and Release Agreement" was covenanted between the Roman Catholic Welfare Corporation of San Francisco, hereby known as the lessor and the SFEATT, as the lessee, in consultation and under the direction of the Pastor of St. John the Evangelist. The lessor agreed to maintain an adequate property liability insurance coverage during the said lease. The lease has been renewed a couple of times in the past incorporating an annual Consumer Price Index (CPI) increase within the commonly acceptable non-profit business practice.

On my arrival at St. John the Evangelist Parish on July 01, 2015, I read the available lease documents and found that the lease would run until the June 30, of 2025. The office of the "Real Property Support Corporation" (RPSC) of the Archdiocese of San Francisco, would determine and factor in an annual CPI increase into the revised rental assessment for each new year beginning on July 01 and ending June 30 of the following year. The monthly rental check paid to the Parish of St. John was \$ 15,793.06

I noticed that the whole rental income amount (received monthly) as prevailing practice was posted into, and utilized as a general operation income of the Parish, without setting aside any money in an account for the 'maintenance and the upkeep' of St. John's High School Building. Repairs and maintenance upkeep of a building, is always expected together with an annual Fire and Liability Insurance Policy coverage to protect the property; these are just inescapable realities of life.

Beginning from January 2016, I asked that the Finance Council of the Parish move that the Parish put aside into a newly created restricted "Reserve Fund Account for High School/Rental Property Maintenance" initially a sum of \$ 2,000.00 per month deducted from the rental check paid to the Parish of St. John the Evangelist. The Property Liability Insurance Invoice for the year '2015 July – 2016 June' was \$ 26,337.00. The chart below indicates this revised plan of action incrementally put into place.

The Parish has been able to pay the 'Property Insurance Premiums' on this High School Building Rental Property, towards the repairs and replacement of the sewer line, side walk and street curbs on the property etc. from this 'Reserve Rental Property account.' The balance in the "Reserve Fund for the St. John's High School Building/Rental Property Maintenance" is \$ 58,000.00 as of October 31, 2018.

PERIOD	ANNUAL RENTAL	MONTHLY	ALLOCATION OF FUNDS		INSURANCE
YEAR BY YEAR	ASSESSMENT	CHECK	PARISH OPERATIONS	RENTAL PROPERTY RESERVE FUND	PROPERTY & LIABILITY
2015 Jul - Jun 2016	189,516.72	15,793.06	15,793.06	-	
2016 Jan - Jun 2016		15,793.06	13,793.06	2,000.00	26,337.00
2016 July - 2017 June	197,097.36	16,424.78	13,924.78	2,500.00	27,658.00
2017 July - 2018 June	204,981.24	17,081.77	13,581.77	3,500.00	29,030.00
2018 July - 2019 June	213,180.48	17,765.04	13,765.04	4,000.00	Invoice not received yet

THE ROOF OF ST. JOHN'S HIGH SCHOOL BUILDING

This roof has been 'patched' and 're-patched' for some time now. We have reached a point when it cannot be bandaged any more. It has reached that critical level of developing safety concerns, leaving us with no other option, but to replace it with a brand new one. With that end in mind, last January we began the preliminary work to estimate project costs and invite bids from roofers and contractors for related Trades and obligations. The Final estimated cost of the selected bid is \$ 162,335.00.

We began conversations with the SFEATT to gauge their intentions and future rental plans with reference to the St. John High School Building. They wish us to consider renewing the Lease for another 'five-year' period beyond the year 2025, to commence on July 01, 2025 and end on June 30, 2030. After many negotiations, SFEATT agreed to pay as their contribution 25% of the total cost of the installation of the new roof on the school building, which is expected to be in the neighborhood of \$ 40,583.75.

This leaves us with the balance 75% cost for the roof replacement, which is expected to be around \$ 121,751.25.

Additionally, the building has old 'HVAC' systems, and deteriorating inefficient old equipment for night lights on the roof, which are also fire hazard. These systems need to be demolished and removed. The old electrical equipment/fixtures need to be removed and later on after completion of the roof work, replaced with brand new equipment. We also have asbestos abatement issues. These items are not included in the Roofing Contractor's bid work. This part of the project was addressed separately. The best bid quote we selected for this work is made up in a framework of three contractors, and the total cost bids estimate is \$ 38,580.00.

The best case scenario appears to us, and for the Parish of St. John the Evangelist, as the landlord and property owner, is to pay this bill of \$ 38,580.00, from the "Reserve Fund Account for High School/Rental Property Maintenance". The balance in that account as of date, as we see above is \$ 58,000.00. This is an appropriate use as it is the type of expense intended at its inception.

However, the issue that will perhaps weigh heavy on us as the Parish of St. John the Evangelist is how we decide to come up with the money: \$ 121,751.25, amounting to the 75% of the cost to replace the roof on the St. John's High School Building.

While we do not have that kind of money, the roof replacement is urgent and critical. Taking a loan would be one option, but that might be the least desirable choice. Discerning other ways and means and choosing the path of lesser impact among options available for the financial operation of the Parish of St. John the Evangelist,

1. We chose to ask the SFEATT to pay in advance, our 75% share of the cost of replacing the roof.
2. In return, we agreed to 'Pay back what we owe' in the form of 'reduced rent' to the Parish of St. John the Evangelist for a period of three years, beginning from the date of the completion of the new roof, and SFEATT's Full payment of the Roofer's invoice.

The reduction in rent assessment will be calculated factoring in the prime rate plus 1%, and will be distributed equally over the next 36 months of rental payments to the Parish of St. John the Evangelist.

Although this will minimize its impact on Church finances, some frugal measures on Parish finance administration will be needed due to reduced monthly income for these next three years. After the "three year payback period", the rental stream will be returned to full strength, and the Parish will have a better, stronger building with a quality tenant that always pays its rent on time.