



Diocese of London

Office of the Bishop

March 19, 2007

Dear Pastors and Administrators,

RE: FINANCIAL VIABILITY AND PARISH REORGANIZATION

Thank you for sharing with me in the task of parish reorganization. I believe this is essential in promoting vibrant eucharistic communities and to steward God's gifts wisely. I am grateful to the many hundreds of leaders in parishes throughout the diocese who have participated with such generosity in this process of pastoral planning and renewal.

I wish to ensure that the financial viability criteria articulated in the Parish Reorganization Policy of April 6, 2005, are consistently applied across our diocese to assist you in reaching this goal. I have directed each Episcopal Vicar, Regional Coordinator and Deanery Executive (or subcommittee for parish reorganization) to work with each parish and Catholic community to achieve an average of 100% of their expenses over a three year period as described in the Parish Reorganization Policy.

Each parish and Catholic community identified by their Episcopal Vicar is to use the enclosed document, *Financial Viability and Parish Reorganization*. It includes guidelines for the preparation of a financial viability plan. It remains an ongoing policy of the diocese that parishes which are unable to meet an average of 100% of their expenses over three fiscal years will be required to merge with at least one other parish, or to close. I encourage parish leaders to call on deanery and diocesan representatives throughout this process for assistance.

Please be assured of my prayers as we continue to respond to God's call.

Sincerely in Christ

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Most Rev. Ronald P. Fabbro
Bishop of London

Diocese of London

Financial Viability and Parish Reorganization

This document is to guide parish, deanery and diocesan leaders in the completion of financial planning required by the Parish Reorganization Policy (PRP) of April 6, 2005. Please refer to the PRP for guiding principles, canonical requirements, policy, criteria and procedures. For the purpose of this document, the word “parish” is inclusive of missions and Catholic Communities.

Parish Reorganization Policy: Financial Viability

The PRP includes a section regarding financial viability (page 15), as follows:

“Each parish is responsible for 100% of its costs, including operational costs, current liabilities on capital expenditures, and diocesan assessment.

- *A parish whose revenues have not met 75% of its expenses in the past three year period will be required to merge with at least one other parish, or to close.*
- *A parish whose revenues have met between 75% and 100% of its expenses over the past three year period is to provide a plan to the Deanery Executive, or its designate, explaining how it can attain 100% coverage within the next three years. If after three years, the parish is still unable to cover 100% of its expenses, the Deanery Executive, or its designate, will recommend that it merge with at least one other parish, or close.*

A parish whose church building(s) requires repair or renovation beyond its ability to pay, and/or whose application to the Building Commission and Loan Fund Committee for permission to repair, renovate, or replace its church building has been denied, will be required to merge with at least one other parish, or to close.”

Roles and Responsibilities

Pastor / Administrator

- Ensure preparation of Parish Financial Viability Plan with Parish Finance Committee
- Approve Parish Financial Viability Plan
- Submit Parish Financial Viability Plan to Regional Coordinator
- Implement Parish Financial Viability Plan

Parish Finance Committee

- Gather required parish information
- Prepare Parish Financial Viability Plan under direction of Pastor
- Monitor implementation of Parish Financial Viability Plan
- Advise Pastor as to Parish Financial Viability Plan status and changes required to achieve financial viability

Episcopal Vicar

- Serve as ex officio member of Deanery Executive and, if applicable, its subcommittee for parish reorganization (e.g. Deanery Implementation Team)
- Name which parishes do not meet the financial viability benchmarks of the Parish Reorganization Policy
- Instruct parishes to revise Parish Financial Viability Plans as required
- Notify parishes of Parish Financial Viability Plan approval and future deliverables, including timelines
- Inform parishes of unmet deliverables
- Notify parishes and diocese when a parish is no longer under financial review
- Invite participation of Episcopal Vicar for Francophone Parishes as appropriate

Regional Coordinator

- Serve as ex officio member of Deanery Executive and, if applicable, its subcommittee for parish reorganization
- Ensure completion of financial analysis of all parishes
- Ensure annual financial review of all parishes
- Ensure that parishes are notified of rationale, expectations and process for financial review
- Assist Pastors/Administrators and parish leaders
- Receive and forward parish financial data for review by deanery leadership
- Receive and forward copies of Parish Financial Viability Plan to Financial Administrator, Episcopal Vicar and Deanery Executive and/or its subcommittee for parish reorganization
- Ensure posting of approved Parish Financial Viability Plans on website

Deanery Executive or subcommittee for parish reorganization

(e.g. Deanery Implementation Team)

- Review parish data and Parish Financial Viability Plans under direction of Episcopal Vicar
- Recommend to Episcopal Vicar which parishes do not meet financial review benchmarks
- Receive Parish Financial Viability Plans
- Recommend Episcopal Vicar's response to Parish Financial Viability Plan, either calling for revision or approval
- Advise Pastor as to Parish Financial Viability Plan status and changes required to achieve financial viability

Financial Administrator

- Assist Pastors/Administrators and parish leaders
- Prepare and distribute parish financial data to Regional Coordinators
- Review Parish Financial Viability Plans and reports and submit comments, including recommendations for future deliverables and timelines, to Regional Coordinator
- Advise Parish Loan Fund of Parish Financial Viability Plan status

Parish Loan Fund

- Consider Parish Financial Viability Plans in decision-making

Determining which Parishes are subject to Financial Viability Review

A parish is placed on financial review if one or more of the following conditions are present:

- Three year average operating revenues are less than 100% of three year average operating expenditures
- Insufficient actual or projected Parish Loan Fund repayment
- Projected capital expenditures in excess of Parish Loan Fund deposits and projected capital receipts and operating surpluses.
- Serious building deficiencies not otherwise addressed

Determining Extent of Parish Financial Viability Review

All Parish Financial Viability Plans are to follow the Guidelines for Completion of a Parish Financial Viability Plan (Appendix 1). The Episcopal Vicar will determine the extent of the financial review required, including:

- timelines
- frequency of reporting by parish
 - e.g. annual, semi-annual, quarterly, monthly
- specific deliverables required, which could include:
 - Balancing of operating revenues and expenditures
 - Preliminary and/or Comprehensive Condition Report
 - Building remediation and restoration plan
 - Loan Fund Repayment Plan

Typical Annual Schedule for Parish Financial Viability Plan Development

Episcopal Vicars will name actual timelines for the submission and approval of Parish Financial Viability Plans. A typical schedule follows:

First year:

April 15	Parish financial data available from diocesan accounting department
May 15	Episcopal Vicars name which parishes are required to submit Parish Financial Viability Plans
August 30	Parishes submit Financial Viability Plans to Regional Coordinator
September 30	Episcopal Vicars approve Parish Financial Viability Plans

Second and subsequent years:

April 15	Parish financial data available from diocesan accounting department
May 15	Episcopal Vicar notifies parish when that it is no longer under financial review or, Deanery Executive requests action from parish as required.

Once a parish has been required to provide a Parish Financial Viability Plan, it will typically have three full fiscal years to attain a three-year average of 100% coverage of its expenses. If this three-year average of 100% coverage is not attained, the Episcopal Vicar will recommend that the parish will merge with at least one other parish, or to close, as per the Parish Reorganization Policy, p.15.

Appendix 1: Guidelines for Completion of a Parish Financial Viability Plan

Each Parish Financial Viability Plan will include an operations plan and a capital plan.

1. Operations Plan Guideline

As noted above, operating results are comprised of operating revenues and operating expenses. These revenues and expenses are quite separate and distinct from capital results. If the parish is incurring an operating loss (or deficit), it must develop a plan to either increase revenues, decrease expenses or some combination thereof.

At a minimum the plan should include:

- a) A financial statement showing year-to-date operating results for the current year with comparison to budget and prior year. Please provide an overview of the results, especially any significant variances versus budget or from the prior year. If the results indicate a deficit please provide a written narrative explanation. When preparing this analysis ensure that the results only include operating results. Capital results should not be included. Include a list of any significant (over \$1,000) amounts owing that the parish is aware of that have not yet been paid such as insurance, assessment, unremitted special collections, unpaid invoices or loan fund payments.*
- b) A statement showing projected operating results for the balance of the current year with comparison to budget and prior year. If the projected results indicate a deficit, submit a written explanation as to the reasons for this and what steps the parish will take to minimize the deficit.*
- c) Financial projection schedule for the next three years including a written explanation of the assumptions and plans (including a timeline) which will be implemented to balance operating expenses with operating revenues.*

A parish that has a deposit balance in the Loan Fund may need to make use of this balance during the three year period they are provided to demonstrate financial viability. This will only be permitted for the three year period and only if the rest of the plan demonstrates a determined and reasonable effort to achieve financial viability. A plan that proposes simply using Loan Fund withdrawals to fund deficits will not be acceptable.

2. Capital Plan Guideline

It is critically important to have an ongoing program of maintenance and restoration at each parish. In order to guide this process we have a policy that requires the completion of a Condition Report for each Church property of its 25th anniversary and/or prior to a capital project being approved. A Condition Report is a very comprehensive document prepared by pre-approved consultants.

A parish that is required to complete a Condition Report but has not yet done so will need to present a plan of completion. The parish should contact the Financial Administrator of the Diocese to get a copy of the booklet entitled "Policies for Funding and Completion of Parish Capital Projects" and ask for a list of consultants that have successfully completed projects in our Diocese in the past. The booklet describes the process for selecting a consultant. *At a minimum the plan should include the following:*

- a) *An overview of the plan to complete a Condition Report including key dates. It will take approximately 6 – 9 months to go through the process of identifying a consultant, having the draft report prepared, deciding on a plan of action, presenting the plan to the parish and then finalizing the report.*
- b) *The date by which the parish will present its restoration plan to the Building Committee for approval.*

If a parish has already completed a Condition Report the capital plan should outline the restoration plan, including:

- a) *Restoration costs.*
- b) *Fund raising plan.*
- c) *Timing of the restoration including when the costs will be incurred and the fund raising received.*
- d) *The date by which the parish will present its restoration plan to the Building Committee for approval (if it has not already done so).*

A parish that is in arrears with its loan repayment must present a revised plan to repay the loan. Essentially there are three ways to generate funds to repay the outstanding loan:

- a) *Implement a capital campaign; or*
- b) *Implement a plan to generate an ongoing surplus from operations and use the surplus funds to repay the loan; or*
- c) *A combination of a) and b).*

At a minimum the plan should include:

- a) *A schedule detailing the history of loan repayment including dates and amounts. The schedule should also provide details of the date the loan was advanced to the parish and the amount. Please provide a written explanation as to why the loan is in arrears.*
- b) *Projected loan repayment plan schedule detailing payments of principal and interest by year. The plan should detail the source of funds (i.e. capital campaign and/or surplus from operations). Please provide an overview to explain the plan.*

The Loan Fund is essentially a parish “credit union”. Parishes saving for a future building or restoration project deposit their funds into the Loan Fund for which they are paid interest. Other parishes that are embarking on building projects but do not have enough saved to pay can apply for a loan from the Loan Fund. Generally the Loan Fund will loan up to 30% of project cost with the understanding that the parish will repay the loan plus interest over a specified period. Parishes that are in arrears with repayment may prevent another parish from proceeding with a needed project. The Loan Fund can only be successful if all parishes support it by either depositing their savings or repaying their loans as soon as reasonably possible.

In addition to the pastor and Pastoral Team, the Parish Finance Council and possibly the Parish Pastoral Council should be involved in the preparation of this report. The plan should be signed by the pastor, Parish Pastoral Council chair and Parish Finance Council chair and submitted to the Regional Coordinator in your Deanery. Feedback to the parish will be provided once the Parish Financial Viability Plan has been reviewed. We realize that the preparation of this plan will involve much discussion, time and effort. Thank you to each parish and all those involved in preparing the plan. Hopefully after going through this process, you will have found it to be a positive experience that it will assist your parish in assuring its financial viability for many years to come.

Appendix 2: Parish Financial Viability Plan Process

Parishes are welcome to call on deanery and diocesan representatives throughout this process for assistance.

