



Nativity Financial Condition Memo

The Current Situation

Parish Council

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Finance Council

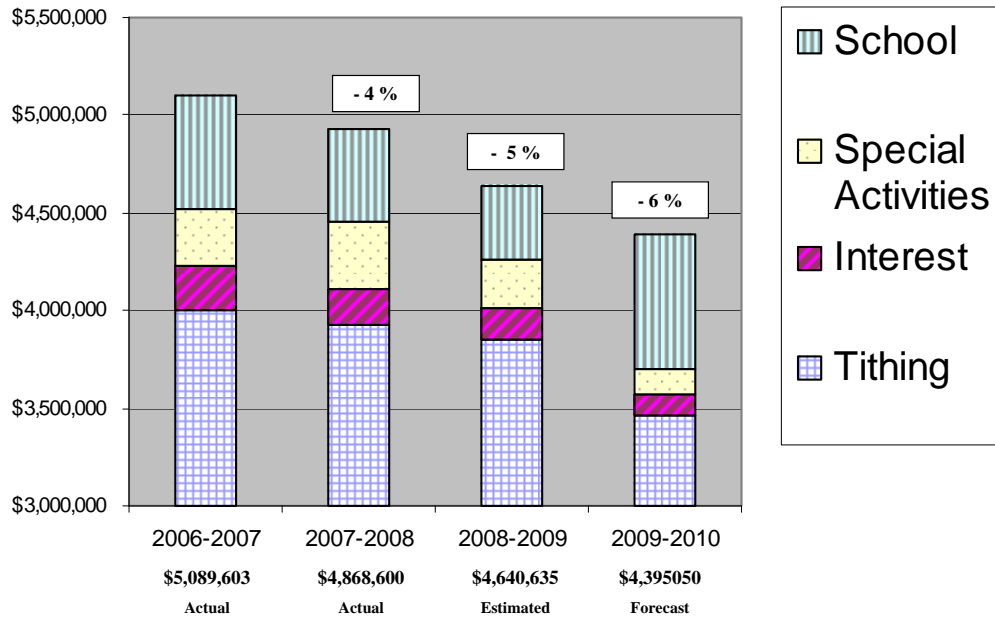
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- The difficult economy has affected Nativity's financial situation
- Total Income from all sources is down 7% from the same period a year ago (second consecutive year of Total Income declines)
- Interest income from savings and rebates from Archdiocesan sources are also down
- Parishes throughout the diocese have seen a fall-off in collections
- The Chair of the Finance Council spoke from the pulpit in November discussing this trend and asking the congregation to consider increased giving to help the situation
- Two years ago our income from tithing and collections was \$4.0 million; last year it was \$3.9 million and we anticipate finishing this year at \$3.8 million
- The erosion of charitable giving has many causes (the economy, investments and home values down, job losses, wage and salary cuts, layoff fears, families striving to save more and spend less, etc.)
- Tithing is a matter of faith and is even more important during difficult times
- Nativity has an aging, non transient congregation, as well as families on fixed income, more "empty nesters," and fewer families with K – 8 aged children

The Budgeting Process

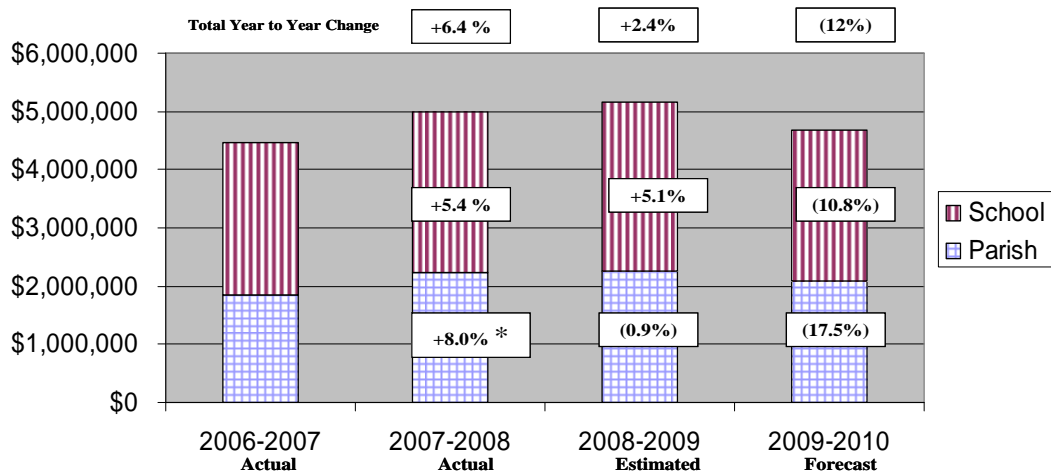
- Our fiscal year runs from July through June
- Nativity follows a policy requiring a balanced budget
- Given the trends and the difficult economy, both Councils and the Pastor are obligated to have a prudent plan for controlled spending in conjunction with anticipated income levels.
- Parish leadership has approved a budget for next year that relies on increased fees and fundraising as well as decreased expenses
- Our current year income from tithing and collections is expected to be \$3.8 million and will result in an operating deficit of \$536 K (which will reduce reserves)
- We have conservatively estimated collections for next year (7/1/09 – 6/30/10) to be \$3.4 million, a reduction of 10% from 08-09
- Reduced collections will require cutting expenses throughout Nativity's operations
- Also, both Councils recommend that the cost cutting be shared throughout all operations

Parish Income



- Currently the expenses for the church, rectory, physical plant, Christian Formation, etc. account for 43% of total expenses; school operations account for 57%

Where Does the Money Go?



* Unplanned renovation planning expenses = 6%, parish expense increase = 2%

- To balance the budget, we have reduced operating expenses for the church and administration by 17%
- We have reduced school and related expenses by 11%
- To achieve these goals in Church and administrative areas we have, among other things:
 - Consolidated staffing
 - Deferred expenditures
 - **Temporarily suspended** for one year the “Fifth Sunday Outreach” program until the economy and collections improve

- To achieve the budget goals in school operations we have:
 - Increased class size in three grades, following Archdiocesan guidelines
 - Consolidated staffing in several areas
 - Increased school registration fees
 - Proposed using surcharges for students raising \$160K
 - Requested subsidy funds from the PTO and K of C
 - Scheduled additional fundraisers

- Based on the success of the above actions, we have approved a balanced budget for 2009-10

Use of Reserves

- *We have built \$4.0 million in cash reserves over the last 20+ years*
- Aside from Archdiocesan obligations for new high schools, the Parish is debt free
- Nativity has adopted an operating policy of holding reserves equivalent to six months of operating needs
- Much of the \$4.0 million in reserves have been committed to capital improvement items and deferred maintenance
- Near Term Capital Improvements adopted by Parish Council in priority order:

○ Church roof repair (Phase I)	\$170,000
○ Middle school enhancements	180,000
○ Baptismal font, Stations of Cross, etc.	20,000
○ Church lighting upgrades	380,000
○ Sound improvements	50,000
○ Audio Visual improvements	<u>60,000</u>
Sub Total	\$860,000

- Long term deferred maintenance items at the school include:

○ School roof repair	\$300,000 (est.)
○ Middle school elevator	160,000
○ Middle school lockers	30,000
○ Air conditioning replacement	330,000
○ Electrical Improvements	40,000
○ Other (ADA, school upgrades and desks, etc)	<u>40,000</u>
Sub Total	\$900,000

- Long term deferred maintenance items at the church include:

○ Condensing Units	\$100,000
○ Electrical and plumbing improvements	20,000
○ Security improvements	20,000
○ Other upgrades	<u>10,000</u>
Sub Total	\$150,000

- The eventual cost of the roof leak repair cost is not known, although the first phase of work is estimated at \$170,000.
- We plan on a “go slow” approach to all spending. Capital improvements will be made when the budget and the economy permits

The Finance and Parish Councils believe the budget that has been adopted for the 2009-10 year is appropriate considering the economic conditions we face.

As we move forward into the next budget year, we encourage all parishioners to:

- Pray, be patient and understanding of our situation
- Support leadership and staff who are making difficult choices
- Tithe and volunteer through our upcoming Time, Talent and Treasure campaign
- Consider a planned financial gift, bequest or memorial in your estate planning

Additional information concerning the parish budget is also available at www.kcnativity.org. For those without internet access, copies of materials posted online are available in the Parish or School office.

If you have specific questions, we encourage you to e-mail them to budgetquestions@kcnativity.org. For those desiring additional information or to interface with Parish leadership, a Town Hall Meeting as been scheduled for 7:00 PM Tuesday, April 28 in the Parish Hall. Alternatively, we recommend discussing your ideas and suggestions with any member of the Finance and Parish Council whose names and contact information appear in the weekly bulletin and on our parish web site.

Finance Council



Ralph Schramp, Chair

Parish Council



James E Taylor, Chair