

Key Indicators: Sometimes It's All About Location, Location, Location

When CFC consultants visit parishes, we are frequently asked about benchmarks. Although benchmarking can sometimes prove helpful, parish and school leaders need to be asking themselves the right questions *in the right places* in order to get useful information that will help improve mission and ministry. Sometimes, it's all about location, location, location.

Often, people approach this topic by questioning those geographically close around them about their own situations. Administrators, pastors, or parish leaders ask each other about parish attendance, average contribution, percentage of parishioners who actually contribute, or the results of recent stewardship campaigns.

CFC consultants will frequently ask for a show of hands at an administrator gathering. For example, “how many of you are experiencing a decline in offertory giving this year?” Such informal consultations can be helpful, especially when one wonders whether one's own parish or school is above average, middle of the road, or perhaps a poor performer in one area or another. Besides, it's only natural to want to know how one's organization “stacks up” against a neighbor.

On the other hand, questions like “what does a parish typically spend on staff compensation?” are often not as helpful. At CFC, we have observed that the average parish spends 40% to 60% of its budget on staff compensation. However, we also know of several parishes that spend 60% of their budget on compensation that goes entirely to their part-time pastor. Another parish might spend about 20% on compensation, but only because their debt load is so large that it consumes a significant portion of their

revenues. This imbalance causes ministry offerings to suffer, because the parish cannot hire staff to direct them. Each parish or school displays its own unique characteristics based on a variety of factors.

CFC has discovered over time that a better process is to track key *internal* indicators – or internal benchmarks. How has the parish or school performed over time compared with its own history or projections? Such analysis allows the parish to identify and act on trends, both positive and negative, before the opportunity is gone or before a negative trend snowballs out of control.

The importance of this type of evaluation was reinforced again earlier this year when CFC did a presentation to the Parish Business Administrators of our Archdiocese. As CFC has done for the past six years, presenters evaluated typical key indicators in parishes and schools across the Archdiocese. These included factors such as salaries and benefits, offertory and school enrollment, with data organized by size of parish or school. This year, however, we added a new component: location. We presented information that was also organized by vicariate, a geographical subdivision of the larger Archdiocese.

The results were revealing. Different areas of our Archdiocese exhibited varying trends. For example, parishes and schools in one section of the Archdiocese fared better in offertory increase, while elsewhere, similarly sized schools did a better job at retaining their currently enrolled students.

Following our presentation, several client parishes who are enrolled in our Long Range Financial Planning Model Service asked to have their parishes and schools evaluated in comparison to others of similar size and

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nearby geographic location. Evaluating similarly sized *and* geographically close neighbors has helped our clients gain new insights about the unique characteristics of their mission and ministry situation and also is helping identify geographically based trends that may not be apparent using a single set of data.

Our experience at CFC has confirmed once again that using key indicators can help parishes know more about themselves, in order to help leaders understand how effective their programs are and how well they are using their unique resources.

Cost to Educate

How much does it cost to educate a child in our schools? That is a good question, and one that is not always easy to answer. The answer depends on your calculation.

The cost to educate calculation, also known as the average cost per student, usually is defined as:

$$\frac{\text{Total School Operating Expense}}{\text{School Enrollment}}$$

This leads to another question. What is included in school operating expense? School operating expenses include salaries and benefits, instructional expense, administrative expense and facility expense. Most of these expenses are direct costs that have a direct relationship to the cost of education. However, due to the nature of the entities involved (parishes with a school), some of these expenses are shared between the entities. A common example is facility costs. A building may be used by both the school and the church. In this case, the cost of utilities and maintenance would be shared between the two entities. These costs typically are allocated based upon a reasonable methodology such as the square footage.

After going through the exercise of calculating the average cost per student, what can you do with this information? The calculation can be used as one financial indicator reflecting the health of a school. It can also be tracked within a school over a period of time. In addition, it can be used by leadership to help manage costs and can be used among schools as a means to set a healthy benchmark for schools to remain viable.

Use of a consistent standardized cost to educate calculation will be extremely helpful in building strong, viable schools.

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