



Echoing Our God of Order: Maintaining Your Facility

The physical structure of the Church is often a visitor's first encounter with your parish. How the facility is maintained tells a story to the community. It demonstrates our respect for the dignity of our place of worship and echoes our God of order, harmony, and beauty.

"The best evangelical strategy is one that moves from the beautiful to the good, and finally, to the true...

"first the beautiful (**how wonderful!**), then the good (**I want to participate!**), and finally, the true (**now I understand!**)."

- *Bishop Robert Barron*

Before we get started, let's review some terminology.

Capital improvement is an expenditure for the improvement or acquisition of a building or equipment (over a predetermined dollar threshold) with a useful life greater than 3-5 years.

Deferred maintenance is the anticipated or needed cost to maintain the effectiveness of the facility.

Capital Repair and Replacement Schedule describes the process of inventorying your current physical structure. The schedule is broken down to the smallest unit and calculates the estimated cost and date to replace that asset.

What are the benefits of a capital repair and replacement schedule?

- Provides a comprehensive financial analysis of capital needs
- Identifies large projects needed well in advance
- Projects cash needs in advance
- Enables sufficient time to raise funds for necessary projects
- Helps minimize unnecessary costs due to deferred maintenance
- Reduces stress by identifying issues in advance
- Fulfills requirements of the PACE/Prism program with Catholic Mutual, which gives the parish a discount on property insurance

It may appear daunting, but the most challenging step is just getting started. Constructing the schedule takes time initially, but that investment is more than repaid over time. To start, gather a team of individuals with relevant skills to assist in collecting and organizing data. These individuals may include the business administrator, the facilities manager,

buildings and grounds committee members, and other interested parishioners. It is helpful if the team represents diverse expertise or professions, such as the building trades, engineering, design, architecture, and finance. It is also important to keep the team small enough to be nimble in researching and advising.

Once the team has been assembled, the next step is to collect the data.

- Examine financial records, church history and other written documents
- Take a physical inventory of the facility
- Review the basic systems such as roofing, heating, and cooling, windows, flooring, and equipment
- **Record “what is there” along with “what *should* be there”**

Once data is collected, input it into a spreadsheet or another organizational tool. Here are the essential details to include for each asset:

- the original date the asset was acquired
- the cost
- the vendor
- which building it relates to
- the type of asset
- its estimated useful life in years

Formulas can be added to calculate the year and estimated cost of replacement. If the worksheet is sorted by year, it will align with financial planning for the parish and school. Once created, the worksheet requires a minimal time commitment to update and maintain. Catholic Mutual offers a template which can be adapted for your parish’s use.

If you need help with this process, feel free to reach out any time to Catholic Finance Corporation for assistance by calling 651.389.1070 or emailing info@catholicfinance.org. CFC will be hosting several working sessions this fall for those interested in this topic.

Financing Building Projects

Once you know what is on the horizon in terms of capital improvements, it is wise to prudently strategize the financing of the projects the parish chooses to include in its plan.

First, the parish needs to understand the available sources of funding for these needs. Sources can include cash on hand (both operating and designated capital funds) and capital campaigns designed to cover multiple projects or a major renovation. Shortfalls

in funding for the short-term can be made up with a loan to spread the cost affordably over several years. However, before taking out any loan, the parish needs to show reasonable coverage of debt service payments either from operations or a sensibly planned capital campaign. Demonstrating sufficient cash flow to complete projects and their repayment is a valuable part of the Archdiocesan Proxy Approval Process.

The parish should also attempt to construct and review any capital improvement plan in concert with their annual operating budget production. Another best practice is to make sure parishioners are aware of the capital funding quickly and respectfully. Good stewardship of our parishes means not waiting until a cold Sunday morning in January to make an emergency appeal for money to fund a new furnace to a church full of parishioners who can see their breath.

CFC's long-range financial planning model combines all these elements to provide a coherent picture of operations and capital funding. Again, contact our office if you are interested in learning more.