The Sixth Mark of Mission: Building Financially Sustainable Congregations

For the Joint Finance Panel of the
Diocese of Olympia
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Introduction

The Episcopal Church has adopted "Five Marks of Mission" to guide the work of its congregations. The marks are: To proclaim the Good News of the Kingdom; to teach, baptize and nurture new believers; to respond to human need by loving service; to seek to transform unjust structures of society, to challenge violence of every kind and to pursue peace and reconciliation; to strive to safeguard the integrity of creation and sustain and renew the life of the earth.

We believe there is a sixth mark of mission that is essential if congregations hope to achieve any of the original five marks of mission. The sixth mark is to build financially sustainable congregations. In order to carry out programs and activities, in order to teach and nurture, in order to respond to human needs, in order to transform, to challenge, to pursue, and to safeguard, there must be organizational structures in place to support this work. And for organizational structures to exist, there must be financial resources obtained, developed, and deployed in service of the first five marks of mission.

This document is an effort to guide congregations who seek to live into the original five marks of mission by helping them to develop practices and policies that will enable them to be financially sustainable. Being financially sustainable means that the members of the congregation can focus their primary energies on mission rather than being focused on survival. Being financially sustainable means that congregations can mount programs for years and decades rather than only for days or weeks. Being financially sustainable means that congregations can take on the long and difficult work of real transformation in their communities rather than being limited to "one-time" charity events or other short interventions. Being financially sustainable means that congregations can responsibly partner with other organizations to carry out projects no one organization can manage.

The missional work of the church can be done through many different organizational structures with widely varying budgets. There is no one model of being church. We present in this document several models of financially sustainable congregations based on real congregations in the Diocese of Olympia. Each model represents a possible way to configure a congregation but all the models represent congregations that are deeply engaged in mission.

We invite you, as a congregation, to review these models, compare them to your own organizational and budgetary structure and to determine whether your own congregation is financially sustainable for the work of accomplishing the "five marks of mission."

Background

Historically, Episcopal congregations have valued owning their own buildings – sanctuaries, education/program buildings, fellowship halls, and administration spaces. While "church plants" often begin in individual homes or rented spaces, congregations in the past have worked very hard to raise funds to build a permanent suite of buildings to support the mission of the church. This has meant considerable investments in land, buildings, and fixed expenses to heat, light, furnish, and maintain these buildings.

Episcopal congregations have also valued strong music programs. This value has meant investments in music equipment notably organs and high quality pianos, choir spaces, choir practice areas, and paid music directors/choir directors. The investment and operating expenses involved in these areas of Episcopal life can be substantial for a congregation.

Third, Episcopal congregations have long desired professionally trained clergy who are paid appropriately for their educational level and for their presence and work in the faith community. The operating costs of a full-time paid clergy person typically exceeds $100,000 per year. Since many Episcopal congregations disposed of their rectories some decades ago, the cost of housing a rector has increased particularly in urban and suburban areas which, in turn, places more pressure on keeping salaries competitive.

Fourth, prudent business practices require that some administrative staff be in place to maintain the daily life of the congregation and oversee its financial and legal obligations. While much of this work can be done by volunteers, there is typically some pressure to hire staff.

These historical values have combined to place a number of congregations into a difficult dilemma in our post-modern, post-Christian world. Their ability to raise funds annually has lessened as the world of church-goers has changed dramatically in the past three decades while their orientation toward maintaining a traditional organizational structure of permanent buildings, paid staff, and paid clergy has remained unaltered. Something will have to give in the near future if these congregations are to remain financially viable.

Current Dilemma

When congregations enter into difficult financial times, one of the first casualties to sustainability is long-term maintenance. Funds are not set aside annually to fund major maintenance and replacement schedules and, if the annual available funds continue to decrease, all the annual funds are spent on recurring items such as salaries, utilities, and immediate needs. A second phase occurs when congregations begin to balance annual expenses by drawing down unrestricted reserves or even endowment funds rather than retain them for long-term maintenance or the generation of funds for future needs. Since unrestricted savings and endowment funds have a fixed value, the continuing use for operating expenses creates a situation that is inherently untenable. It is the organizational equivalent of "eating one's seed corn to survive the winter." A third phase is entered when the congregation ceases to pay all of its obligations. It is typically the diocesan assessment that is not paid in full in order that other annual operating expenses can be paid. When the practice of "robbing Peter to pay Paul" becomes ordinary, congregations sometimes find themselves unable to pay mortgages or even to pay the full cost of clergy or staff salaries and benefits.

The ability of a congregation to raise funds for operating costs or any purpose turns on the number of individuals or families willing and able to make an annual pledge of funds, and their economic situation to make a pledge. In 2014, the diocesan average pledge was $2542.00. In some congregations the average pledge was over $3,000 while for others it was under $2,000. Obviously, the higher the average pledge is in dollar amounts, the fewer pledges are needed to meet the desired budget goal. Thus, wealthier communities find it easier to raise funds for a traditionally structured and staffed congregation than poor communities though many wonderful congregations operate successfully in less wealthy communities. These congregations have developed different models that more closely match the financial abilities of the congregation while still meeting or exceeding the "five marks of mission." Conversely, not all congregations that are financially stable and sustainable meet the "five marks of mission."

The Process of Determining Financial Sustainability

In an effort to help existing congregations think about and plan for financial stability and sustainability, here are some questions for congregational leaders to ask during their long-range planning meetings.

"You Might Be Financially Unstable If:"

1. Your congregation has not raised sufficient funds for your annual operating budget in each of the past three years;
2. Your congregation has only balanced its operating budget by holding a second stewardship campaign, a fund-raiser or two, or by receipt of fortunate memorial gifts several years in a row;
3. Your congregation has used substantial amounts of unrestricted reserve funds to pay ordinary operating expenses (more than a third of the available funds) - stable congregations have two-three months of operating funds in reserve to account for cash flow issues or unexpected emergency repairs;
4. Your congregation no longer has sufficient reserve funds available to pay for an unexpected problem such as a heating failure or other major emergency repairs;
5. Your congregation is withdrawing endowment funds for operating purposes such that you are reducing the principal of the funds each year;
6. Your congregation has deferred maintenance on critical elements of its buildings – leaky roof, failing heating system, persistent plumbing problems, or lighting systems or other major component – that have been unaddressed for more than five years;
7. Your congregation has balanced its annual budget by not paying its diocesan assessment and has no plan for recovery;
8. Your congregation is behind or in technical default on any loan or bond either with a bank or with the diocese;
9. Your congregation has had its debts to the diocese forgiven in the past three years and is again in arrears on its diocesan assessment;
10. Your congregation is unable to make its payroll obligations – salaries, benefits, pension contributions in more than two months in a row.

Please note that these are questions posed to help congregations attend to long-term financial stability. This is not about faithfulness to the Gospel; it is not about meeting the five marks of mission; it is not about the competence of congregations or their leaders. This set of questions is intended to gender thoughtful conversations within a congregation about its ability to continue with "business as usual" in light of these financial exigencies.

Congregations that answer yes to some of these posed questions should then take the time to investigate what changes will be necessary to enable the congregation to ensure its long-term viability. Some recommended areas of review and discussion are as follows:

Increased Income Efforts

A. What is the likely "ceiling" on pledges or regular income raising from the existing congregation? Have we "made the case" for our budgetary/missional needs?
B. What is the likelihood of congregational growth in the next three to five years?
C. What is the reasonable estimate of gaining new pledges and financial support from those new members?
D. Has the congregation done a thorough review/analysis of its stewardship efforts including consultation with the diocese and/or attendance at the College for Congregational Development?
E. Can we find off-sets such as outside rentals, imaginative sharing of spaces with other non-profit organizations or governmental agencies to assist with both mission and expenses?

Cost Reduction Efforts

A. What expenses can be reduced or cut to balance our budget and still keep our mission?

B. Can we manage our mission with volunteers rather than paid staff? In which areas it is essential that we have paid staff?

C. Can we afford a full-time paid clergy person or are there other ways to meet our pastoral and sacramental needs?

D. Could we divest ourselves of our buildings in a manner that respects our worship needs/desires but reduces our on-going expenses – could we be a "house church" or "Tent of Meeting" congregation in some way?

E. Can we look at all of our assets – land, buildings, financial resources, congregational talent, and find a way to put them to work in other ways commensurate with diocesan policies and legal restrictions? For example, could we re-develop our property in a way that would provide for worship space inside or next to rental space? For example, Saint George's Anglican Church in Paris, following a devastating fire, rebuilt an apartment building with their church in the basement, thus creating a new and innovative worship space while providing an endowment and on-going income from the apartments above that has provided significant stability and substantial new outreach programs. This option might work for some of our urban congregations.

Models of Financially Stable Congregations

1. "Tent of Meeting" Congregation

This model of a congregation owns no buildings. It rents space as needed for both administration and worship purposes. This frees up available funds for employees and for outreach and mission activities. The rental space is only as big as it needs to be. Such a congregation has a strong, vibrant on-line presence and uses technology to communicate. If needed, larger spaces are rented "as needed." Such a congregation might have only one or two employees and may only need a small office space to operate along with rented worship spaces – movie theatres, gymnasiums, lecture halls, or other gathering spaces.

An option here is if a congregation already has a paid-for facility that includes both worship space, meeting space, and office space but one that can be maintained at low cost by a core of volunteers who donate time and material to keeping up the facility, then it may be cheaper to keep the existing facility. There are Total Common Ministry congregations in our diocese in this situation and they operate with very low annual costs. Another option is to sell the existing property, invest the proceeds with the diocese to provide for rent payments, and then match the needed worship and meeting space to the current needs of the congregation.

A third option is to take either the rental option or the paid-for facility option and operate with no paid staff. Clergy would be either retired individuals or "worker-priests" who have support and benefits elsewhere. The rest of the staff would be also volunteer or paid part-time without benefits.

Depending on lease costs or fixed maintenance costs, such a congregation could reasonably operate on an annual budget of less than $50,000.

The drawbacks to such congregations lie in the instability of renting rather than owning. Setting up the "tent of meeting" each week constrains liturgical options and requires very simple services in order to operate successfully. Obtaining long-term leases is likely one way of stabilizing where a congregation resides for worship and finding a place that can be set up easily for worship and that has good acoustics or sound systems is likely critical as well.

2. "Family" Congregation

This congregation typically does own its own property and can raise sufficient funds to maintain it with periodic capital campaigns. It has a small staff – the paid clergy might be half-time, augmented by retired clergy or "worker priests." The rest of the staff might be paid – minimally or serve as volunteers, depending on the mix of talents within the congregation. Depending on the size of the congregation, clergy time and/or staff time can be increased. A key point occurs when the congregation must pay health benefits. This occurs when employees exceed half-time service and this point adds considerable fixed costs to the payroll. Such costs can exceed $20,000 per year per employee (employee plus two dependents or more). Clergy are paid according to a diocesan scale. The minimum salary for a full-time clergy person is approximately $57,000 per year plus pension payments and health benefits.

Depending on the energy costs of the buildings and the costs of paid maintenance, owning and operating a facility can cost a congregation close to $75,000 to $100,000 per year. Adding paid clergy and staff can increase the total budget to $250,000 per year. Typically, staff costs (clergy and lay) are the “drivers” behind “family congregation” budgets but there are some inevitable fixed costs to owning and maintaining a congregation’s facility.

“Pastoral” Congregation

This congregation also owns its own facility and typically has a “full-service” facility with dedicated spaces for worship, administration, education, and fellowship programs. This type of congregation often owns its own burial facility and may operate or rent space to a pre-school or day care facility. Other possible uses include a re-sale shop, after school programs, soup kitchen, food bank, or other on-site outreach programs or activities.

Pastoral congregations typically employ a full-time clergy person and several part-time staff. Retired or “worker priests” may also assist in the life of the congregation. While leadership is performed by volunteers, the congregation may employ a bookkeeper, a sexton, and hire outside vendors for various services.

Typical fixed costs for a pastoral sized congregation exceed $100,000 per year. Staff costs typically exceed $200,000 per year. With other costs of operation and mission included, most traditional pastoral sized congregations have annual budgets exceeding $400.000.

“Program and Up” Congregations

Larger congregations – program sized and corporate sized congregations are simply larger in terms of building plant, staffing, and fixed costs. Depending on staffing formulas, these congregations have annual budgets above $500,000 a year, ranging to over $1 million dollars a year. They typically feature several clergy on staff, music directors, choir directors, youth and children directors, and a full-time sexton with additional staff hired as needed.

Untested Models

At least in this diocese, no congregation has attempted to be larger than a “Tent of Meeting” congregation and not own its facility. It is unclear whether the size of a congregation is intrinsically linked to whether it owns or rents space. Historically, congregations have wanted land and a building on it. In the 21st Century, the future of congregations may lie in avoiding the obligations and fixed expenses of land and buildings while focusing available resources on staff and programs. While some traditional congregational programs are not easily done when one is renter, not being tied to a building allows congregations to change more quickly, grow and shrink less painfully, and to grow and shrink incrementally rather than grow or shrink in categorical ways.

It is also not clear that congregants will support “Tent of Meeting” congregations in the same way as traditional “brick and mortar” congregations. It may be that younger individuals, less committed to “bricks and mortar” in general may be more welcoming and supportive of “Tent of Meeting” congregations. The movement to virtual everything may assist this shift.

Perhaps the hardest issue to face in congregations seeking to be financially sustainable is the personnel challenge. Ministry, at its core, is incarnational. It is still physical presence of the caring for those in need. People in need still need people to listen, to comfort, and to help with their physical lives as well as their spiritual lives. But people are expensive. Traditional notions of productivity are hard to find in ministry. There is some help from technology but ministry is still craft-based and requires human time to be successful.

Part-time work for clergy has been one answer. But anyone who has done part-time work in ministry soon learns that the job is not part-time, only the compensation. Keeping healthy boundaries is hard enough in ministry but to do so with a part-time position is almost impossible. Moreover, our society is deeply rooted in rewarding people with dollars. Paying less and expecting the same level of engagement is a certain recipe for disappointment and burn-out. It is also harder to develop successful ministers if there are fewer beginning positions available. It is an unfortunate side-effect of the decline in financially sustainable congregations that there are so few assistant or associate clergy positions available for the newly ordained. Too many clergy accept senior roles in challenging congregations because there are no other positions available.

Retired clergy can be a way to leverage skills and experience in difficult financial times. How they are used is critical, however, and non-stipendiary clergy, whether retired or "worker-priests" often wish to travel at the holidays and so are not available for services or have limited availability for funerals, weddings, hospital visits, and other clergy duties. Finally, it is more difficult to evaluate and hold volunteers accountable than it is employees.

Out-sourcing work might also provide some savings to congregations. Payroll, accounting, cleaning, and many other needs of a congregation can be provided by others, sometimes for less than one can hire an employee. These practices still require over-sight, however, and someone in the congregation needs to be knowledgeable about such services and able to monitor and evaluate their work.

Final Note on Financial Sources

Regardless of organizational size, structure, or budget, the life of a congregation turns on sufficient numbers of members to pledge their dollar support annually to the congregation. This number can be as small as ten people, though the average number of pledgers for missions in this diocese is twenty-five people and for parishes, the average is close to one hundred. While some congregations enjoy large endowments and others have modest trust funds, the on-going work of our congregations is tied to the annual support given by core members. We are mostly pledge-driven institutions. Since about 10% of most congregations leave or die each year, all successful congregation must replace those pledgers every year. To account for inflation, all successful congregations get their core members to increase their annual pledge – at least by the amount of inflation.

It is this work that congregations must do, to build a core membership that is committed to the long-term vitality of the congregation, which is at the core of the sixth mission. It is disciple-making; it is kingdom-making; it is being the Body of Christ.