

“The Times, They Are A-Changing:” Changing Realities: Parish Finances and Clustering

Note: This is the third of a series on “the big picture” of the changing realities and emerging trends facing the Diocese of Cleveland. On March 12, 2007, Rick Krivanka from the Diocesan Pastoral Planning Office, John Maimone, Chief Financial Officer of the Diocese of Cleveland, and Fr. Lawrence Jurcak, Secretary and Vicar for Clergy and Religious gave a presentation at the Central West District meeting. The data presented in this article is from their presentation, as well as the presentation given by John Maimone at the First Friday Club of Cleveland on April 5, 2007.

To call the economic situation of Northeast Ohio “challenging” is an understatement. For the second time in three years, Cleveland is rated “the poorest big city in America.” Although there are areas of economic growth and innovation, the Northeast Ohio area continues to suffer from continued loss in manufacturing and the replacement of manufacturing jobs with service jobs.

To assess the economic health of the Diocese of Cleveland, it is necessary to assess the financial health of the parishes. The weekly collection is the primary source of income for parishes. “Assessments” can be thought of as a “diocesan income tax” on the collection that each parish is required to pay to the diocese (the rate is 11.5% for parishes with schools and 16.5% for parishes without schools. There is no assessment charged on bequests, special gifts, fund-raising activities or school tuition). The totals of parish collections and assessments collected by the diocese for the past eight fiscal years are:

Diocesan-Wide Parish Offertory & Assessment Trends (\$millions)

<u>FiscalYear</u>	<u>Parish Offertory</u>	<u>Assessments</u>
1998-1999	\$ 96.1	\$10.7
1999-2000	\$100.1	\$11.3
2000-2001	\$103.1	\$11.0
2001-2002	\$105.9	\$11.4
2002-2003	\$103.4	\$11.1
2003-2004	\$104.3	\$11.1
2004-2005	\$104.5	\$11.3
2005-2006	\$106.1	\$12.3#

(Years ended June 30th)

- collection efforts re: old balances

Parish Revenues and Expenses Trends:

- Offertory collections are \$106.1 million, up just 3% from 2001 to 2006 (5 years). This was the first year that collections exceeded the 2001-2002 totals (i.e. the year before the sex-abuse crisis)
- Offertory collection growth is not keeping pace with increasing expenses
- In 2004-2005, expenses exceeded revenues at 86 parishes, 37% of the 232 parishes; in 2005-2006, expenses exceeded revenues at 104 parishes, 45% of the 231 parishes
- Revenue trends for parishes and the Diocese are flat – while expenses keep increasing
- Considering all parish grade schools, expenses exceeded revenues by \$25.9 million

Parish Financial Obligations -- Assessments, Insurance & Benefits Payment Trends:

Examining parish payment of diocesan assessments, 80 parishes (34%) have problems with these bills. Of these, 18 parishes are not paying; 23 parishes are making sporadic or partial payments; 30 parishes are carrying assessment debt but have returned to paying at the current bills; and 9 parishes are 3 or more months past due in their assessment payments.

Insurance on all diocesan property, parish churches, rectories, school (and other) buildings and all personnel benefits (i.e. health insurance and retirement) are carried by the diocese and funded by each parish and diocesan offices. Benefits are obligations which parishes are required by law to pay. However, currently 26 parishes (11%) carry past due balances and only 9 of these parishes are able to stay current with their payment plan

Parish Savings:

Looking at the savings held by parishes, the 231 parishes combined have checking, savings & investments of \$154.9 million, with total liabilities of \$58.2 million for a combined net savings of \$96.7 million. Divided by 231 parishes, this averages to \$419,000 per parish. The reality, of course is that some parishes have much more, others have much less and some parishes have no savings. There are 17 parishes whose net savings are less than \$60,000 – a low reserve for emergencies. Much more significantly, 60 parishes have negative net savings (that is, their liabilities exceed savings) and, of these, 27 parishes' debt does not involve a mortgage.

Concern -- Erosion of Parish Finances:

- Some parishes are using savings to fund deficit spending.
- One way a parish can reduce costs is by cutting back/deferring needed maintenance. Deferred maintenance of many parish facilities is a huge and increasing concern. In the past, it has led to the need to demolish buildings, including churches, because the parish did not have the money for needed maintenance. Some parishes have had to close for this reason.
- Catholic assets are being used in our Diocese just for the purpose of maintaining more buildings than we can realistically support due to the changed demographics
- The only available pool of Diocesan emergency funds is the Bishop's General Purpose Fund, which currently has \$4.4 million. However, in 2006, over \$300,000 was required to deal with the financial collapse of a school and another parish. The Diocese will not be able to respond financially to an extended string of parish and school failures.

Clustering Challenges:

- There are parishes with financial concerns in every District of the Diocese.
- Perhaps 20 or more of the 69 proposed clusters will have significant financial / facilities issues within the cluster. This will have a major impact on what those clusters will have to do and perhaps limit what is possible for those clusters to do to enhance the vibrancy of the pastoral care and ministry within the cluster.

Fr. Tony Schuerger