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Adjusting to New Realities: Write Your Own Story

On November 8, 2007, the staff of CFC made a presentation to the Association of Parish Business Administrators of the Archdiocese of St. Paul and Minneapolis. The theme of the presentation was *Fiscal Planning in a Time of Change: Adjusting to New Realities*. The basis for the presentation was historical financial data for 37 parishes in the Archdiocese that CFC had gathered over the past five years.

Some of the trends that emerged out of our analysis were interesting. For instance, of the parishes in our study, the average annual increase in Sunday contributions over the past five years was 2.6%. This hides the fact that a number of the parishes actually experienced a decrease in giving over this time period. The average growth in operating expenses (not including school subsidies) over the same period was 1.73%. This indicates an extremely tight operating margin for most parishes, particularly if they also needed to spend additional funds to support a school. Many parishes in our study bridged that gap by attempting to keep a tight rein on the growth of major expenses (the average increase in salary and benefits was kept to 1.19%) or by attempting to increase the amount of non-Sunday contribution revenue. The general inflation rate during this time period was about 3% annually meaning that parish staff is bearing the burden of this tight operating margin.

Of the 37 parishes in our study, 20 of them supported an elementary school. Over the past five years, enrollment at these schools declined by 10.68%. This is very close to the total decline in enrollment in all Archdiocese elementary schools during the same period of 8.07%. The average annual tuition revenue increase for the schools in our study was 4.39%. The average increase in total school revenues was 4.5%. This was offset by an average increase in school costs of 3.74%. Salaries and benefits for most schools in our study accounted for approximately 85% of total costs. In no case did any of the schools collect enough dollars in tuition to cover salary and benefits; an item of interest to us. The yearly gap between revenues and expenses in these schools was covered by a transfer from the operating funds of their sponsoring parish.

We found that these trends were similar to those of secular human service agencies. Many organizations are experiencing yearly operational deficits. These deficits are becoming chronic and structural in nature. This is due primarily to downward pressure on contributions, greater demand for services, and rapidly rising benefit, healthcare and utility costs. Deficits are now persisting in good economic times and are being magnified during challenging times.

In our opinion, the best way to adjust to these new realities is to engage in Strategic Planning and link that process to a solid Long-Term Financial Plan. Some of the key elements of a successful long-term financial plan are:

- Gathering and using accurate data
- Honestly assessing the parish's current reality
- Building consensus in the parish regarding Mission and Ministry priorities
- Setting realistic and attainable benchmarks

Parish leaders must be able and willing to adjust the plan as reality changes. This involves a shift away from a reactive to a proactive mindset, and reviewing the plan at least yearly.

Producing and using a successful long-term financial plan is not "rocket science", but, it does involve significant hard work and dedication to an on-going process for those engaged in developing and managing the plan. Those willing to do this will be rewarded by seeing their major ministry and mission initiatives grow and flourish over the years. In the words of management guru Peter Drucker, "The best way to predict the future is to create it."

For those interested in seeing the power point of our November 8th presentation, go to our web site at www.catholicfinance.org and look for the link near the bottom of our home page.

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