

Catholic Finance Corporation

Financial Advisor to Catholic Institutions

Budgeting and Forecasting

A Presentation to:

Association of Parish Business Administrators

January 09, 2014

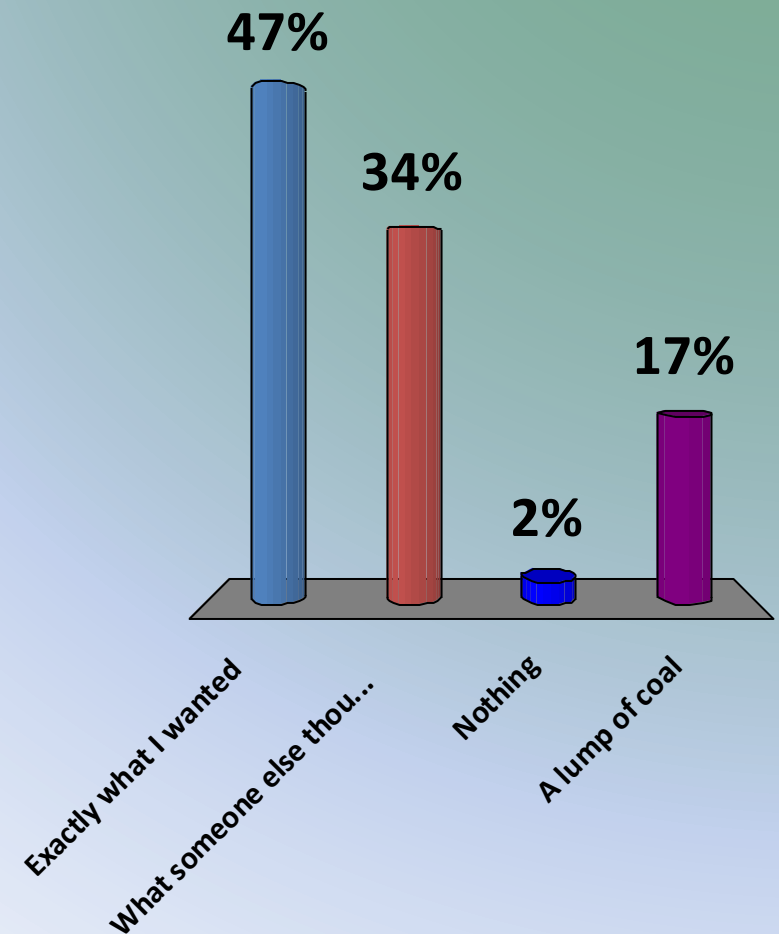
Agenda

- Introductions
- Parish survey on budgeting
- External factors to consider
- Budgeting process overview
- Roundtable exercise
- Break
- Case studies from your peers
- Wrap up

Survey

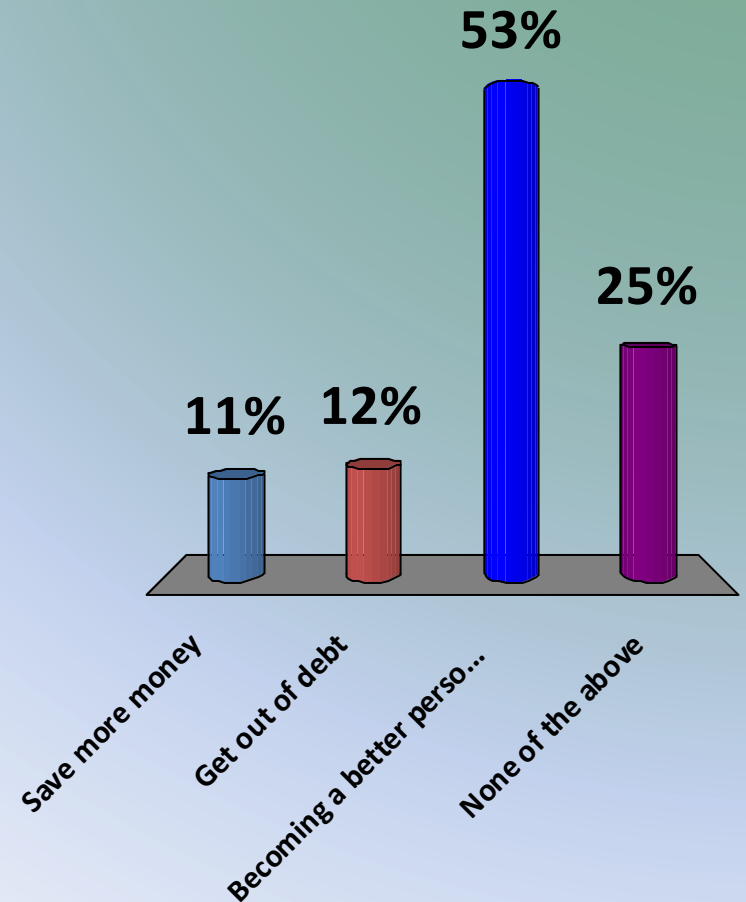
What Did You Receive For Christmas?

- A. Exactly what I wanted
- B. What someone else thought I wanted/needed
- C. Nothing
- D. A lump of coal



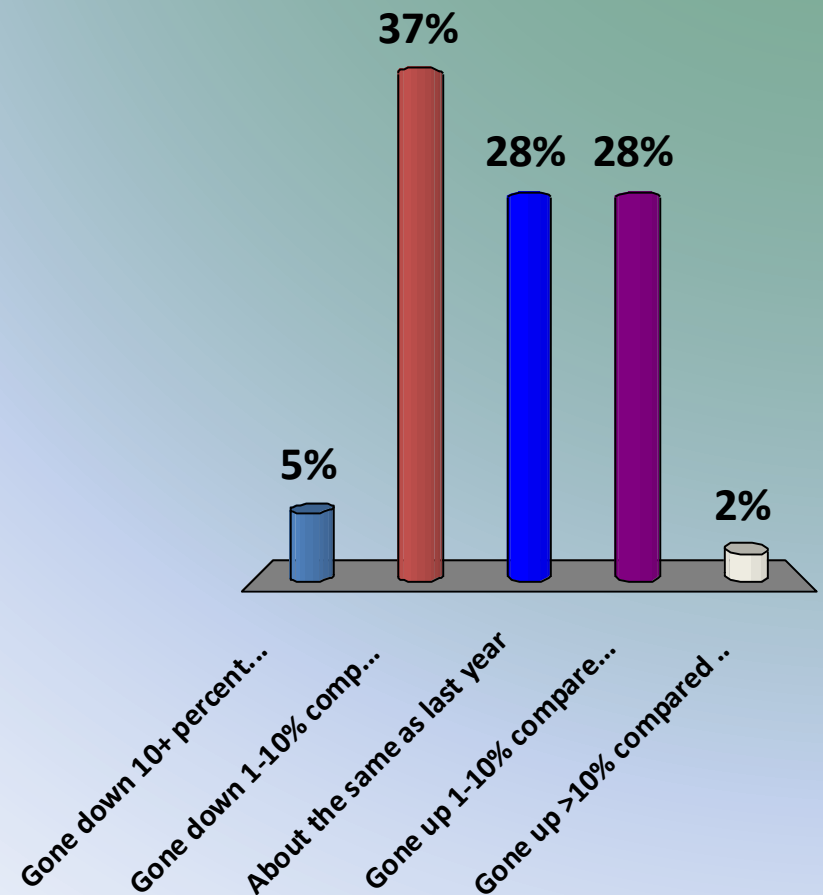
For 2014 You Personally Made a Resolution to:

- A. Save more money
- B. Get out of debt
- C. Becoming a better person
spiritually/mentally/physically
- D. None of the above



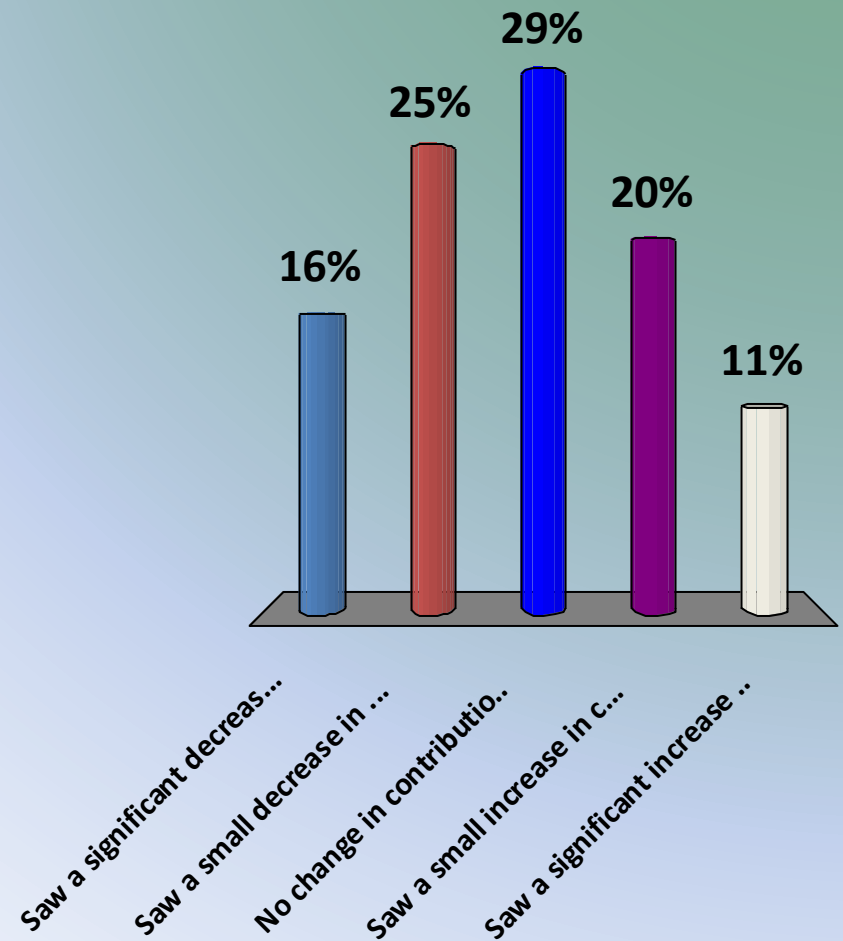
The First Six Months of FY 2014 (through December 2013) Our Plate and Envelope has:

- A. Gone down 10+ percent compared to last year
- B. Gone down 1-10% compared to last year
- C. About the same as last year
- D. Gone up 1-10% compared to last year
- E. Gone up >10% compared to last year



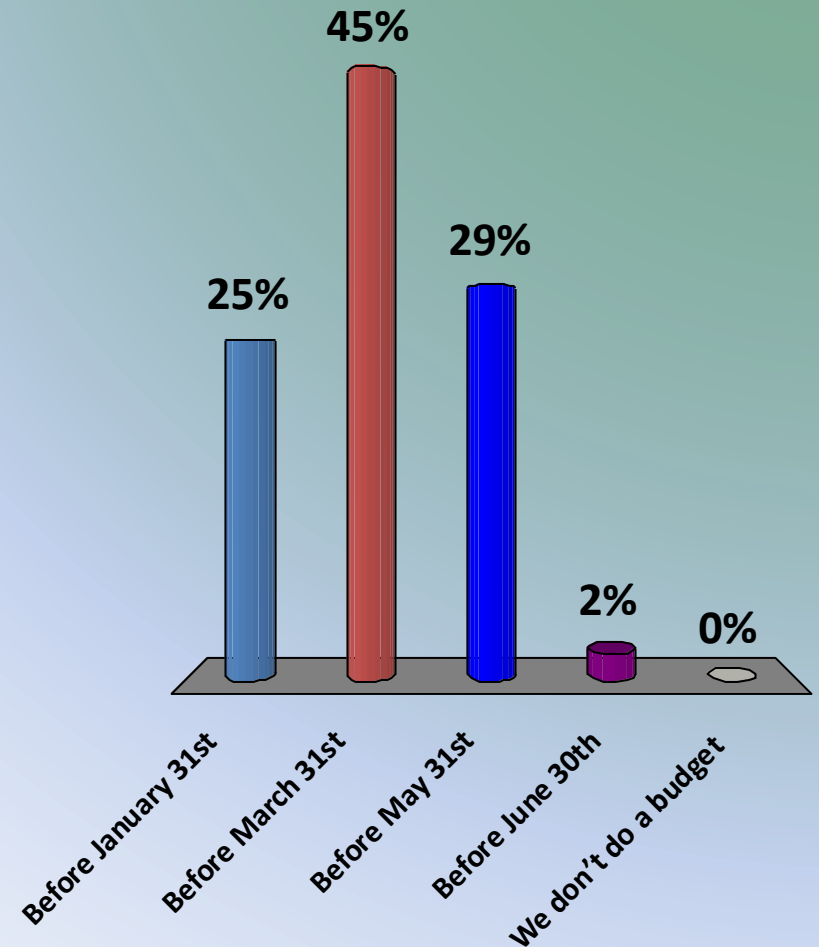
In Q2 FY 2014 (October to December) Compared to Q2 of FY 2013 we:

- A. Saw a significant decrease in contributions ($>10\%$)
- B. Saw a small decrease in contributions
- C. No change in contributions trend
- D. Saw a small increase in contributions
- E. Saw a significant increase in contributions ($>10\%$)



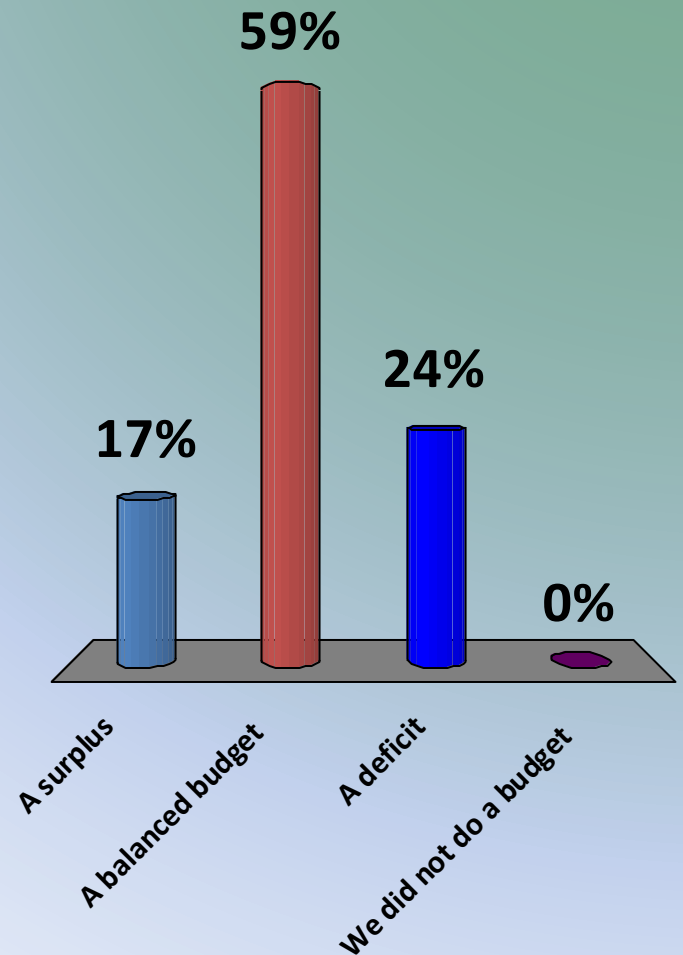
We Complete the First Draft of Our Budget:

- A. Before January 31st
- B. Before March 31st
- C. Before May 31st
- D. Before June 30th
- E. We don't do a budget



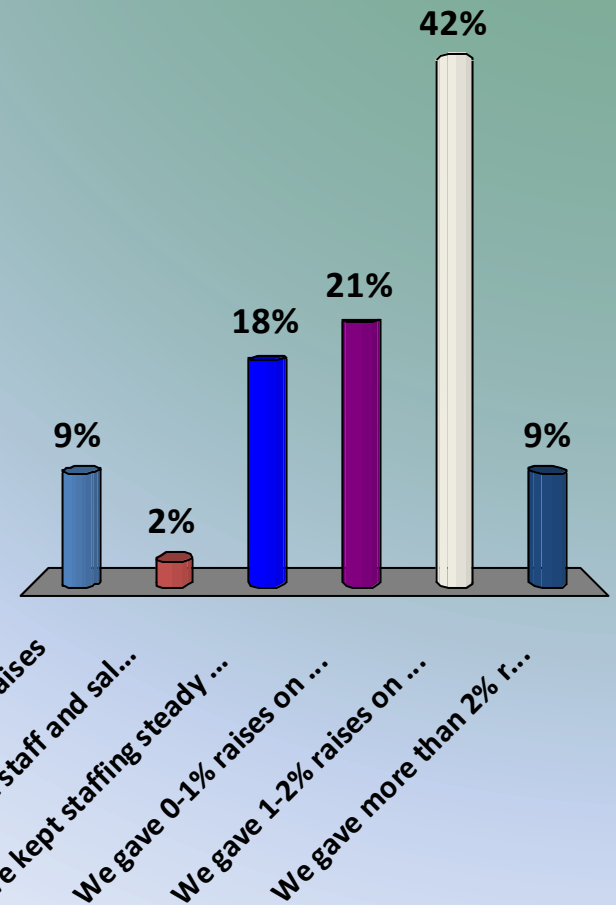
For FY 2014 We Budgeted for:

- A. A surplus
- B. A balanced budget
- C. A deficit
- D. We did not do a budget



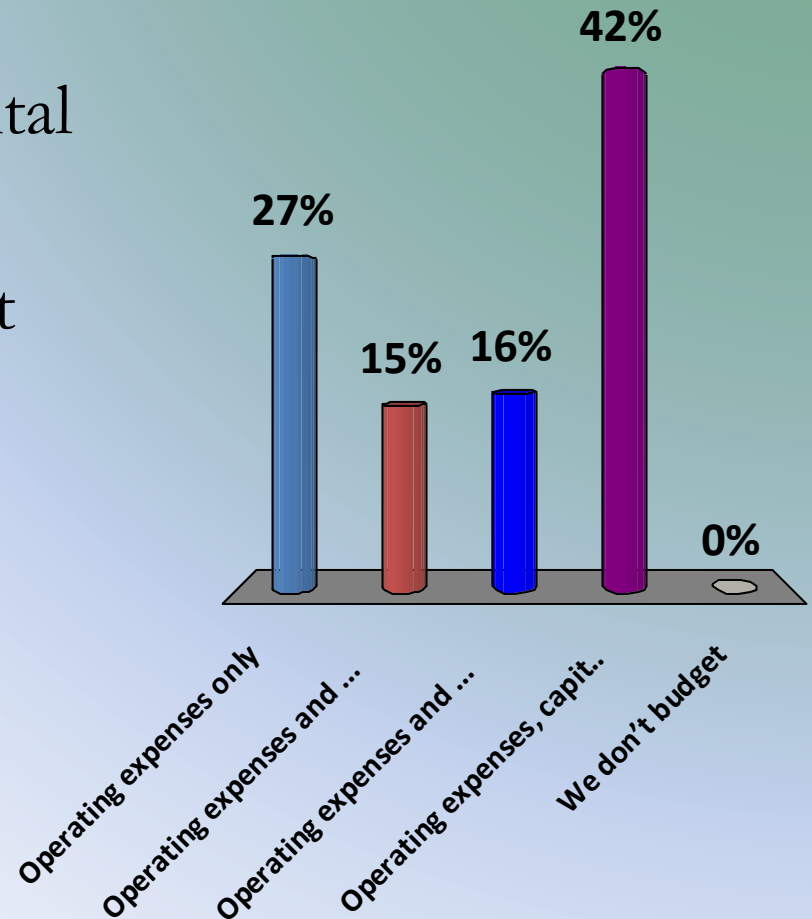
Our Average Raise Over the Last Three Years Has Been:

- A. We cut staff with no raises
- B. We have cut staff and salaries
- C. We kept staffing steady with no raises
- D. We gave 0-1% raises on average
- E. We gave 1-2% raises on average
- F. We gave more than 2% raises on average



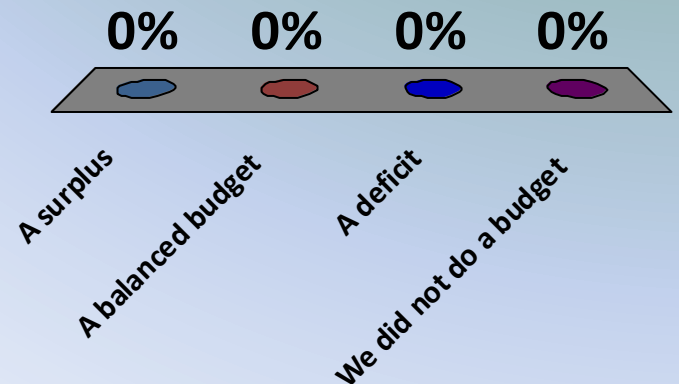
When Budgeting We Factor in:

- A. Operating expenses only
- B. Operating expenses and capital improvements
- C. Operating expenses and debt
- D. Operating expenses, capital improvements and debt
- E. We don't budget



For FY 2014 We Budgeted for:

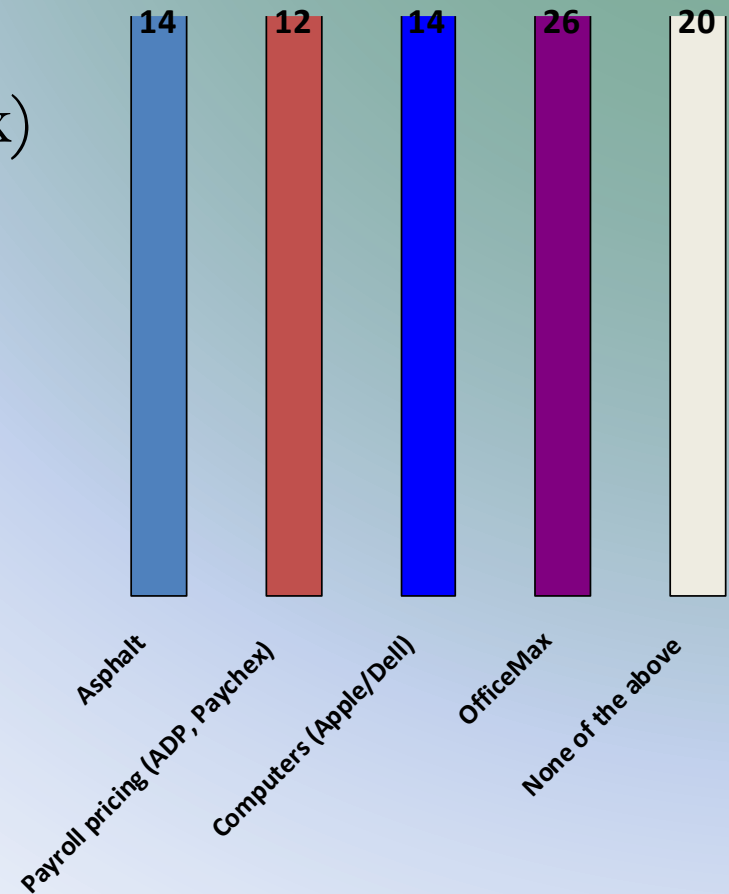
- A. A surplus
- B. A balanced budget
- C. A deficit
- D. We did not do a budget



Which of the Purchasing Program Offerings Have You Utilized?

(you can select more than one)

- A. Asphalt
- B. Payroll pricing (ADP, Paychex)
- C. Computers (Apple/Dell)
- D. OfficeMax
- E. None of the above



**Must Press OK to
complete your answer**

External Factors

External Factors

- Impact of local demographic changes on number/configuration of parish households
- Changes in school enrollment patterns
- Rediscover/GROW processes
- Archdiocesan Strategic Plan implementation

External Factors (Continued)

- Capital Campaign (parish/archdiocesan)
- Local economic changes
- Government regulation and benefits
- Recent news and events
- Changes in assessment formula

Parish Self Image(s) versus Reality

- Don't automatically assume others understand/see it as you do.
- Communicate.
- Begin early.
- Be ready for change.

Budgeting Process Overview

Roundtable Exercise

Roundtable Exercise

- Four different operational challenges
- Assume role of Business Administrator
- Discuss in groups— 10 minutes
- Share results— 10 minutes
- Appoint spokesperson & scribe
- Results will be made available on-line

Roundtable Exercise

- Merger with single pastor
- Rental stream goes away
- Sunday giving off 20% in first half of the fiscal year
- Large unplanned capital expenditure

BREAK



Case Studies

Case Studies of Your Peers

- Lumen Christi Catholic Community, St. Paul - Joan Gecik
- Ss. Peter and Paul, Loretto and St. Thomas the Apostle, Corcoran Cluster - Brook Sullivan

Lumen Christi, St. Paul

- Situation in 2007-08
 - Three parishes into one building, physically one but not culturally/mentally
 - New pastor, administrator
 - 43% of parish income going to school subsidy
 - Rental income from Nova Academy subsidized operating budget
 - No program staff or leadership involvement in budgeting
 - Deficit budget
- Changes made in 2008-11
 - Began tracking detailed collections accounting and demographics
 - Began involving staff and finance committee in budget process
 - Addressed past due tuition and consolidated checking accounts
 - Updated finance constitution/bylaws and began committee rotation
 - Hired Catholic Finance to guide us in long range financial planning
 - Began Stewardship committee and endowment fund
- Result - Balanced Budget with active staff and leadership involvement

Lumen Christi, St. Paul (continued)

- Situation - No NOVA
 - In 2010-11 CFC warned against relying on extraordinary income for operations
 - In fall of 2011 Nova Academy notifies us of planned departure in July 2012
- Challenge - Balance operating budget without extraordinary income
 - CFC presents long term projection and leadership recognizes the need for budget cuts and increased contributions
 - Leadership sets a goal to move parish investment in school from 43% to 25%
 - Began planned giving, stewardship campaign and preschool program
 - Put hold on all capital improvements unless an emergency
 - Hired consultant to guide us through strategic planning
 - Began budget process for FY2014 in Sept. 2013 and results in 60K cut in school investment, 60K cut in other parish programming, and 60K used from reserves
 - Contributions increase of 4% is set and tactical plan is implemented to get there
 - 4 groups set up to address finance: school scholarship, plate collection, planned giving, endowment
- Result - Balanced budget for FY 2014 and we are on pace to hit the target

Ss. Peter and Paul, Loretto St. Thomas the Apostle, Corcoran

- Opportunities for **Evaluating**, Streamlining and Aligning Processes
 - Combining Staff
 - Combining Programming
 - Vendor /Accounts Payable
 - Payroll Processing
 - Electronic Contribution Processing
 - Contracts-Copiers, Phone Services
 - Facility-Lawn and Snow Removal Services

- **BUT Sunday contributions may decrease due to:**
 - Uncertainty
 - Change
 - **Fear of or Actual Change in staffing- especially clergy**
 - Decrease in the number of Sunday masses
 - Mass times may change

Ss. Peter and Paul, Loretto

St. Thomas the Apostle, Corcoran

(continued)

- Cluster
 - Canonical structures- trustees/ committees remain separate
 - Limited opportunity to change structure/ staffing
- Merger
 - Parish identity will be gradually transformed
 - May bring new name
- Timing
 - Back office changes can prepare the way for visible changes
 - Take it slow, move with the pace of the parish lay leadership, if possible
 - Involve leaders from both parishes
 - Involve leaders from all sectors- school, faith formation, finance/ pastoral councils in planning process
 - Communicate- multiple ways, multiple times
 - Change in graphics, website, newsletters, bulletins should be coordinated- may need temporary outside marketing type expertise

Wrap Up

What Have We Learned?

- Solve immediate problems, then plan for the long term view
- Budget conservatively
 - create reserves
 - ensure flexibility
- Educate yourself, pastor, parish leadership

What Have We Learned?

(continued)

- Recruit strong committee members
 - use them for strategic/pastoral planning
- Utilize available resources (i.e. CFC, OPS, OCS)
 - use for financial and operational planning and execution strategy
- Communicate, communicate, communicate!

Thank You

We're here to serve!

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